



Avoiding the Traps of Consumer-Driven Health Strategies

HOW CUMMINS AND KRAFT FOODS APPROACH HEALTH, PERFORMANCE AND PRODUCTIVITY

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Avoiding the Traps of Consumer-Driven Health Strategies

How Cummins and Kraft Foods Approach Health, Performance and Productivity

Thomas Parry, Ph.D.

President

Introduction

There is little doubt that “defined contribution” will be a growing part of how employers provide health and related benefits to their employees in the future. Many employers also have come to believe that to manage workforce health and related costs effectively, employees must have “skin in the game” financially through consumer-driven health plans (CDHPs) with high-deductibles and a health savings account (HSA). According to a recent survey by the National Business Group on Health, full-replacement CDHPs for large employers will grow by 50 percent this year.

IBI researchers recently synthesized the peer-reviewed research literature on the impact of consumer-driven plans on healthcare costs and utilization, and on the ensuing impacts on lost time and on lost work productivity (see [Consumer-Driven Health Plans: The Challenge to Managing Workforce Health, Performance and Productivity](#)). This literature tells us that consumer-driven plans likely contribute to reduced medical costs through lower utilization, but that some of these financial gains may come from employees foregoing or delaying beneficial care rather than from avoiding unnecessary tests and procedures, or from price shopping. The literature also suggests that avoiding beneficial care also will negatively affect absence and performance at work - the value of which may exceed medical treatment savings.

The challenge for employers embracing consumerism is twofold: first, ensuring that proper care is not sacrificed; and, second, creating strategies that improve health and support employees in work attendance and in better work performance. We provide insight to how employers may address this task through two case studies of employers that have adopted full-replacement CDHPs while avoiding the dangerous pitfalls of worsened health and of increased lost time and decreased productivity: Cummins, a Midwest engine manufacturer that recently embarked on a consumerism approach; and Kraft, a Midwest food and beverage manufacturer that implemented a consumer approach to health several years ago. Cummins is in the early phases of its program, while Kraft has been at it for several years.

Cummins Inc.

Cummins is a global “power technology” leader that designs, manufactures, sells, distributes and services a variety of diesel engines and related technology parts all over the world. Located in Columbus, Indiana, Cummins was founded in 1919 and today is a Fortune-200 company. With 48,000 employees worldwide, Cummins has annual operating revenues of more than \$17 billion. With a worldwide footprint, Cummins must think broadly about its health-management and wellbeing strategies. Cummins’ demographics

mirror those of many manufacturers in the U.S.: a majority of males (74%), 20 percent unionized, an average age of 42, and an average tenure of 8.4 years.

The starting point: Cummins' view of health and why it changed its approach. In the early 2000s, Cummins wanted to tackle healthcare (a significant and growing corporate expense) by revamping its health plan designs to achieve greater value for employees and the company alike (at the time, the company, like so many other manufacturers, had a typical PPO plan design with small cost sharing/contributions by employees). The company also had myriad health vendors (well over 100) and found that consistency in delivery and program coordination was a major problem. As an initial step, the Cummins benefits team moved to consolidate health-vendor relationships with a small number of national organizations. The company also wanted all employees to have the same plan design, including the union employees. Services also were narrowed to a single health plan (Anthem) and a single pharmacy benefit management company (Medco/Express Scripts).

A new vision and a new approach to workforce health. Once the team consolidated vendors, it turned its attention to other strategic issues (particularly how to engage employees in seeking the most value for their healthcare expenditure, which directly aligns with the company's objectives of better managing healthcare services quality and cost). Cummins recognized that employee health meant far more to the company than just healthcare costs, particularly because Cummins operated in a wide variety of countries with different healthcare financing and delivery systems. At this point, Cummins began to consider how to manage population workforce health on a global scale and to address issues like absence and productivity. The company recognized that these are fundamental HR concerns to the business, regardless of how healthcare services are financed and structured.

In 2007, the team developed an account-based strategy to help employees accumulate funds that are portable and available for their healthcare needs after retirement. In response, many employees began to accumulate funds in these programs to support their post-retirement healthcare requirements. At this time, the Cummins' team used premium reduction incentives (rather than a cash-payment approach) to enhance participation in the company's health risk assessment (provided by Virgin Health Miles) and achieved an 85 percent participation rate.

Oftentimes when companies make basic changes in healthcare design, they get pushback from employees. Initial employee reaction was not entirely positive but, today, according to the Cummins benefits team, employees have embraced the plan because they have a better understanding of how the plans work and the value they have derived. Based on company cost and utilization data, the team realized that by moving to an account-based approach, the company could reduce the overall contributions of employees. Subsequently, Cummins was able to return the savings back to the employees by reducing premiums (by way of lower contributions) of employees by up to 78 percent.

