

HUMANA

A Commitment to Best Performance

A Humana position paper
based on data and findings
of the 12th Annual National
Business Group on Health /
Watson Wyatt Survey Report
2007, Dashboard for Success:
How Best Performers Do It



HUMANA
Guidance when you need it most

Executive Summary

As the overall rate of healthcare cost increases remains at about twice the rate of inflation, some employers are significantly beating the trend by taking a broad, innovative approach to their healthcare programs.

These companies often turn to multi-year integrated solutions, such as Humana's SmartResults,SM that combine consumer-directed health plans (CDHPs) with health management initiatives, education, and financial incentives to address the root cause of rising healthcare costs by empowering employees to make smarter healthcare decisions.

The integrated, multi-year solutions of SmartResults can be effectively integrated with SmartSuite,[®] Humana's full replacement suite of health plans that offer consumer choice and can make healthcare costs more predictable. SmartSuite offers innovative yet practical solutions that empower employees to become better healthcare consumers, improve health outcomes, and allow employers to exercise greater control over their companies' long-term claims cost trends.

The 12th Annual National Business Group on Health / Watson Wyatt study details current trends and best practices in employer-sponsored healthcare benefits programs. Key findings of the study include:

- Best-performing companies have a two-year median cost increase of 2.5 percent, compared with 11 percent for their poor-performing counterparts.
- Best performers are more likely to implement programs that go beyond employee cost-sharing and involve the appropriate use of financial incentives, effective information delivery, quality of care, employee health and productivity, and data and metrics.
- CDHPs continue to gain popularity. Thirty-eight percent of employers now offer such a plan, and 25 percent offer a Health Savings Account (HSA). While CDHPs can help control cost increases when combined with other tactics, the use of CDHPs alone does not correlate with a lower cost trend.

Survey Trend

Healthcare Cost Increases Stabilize

Median annual cost increases for healthcare expenses were 8 percent in 2006 — in line with employers' expectations. Employers are more accurately budgeting for their healthcare costs as well; 82 percent of employers came in either at or below budget in 2006. However, despite their efforts to curb future cost increases, employers expect the current rate of increase to continue through not only 2007 but also 2008.

Use of CDHPs on the Rise

The number of companies offering a CDHP to their employees grew to 38 percent, up from 33 percent last year. Although employer adoption of CDHPs slowed in 2007, the use of HSAs remains strong. Forty percent of employers either offer or plan to offer an HSA, and 26 percent offer or plan to offer Health Reimbursement Accounts (HRAs) (Figure 1).

Figure 1 CDHPs with account-based options growing in use

	2007	Planned for 2008	(Total)
CDHP with HSA	25%	15%	(40%)
CDHP with HRA	20%	6%	(26%)
Contribute funds to an HSA	15%	11%	(26%)
CDHP with no account	9%	2%	(11%)
Total replacement CDHP	5%	4%	(9%)

Predictably, the perception of CDHP effectiveness differs between employers that offer the plans and those that do not. Employers offering CDHPs are nearly 65 percent more likely to consider the plans effective at improving employee health. They are also nearly three times more likely to believe that CDHPs can improve employee productivity (i.e., lost workdays, absenteeism) (Figure 2).

Figure 2 Perceived effectiveness of CDHPs

	All Employers	Employers offering CDHPs	Employers not offering CDHPs
Increasing employee involvement in healthcare decision making	90%	96%	88%
Controlling healthcare cost increases	77%	84%	74%
Improving employee health	43%	59%	36%
Maintaining employee satisfaction	43%	74%	30%
Improving the quality of healthcare	35%	52%	28%
Improving employee productivity	20%	38%	14%

CDHPs are widely seen as effective by those who offer them to their employees.

Health management programs remain a critical area of emphasis as well. About three-quarters of employers offer their employees health risk appraisals and a nurse line, while 44 percent offer a health coach. Many are also implementing disease management programs and lifestyle behavior change programs through their health plans or a specialty vendor. Additionally, 42 percent have implemented a program to reduce obesity among employees and another 24 percent plan to do so in 2008 (Figure 3).

