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INNOVATION & TECHNOLOGY

Tough Love, Lower Health Costs

A UnitedHealthcare plan offers incentives to employees who strictly control their diabetes



GE's Galvin wanted to bring down costs linked to chronically ill patients

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By Arlene Weintraub

A few years back, Dr. Robert S. Galvin was desperately searching for new ways to control medical costs at his company, General Electric. Galvin is GE's chief medical officer. It's his job to keep the company's 323,000 workers healthy. But he was growing frustrated with the challenge: Too many employees with chronic illnesses such as diabetes were not taking their medications or following other prescribed treatment plans, and that led to serious—and expensive—complications. “I said, ‘We need to innovate around

managing costs,’” Galvin recalls.

One of GE's major benefits providers, UnitedHealthcare, was thinking along the same lines. So last year, United introduced the Diabetes Health Plan, a first-of-its-kind benefit now in pilot testing at GE and two other companies. Fifteen more workplaces plan to roll it out in 2010. This is far more than a “disease management” program where patients sign up to receive, say, discounts on medications but are left to fill the prescriptions themselves. The diabetes plan requires patients to adhere

to treatment and drug guidelines and to agree to be tracked by the company to ensure they are compliant. Those who stick with it receive significant discounts on out-of-pocket expenses such as co-pays for diabetes-specific treatments. Those who don't are kicked out of the program and put back into their company's standard plan.

Harsh as it sounds, it's exactly the type of plan that's likely to catch on as the country debates health-care reform. No matter which of the many proposals knocking around Congress actually passes, there's no doubt companies and their insurers will be expected to hold down the costs of caring for chronically ill people. And diabetes is a doozy: United estimates that newly diagnosed diabetes patients cost payers \$12,000 each in their first year. A patient with a complication such as heart disease may cost \$30,000 a year. But the biggest potential savings for the employer, according to United, come when you prevent people with “pre-diabetes”—who are also eligible for United's plan—from developing the full-blown illness. “We know if a pre-diabetic loses 7% of their body weight, the chance they'll become diabetic goes down by 58%,” says Dr. Deneen Vojta, vice-president and medical officer at United. “The numbers get astronomical.”

The finances work out well for patients, too. The parameters of the plan differ by employer, but United offers up a hypothetical scenario: Say

\$30,000

Annual cost to the health-care system of a diabetes patient who suffers complications. Patients without complications cost a third of that.

Data: UnitedHealthcare

a company's standard plan charges co-pays of \$30 to \$50 for prescription drugs; those fees would be waived on medicine diabetes patients use to control their blood sugar and on glucose meters for testing their blood. Deductibles might also be reduced. But patients must agree to twice-yearly physician checkups and other preventive measures, and they have to allow United to keep an online scorecard that uses claims data to keep track of their compliance. United's database technology ensures that the plan is completely secure, so neither the employer nor United gets access to the identities of the employees who participate, unless those patients choose to disclose the information.

MEDICATION DISCOUNTS

Although United is the first major insurer to offer a disease-specific plan, other insurance companies offer incentive programs for patients to manage chronic diseases properly. Aetna, for example, has embraced the concept of "value-based insurance design," which is focused on providing medication discounts to patients with diabetes, high cholesterol, asthma, and other conditions. The hope is that incentives added by Aetna will boost compliance, keep patients healthier, and save money for Aetna's corporate clients. Aetna introduced one such

plan, Healthy Actions Rx-Savings, last year, and it was pilot-tested by Marriott International. It's not as extensive as United's offering because it's merely a discount program rather than a comprehensive plan design with strict monitoring. Dr. Edmund Pezalla, Aetna's national medical director for pharmacy management, says it's too early to say if such programs are working, but he's optimistic. "We know people are filling more prescriptions," he says.

United is offering the Diabetes Health Plan only to large companies that are self-insured, meaning the employers bear the entire risk while the insurer administers the plan. What does United gain? For one, it can better compete with its rivals by offering a wider menu of innovative services. More important, the insurer protects itself over the long run: Diabetic patients who don't control the disease could become liabilities down the road, if they change jobs and end up working for a company that's fully insured by United. "Insurers always benefit from healthier members," says Sheryl R. Skolnick, a managing director at Pali Capital who specializes in health care. "It's cheaper to give up co-pays and premiums rather than pay for a diabetic in full-blown distress," regardless of when the patient runs into trouble, she adds.

PRIVACY HURDLES

Plans such as United's haven't always been greeted with applause, however. GE's Galvin says a couple of non-diabetic employees complained that they had more out-of-pocket costs than did those who were eligible for the diabetes plan. And Peter L. Ebb, a partner at the law firm Ropes & Gray, says he was recently hired by a hospital that wanted to implement a plan similar to United's but was getting hassled by its labor union. "Employees were initially suspicious," Ebb says. "They worried, 'Is the information I disclose going to be passed along to my manager? Is there a risk I'm going to get fired?'" Ebb convinced the union that there were enough privacy firewalls built into the program to shield employees' identities, but he suspects similar worries will arise in other workplaces. "This idea can be successful if employers can overcome those concerns," he says.

United is now designing studies that will help it quantify the diabetes plan's impact on health outcomes and expenses. If the insurer can prove the plan reduces costs, it may consider rolling out similar programs for a host of chronic but manageable diseases. Says Vojta: "We can see it moving to other conditions where patient behavior drives outcomes." **| BW |**