

The Outlook for Health  
Management and Wellness Programs:  
**The Evolution of Employee Benefit Programs in a  
Private Health Insurance Exchange Environment**



## A healthcare revolution is underway.

This paper evaluates the future of health management and wellness programs with the rollout of health care reform and the advent of private health insurance exchanges.

Traditionally, many employers have offered health care benefits through a defined benefits model where employers are responsible for shouldering much of the cost and risk associated with the benefits. However, with the dramatic rise of health care costs over the last few decades, accounting for \$2 trillion and 16% of GDP, employers have sought ways to offset the costs while still offering benefits to their employees.<sup>i</sup>

Employers have begun to counter rising health care costs through consumer-driven strategies such as high deductible plans, wellness programs, incentives, and tools like health savings accounts and health care cost estimators. Even in the shifting landscape of private exchanges, the most progressive employers aim to achieve lower costs while keeping employees engaged and healthy. Population health management remains a strong value proposition for employers who believe that healthier employees drive a healthier bottom line.

Health management and wellness programs that encourage all employees, not just the sickest or those with chronic conditions, to take an active role in managing their health will continue to drive value in private exchanges for employers. In 2012, the Buck Consulting Global Health Promotion Survey found that more than 79% of employers report offering some sort of a health management program and another 14% plan to implement it within the next two years.<sup>ii</sup> The adoption of health management programs in the workplace is clearly on an upward trajectory.

### A Defining Moment for Population Health Management Programs

In the wake of the Patient Protection and Affordable Care Act (ACA), employers are examining new strategies to both finance and deliver health benefits and services including leveraging defined contribution through private health care exchanges. At a high level, this strategy includes an employer-defined allocation of dollars per employee, which can be spent on healthcare benefits and services. Although there is speculation that in the coming months and years, some employers may decide to exit the business of offering health benefits to employees the majority of employers remain committed to employee health and wellbeing. Those employers responding to the rise in health care costs by seeking out private exchanges as a means to save may plan to reinvest savings in other areas such as expanding existing health and wellness initiatives.<sup>vi</sup>



### Optum Sees Growth Despite Market Conditions

Regardless of tough economic times, according to Optum's Annual Health Management in the Workplace Survey, 40% of employers anticipate that wellness spending will increase over the next three years — up from 30% in 2011.



Health Management and Wellness programs include a suite of interventions designed to engage consumers across the care continuum, including:

- disease management
- wellness coaching
- biometric screenings
- health assessments
- case management
- fitness challenges
- and more

Private health insurance exchanges, when combined with a defined contribution model, are designed to help employers better control their annual healthcare costs. Exchanges will change the way employers strategically think about and administer health care benefits and create a consumer-centric purchasing environment in health care. This potential shift to a defined contribution model from a defined benefit model marks a significant change in employer benefit strategy. Health management programs have clearly flourished in a defined benefit environment, but the question remains:

**Will health management programs remain relevant to employers in a defined contribution/private exchange environment?**

Based on our analysis of current market data and industry insights, the answer, so far, is yes.



**of employers are increasing their emphasis on wellness initiatives and incentives due to the impact of ACA.**

### **Affordable Care Act**

There are several provisions in the ACA aimed at expanding health management activities. A few of the provisions include \$200 million in start-up grants for small businesses to set up their own wellness programs and a \$10 million grant program for organizations with expertise in helping employers establish and expand tobacco-free policies, smoking cessation programs, physical fitness activities and healthier food choices in the workplace.<sup>iii</sup> Additionally, the ACA has raised the limit on rewards that employers are allowed to offer to employees that participate in health contingent programs.<sup>iv</sup> Each of these provisions has the potential to extend the reach of health management programs and enhance their effectiveness.