Figure 3 Use of health management programs are on the rise

	2007	Planned for 2008	(Total)
Offer health risk appraisals	72%	15%	(87%)
Offer nurse line	78%	5%	(83%)
Disease management through health plan	64%	10%	(74%)
Employee information on provider quality	44%	26%	(70%)
Offer programs to reduce obesity	42%	24%	(66%)
Behavior change programs through health plan	43%	17%	(60%)
Behavior change programs through vendor	39%	16%	(58%)
Disease management through vendor	30%	11%	(41%)
Offer personal health records	24%	11%	(35%)

Best Performers

Best-performing companies—those with median two-year cost increases in the lowest quartile among all respondents—have a two-year trend of 2.5 percent, compared with 11 percent for their poor-performing counterparts. This 8.5 percentage point gap represents a substantial difference in tangible costs.

The best-performing companies are lowering costs through a broad approach that incorporates programs and initiatives in five areas: appropriate financial incentives, effective information delivery, quality care, data and metrics, and health and productivity.

Appropriate Financial Incentives

Best performers are more likely to use financial incentives and programs designed to influence appropriate healthcare decisions among employees.

Although offering a CDHP does not differentiate best- and poor-performing companies, companies offering these plans with an account are 21 percent more likely to be best performers. Those that contribute funds to an HSA are 10 percent more likely to be best performers than poor performers.

Financial incentives or plan designs that drive employees to enroll in CDHPs are especially important. While only 5 percent of respondents offer a total replacement CDHP, best performers are 72 percent more likely to do so than poor performers.

Effective Information Delivery

Best performers also excel in programs that deliver health-related information (e.g., cost, quality, health management) to engage and educate employees. These companies are more likely to help their employees make smarter healthcare decisions and manage their own health by providing them with information, especially via the Internet.

Quality Care Delivered Efficiently

Despite the difficulty in obtaining reliable information on provider quality, best performers are more likely to provide information that directs employees to high-quality providers. By contrast, offering tiered networks does not correlate with best performance. Because quality providers vary widely by procedure, networks must take a specific centers-of-excellence approach to lower their cost trend.

Metrics and Evidence

Best performers are not only more likely than poor performers to use data and evidence when making decisions about health plans, but they are also more likely to find that information effective. Overall, best-performing companies use data warehouses, cooperatives and purchasing coalitions more frequently than poor-performing companies. Additionally, best performers use health outcomes and lost workdays more frequently than ROI calculations as a basis for their purchasing decisions.

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Maximizing Health and Productivity

Programs that help employees improve their health—whether those at low risk for serious medical conditions or those experiencing chronic health problems—also differentiate best performers. Best performers are 7 percent more likely to use programs designed to maximize health and productivity. For example, they are 23 percent more likely to integrate health management programs into their health plans and 17 percent more likely to offer disease management programs through specialty vendors.

Enrollment in CDHPs Has a Direct Correlation to Cost Savings

Best performers implement plan designs that change consumer healthcare purchasing behavior to control their costs.

While the use of CDHPs does not directly correlate with cost savings, enrollment in these plans does. Those companies that enroll more than 10 percent of their workforce in a CDHP experienced a lower cost trend than those with low CDHP enrollment and those that do not offer a CDHP.

Lowering healthcare cost increases is not a simple task. But by addressing root causes, best performers are headed down a path that's already producing results.



Conclusion

Best-performing companies successfully control costs by taking a broad approach to consumerism that includes a strong emphasis on employee behavior. These companies supplement plan design with a combination of tactics that effectively deliver information, encourage the use of high-quality care, and maximize the health and productivity of their workers. And they continue to distinguish themselves by using data and evidence to refine past strategies, especially as some of these programs become more widely used.

Lowering healthcare cost increases is not a simple task. But by addressing root causes, best performers are headed down a path that's already producing results. Employers concerned with managing costs and fostering employee health should note that it's a path worth following.

You can get started on that path today by calling your Humana sales representative to find out how SmartResults or SmartSuite can put a stop to your escalating healthcare costs.

We'll also send you the complete 12th Annual National Business Group on Health / Watson Wyatt Survey Report 2007, Dashboard for Success: How Best Performers Do It.

About the Survey

The National Business Group on Health/Watson Wyatt *Employer Survey on Purchasing Value in Health Care* identifies the actions of best performers and current trends in the healthcare benefit programs of U.S. employers. The 573 survey participants collectively represent 11 million employees. Their responses, completed in January 2007, reflect their 2006, 2007 and, in some cases, 2008 health plan decisions and strategies.



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GHC-24056 7/07