

Employee Involvement in Managing Health Care Boosts Profits and Saves Lives

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Health care is a major cost to businesses and employees. Costs are escalating and benefits are shrinking. How do employee-owned businesses, in which everyone has a stake in generating shared profits, deal with the escalating costs of health care? This was the topic at two recent leadership forums sponsored by Ohio's Employee-Owned Network.

Health care is one of the most important economic factors we deal with as a country, explained David Whaley, an attorney with Dinsmore & Shohl whose legal practice includes a specialization in health care benefits. He cited a study from 1999-2009 by the Kaiser Family Foundation, the nation's largest think tank on health care, which showed that health insurance premiums increased by 131%, and workers' contributions toward these premiums increased by 128%; while for the same period, overall inflation increased by only 31% and workers' wages, by 42%.

Whaley emphasized that the most important cost factors in health care plans are the frequency of medical visits and the cost of medical visits. Companies can manage their costs in one of three ways. First, they can lower their costs of medical coverage by increasing co-pays and deductibles. Second, they can pass greater costs through to employees and their families by increasing the portion of the premium that is paid by employees. Finally, they can involve employees in looking at ways to manage and reduce health care costs. This final means of controlling costs is generally referred to as consumer-driven health care.

Health Insurance Education and Decision-Making

Janotta & Herner's Health Insurance Review Committee has eight members from across all employee groups and includes two officers, one executive manager, two project managers, one engineer, and two field operators. As CFO Kathy Nickoli explained, "Our goal is to teach ourselves about all aspects of health insurance planning and benefits and to get more buy-in from everyone on our health care plan decisions and commitment to wellness."

The committee meets once a month over several months to discuss a series of topics, including benefit plan options; the buying and negotiating process; wellness; and options for cost reduction. One meeting, held



jointly with the wellness committee, explores why a wellness plan makes a difference. Another focuses on their renewal negotiation.

As Nickoli noted, "Through our committee process we are asking ourselves better questions, doing more benchmarking, and have made improvements in the renewal process to better meet our needs. We also decreased our renewal costs."

Smith & Schaefer has started employee involvement teams in marketing, technology, website, health care, and communication since establishing their ESOP in 2004. But as CFO Gary Wagner explained, "the Health Insurance Committee formed three years ago is our most successful committee."

"We ask for volunteers each year," explained Wagner. "The cost and complexity of health insurance drives people's interest in volunteering. We had four volunteers in the first year and nine volunteers this year. We include representatives of each insurance class."

The committee's work involves four meetings and lots of research in between. At the first meeting, which includes their agent, they review changes in the industry, their company's demographics and claims history and decide whether to seek competitive quotes or look at alternative plans for renewal. At the second meeting, the committee reviews the plans which have been researched and considers options for cost minimization. At the third meeting, proposals are presented and members discuss the pros and cons of a variety of issues such as spousal carve-outs or increasing employee contributions. At the fourth and final meeting, decisions are made. Each committee member is asked: what do you recommend and why? "We reach agreement, though for different reasons," noted Wagner. "We have never been strongly divided."

Wellness Initiatives to Control Health Risks

What is wellness? David Whaley explained at both forums that wellness is any effort designed to promote health or to prevent disease. Wellness initiatives can include health risk appraisals, immunizations, in-house diet and nutrition initiatives, wellness education, fitness programs, and disease prevention or related activities.

Wellness practices, which are designed to control risks and thereby lower costs, often qualify companies to receive

discounts from insurers. Wellness practices can also reduce the costs associated with illness and absenteeism.

What is the ROI for wellness? Whaley cited a Harvard Study of the economic benefits of wellness programs, which showed, on average, that a company's investment of \$1 on a wellness program was associated with a \$3.27 reduction in medical costs and a \$2.73 reduction in absenteeism costs.

Leadership By Example

"Your costs are going up unless you do something about it," explained Doug Bosnik, CEO of Buckeye Corrugated. "With health care, it's personal. Costs can only be controlled by individual behavior. So getting buy-in from employees is the most important goal of our health care program, and our approach has two parts: leadership and engagement."