Moving to a full-replacement CDHP plan. The company implemented a full-replacement CDHP plan for non-union employees in 2010 and followed that in 2012 with a full-replacement CDHP plan for union employees. As a data-driven company, Cummins relied heavily on data when it approached its union

leadership to discuss the change. There was hesitation but the data were the key in getting union buy-in for the HSA plan. With lower contributions, first-dollar coverage for preventive services, and annual company contributions to individual/family HSA accounts, Cummins employees responded positively. Additionally, aligned with the Cummins philosophy to better manage health, the company included a strong value-based design structure for the pharmacy benefit.

With the HSA plan, employee contributions for full family coverage were just \$800 annually; for an individual employee, annual contributions were just \$325. The company promoted employees contributing to their HSA accounts with the savings from previous contributions. One popular pharmacy benefit design element was the reduction in pharmacy costs to employees (in some cases, providing the benefit at no cost). Not surprisingly, employees responded very positively. Gloria Carruthers, U.S. Benefits Director, pointed out: “Many employers see high-deductible plans simply as a way of reducing their financial exposure for healthcare. To better manage health, they need to have a strong prevention and value-based design structure for the medical benefit.”

At this point in the development of the health strategy, the company’s focus remained primarily on managing healthcare costs. At the same time, however, the team recognized three things: (1) managing health through plan design options was a limiting approach; (2) with a global footprint, Cummins needed to get outside the “health-as-cost” box; and (3) the company needed a new direction/approach to managing “health” rather than focusing so intently on the delivery of healthcare services and claims cost reductions.

New leadership. To accomplish this third objective, Cummins decided to look outside the organization for an executive leader in health management who had experience implementing lifestyle programs for large employers. Dr. Dexter Shurney, the Chief Medical Director of Health and Wellness Benefits and holding a faculty appointment at Vanderbilt University and Medical Center, was brought in to lead the task. When Dr. Shurney interviewed for the position, he spent two hours with Cummins’ CEO Tom Linebarger discussing workforce health issues. During that conversation, Dr. Shurney became convinced that the company understood the importance of health as an emerging business imperative and desired to implement a new and broader strategy using an approach to health and productivity management with lifestyle medicine as the foundation.

Previous to Dr. Shurney joining the company, Cummins had been having a difficult time getting the data it needed from the company’s health plans (the health plans claimed ownership of the data and wouldn’t share it with the company). When the company moved to consolidate health plans, the CEO insisted that any new partner must be willing to provide data to support the development of an integrated data warehouse to bring together medical, pharmacy, and other related population health information.

Involving physicians as a key component of the approach. In 2012, the company saw an opportunity to link the organization’s consumerism strategy with a patient-centered medical home (PCMH) approach. This broader view would promote shared decision making and leverage the comprehensive lifestyle management approach to care that went beyond prevention to include how care

was delivered by involving physicians directly. Cummins firmly believed that unless the company could get “upstream” to reduce/eliminate the root causes of health problems, it could do little more than manage claims.

The population health and PCMH strategy includes a seamless disease-management component as well as a prevention component, both built upon the same basic lifestyle approaches (physical activity, nutrition, sleep, and stress reduction). The company recognized the importance of a near-term, but also a longer-term set of health outcomes to include absence, disability and performance -- key to company business operations. In order to maintain that business case, it is necessary to use the company’s own data to the extent possible. This reality was critical in the approach to and approval of establishing an integrated data warehouse at Cummins. Moreover, in keeping with a broadening corporate value proposition, the team realized the importance of getting health (in addition to claims) information about the workforce. The fact that the company had divisions in so many countries with diverse healthcare financing systems allowed the Health Benefits and Wellbeing team to broaden the business case for their health management initiatives. In 2013, Cummins also introduced a medical pricing transparency tool from Castlight and now is considering introducing a reference-based pricing feature for common medical procedures. In 2015, Cummins will provide member support through shared decision making and health navigators within the company’s onsite health clinics.

A key aspect of the Cummins strategy is both employee and physician engagement. Cummins understands that it will be most successful in making the desired changes by enlisting and developing a cadre of high-performing physicians who understand the company, its culture, its employees and their needs. This approach is part-and-parcel to their PCMH strategy.

