



Employee Wellness Works in Lewiston, Maine

By Edward A. Barrett

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Employers often react to an annual premium notice from their employee health insurance provider by scurrying to evaluate options, issuing RFPs to seek new providers, and reviewing benefits to see if reducing them can offset the new, higher cost. Employees are asked to pay a larger cost share and frequently have to choose between fewer benefits or smaller take home pay. But it doesn't have to be this way — there are steps managers can take to exercise some control over costs without significantly reducing plan benefits, placing greater burdens on employees, increasing taxes, or reducing services.

At the heart of Lewiston's health-care cost control effort is an employee wellness incentive program designed to reduce the need for expensive health services and improve the overall health of city employees. The city also purchased insurance through the Maine Municipal Employees Health Trust, which helps manage rate volatility through group size, and started allowing employees who opted out of health-care coverage to take lump sum payment, upon showing proof of other coverage. These measures have made a difference, leading to improvements in leading health measures.

WELLNESS INCENTIVE PROGRAM

In response to escalating health-care costs, the City of Lewiston, Maine,

embarked on a comprehensive and multi-faceted effort to control costs. Lewiston is Maine's second largest city, with a population of about 35,000 and 340 employees. One of New England's early textile mill centers, the community has worked hard over the last 30 years to diversify its once manufacturing-based economy by expanding into health care, education, warehousing and distribution, finance, and precision manufacturing. The economic dislocations initially resulting from mill closures, along with the need to invest heavily in infrastructure and redevelopment, have stressed local budgets and financial capacity. The city needed greater efficiency and cost control to continue meeting the service and capital needs of the community at an affordable price.

In 2006, Lewiston initiated an employee wellness incentive program in response to the rapidly escalating cost of health insurance and the desire of city employees and their bargaining units to maintain a quality, full-service health-care plan. The goals of this program are to:

- Reduce the overall need for health-care services and prevent disease by rewarding employees for healthy behavior.
- Hold down the cost of health insurance for both the city and employee.

Before 2006, employees paid 10 percent of their salaries toward the cost of health insurance coverage. In 2006,

working closely with the city's six bargaining units, Lewiston increased that amount to 25 percent for employees hired before July 2007 and 35 percent for those hired after that date.

At the same time, premium incentives and wellness goals were established that allowed participating employees to reduce their share of premium costs by up to 15 percent. Employees and spouses who participate in an annual health risk assessment provided by the city and a physical exam by their personal care physician can reduce the 25 percent or 35 percent they are required to pay back to 10 percent or 20 percent. They can do this by:

- Participating in an annual health risk assessment and a physical exam, including labs and x-rays, by their personal care physician (5 percent credit for employee-only coverage; 2.5 percent each for employee and spousal coverage).
- Participating in an exercise program tailored by the health-care educator in conjunction with the personal care physician (5 percent credit for employee-only coverage; 2.5 percent each for employee and spousal coverage).
- No tobacco use (2.5 percent credit for employee-only coverage; 1.25 percent each for employee and spousal coverage).
- Meeting set body mass index goals or complying with a related weight management program (2.5 percent credit for employee-only coverage; 1.25 percent each for employee and spousal coverage).

Employees must meet all four components to receive the full savings, and spouses must meet the first two and at least one of the other two.

The annual health risk assessment and physical exam are at the heart of this program, and more than 85 percent of employees covered by the city's insurance program participate. This requirement focuses on identifying individuals who are at risk for chronic illnesses such as heart disease and diabetes and developing programs to help them avoid long-term health problems. Employees and spouses are measured against the following wellness goals:

- Blood pressure initially 140/80; later reduced to 120/80.
- Cholesterol less than 200, with HDL of more than 39 and LDL of less than 130.
- Diabetes A1C test less than 7, F glucose less than 100, and R less than 142.
- Body mass less than 25 (for men).
- Waist less than 40 inches (for men).
- Maintaining an appropriate diet.
- No tobacco use.
- Physical activity of 30 minutes per day, 5 days per week.

Additional wellness efforts include programs targeting areas such as exercise, diet, stress management, and tobacco use. These efforts are sponsored by the city's health-care advisory team, which is composed of representatives from unions, departments, and management. More than 20 percent of the workforce tracks their efforts in wellness logs,

which are turned in three times a year and earn points that can be redeemed for gift certificates or products. The city has wellness fairs several times a year that focus on specific issues such as diabetes or osteoporosis, and it provides wellness newsletters and updates weekly and monthly to all employees.

The overall health of Lewiston employees has improved as a result of this program. Exhibit 1 compares the percentage of employees meeting goals from the inception of the program in 2006 to 2011.

