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Taming cost increases with an HSA and wellness programs

Preserving health benefits

BY AMY GALLAGHER

In 2005, the Preservation Society of Newport County, also known as the Newport Mansions, was at a crossroads. The nonprofit organization paid 87% of the health care premium for its 87 full-time employees. Premium increases had run 25% to 30% for five consecutive years. When forecasting projected that health care costs would double by 2009, the organization knew it was time to make significant changes.

Remarkably, the organization managed to stabilize the premium, with no increase in 2008, thanks to a new health savings account and an emphasis on employee wellness.

The Preservation Society of Newport County protects 11 historic properties and landscapes in Newport, R.I. With tourism down in Newport and museum membership declining nationally, the nonprofit was faced with shrinking visitor counts and increasingly higher health care costs.

From 2000 to 2005, the organization's health care premium rose largely because of its aging population and higher-than-average claims for a group of its size. To control spending, the Preservation Society had already reduced benefits, decreased its contribution to the premium and changed carriers.

When those efforts failed to make a significant impact on the bottom line, the Preservation Society was forced to consider staff and operational budget cuts— or a new health plan previously untested in Rhode Island.

Introducing an HSA

While no employer in the state had yet offered a health savings account, the Preservation Society knew that early adopters nationally were reporting success— as much as 30% reduction in premiums and single-digit increases on renewals— and decided to implement the product.

Trudy Coxe, CEO and executive director of the Preservation Society, notes, "Our employees had been largely insulated from health care's cost drivers. By incenting them to become more involved in the selection and purchase of services, we knew HSAs would give our staff greater insight into quality and cost, putting them in the driver's seat."

Coxe recognized the need for employee communication and education. To meet this demand, the organization first introduced the product conceptually to key influencers and used the feedback to shape plan design. It then hosted several onsite meetings and small-group workshops to help employees understand how the change would impact their health care decisions and spending.

The organization also arranged for ongoing support, such as sessions on how to use the benefit Web portal, how to read health statements and explanations of benefits and reconcile these documents with bank statements, and how to use other tools and resources to help with health care and financial decisions.

In April 2006, the organization rolled out the HSA. The high-deductible health plan, offered through UnitedHealthcare, had a $2,000 deductible for individuals and a $4,000 deductible for families. Preventive care was covered at 100%, and all other services were subject to the deductible. After the deductible was met, UnitedHealth care would pay for 100% of the expenses.

With the HSA generating considerable premium savings, the Preservation Society decided to pay for 100% of the premium and fund 50% of the employees' deductibles for the first year and 37.5% in subsequent years.

Amy Gallagher

"A key challenge nonprofits face is that our wages are often lower than wages in the private industry, so we need to be more competitive on benefit packages," Coxe says. "The HSA returned us to a stronger recruiting and retention position by enabling us to offer more generous coverage."

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Embracing wellness

When the Preservation Society rolled out the HSA, the organization also introduced a multifaceted wellness program.

"Employees had asked for wellness programs in the past, and it seemed like a good time to launch a program that would dovetail with the HSA and the HDHP's emphasis on prevention," Coxe recalls. "I liked the idea of consumer engagement and hoped the program would encourage employees to take more accountability for their health care decisions."

The Preservation Society decided to follow the Wellness Council of America's best practices blueprint. The nonprofit and UnitedHealthcare offered a kick-off event where employees registered for the program, took biometric screenings and participated in a health assessment.

Any employee who completed all three activities earned a paid vacation day. The incentive worked; 100% of employees took part, a rate previously unseen in UnitedHealthcare's book of business and higher than the national benchmark of 30% to 40% participation.

The screenings identified key areas for improvement; 65% of employees had weight or nutritional problems, and 58% had high cholesterol.

The Preservation Society established a cross-sectional committee of employees to plan wellness activities, targeting weight, eating and exercise. It offered:

- A "walk for health" challenge, a 60-day intervention offered at work or on the employee's own time.
- A a healthy eating program modeled after the popular television series "The Biggest Loser," which resulted in a 1.2 point drop in the group's body mass index over eight weeks.
- A nutrition class, which included onsite cooking demonstrations from staff at Johnson & Wales University.
- Healthier options in its vending machines.
- A series of educational lunch-n'-learn seminars on health issues.
- Additional exercise offerings, such as onsite yoga and a stair climbing challenge.

On average, 20% of employees took part in the programs, and participant feedback revealed that employees wanted even more offerings with greater incentives.

The organization was equally pleased. After just one year, aggregate cholesterol was down 10 mg/dl, flu shot participation reached 69% of the workforce, and use of annual preventive care visits increased from 30% of employees to 74% of employees. UnitedHealthcare projected an estimated 139% return on investment in claims savings for every participant in the wellness programs.

Alberta Picozzi, a docent, observes, "When I started the wellness activities, I didn't know yogurt from yoga. But, despite being diagnosed with a hip mobility issue during the program, by the end of the sessions I had increased my flexibility considerably, lost 12 pounds and improved my overall health and fitness level, making daily activities easier."

In January 2007, the Preservation Society's premium increase at renewal was just 5%, beating the average double-digit national trend at the time.

"It was the first time we'd seen single-digit increases in years," says Coxe, who notes that, if the organization had maintained its prior coverage without switching to the HSA, rates would have increased by 19%.

In January 2008, the organization's premium rate was the same as the previous year's, a rare example of zero inflation in health care.

"The HSA has been very effective at slowing the cost trend, holding premiums flat and enabling employees to avoid over-insurance," Coxe says. "With our 2008 premium 11.3% lower than it was in 2005, we're two to three years ahead of other groups that haven't switched."

Employees are saving, too. First-year premium savings were great enough to enable most employees to redirect that money into their HSAs and close the deductible gap. Currently, 87% of employees are carrying balances in their HSA accounts that they can roll over to the next plan year. After comparing annual out-of-pocket health care costs, the HSA has put all employees in the same or stronger position financially.

How long can the organization sustain these savings? To stay ahead of trend, the Preservation Society needs to make some critical decisions. Will it continue to fund the HSA accounts and, if so, at what percentage? How can it boost wellness participation to drive further savings? Will it tie wellness to the health plan by requiring employees to contribute toward the premium based on program results or participation? As the marketplace changes and new trends emerge, the Preservation Society is sure to continue to make history.—***E.B.N.***

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Cost went down with HSA

	HMO 2005	HSA 2006	HSA 2007	HSA 2008
Premium	$477,360	$408,000	$428,400	$428,400
Employer Funding of HSA	N/A	$150,000	$150,000	$150,000
Total	$477,360	$558,000	$578,400	$578,400
Projected costs if PSNC hadn't switched from HMO	N/A	$568,058	$681,670	$763,470

Source: Preservation Society of Newport County.