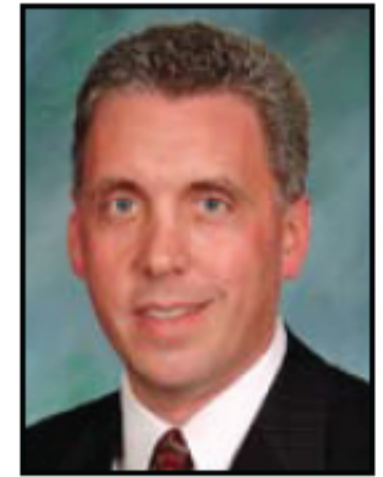


# Health Care Reform and Wellness Incentives: Healthier Employees, Healthier Bottom Line (Part 1 of 2)

By Joe Torella



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**I**n the short term, the new "ObamaCare" law extends and expands health insurance coverage, thus fueling increased cost and higher taxes to cover this cost. But there are longer term positive elements. Adopting a strategic wellness approach allows employers of all sizes to leverage certain aspects of the law to their advantage.

### *Introduction of Incentives*

The law contains many incentives if you are committed to a health and wellness approach for managing your human capital investment. Some of these apply to 'small' employers, a segment traditionally disenfranchised from the 'wellness' advantages enjoyed by large employers; especially with respect to return on investment (ROI).

Not any more. Now, both large and small employers have more reason than ever to engage their employees in healthcare decision-making. In this context, large employers are defined as having 100 employees or more and small employers, as having fewer than 100 employees (in accord with the law's 2014 market bifurcation).

### *Large Employer Advantages:*

For brokers, advising employers of the need to manage health and wellness is a critical strategic tool and will accelerate in importance. Coverage expansion begins for plan anniversaries effective October 1, 2010 and later, so managing cost by improving employee accountability for their health care decision making is critical.

For jumbo employers, improved health will compress trends and impact healthcare funding. On the smaller end of the large employer market, there isn't necessarily a direct link between behavior modification and premium (insured basis). However, because of an increasing number of self- or partially self-funded options, improved health can impact the bottom line.

### *Small Employer Advantages:*

For small employers, although there is generally no link (as above), grant money becomes available to help bear the cost of implementing a Wellness program. Sure, small employers don't have exactly the same relationship to Wellness as large employers, but size truly doesn't matter.

*The absence of measurable results or direct impact on premium doesn't invalidate its worth – everyone benefits from improved health status.* Employers gain from an "environment of Wellness," not "sickness"; and improvements can be expected in Worker's Comp costs,

absenteeism/presenteeism and overall productivity.

### *How HCR Helps Move the Needle:*

But there are further enhancements under Health Care Reform (HCR) through several key features (and coming regulatory guidance) designed to better align incentives with behavior through more focused wellness and disease management initiatives:

- Small employers will be able to receive federal grants to start a program – available for up to five years.
- Plans will be required as early as 2010 to cover preventive care, mental health, and dental and vision for children.
- As in some states currently, chain restaurants and vending machines that sell food will be required to disclose nutritional information.
- A new National Prevention, Health Promotion, and Public Health Council will be formed to develop a national health improvement strategy.
- The new reinsurance program for early retirees is effective 6-23-10 (and ends on 1/1/14, or until the funds run out) and stipulates that the employer's plan must include programs and procedures to reduce cost for people with chronic or high-cost conditions. Presumably, case/care management programs will qualify (TBD with regulation).

- Comparative Research Fee – This provision, which takes effect in 2012, will be calculated at the end of the policy year, based on the average number of covered lives. The fee, \$1 per covered life for plan years or policy years ending in 2013 (and \$2 at a later date), is used to fund the Patient-Centered Outcomes Research Trust Fund (PCORTF). The Institute funded by these amounts (as well as transfers from the Medicare program) will assist patients, clinicians, purchasers, and policymakers in making informed health decisions. A good example in this category is the variation in C-Section rates across various locations, facilities, clinicians, etc.

The key word is "comparative", which signals a new day in the more aggressive use of clinical and normative data in managing health and wellness more effectively and thereby positively influencing quality, efficacy, cost and trend. Next month we'll look at 2014 initiatives and beyond.

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