FINANCIAL RESULTS

Employee health needs to be the primary concern, but in the real world, costs are not far behind. Lewiston has used a number of measures to evaluate the financial impact of its wellness program. The city's costs over time can be compared with:

- Costs over time for all Maine municipalities covered by the Maine Municipal Employee Health Trust, an entity that insures 450 local government agencies with 20,000 individuals, including the City of Lewiston.
- The Milliman Medical Index, a national index tracking health insurance costs. It is compiled by a large, independent actuarial and consulting firm that focuses on employee benefits.

Exhibit 1: Percentage of Employees Who Meet Wellness Goals

Measure	Percent in 2006	Percent in 2011
Cholesterol	37	70
Activity	31	49
Diet	61	76
Tobacco	88	93
Blood Pressure	79	87*

*Measured by initial 140/80 standard, later reduced to 120/80.

- Actual plan costs compared to Kaiser Family Foundation data on employer-based health insurance plans in Maine.
- Changes in health-care costs per city employee and in total health-care costs as a percentage of the city's general fund budget over time.

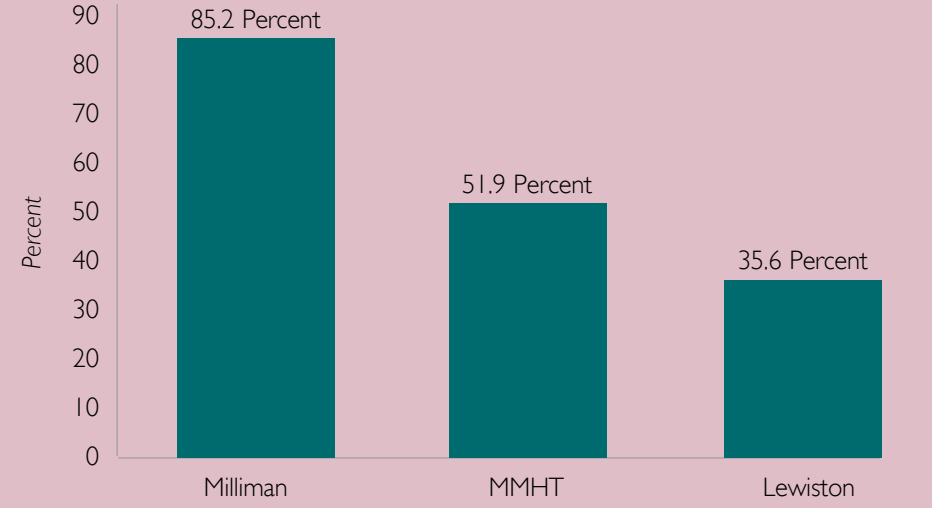
So, how has the city done? Information about each benchmark is listed below.

Maine Municipal Health Trust. Since the wellness program was put into place, Lewiston has outperformed the health trust as a whole by 10.7 percent — that is, the city's health insurance rates are 10.7 percent lower than they would have been if the city had experienced the same annual percentage increases as the trust as a whole.

As a member of this large group, Lewiston's rates are set based on a weighting factor of 60 percent for the city's experience and 40 percent for that of the entire pool. Membership in a larger pool has the advantage of minimizing the large swings in premiums that can be caused by a poor experience in any given year. The disadvantage is that it somewhat penalizes a member unit when it performs better than the overall group, but Lewiston has generally accepted this trade-off in return for the ability to smooth out the city's annual rate changes.

Milliman Medical Index. This index tracks health insurance costs nationally. Since Lewiston's program began, the average increase in the Milliman index has been 85.2 percent, compared to 35.6 for the city. Exhibit 2 compares the Milliman index, the Maine Municipal Employee Health Trust, and Lewiston increases between 2005 and 2012.

Exhibit 2: Comparative Health Insurance Increases



Kaiser Family Foundation Data on State Health Insurance Costs.

Lewiston's health plan costs in 2010 (the most recent data available) compare favorably with the cost data compiled by the Kaiser Family Foundation on employer-based health insurance plans in Maine (see Exhibit 3). This is notable because Lewiston's plan offers significantly richer benefits than those of most other employers. Lewiston's comprehensive point of service plan offers:

- No deductible.
- Coinsurance at 90 percent in network or 80 percent out of network.
- Out of pocket limit of \$1,000 for a single employee or \$2,000 for a family.
- In-patient treatment covered at 90 percent.
- Out-patient services covered at 100 percent.

- Copayment of \$15 for non-preventive office visits.
- No copayment for preventive doctor visits.
- Emergency room services covered at 100 percent after \$100 copayment.
- Five-tier drug copayment at \$4, \$10, \$30, \$50, and \$60.