Cummins has partnered with a variety of organizations to assist in rolling out the lifestyle and PCMH strategy, particularly the American College of Preventive Medicine and The American College of Lifestyle Medicine Foundation. The company partnered with these organizations to develop physician training (certification) in Lifestyle Medicine (LM). LM is the use of lifestyle in the treatment of lifestyle modifiable chronic diseases in addition to using lifestyle for prevention.

Judging the impact of the new strategy. In 2014, the company implemented the first step in its lifestyle strategy with the introduction of the Comprehensive Health Improvement Program (CHIP). CHIP is an eight-week health and lifestyle training program for employees run by representatives from Express Scripts and from Take Care Health. Participants meet as a group twice a week during lunch for eight weeks and focus on healthy eating (the key mottos: “healthy food can taste good” and “you can eat more, weigh less and forget portion control”).

The program provides employees with insights into good eating and emphasizes a “plant-strong” diet high in anti-oxidants and nutritional value. The program demonstrates how such a diet can be healthy and taste good at the same time. The “eat more, weigh less” aspect of the program is key to its sustainability for participants since they are not feeling hungry and are therefore not waiting to for the first opportunity to over-indulge after the program ends. The program is implemented in groups of 30 to 50 employees

and is provided at no cost. The early adopters are an important element to help bring others along through peer excitement and leading by example.

Biometric and lifestyle measures are a key part of the data collection and data warehouse strategy. They metrics include: total cholesterol, LDL cholesterol, triglycerides, glucose, systolic blood pressure, diastolic blood pressure, weight, body mass index, body fat, and waist circumference). Results for the first group of participants for the 8 week program were:

Biometric Measure	Average Decrease
Total cholesterol	9.0%
LDL cholesterol	8.3%
Triglycerides	5.4%
Glucose	1.1%
Systolic blood pressure	4.2%
Diastolic blood pressure	5.0%
Weight	3.7%
Body fat	3.9%
Waist circumference	4.4%

One of the challenges that employers often face in their wellness programs is that program participants are the healthiest in their workforce. Dr. Shurney points out: “These changes occurred in a ‘normal’ sample of our employee population, i.e. a cross section of healthy and less than healthy individuals. Therefore, not everyone needed to lose weight or reduce their cholesterol. Some were already at goal but wanted to learn how to be even healthier or feel better.”

Dr. Shurney also explains the company’s lifestyle management strategy: “The key is proper and frequent education as to how the plans are designed to be used. Preventive services are free and are essential to avoid more serious issues down the road. Additionally, offering lifestyle management is critical because employees learn to understand and appreciate the impact they can have on their healthcare costs (despite their gene-based epigenetics data, etc.) through what we call the 7 Levers of Nutrition: physical activity, sleep, stress reduction, adequate water and fresh air, and tobacco cessation. These are more than the traditional wellness/prevention programs that the company has had for years. These programs actually enable members to reverse many chronic conditions through simply a lifestyle approach. It is very easy, practical and has no side effects. This approach teaches members how to incorporate the technique into their daily routines.

He goes on to say, “We have classes that have been sell-outs over the last year with waiting lists. We currently have multiple programs going and a train-the-trainer workshop set for March, 2015. We’ve had individuals come off their meds in just a few weeks. Employees can really get excited and tell their colleagues. We have involved our local hospitals and physicians as well and they have been quite supportive. We have an e-learning component (Lifestyle Competencies) coming this year.”

What’s next on the horizon? Cummins will focus on several efforts over the next few years:

(1) Expand CHIP to more employees. The company will target an additional 2,500 employees for participation over the next three years. The company has not yet determined how best to deal with assembly line workers due to the production implications of taking employees off the line to participate. As part of this effort, the company will roll out a similar but more accessible health education program, Lifestyle Competencies, both on-line and through the Cummins Health Champions.

The company recognizes that the major change it wants to accomplish will take time. Dr. Shurney states: “Ultimately, to do all we hope to accomplish will take time. We are fortunate that our senior team understands that it will likely take a 10-year time horizon to hit all our objectives globally. But how do you eat an elephant? We have a plan with incremental milestones we must reach. Some initiatives will first be designed as pilots to show proof of concept before bringing to scale. Others will be very specific, such as our initiatives around sleep and productivity. For sleep, we hope to demonstrate value in as little as 6 months. For the CHIP program, we have three years to show significant effect for our southern Indiana population. It’s worth noting that CHIP is being adopted by other employers in the community (with some early sponsorship and encouragement from us) and will thus be leveraged as a change agent for the culture in the larger area.”

