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The Bottom Line: A Carrot, Not a Stick

Companies are finding creative ways to make employees understand their role in cutting health-care costs

With health-care costs spiraling out of control, many plan sponsors' knee-jerk reaction has been to cut back on benefits and shift costs—but there are other ways. Last spring, Stew Leonard's decided that it wanted its employees to become educated health-care consumers and to understand fully what their benefits cost the company. So, the Norwalk, Connecticut-based grocery and specialty food retailer created "Benefits Jeopardy."

Styled on the television show, the game involved employees dividing into teams during monthly department meetings and using buzzers to ring in with the answers to questions, says Karen Mazako, human resources vice president. Employees were asked questions such as, "True or false: In 2002, the cost of brand name prescription drugs was 12 times greater than the cost of generic prescription drugs" and, "What program allows you to save on the purchase of maintenance medicine?" Other questions included: "By using an urgent-care facility rather than the emergency room, how much money would you save on your co-pay?" and, "In 2002, what did the company contribute to your medical coverage?"

Stew Leonard's ran Benefits Jeopardy for all 2,000 employees in its three stores, the winners receiving free movie tickets. Employees responded well: Mail-order drug program purchases increased by more than 30%, Mazako reports, and generic prescription drug usage increased as well, although she does not have exact figures. The game was such a success that Stew Leonard's is planning to run it again this year.

"We find that, when people have information and know they can make a contribution, they really want to help," Mazako says. "Benefits Jeopardy accomplished that because they became more educated as to how they can have an impact on costs for themselves and the company as well." Stew Leonard's is not self-insured, but its health-care plan is experience-rated, and the company picks up the full cost of single-employee coverage, so employees' health-care decisions still have an impact on the bottom line.

Many employers have focused on changing plan design as the only solution to rising health-care costs, shifting more of the burden onto employees' shoulders. However, this strategy has proven to have minimal, if any, impact on reining in rising costs, says **Dennis Ackley**, a benefit communication consultant. So, now, in combination with other cost-saving strategies, some companies are trying to turn employees into partners in controlling health-care costs. The challenge is to make them understand the extent to which employees' health-care decisions affect not only the company's bottom line, but also what they themselves have to pay for health insurance.

Someone Else's Money

The problem with traditional health-care plan employee communications, Ackley says, is that it gives employees the impression that they are spending someone else's money. "We told people what they wanted to hear: It was the insurer's money, and you can go to a doctor and pay only $10 no matter what it really costs."

Even at self-insured companies, employees often assume that the company provides the insurance and that the "big insurance company" is the one that actually pays the claims, says Barry Barnett, a principal with PricewaterhouseCoopers' Human Resource Solutions in New York. There is no connection in employees' minds between the bottom-line cost of their medical benefits and the impact it can have on the bottom line, he contends.

A 2003 survey illustrates the problem. Medco Health Solutions found that 78% of 1,000 surveyed workers did not know that their employer's drug plan had limited funds. Employees also believed that it was "insurance companies" and not plan sponsors that pay their prescription drug benefit costs and they believed that, by using lower-cost drugs, such as generics, they were boosting insurance companies' profits.

If they want to rein in health-care costs, plan sponsors have to shatter the "someone else's money" illusion, Ackley says: "You can't fix it until we explain that it's not someone else's money." Generally, workers want their company to succeed, if only for the selfish reason of maintaining their own jobs.

If you ask people to save paper clips or turn off lights to save electricity, they will, because they understand that it saves the company money, Ackley says, but they will still take little Johnny to the emergency room on the weekend because they do not understand that they are spending the company's money.

No Jargon

To dispel the notion that the insurance company pays the bills, Ackley recommends dropping insurance company jargon from the health-care plan and removing any reference to any insurer that is involved with administration. Sponsors must drive home the point to employees that the claims they enter are paid out of company assets and that their decisions ultimately can affect what they themselves pay for their insurance if employees are to feel they have a stake in controlling costs. Employees, he says, have to understand that their costs will increase if they do not reduce overall plan costs voluntarily.

Ackley also recommends that employers quantify the costs of employees' unhealthy habits: Post signs in smoking areas, for example, stating, "Last year, the company spent $_ through the Health Plan to pay for smoking-related illnesses."

One of Barnett's clients now is making the change in its benefits communications. As part of an overhaul of its entire health-care program to a defined contribution approach, Kansas City-based Aquila, Inc., is sending a message to its employees that "We're working on the balance sheet and you're working on your health care," Barnett says.

Aquila also is trying to get across the message that employees "win" when they make prudent health-care decisions, telling them that Aquila will pay for 75% of the cost of health care and employees the other 25% in any given year. That means if health-care plan costs remain stable or go down, then so will employees'. Among other changes, Aquila also will be setting up health savings accounts for employees, offering them cash incentives for healthy behavior, and giving them Web-based tools for disease management.

During open enrollment, the company also is communicating the plan's total cost to the company and how employee contributions were determined. Aquila senior management is taking this program so seriously, Barnett says, that they plan to communicate personally the changes to the company's 3,200 employees when the plan is rolled out this spring.

Companies like Stew Leonard's that have used employee communications to make employees conscious of their role in reducing health-care costs have seen results. After watching prescription costs skyrocket, Rochester-based Wegmans Food Markets, Inc., wanted employees to switch from brand name to generic prescription drugs. The company instituted an aggressive communication campaign calling upon employees to switch. It asked them to speak with their doctors about switching and detailed the cost savings to the company of doing so, says Karen Shadders, Wegmans' vice president of people. Within six months, use of generic prescriptions rose 5%, saving the company's self-insured plan about $2 million, Shadders reports.

Employees will pitch in and will go the extra mile if you only ask them, she says.