



Fiscal First Aid Quick Reference

Reorganizing Health Care Coverage

By Michael Schaiberger, former director of the Maricopa County, Arizona, Employee Health Initiatives Department and Administrator of Innovation, and Eva Olsaker, Senior Manager, GFOA

Introduction

Governments have often provided generous health-care benefits to employees and retirees, in some instances footing the entire bill (premiums, co-pays, etc.). Governments are now finding that they may not be able to continue to afford these benefits, and the general public may have reached a point where they are not willing to fund benefits that are substantially more generous than those found in the private sector. Changing the incentives of the health-care plan providers and participants is often the key to improving this situation. .

Steps to Take

- I. Executive leadership should identify the organization's goals and objectives for providing employee health care.
 - A. Clearly define the employee health-care core business focus, products, and services. For example, Maricopa County, Arizona, decided that its core business products and services would include:
 - medical plans
 - pharmacy plans
 - dental and vision plans
 - employee assistance and behavioral health plans
 - short-term disability plans
 - ergonomic evaluations
 - wellness programs
 - managing a physical fitness center
 - managing an on-site clinic and physical pharmacy
 - managing mobile on-site prostate screening exams, dental services, and mammography screening exams
 - B. Other functions, such as pension and leave plan administration, were not included and were not managed by the county's employee health-care department, as they were not the county's employee health-care core business priorities.
- II. Identify ways to encourage economic efficiency and service excellence (e.g., financial incentives, performance guarantees).
 - A. Maricopa's Wellness Health Incentive Payment Program became a financial management technique to challenge contracted providers and provide them with financial incentives to meet the county's performance goals.
 - B. The county identified specific goals for its vendors, based on national performance standards. As per the contractual agreement, the county provides a specified incentive payment to the vendor if it exceeds all goals. Conversely, if a vendor fails to meet goals, the vendor refunds money to the county. This creates an incentive for all parties to engage in cost-saving behaviors.
 1. The county's primary general medical vendor offers a 24-hour health information line. One of the ways this service benefits the county is by allowing participants to discuss their symptoms with a nurse, who can direct them to urgent-care facilities instead of hospital emergency rooms. This both allows the member faster access to care and reduces the eventual claim costs.



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- III. Consider ways to reduce the costs of pharmacy plans, as they are a major part of any employee health-care plan.
 - A. The county decided to offer both a coinsurance pharmacy plan and a consumer choice pharmacy plan, and a drug reimbursement account.
 1. This model provides five levels of coverage with differing fixed minimum and maximum co-pays.
 2. The consumer choice plan provides the employee with the greatest economic incentive for using generic drugs. County employees receive an annual \$300 pharmacy credit in their drug reimbursement account and pay a deductible before traditional coinsurance applies, which encourages them to consider how they're using the plan.
 3. In addition, the county also offers an option allowing employees to obtain a 90-day supply of medications either by mail or retail, which saves money and encourages compliance with their plan of treatment.

- IV. Consider creating an independent employee health-care department, which can ensure that the appropriate mission focus is on health care and finance, and not on other human resources activities. Doing so also symbolizes to the organization that employee health care is vital and important.
 - A. Most organizations place health care in the human resources department, where human resource staff manage health-care activities, and other organizations make employee health-care a part of risk management, often led by legal or finance professionals.
 - B. Consider the leadership skill set mix in the new health-care department. It can be beneficial to have staff backgrounds and experience that include public- and private-sector-managed health-care backgrounds. Health-care professionals such as those found in HMOs or similar organizations have the health-care operation skill sets needed to manage a health-care unit effectively.

Maricopa County: Benefits and Outcomes

Because the Maricopa County health care department embarked on a health-care transformation initiative, the county was able to achieve improved employee satisfaction and save money on health-care and pharmacy plans. Here are some of the highlights of the county's efforts:

- Created an independent health-care department – the key to managing and maintain costs, and maintaining the county's employee health-care needs.
- Maricopa County's employee health-care program owes much of its success to deciding to emphasize employee health care as a high-visibility, stand-alone organization.
- Increased employee satisfaction.
- Since inception, the county has held employee and employer medical and pharmacy cost increases below national trends.
- The county decided to not use the term "benefits" when describing the health-care department or related services, as that word can imply entitlement and encourage participants to use the plan in ways that work at cross purposes with strategies encouraging health, wellness, disease prevention, market-driven behavior, and resource conservation.
- The county also reduced employees' health-care premiums by \$240 a year for voluntarily completing a biometric screening and health risk assessment. The county also reduced employees' health-care premiums by \$480 per year for not using tobacco.
- As a result of the Wellness Health Incentive Payment Program, and other factors, the county has begun to develop a culture of wellness, and costs have increased at a rate that is significantly lower than the national average. The county achieved an approximate



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- 2 percent reduction in medical inflation, which resulted in a premium savings of \$2 million in 2007.
- The county's pharmacy plan design achieved its goal for freedom of choice, flexibility, and satisfaction while containing costs through the use of generic drugs.
- From 2003 to 2008, employer and employee prescription costs have been reduced by more than \$1.14 million.

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Other information, such as publications and recognitions, regarding Maricopa County's health care initiative can be found at:

- <http://www.pioneerinstitute.org/pdf/ROE25.pdf>
- <http://www.azcentral.com/community/phoenix/articles/2009/01/14/20090114countyclinic0114.html>
- http://www.naco.org/Content/ContentGroups/Legislative_Affairs/Advocacy1/Health2/SchaibergerTestimony.pdf
- http://www.arizona-excellence.com/SQA_Program/Recipient%20Application%20Summaries/2007%20Employee%20Health%20Initiatives%20-%20MC.pdf
- http://74.125.95.132/search?q=cache:IHDemo5l_KoJ:www.naco.org/cfiles/healthycounties/webinars/MaricopaCountyAZ_EmployeeHealthInitiatives.pps+Healthy+County+Webinar&cd=2&hl=en&ct=clnk&gl=us&client=firefox-a