

Business Acumen, Employee Health Benefits and the Social Bottom Line

Is Your Health Plan Business Acumen Savvy?

With health reform receiving so much attention, we thought we would pen a few words on employee health benefits. To wit, how are health benefits and business acumen of employees – and company managers – related? And can we impact business acumen of both to improve both financial and health outcomes of company health plans? If so, how?



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This is clearly a hugely consequential topic. Healthcare reform is already changing the likely financial and social future of the US. The current system is deeply flawed, as we all know. Employers are a critical part of this system. So what can they do to help fix up their part?

All company managers and employees are aware that, in most cases, your company health plan is going to pay for more expensive treatments once you get pay certain minimal co-pays and deductibles. Thus in most situations when the doctor or hospital does recommend a certain treatment, neither the employee nor the company will gainsay these additional treatments or services, even if they have doubts about them.

Or is it Seen as Something for Nothing?

This is another way of saying that, after a certain level, most employee health plans have no incentives to increase the value provided in terms of the resources used. Thus, even if an employee feels that they have no need for a certain service, they have no real incentive not to receive it.

Neither does the employer have much incentive to do anything either if the employer does not pay any extra under the plan since the insurer will pay as long as the necessary boxes are ticked.

So the answer is that, no matter what the business acumen of the employee or the managers, the design of most health benefits plans does nothing much to restrain costs of the use of resources. No matter how frugal an employee might be, there is no downside to consuming more health services except for the co-pay and deductible.

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No matter how much the employee is focused on getting high value in their health plan – the most value for the least resources invested by him and the company – there is no incentive not to consume the service. The same goes for the employer.

The Gift that Keeps on Giving...and Taking

Of course there are some employee health plans that do design in more ways to restrain these incentives for high use. But even these are relatively uncommon. Our health care system has powerful built-in incentives for over-use, which are faithfully reflected in employer-run health care plans.

Many companies and employees see their health plans as being part of their compensation so that, at least in good times, there is a built-in incentive to make them more generous. The more generous they are, the

more likely it is the employees will be provided more services by doctors and health practitioners. In turn this ratchets up the pressure on other companies to make their own plans more competitive by adding even more expensive bells and whistles.

Not my Problem?

Many, if not most, employees are unaware of how much the company is actually paying for their health insurance. Where they are, they mostly do not care because from their perspective, the money is not coming out of their pocket.

And because of this, even if the value (as distinct from the level of services) being delivered by a particular health plan is minor or even trivial, they will consume – and often over-consume - services covered under it since the perceived cost to them is either low or non-existent.

If we could somehow restore the link between business acumen and health and financial outcomes, a number of positive events would be triggered:

- Employees would tend to more critically monitor their consumption of health services where they felt that their own health outcome would be improved only marginally – for example, a doctor ordering a test purely for defensive legal purposes.
- Employers would also review such situations more carefully and change the design of their systems to provide more incentive for employees to be more critical about the link between costs and likely outcomes
- Doctors and hospitals would be less likely to recommend such services if they felt that there would be some type of review which could reflect on their professional standing and reduce their clientele.

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Injecting Business Acumen into Corporate Bodies

How do we restore the link between business acumen and financial and health outcomes? Do we need to take a new view of employer-based health plans and how they are promoted and administered? What types of processes do we need to implement? How would the design of plans change?

We can think of several categories in which companies could help to restore this link. These categories include:

- Plan design
- Employee education
- Early warning
- Developing business acumen

Get with the Plan, Mack

Clearly there are a huge number of possibilities, many of which have been toyed with in existing plans. Whatever changes are made it is important the plan design be structured so as to encourage and incentivize the employee to utilize their business acumen. There are myriad ways to do this.

But how about this one? What if an employee’s compensation included their health insurance plan cost (with suitable tax adjustment) and they could use this total cost as they wished, provided that they met a minimum standard for their family insurance?

Companies must recognize that they have a broader social responsibility than just providing a plan. They also have a responsibility to ensure that it is used prudently.

The chances are that this would help restore the missing link to business acumen and force the employee to become far more involved in the overall health and financial process without compromising the basic aim of the health insurance in the first place.

Get Educated - Healthcare 101 for Dummies

The principle is that a company has a responsibility not just to provide a plan, but also to educate its participants in it and in its prudent use and application.

Companies must recognize that they have a broader social responsibility than just providing a plan. They also have a responsibility to ensure that it is used prudently. That way they help ensure that as a society we encourage the best use of all resources in the US health system as a requirement for societal health and social responsibility.

The current health system is bewildering in its complexity. The issues are both medical and financial. So why not have the company run regular employee education classes to help address some of the issues. These might include:

- Health outcomes from certain common treatments and services
- Preventive approaches to health
- Addressing long-term care issues such as Alzheimer's
- Addressing medical crises such as cancer
- Use of generic vs. branded drugs

The principle is that an educated consumer is a careful consumer. Maybe this education could be made a precondition for being accepted into a company's health plan?

Early Warning Systems Trump Shock Therapy

Medical treatment is one of the leading causes of personal bankruptcy. Many hyper-expensive treatments provide little benefit in term of increasing life expectancy materially or even in terms of maintaining a tolerable quality of life.

The trade-offs between life expectancy, quality of life and cost are rarely understood by most employees. The goal of any health plan should be to incorporate systems to address this issue before irreversible choices have been made by employees.

The first time that an employee who gets medical services gets feedback on their costs is usually after they have been completed. Usually the level of cost is shocking to them but it is way too late.

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Often employees have no time to research different treatment regimes and accept the recommendation of their doctor of health advisor without any other opinion. Frequently they are not aware of outcome data and overall costs.

Health plans need an early warning system (EWS) for employees that informs them of the likely costs of a service or of a treatment regime, and the likely outcomes based on widely-available patient data.

The EWS might be allied with a patient advocate who can provide the employee with supplemental advice and interpretation of the data provided by the EWS. The principle must be that the employee is provided with feedback and data that is highly relevant to their type of condition before they actually choose the treatment.

Develop Business Acumen in Employees and Managers

Leadership development and management training courses in companies need to introduce business acumen training. Business acumen is needed not only in health matters but in all other areas in a company.

The recession has shown us the problems that occur when employees and managers don't have it. If you're going to teach business acumen in health benefits, do yourself a favor and spread the benefits across the rest of the company so as to improve the wider bottom line.

As they say, what's sauce for the goose is sauce for the gander.

Companies Must Watch The Social Bottom Line Too

Companies have a responsibility to look to the bottom line of our society as a whole, not just their own bottom line.

If the current debate on health care reform tells us anything it is that we all have a societal duty to step up to the plate. We cannot leave the hard decisions to another generation which will have to pick up the ever-ballooning bills we are leaving to them.

HR and benefits administrators have a key role of play in this vital topic of business acumen and health benefits.

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