(2) Fully implement the PCMH strategy. Cummins recognizes the importance of having primary care physicians that understand the company’s workforce and what the company is trying to accomplish with its lifestyle and population health management strategy. Dr. Shurney understands that this is a critical part of the strategy: “In order to fully engage the physicians, we are changing how we will pay them. We are in the process of developing a Lifestyle Medicine Performance Index (LMPI) with our providers. They will receive bonuses for positive changes in the index. Since most physicians are not trained in lifestyle management, to participate in our network the physicians must obtain special lifestyle management training and certification. The curriculum has just been developed and will be available in 2015 from the American College of Preventive Medicine and the American College of Lifestyle Medicine Foundation.”

(3) Integrate occupational health and more fully integrate wellness, lost time and performance data. There is a growing body of research evidence on the impact of workforce health on occupational injuries and illnesses. The Cummins team will focus on integrating workers’ compensation and safety information into the data warehouse. In particular, the team will explore the impact of sleep patterns on occupational injuries and illnesses, and how the company’s lifestyle competency programs on sleep quality and duration influence health and safety metrics. To date, the company’s data integration efforts have focused on paid claims data, and vendor reported wellness program data.

Over the next year, the company also will bring in data sources for disability experience data, which will allow the company to understand the total impact of its programs. In this way, the company will be able to better link these and future initiatives to a spectrum of business performance measures (employee retention, safety, product quality and productivity). Dr. Shurney explains: “This will be done primarily by bringing together our various vendor data feeds and adding them to our internal existing medical/pharmacy data base. We hope to accomplish this work in 2015. This will allow a more comprehensive view of the full impact that our programs are having and ultimately help us make a stronger business case internally. This analysis might be referred to as ‘strength of intervention and impact across silos.’ We will also look outside the organization for relevant benchmark data and opportunities to collaborate in studies.”

Lessons for other employers. Cummins work provides several important lessons for other employers seeking a more consumer-centric health strategy while maintaining and enhancing the performance and productivity of their workforce. These key lessons include:

- (1) Bring value of the C-Suite and get buy-in by establishing strong, credible links to safety and business performance.
- (2) Focus on a data-driven approach, including necessary financial and staffing resources to use these data effectively.
- (3) Involve physicians as a key part of your strategy so that they know your employees, your business and your culture.
- (4) Develop and implement a multi-faceted communication plan and commitment to transparency.
- (5) Enhance the company’s culture of health through lifestyle competencies. Use the “root-cause” approach to treatment and prevention.

Kraft Foods

Kraft Foods has a long history -- 230 years since its first product was introduced -- as a leading manufacturer and distributor of food and beverages. Today, Kraft Foods encompasses some of the world's iconic brands -- including Maxwell House, Kraft, Planters, Philadelphia, Jell-O and Oscar Mayer. With \$18 billion in annual revenue, Kraft's products are found in 98% of all North American households. Kraft employs about 22,500 employees with an average age of 43. This case study is focused on the U.S. salaried and the hourly non-union population of approximately 15,000 employees.

The starting point: Kraft's view of health and why it changed its approach. Kathy McAlpine joined Kraft in 2003, working primarily in the health and wellness areas. In 2008, she assumed the role of Senior Director of U.S. Benefits. Like many other employers at the time, Kraft's benefit programs were siloed, with group health, disability, wellness and workers' compensation programs managed separately from one another. There was no comprehensive or integrated strategy to manage the programs other than trying to control cost escalation in each. Healthcare was the biggest benefits line item on the budget and was the major program focus (costs were increasing 7% to 10% each year). With respect to disability, Kraft emphasized managing the disability process with little attention paid to costs, the number of disabilities or disability durations.

The company shared healthcare costs with employees. Kraft at the time was paying two-thirds of the total plan cost with employees paying one-third through premiums and out of pocket costs (deductible and co-insurance). Employee premiums were based on salary band. Employees in the highest pay bands paid almost 3 times those in the lowest pay band. At the time, the company had three medical plans with different deductibles. One was considered a consumer driven health plan because it had a higher deductible and a health reimbursement account (although employees considered it a premium option because it provided first dollar coverage). Healthcare costs were managed by increasing employee premiums, deductibles, co-insurance, co-payments and out-of-pocket maximums.

McAlpine recognized that the company workforce was aging, health risks were increasing and there was a limit to an ongoing strategy that simply shifted costs to employees. She found that as employee costs increased, a growing number of employees were waiving healthcare coverage and consequently were not receiving appropriate care. With her background in health and wellness, Kathy was convinced that a focus on health improvement and engagement could create a win-win for the company and its employees.

