Reducing Health Insurance Costs

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Township evaluates factors that escalate health costs, offers employees incentives to stop smoking, lose weight and adopt healthy habits

A few years ago, Upper Merion Township, Pa., officials began addressing the skyrocketing costs of their self-funded, 100 percent employer-paid health insurance plan by analyzing employees’ health claims and prescription drug use. Upper Merion contracted with Bethesda, Md.-based WellNet Healthcare to compile an overview of its past, present and future health care cost scenarios, including individuals who posed the biggest health risks and potentially the biggest health care costs. Using that information, the township began working with employees to improve their health.

Upper Merion also negotiated with the union and non-union employee groups to share health care costs. To help offset employees’ costs, the township introduced an incentive points system to encourage employees to pursue healthy habits. Employees can earn points for completing a smoking cessation program, a weight management program or enrolling in an exercise plan, and use the points to deduct from their contributions to the health care plan.

Township officials also now consolidate pharmacy claims data that is available to the Human Resources and Finance departments. The information gives an overview of employee health patterns and warning signs, so township officials can make decisions about cutting costs and limiting future increases. Employees also have begun using a Web portal, where they can communicate with care managers, claims specialists and providers, research conditions, compile electronic medical records, review medications and claims, track spending and manage incentives.

So far, 26 percent of the high and moderate risk employees have worked with care managers, up from 5 percent before the incentive program was in place. Township officials expect to avoid $300,000 in costs and risks to the total medical plan annually as a result of the program. “January 2009 brought with it a significant change in how health care costs would be managed into the future. Upper Merion's leadership is committed to creating an environment in which the long-term goal is a healthier workforce, which will, in turn, reduce the overall costs of our health care plan,” says Fred Santoro, Upper Merion's director of human resources.

Project: Health care cost controls
Jurisdiction: Upper Merion Township, Pa.
Agency: Human Resources and Finance departments
Vendor: Bethesda, Md.-based WellNet Healthcare
Results: 26 percent member engagement; $300,000 in costs and risks avoided

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