The impact of these ACA provisions can already be seen in the way that employers are approaching health management programs. According to a survey by the International Foundation of Employee Benefits Plans, about 20% of employers are increasing their emphasis on wellness initiatives and incentives due to the impact of ACA.<sup>v</sup>

### **The New Private Exchange Marketplace**

Private exchanges are designed to give employees more choice in carriers, health plans and ancillary benefits in addition to offering more advanced decision support tools to help them take advantage of the increased options within this new marketplace. Employers offer health insurance through the private exchange, and then their employees can choose a health plan from those supplied by participating payers. One big attraction of private exchanges is that they can facilitate the migration to a defined contribution model while allowing employers to retain some involvement in their employees' health care.

This opens up opportunities for employers in private exchanges to maintain or develop a coordinated health management environment for their employees that supports the varying health and wellness goals of individuals across the health continuum.

Although, the number of employers participating in private exchanges for 2014 is limited – the industry anticipates this number to grow by attracting national employers in the retail and service industry early on as well as midsized employers.

### **The Case for Health Management and Wellness Programs in the Private Health Insurance Exchange Environment**

When private health exchanges are fully deployed in the marketplace, consumers will have more choices than ever before. While exchanges serve to lower the cost of health insurance, at Optum we are optimistic that the private exchange platform will give employers more resources and reasons than ever before to invest in creating a consistent culture of health and wellness for their employees.

#### **Early Insights into Employer Investment**

Though private exchanges are still largely in the development phase, several firms have taken an early snapshot of how employers are starting to think about health management in a health care reform era.

According to Optum's Annual Health Management in the Workplace Study of 500 Human Resource professionals:



Aon Hewitt's Corporate Health Care Exchange Survey of more than 560 employers found:



In Willis' The Health Care Reform Study 2012-2013 authors indicated that "spurred by health reform, employers are pursuing a variety of other strategies to manage health plan cost over the long term. Wellness and employee health management tops the list." The study of 1200 employers additionally found that:



In addition to these findings, exchanges also have the power to redefine the role of the Human Resources Department, another potential benefit. While many HR leaders have traditionally focused on health plan design and administration, they may be able to dedicate more energy to strategically approaching employee health & wellbeing through targeted health management programs and wellness incentives.

We believe that an increased emphasis on the link between health and overall employee engagement and productivity may lead to increased participation and efficacy at the employee level.

### Employers Recognize that the value of Health Management and Wellness Programs Go Beyond Cost Containment

While health care cost containment has always been a key performance indicator for health management programs in a defined contribution model, a recent Kaiser Family Foundation study<sup>xi</sup> found that only 9% of employers identified cost containment as the primary reason for offering such a program. And with the advent of private exchanges, employers are citing additional reasons for implementing health management programs such as improved productivity, employee recruitment and retention, and decreases in absenteeism.

Industry experts support re-investing in employee health because healthy employees are good for business:

**“Whether [employers] continue to offer a company-sponsored plan or choose a private exchange, healthy employees who are engaged, at work, and focused on the job at hand will be at a competitive advantage.”<sup>xv</sup>**

-Aon Hewitt

**“Employers could not only expand or refine wellness programs to focus on elements that have a substantive, positive and documentable impact on employee health and satisfaction but also provide the right incentives to encourage participation.”<sup>xiv</sup>**

-McKinsey & Company

**“Even if your employees are getting coverage through the exchange now, you want to make sure that they are healthy because a healthier employee is a more productive employee.”<sup>xvi</sup>**

-International Foundation for Employee Benefit Plans

For example, a recent study found that employees who exercised on workdays reported 21% higher concentration. They were 25% less likely to take unscheduled breaks, and 22% more likely to reach their deadlines on time.<sup>xiii</sup> Optum believes that these types of performance metrics, will help build the business case for health management in a post-healthcare reform environment.

Additionally, a look at global health management programs in Europe, shows that although employees generally have some form of government sponsored healthcare coverage, employers continue to invest in wellness programs to increase business performance and employee productivity.<sup>xvii</sup> This example highlights a key paradigm shift that we could see as the private health exchange marketplace takes hold.