At this time, there was increasing discussion in the marketplace about "healthcare consumerism" and employees having "skin in the game" with regard to healthcare decisions and more directly sharing expense. As Kraft considered this approach, the company also believed that the company had a responsibility to provide protection for employees and to ensure that employees had the information they needed to best manage their health and their costs (that is, Kraft saw the challenge as being far more complex than simply turning healthcare over to employees in a consumerism model). Kraft thought that if the company did not play an active role, employees would likely have financial and health issues because of the complexity of medical care and decisions employees face. Two concerns were particularly

important: first, that employees wouldn't get the healthcare services they needed to maintain/enhance their health, creating problems both for the employees and for Kraft; second, that when employee did access services, those services might be delivered in the wrong healthcare setting (e.g., emergency room visits rather than primary care offices). The company believed that part of its responsibility was to help employees do the right thing for themselves and for the company. McAlpine and her team believed that the right combination of comprehensive support and outreach, plan design as well as incentives and surcharges for healthy behaviors and outcomes would be critical to engaging employees in their health.

A new vision and a new approach to workforce health. Kathy McAlpine knew that the company needed to take a more active role in employee health and presented this vision to senior management. As the discussion ensued on what Kraft's proper role was in the management of workforce health, senior leaders expressed concern about being too "big brotherish" and being too involved in employee lives in areas that were not the company's concern. In response Kathy and her team developed principles upon which a new approach to workforce health management would be built. These included:

- Drive productivity and healthy behaviors
- Offer benefits that are competitive with peer employers and financially sustainable for the company
- Align participant costs with behavior
- Provide affordable and accessible healthcare to employees at all income levels
- Provide protection from catastrophic financial loss
- Achieve measurable and quantifiable results
- Differentiate benefits through innovative offerings that deliver value to employees

When McAlpine started with Kraft, the company had three national and 10 local-area health-plan partners covering its non-union workforce (the health of union workers is covered under separate collectively-bargained agreements). As a first step, the company decided to consolidate with a single health plan, selecting Aetna as their single health plan provider. Kraft saw this as a way to improve efficiencies and to increase participation in health management programs.

At the same time, McAlpine and her team recognized that a focus solely on healthcare and working with individuals with siloed programs would not take them where they wanted to go to improve population health and manage costs, and to have access to the broad range of metrics they needed to manage population health. Like so many employers, Kraft had utilized a "best in class approach" to engage a variety of health and wellness vendors in different parts of their programs prior to re-thinking the company's health strategy.

McAlpine said, "We believed that in order to give employees and their family the support they needed, we had to meet them where they were and be there when they are more likely to engage actively in their health. So, for example, if an employee was newly diagnosed with breast cancer and called our health-plan partner to check on benefits, there would be opportunities to talk about possible implications for disability, case-management, employee-assistance programs and prevention."

Kathy next began to talk with Aetna about an integrated approach that would bring health, wellness and disability together into a single program. Kraft integrated the on-line health portal, health information access for employees, disease management, health coaching and smoking cessation into Aetna's suite of services when the company implemented the AetnaOne Premier model in 2010.

With that expanded vision, Kathy and her team defined their health and welfare strategy:

- Full integration with comprehensive employee support
- Targeted outreach and support driven by robust population health data and a dashboard approach to key metrics
- A high-deductible health plan with a health savings account with a four-tier prescription drug benefit
- Surcharges for employees not participating in health management
- Incentives for taking steps to manage and improve health
- Pilot programs to address specific and local needs
- Quantitative measurement of impact on healthcare costs, population health and productivity

Key Milestones. In 2009, the benefits committee and Kraft's CEO approved a full-replacement high-deductible health plan (HDHP) as the single medical option offering. Soon after, however, Kraft's Board of Directors thought that a full-replacement HDHP strategy was doing too much, too soon. The Board instructed the company to take a "phased approach" to implementing the new strategy. For the 2010 plan year, in addition to implementing Aetna One, all employees were asked to complete a health assessment. A \$250 monthly premium surcharge was applied for those who did not complete the assessment. The resulting participation rate exceeded 99%. Healthy behaviors were rewarded with incentives of up to \$250 per employee.

For the 2011 plan year, employees again were required to update or complete the health assessment with the \$250 monthly premium surcharge applied to those who did not complete the assessment. In addition, employees who had one of five chronic conditions (diabetes, asthma, chronic obstructive pulmonary disease, coronary artery disease or coronary heart failure) were asked to participate in nurse-engaged disease management. Those that chose not to participate paid a \$50 monthly premium surcharge.