"Our health care program is driven by our company's leaders and it starts at the top," continued Bosnik. "I call it the Potato Chip Campaign. Three years ago my triglycerides were high and this situation was traced back to potato chips. So when I talk about our health care program, I talk with employees about how I changed my involvement with potato chips, and how my triglycerides then went down."

Bosnik outlined the three guiding principles for employee buy-in for their health care program:

"Simplify: Complexity creates inefficiency, and inefficiency increases cost. So we changed the structure of the health care plan to make it simpler, using co-pays and no deductibles. Then we provide lots of education and offer incentives.

"Ownership: Our approach to health care is aligned with the ownership principles we share as an ESOP. Individuals own their health and health care. It is our individual responsibility.

"Investment: We create the value of our business and we look at our health care program as an investment. As with any investment we expect a rate of return. Our plan incentivizes each participant to take action on their own."

Buckeye Corrugated's approach has saved lives. At their first annual health fair, an ambulance was called for one participant with an extremely high blood pressure reading. Those with high PSA have been alerted to check for early stage cancer.

Their approach has also boosted profits. Cost savings are reported by line item at their Monthly Plant Profitability Meetings. Increases in healthcare savings are compared with increases in profits, which go toward company-wide cash bonus and the ESOP stock value.

Columbia Chemical Wins First Place in Wellness

Every one of the 40 employee-owners of Columbia Chemical Corporation in Brunswick serves on at least one committee with its own mission statement, yearly goals and budget. As President Brett Larick explained, "the mission of our Health and Wellness Committee is to support each employee's individual efforts toward health and wellness by sponsoring company-wide education, health and fitness initiatives."

The committee brainstormed ideas and developed these

initiatives to support its mission:

Health and fitness: company reimbursement for gym membership; flex-time policy to accommodate employees' fitness activities; annual walkathon challenge; weight loss challenge; and a flu shot clinic.

Education: send a weekly health tip to all employees; provide speakers on health topics at lunch 'n' learns; and participate in the Cleveland Wellness@Work program.

Employees have gotten involved in these initiatives. Many have lost weight. Five employees have completed 10K runs, and a few are running marathons.

Columbia Chemical has also been recognized as one of the top companies working to improve employee health in the workplace in Northern Ohio. Among small businesses with 1-100 employees, they won 1st place in the Cleveland Wellness@Work program, which is organized by COSE.

"It's a great honor for our committee and also the company," commented Adam Anderson, Health & Wellness Chairperson. "This recognition demonstrates how successful we have been working to make our company the best it can become."

Consumer-Driven Healthcare - More than Health Savings Accounts and High-Deductible Health Plans

In employee owned companies, the ownership culture drives behavior. People share the belief, hope, and desire that they can and will make a difference and impact the bottom line. So a next step for many ESOPs is the adoption of consumer-driven health care plans, which are structured around individual employee-owner accountability.

What's the difference between consumer-driven health care plans and traditional healthcare plans? As Whaley explained, "with a consumer-driven plan, the consumer is the primary decision maker. Participants in a consumer-driven plan are twice as likely to ask about the cost, three times more likely to choose the less expensive option, and 20% more likely to follow the treatment program they selected for themselves."

"Consumer driven health plans have been marketed to employers since 2006 as High-Deductible Health Plans coupled with either Health Savings Accounts or Health Reimbursement Arrangements," Whaley explained further. "Buckeye Corrugated's example, however, demonstrates that zero-dollar deductible plans also invoke the principles of self-involvement to lower overall healthcare costs. Its employees receive reduced premiums for participating in company-wide health fairs, which encourages preventive care."

In addition, noted Whaley, the open-book philosophy of an employee-ownership culture supports employee actions in lowering medical costs. This lowering of medical costs is directly reflected in the profits of the company, increasing interim bonuses and annual share values. Combining a culture of employee ownership with employee participation in containing health care costs can create a win-win for employees – healthier, happier employees and more bountiful retirement benefits. **oaw**

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Friday April 20th, 2012 - Akron OH