Even at this benefit level, Lewiston's single parent and family plans are less expensive than those of the average employer in Maine, while Lewiston's employee-only plan is slightly more expensive.

Health-Care Costs as a Percentage of the City's General Fund Budget.

Between 2005 and 2011, the city's general fund budget increased 10.9 percent. Over the same period, the city's health insurance costs increased 4.3 percent, and the percentage of the

Exhibit 3: 2010 Cost Data for Lewiston's Health Plan Costs versus Kaiser Family Foundation

Plan	Kaiser Family Foundation	Lewiston	Difference
Employee	\$5,554	\$6,257	+\$703
Parent	\$10,883	\$10,209	-\$703
Family	\$14,567	\$14,034	-\$533

budget devoted to health care declined from 8.0 percent to 7.5 percent.

Cost Per Employee. Over the same period, the total cost per employee, including both the city and employee contribution, increased from \$9,024 per year to \$10,459, an average annual increase of less than 2.5 percent.

PROGRAM COSTS AND ESTIMATED ROI

A wellness program doesn't have to be expensive. Lewiston contracts with a health-care provider to perform annual risk assessments on approximately 280 employees and their spouses. For the initial year of the program, the total cost was approximately \$50,000, and since then, the annual cost has averaged about \$30,000. Other costs associated with wellness programs and incentives add another \$5,000 to \$10,000, for a total current annual program cost of approximately \$40,000.

Controlling for changes in group size and mix over time, Lewiston estimates that this program, in concert with related efforts, has reduced the city's health insurance costs by between 4.7 percent and 17.4 percent, in comparison with the experience of the Maine Municipal Health Trust and the Milliken Medical index, respectively. For 2011 alone, this represents an annual savings of between \$145,000 and \$540,000. Over the life of the program, savings are estimated to range from between \$980,000 and \$1.7 million. Using the lower figure of about \$1 million in savings, the city's return on investment has been at least \$3.50 for every dollar spent.

TAKEAWAYS

Governments cannot afford to be passive in the face of continually escalating health-care costs. Nor can reducing

benefits and asking employees to pay more be the only way these costs are addressed, although such steps can be part of an overall plan. A comprehensive approach to managing health care is essential.

A successful effort starts with analyzing and understanding current costs and trends. Who is being covered? What are the major cost drivers? Everyone knows that certain major health concerns such as tobacco use, obesity, high blood pressure, and diabetes drive costs, but jurisdictions need to work with their insurers to analyze the health claims of their groups. This will help the organization focus its initial efforts in the areas that will yield the biggest return.

Then, set goals and objectives, and identify how progress will be measured. Benchmarks should be clearly established at the outset and monitored on a regular schedule. They should be evaluated periodically to see if new ones are needed or old ones should be modified.

Employee involvement is essential. To change employee behavior and the culture of the organization, jurisdictions must allow employees and their organizations to play a leadership role from the outset. Success will be largely dependent on the extent to which employees take ownership of this effort. Identifying leaders and cheerleaders in each employee group, empowering them, and supporting them make a real difference. You know things are going in the right direction when you see the following headline in your local paper: "The Great Glazed Doughnut Challenge: An Arresting Development — Our Cops are into Bagels" (Lewiston Sun Journal, April 29, 2012).

Incentives work. Relatively inexpensive incentives can be amazingly effective.

Gift certificates, mugs, t-shirts, water bottles, wrist bands, movie passes, gym bags, and other small items that recognize accomplishments can reinforce overall program efforts and should be used frequently. Larger incentives, such as reducing the employee share of health insurance costs, can have even bigger results.

CONCLUSIONS

While a wellness program is not the silver bullet to solving the health-care cost crisis, it can help governments manage and limit the excessive increases many have been experiencing. A well designed program, even if it is voluntary, can produce results in both the overall health of employees and the organization's bottom line. It's also a concrete step the government can take to show that it cares about its employees and their health, and is doing its best to maintain a quality health insurance program at a reasonable cost. Given the tensions in the employer/employee relationship caused by the recession and fiscal problems faced at the local level, this seems the least we can all do. ■

EDWARD A. BARRETT is city administrator of Lewiston, Maine. Before that, he was city manager of Bangor, Maine, for more than 20 years. Barrett represents the City of Lewiston on a number of area boards and organizations, including the Lewiston Auburn Economic Growth Council and the Androscoggin County Chamber of Commerce. In 1997, he was recognized by his peers as the Linc Stackpole Manager of the Year, and in 2002, he received the Maine Town and City Managers Association Leadership Award for his work with the Service Centers Coalition. Barrett received both his B.A. and M.A. in Political Science from the University of Dayton.