Employees were given a choice of two medical plans. One of the plans was a high deductible health plan with a health savings account (HSA). For those that chose this plan, the company deposited \$150 to \$1,000 in the employee's HSA depending on the employee's salary (lower-paid workers received larger contributions) and coverage tier (family coverage received the higher contribution). Not only did the HSA provide employees money to pay for out of pocket healthcare expenses on a tax free basis, but it also encouraged employees to be health-care consumers. The company stressed that the dollars in the HSA belonged to the employee, could be used to pay for out of pocket healthcare expenses on a tax-free basis, would roll over year to year and that the account would go with them if they ever left Kraft.

Moving to a full-replacement, consumer-driven approach. Moving to a full-replacement high-deductible plan was a significant departure in Kraft's health management strategy. The change was in part driven by a concern over healthcare costs and in part based on the belief that employees needed to be more financially involved in making their own choices in healthcare decisions. The company recognized, however, the danger in simply giving employees a set amount of money in the HSA and expecting them to become "good healthcare consumers" on their own. Kathy and her team knew that if they didn't educate and support employees around better health behaviors, the approach could be disastrous, particularly from a lost time/lost productivity outcome standpoint. To support employees in this new approach, Kraft adopted a health concierge approach with supporting care management. The health concierge provided a single telephone number for access to all services; one stop shopping for answering benefits questions; a gateway to the company's health and productivity programs; and a reduced administrative burden. The care management approach included a single care manager to all health conditions, motivational interviewing to sustain behavior change and providing preventive services without deductibles or co-pays.

A PPO with a \$600 medical deductible and a separate \$150 prescription drug deductible was the other medical plan offered in 2011. The HDHP had a significantly lower premium and an opportunity to earn up to \$500 in incentives (vs. a \$250 incentive opportunity in the \$600 medical deductible plan). One-third of the population elected to participate in the HDHP. The company saw an immediate reaction from employees as they started to see the real and total cost of healthcare. The reaction was not limited to those employees who elected the HDHP but also included those in the PPO as that plan had a separate \$150 prescription drug deductible. Employees started making better decisions about their healthcare and starting talking to their doctors about lower-cost alternatives.

As part of the strategy to have everyone in a HDHP, in 2012, Kraft eliminated the PPO plan and employees were offered only the HDHP with the HSA. Not only employees but also enrolled spouses were now required to complete the health assessment and, if applicable, participate in nurse-engaged disease management in order to avoid the surcharges. All employees had the opportunity to receive up to \$500 for participation in programs and for healthy biometrics. To support a growing culture of health, the company also offered other ways to earn incentives, such as fitness challenges.

Kraft was particularly concerned about low-wage employees having sufficient funds in their HSA account to finance the care they needed. Previous to 2014, the company put up to \$1,000 into the employee's HSA account in one lump sum in the beginning of the year (based on the employee's salary and family coverage). Kraft found that employees weren't contributing to the account and were often spending the company's contribution on non-health goods and services.

As a result, in 2014, the company introduced a matching contribution approach. For every dollar the employee contributed to the HSA, Kraft matched each dollar up to a \$500 maximum. The company transitioned to an HSA vendor that would ensure that expenditures would be limited only to health-related services. Also, Kraft added a biometric screening requirement to the health assessment completion requirement. Kraft replaced the \$250 monthly surcharge with "Participating and Non-participating Premiums." In order to pay the participating (significantly lower) premium rates, employees

had to complete a biometric screening either onsite or at a local partner lab and the employee and covered spouse had to complete or update the Aetna health assessment. Incentives were given for healthy biometrics, participation in healthy activities and shopping for healthcare. The maximum incentive was doubled to \$1,000 per employee per year, enabling all employees, regardless of salary or coverage tier, to receive up to \$1,500 in company contributions to their HSA, if they contributed at least \$500 of their money.

The rationale behind the contribution change was to encourage employees to save as much as they could in their HSAs and to reward healthy outcomes, healthy behaviors and smart healthcare shopping. And, it has worked. Kraft saw a 10% overall increase in employees savings in the HSA and, for those making less than \$50,000, there was a 12% increase in those accounts. Also, of those saving in the HSA, 94% were saving at least \$500 to maximize the company matching contribution. Also, in 2014, Kraft started the biometric screening and gave employees \$100 for each of the five biometric measures if they were in the healthy range, plus an additional \$100 for being tobacco free. Finally, employee participation in Kraft's Sonic Boom Wellness Program and using Castlight Health's transparency tools increased by 25% last year. On average, Kraft employees earned \$800 in Healthy Living Rewards for 2014 and, with the \$500 company contribution plus the employee's \$500 contribution, most employees have seen a significant increase in their HSA balance.

