THE ROLE OF THE EHS PROFESSIONAL IN HEALTH CARE COST MANAGEMENT

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Operating Principles

- Companies are in business to make money
- If you spend more than you make you won’t be in business for very long
Today’s Business Reality

• Global markets, “hyper”-competitive
• More work done virtually, growing service economy
• Workforce getting older, decentralized
• Reduce infrastructure costs
• Faster commercialization
• Customers’ needs must be met
Company’s Challenge in Health

- Healthier and more profitable business (proactive approach)
- Spend less paying medical treatment bills (reactive approach)
HEALTH CAN BE A STRATEGIC LEVER TO MAXIMIZE BUSINESS SUCCESS
The Cost of Health Care

• $1.9 trillion spent annually in the U.S.
• Increasing at a rate of 8% to 9% yearly
• Average total health benefit cost per employee of $6,679 in 2004

Center for Medicare and Medicare Services, Office of Actuary
Looking at the Bigger Picture

- Consider health care cost impacts
  - Employees
  - Dependents
  - Retirees
- Cast a wider net regarding prevention of illness and injury
  - Occupational
  - Non-occupational
The Approach

- Analysis
- Planning
- Program Implementation
- Assessing Program Effectiveness
Analysis

- Cost trend analysis
  - Employee, dependent, retiree
  - Occupational/non-occupational
- Data must be accurate and reliable
- Goal is to identify illnesses/injuries with highest per capita costs
- Areas with greatest costs should be ranked highest on intervention priority list
Total Lost Time (Time Absent from Work)

- Work-related
- Non-occupational
DATA-SUPPORTED ASSESSMENT OF HEALTH NEED
Employee Absence From Work for Illness or Injury

• How much?
• Total lost time
• How much is it costing?
• What are the leading causes of absence for illness or injury?
• What’s the workplace improvement opportunity for your company’s need?
CAUSE OF TOTAL LOST TIME* AMONG EMPLOYEES

Occupational 10%

Non-Occupational 90%

*Lost Time for Absences > 5 days
TOTAL LOST TIME: How Much is Too Much?

High  8%
Moderate  3%
Best-in-Class  1.75%
WHAT’S THE OPPORTUNITY IN TOTAL LOST TIME IMPROVEMENT?

Example: Staffing Impact

<table>
<thead>
<tr>
<th>Workforce: 1000 employees</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Lost Time</strong></td>
</tr>
<tr>
<td>High 8%</td>
</tr>
<tr>
<td>Moderate 3%</td>
</tr>
<tr>
<td>Low 1.75%</td>
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</tbody>
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Do you back-fill for employees when absent?
- Pay 2 employees for the work of one
- Premium pay differential for OT
- Salary continuance: 100% or less
A November 2004 study by the Center for Prevention and Health Services shows that “…employers get $3.48 back in reduced health care costs and $5.82 in lower absenteeism costs for every dollar invested in employee wellness.”
Planning

- Include key stakeholders
  - Senior management
  - Union representatives
  - EHS professionals
  - Health promotion professionals
  - Human resource professionals
- Create incentives
- Solicit stakeholder buy-in and commitment
- Establish key benchmarks and metrics
Program Implementation

• Intervention programs implemented
  • Health protection
  • Health promotion
  • Case management
Some Costs of Prevention

• Payment comes before savings and, thus, may not make sense with annual enrollment switching
• Each program has a different payback period
• Each population faces a different set of risks
• Compliance (medical community and patient/consumers) does not happen without education and compatible incentives
Seek to Add Value

- Determine services that add the most improvement in health status or consumer satisfaction per $ spent
- Employ evidence-based medicine – that based on the most valid and reliable scientific information available
- Reward evidence-based “best” practice
- Recognize there may not be one “best” way.
Example Programs

Musculoskeletal Continuum:
  Employee Conditioning
  Care Plans for Injured/Absent including RTW plan with provider
  On-site PT (rehab)
  Travel Medicine
  Worksite Influenza Immunization
  Chronic Disease Management
  Employee Assistance Program
  “Know your numbers”

MS Conditioning (post-rehab)
Bloodborne Pathogens
Nursing Mothers Program
Health Benefits Design
Smoking Cessation
Home/School IAQ
Example Programs (cont.)

Cost savings by treating injuries onsite vs. refer to community providers

Preventing today’s accident prevents long and future liabilities (Workers Comp)

Corporate values and leadership style, effectiveness

Increasing physical activity, weight management

Impact of emerging health issues

  Rx Changes (e.g. Vioxx, pain mgmt)  SARS

  Asthma in adults

  Smoke-free Workplace Laws
Assessing Program Effectiveness

- Program effectiveness compared against the benchmarks and metrics established during planning
- Assessment should be systematic and measure, among other parameters, each programs return on investment
In Conclusion...

- EHS professionals can play a key role in helping corporations manage their health care costs and improve profitability.
- By using the integrated approach of health protection and health promotion, and including key target populations in these programs, organizations can enhance their investments in health, wellness and benefit resources.
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