### The Value of Health Management Beyond Cost Containment:

**52%** of companies with 50-100 employees say health and wellness programs are critical to employee retention and recruiting top talent.<sup>iv</sup>

According to a survey by the Kaiser Family Foundation<sup>xi</sup>, when asked the primary reason for offering a wellness program, **35%** of firms cited improvement of employee health or reduced absenteeism.

**65%** of companies with 50-100 employees say a health and wellness program is a key differentiator for employee recruitment.<sup>iv</sup>



## Closing Thoughts

It remains to be seen how exactly private exchanges will affect employee benefit initiatives, but it's clear that there are great opportunities for health management programs in a post-health care reform era.



There are several existing ACA provisions aimed at expanding health management activities - some employers are already increasing their emphasis on employee health as a result.



Early insights highlighted in this paper demonstrate that even as employers adopt private exchanges, they will still be committed to employee health management and may even expand the scope of these programs.



In an exchange environment, employers will place an even greater emphasis on the value that health management may have on productivity, reduced absenteeism and employee retention... and continue to invest in health management strategies.

At Optum, we believe that the ACA provisions and early market trends documented in the paper are examples of indicators that support the premise that health management programs will remain relevant to employers even in a defined contribution/private exchange environment. While the mechanisms for delivering health care will continue to evolve, it is important that employers remain focused on providing employee health management programs that deliver results for their employees and their bottomline.

<sup>i</sup> Sood, Neeraj, Arkadipta Ghosh, and Jose Escarse. The Effect of Health Care Cost Growth on the U.S. Economy. Issue brief. September 1, 2007. <http://aspe.hhs.gov/health/reports/08/healthcarecost/report.html>.

<sup>ii</sup> Koster, Kathleen. "The Wellness Path Not Taken." Employee Benefits News, April 15, 2013. <http://ebn.benefitnews.com/news/the-wellness-path-not-taken-2731922-1.html>.

<sup>iii</sup> "The Affordable Care Act." U.S. Department of Health & Human Services. March 23, 2010. <http://www.hhs.gov/healthcare/rights/law/index.html>.

<sup>iv</sup> "The Affordable Care Act." U.S. Department of Health & Human Services. March 23, 2010. <http://www.hhs.gov/healthcare/rights/law/index.html>.

<sup>v</sup> Mrkvicka, Neil, Justin Held, Julie Stich, and Kelli Kolsrud. 2013 Employer-Sponsored Health Care: ACA's Impact Report. April 2, 2013. <http://www.ifebp.org/pdf/research/2103ACAImpactSurvey.pdf>.

<sup>vi</sup> Kapur, Akshay, Ashish Kaura, Mino Javanmardian, and Paolo Borromeo. The Emergence of Private Health Insurance Exchanges: Fueling the "Consumerization" of Employer-Sponsored Health Insurance. Booz & Co. 2012. <http://www.booz.com/media/file/BoozCo-Emergence-Private-Health-Insurance-Exchanges.pdf>.

<sup>vii</sup> Aon Hewitt. Corporate Health Care Exchange Survey: The Time Is Now – Rethinking Health Care Coverage Report. 2012. [http://www.aon.com/attachments/human-capital-consulting/Corporate\\_Exchange\\_Survey\\_Report\\_Final\\_2.pdf](http://www.aon.com/attachments/human-capital-consulting/Corporate_Exchange_Survey_Report_Final_2.pdf).

<sup>viii</sup> Aon Hewitt. Corporate Health Care Exchange Survey: The Time Is Now – Rethinking Health Care Coverage Report. 2012. [http://www.aon.com/attachments/human-capital-consulting/Corporate\\_Exchange\\_Survey\\_Report\\_Final\\_2.pdf](http://www.aon.com/attachments/human-capital-consulting/Corporate_Exchange_Survey_Report_Final_2.pdf).

<sup>ix</sup> The Health Care Reform Survey 2012-2013. Willis. February 2013. [http://www.willis.com/documents/publications/Industries/Healthcare/HealthCareReformSurvey\\_2012\\_2013.pdf](http://www.willis.com/documents/publications/Industries/Healthcare/HealthCareReformSurvey_2012_2013.pdf).