One of the company's significant concerns was whether employees had the knowledge base to make good decisions about healthcare expenditures. They have a transparency tool to provide support and incentives for good decisions about healthcare. For the hourly, lower-paid employees, Kraft makes education about accessing proper medical care part of the ongoing training at green room meetings, as well as during annual enrollment.

Management buy-in and employee education. Key to the initial success of the evolving strategy included getting management buy-in, was partnering with HR and location leaders, strong program administration and employee communication. Talking points for senior management and HR leaders were very important to success. Upon reflection, McAlpine said: "It is critical to pay attention to the administration up front to ensure that processes are well thought out and will be successful. Providing location support for the completion of the assessment, biometrics and enrollment at locations insured higher participation and engagement. Many employee outreach programs and follow-ups resulted in a very small percentage of employees paying the surcharge."

McAlpine recognized the critical need to educate employees about the new approach. In 2013, the benefits team went on the road to each location during the workday (or paid employees for their time before or after their regular shift) to explain the strategy and the reasoning for the new approach and to answer employees' questions. In McAlpine's view, these in-person meetings were critical to the program's success because employees initially believed that the strategy was simply another cost shift. Meeting with employees, explaining the program and answering questions allowed employees to hear the rationale behind the strategy, get the real facts around the overall costs and cost sharing in the Kraft plans and understand how to best use the plan and programs offered. The meeting also went a long way in building trust and credibility with employees.

During the 2013 annual enrollment meetings, one employee been quite publically negative and very vocal on the approach the company was taking to health improvement. He had expressed that what Kraft was doing was an invasion of his privacy, saying “My health is my own business.” At the 2014 meeting, he told a benefits team member: “The biometric screening saved my life! If it hadn’t been for the screening I participated in, then it is likely I wouldn’t have known I had type-2 diabetes and a blockage in my pulmonary artery. I could have gone into a diabetic coma, had a heart attack or a stroke.” This employee is now under a doctor’s care and has lowered his cholesterol 80 points, has his glucose under control, has dropped 50 pounds and reduced his waist circumference by 3 inches. The employee has agreed to [share his story](#) to advocate for the benefits of biometrics and the support he received to get healthy.

Summarizing key features of Kraft’s phased approach to the new program:

- 2010
 - Three PPOs with increased deductibles, out of pocket maximum and contributions
 - Added preferred drug tier
 - Required completion of a health assessment to avoid \$250 monthly surcharge
 - Introduced Aetna’s consolidated health management program
 - Continued to offer up to \$250 in incentives for participating in wellness and health management programs

- 2011
 - Two medical plan options (one PPO with separate prescription drug deductible and one high-deductible health plan with a health savings account)
 - Added value generic prescription drug option
 - Employees required to complete or update the health assessment to avoid a \$250 monthly surcharge
 - Nurse-engaged disease management participation required for five key chronic diseases to avoid a \$50 monthly surcharge
 - Continued incentives for participating in wellness and health manage programs (\$500 for the HSA plan and \$250 for the PPO plan)

- 2012
 - One high-deductible health plan with health savings account
 - Complete or update the health assessment to avoid a \$250 monthly surcharge
 - Nurse-engaged disease management participation required for five key chronic diseases to avoid a \$50 monthly surcharge
 - Covered spouse/domestic partner required to complete the health assessment and (if applicable) to participate in disease management to avoid surcharge
 - Added healthy biometrics to incentive program
 - Introduced Castlight health transparency tool

- 2013
 - No changes to benefits, health assessment or disease management participation requirements.
 - No employee contribution increases
 - Added spouse/domestic partner participation to earn incentives
 - Offered healthy biometrics incentives for second year
 - Provided incentives for employees/spouses using Castlight transparency tool
- 2014
 - No changes to benefits
 - Small employee contribution increases
 - Replaced monthly surcharge with participating and non-participating premiums. In order to get the (lower) participating premium, employees are required to complete biometric testing and employee and covered spouse is required to complete the Aetna health assessment
 - Maximum incentive of up to \$1,000 per employee per year

Judging the impact of the new strategy. Kraft understood that the company needed a new and broader strategy on population health data and metrics to judge the impact of programs put in place. McAlpine and her team also understood the need for a dashboard of key metrics to communicate high-level results within the company, yet recognized the importance of drilling down to necessary detail to understand the factors impacting experience. The dashboard is organized into three broad areas: population health risks and productivity; plan costs and utilization; member engagement and prevention. For each metric, the dashboard displays the change between 2010 and 2013 for population health risks and productivity and 2009 to 2013 for the other metrics. Results include:

Population Health Risks and Productivity

Metric	% Change 2010-2013	Value relative to benchmark
% very high and high risk	-6%	Above
Short-term disability reoccurrence rate	-17% ¹	Measure unavailable
Short-term disability incidence	-34% ¹	Above
Average short-term disability duration	-3% ¹	Above

¹ Disease management and disability metrics include spin off group prior to October 2012

Plan Costs and Utilization

Metric	% Change 2009-2013	Relative to benchmark (below/at/above)
Employee Cost Share (Including premium and out of pocket costs)	From 33% to 27%	Below
Medical/Pharmacy trend per employee per year	From 8.5% to 0%	Below
Medical only trend per employee per year	-4%	NA
Ratio of primary care to emergency room visits	+1%	Below
Emergency room visits/1000 members	-1%	Above
Urgent care visits/1000 members	+48%	Below
Generic prescription drug utilization	+29%	Above

Member Engagement and Prevention

Metric	Change from previous (increased/decreased)	Relative to benchmark (below/at/above)
% engaged in disease management -- all conditions	+230%	Above
% engaged in disease management -- top-five conditions	+430%	Significantly Above
% adult preventive screenings	+8%	Above
Castlight Health (transparency tool) Participation	+52%	Above
Sonic Boom Wellness & Activity Program	+220%	Above
Healthy Lifestyle Coaching	+200%	Below

McAlpine recognizes that communicating dashboard results only to senior management isn't sufficient to drive improved results. The rubber hits the road at operating locations, so she and her team also developed reports by location and meet with leaders to identify where the best opportunities are to take action by comparing results with other locations within the company and with benchmarks. Because individual locations are "charged back" for their healthcare costs, using metrics to focus on improvement has become an effective strategy in working with individual locations.

The focus on productivity metrics thus far has included only disability lost time. McAlpine recognizes that there are other productivity consequences of poor health: unplanned absence from work and performance losses at work associated with employee illness. She is moving in the direction to include these additional productivity metrics in her dashboard.

At the same time, McAlpine recognizes that even this expanded view of population health -- including leading indicators of health, indicators of medical care and lagging indicators (both costs and lost-time outcomes) -- still limits the conversation about health management to one of costs only. To truly demonstrate the value of health to the company -- particularly to operations -- workforce health must be linked to key business operational metrics also providing a top-line view of the impact of health. McAlpine soon will embark on a process of engaging operations in a discussion of what their key metrics are and then evaluating how health impacts those metrics.

Lessons for other employers. Kraft's journey in developing and implementing a new health management vision has provided several lessons for other employers embarking on a "consumer-driven" approach to workforce health, healthcare delivery, cost management and business relevant outcomes. McAlpine points out several key things:

- (1) Get senior leader buy-in. Take time to understand what is important to the company and to employees regarding health and build your case around it.
- (2) Don't try to do too much at once. Making incremental changes is the right way to be successful. Change is hard and it's important not to overwhelm people and management.
- (3) Educate employees about what's in it for them -- the "win" in being healthier and having lower out-of-pocket healthcare costs.
- (4) Make ongoing communications with employee's part of the development of a health-focused culture.
- (5) Numbers are critical -- both to employees and to senior leaders. Understand the numbers that are important to senior leaders likely aren't the numbers that are important to employees.
- (6) Be patient. Sometimes things take time.

A Parting Thought for Employers and Their Supplier Partners

IBI's review of the research literatures highlights the danger of employees foregoing necessary medical care to ensure they have sufficient savings in their HSAs to cover costs for a significant medical event. While saving medical care costs, this strategy likely will increase absence and reduce employee performance -- a bad bargain both for the employer and employee.

These two case studies suggest several things employers and their partners need to prevent this consequence: (1) a strong culture of health, (2) a wide range of metrics indicating status of leading indicators of care, care delivery indicators and outcome indicators, and a plan to use those metrics internally to drive improvements, (3) financial incentives for health program participation, health behavior improvement, adherence to care plan and/or meeting specific health targets, (4) joint communications to employees, both by the employer and health plan and (5) care management support for all phases of health improvement and healthcare utilization.



Integrated Benefits Institute
595 Market Street, Suite 810
San Francisco, CA 94105
P: 415-222-7280
F: 415-222-7281
info@ibiweb.org
ibiweb.org