<sup>x</sup> The Health Care Reform Survey 2012-2013. Willis. February 2013. [http://www.willis.com/documents/publications/Industries/Healthcare/HealthCareReformSurvey\\_2012\\_2013.pdf](http://www.willis.com/documents/publications/Industries/Healthcare/HealthCareReformSurvey_2012_2013.pdf).

<sup>xi</sup> The Kaiser Family Foundation. Employer Health Benefits: 2012 Summary of Findings Report. March 1, 2013. <http://kaiserfamilyfoundation.files.wordpress.com/2013/03/8346-employer-health-benefits-annual-survey-summary-of-findings-0912.pdf>.

<sup>xii</sup> Singhal, Shubham, Jeris Stueland, and Drew Ungerman. How US Health Care Reform Will Affect Employee Benefits. Report. June 1, 2013. [http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/how\\_us\\_health\\_care\\_reform\\_will\\_affect\\_employee\\_benefits](http://www.mckinsey.com/insights/health_systems_and_services/how_us_health_care_reform_will_affect_employee_benefits).

<sup>xiii</sup> International Journal of Workplace Health Management. Exercising at Work and Self-reported Work Performance. Issue brief. December 16, 2008. <http://www.dailymail.co.uk/news/article-1095783/People-exercise-work-days-happier-suffer-stress-productive.html>.

<sup>xiv</sup> Singhal, Shubham, Jeris Stueland, and Drew Ungerman. How US Health Care Reform Will Affect Employee Benefits. Report. June 1, 2013. [http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/how\\_us\\_health\\_care\\_reform\\_will\\_affect\\_employee\\_benefits](http://www.mckinsey.com/insights/health_systems_and_services/how_us_health_care_reform_will_affect_employee_benefits).

<sup>xv</sup> Aon Hewitt. Corporate Health Care Exchange Survey: The Time Is Now – Rethinking Health Care Coverage Report. 2012. [http://www.aon.com/attachments/human-capital-consulting/Corporate\\_Exchange\\_Survey\\_Report\\_Final\\_2.pdf](http://www.aon.com/attachments/human-capital-consulting/Corporate_Exchange_Survey_Report_Final_2.pdf).

<sup>xvi</sup> Mrkvicka, Neil, Justin Held, Julie Stich, and Kelli Kolsrud. 2013 Employer-Sponsored Health Care: ACA's Impact Report. April 2, 2013. <http://www.ifebp.org/pdf/research/2103ACAImpactSurvey.pdf>.

<sup>xvii</sup> Koster, Kathleen. "The Wellness Path Not Taken." Employee Benefits News, April 15, 2013. <http://ebn.benefitnews.com/news/the-wellness-path-not-taken-2731922-1.html>.

<sup>xviii</sup> Mattke, Soeren, Hangsheng Liu, John P. Caloyeras, Christina Y. Huang, Kristin R. Van Busum, Dmitry Khodyakov, and Victoria Shier. Workplace Wellness Programs Study. RAND Health. May 2013. [http://www.rand.org/pubs/research\\_reports/RR254.html#abstract](http://www.rand.org/pubs/research_reports/RR254.html#abstract).

<sup>xix</sup> Fidelity Investments and National Business Group on Health. "New Health Care Survey Finds Spending on Wellness Incentives Has Doubled in the Last Four Years." News release, February 27, 2013. National Business Group on Health. <http://www.businessgrouphealth.org/pressroom/pressRelease.cfm?ID=207>.

<sup>xx</sup> Mattke, Soeren, Hangsheng Liu, John P. Caloyeras, Christina Y. Huang, Kristin R. Van Busum, Dmitry Khodyakov, and Victoria Shier. Workplace Wellness Programs Study. RAND Health. May 2013. [http://www.rand.org/pubs/research\\_reports/RR254.html#abstract](http://www.rand.org/pubs/research_reports/RR254.html#abstract).

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