



EMPLOYER BRIEFING

Transforming Employee Health Benefits

How Consumer-Directed Health Plans and Wellness Programs Can Help You Set a New Direction and Deliver Real Savings

Case Study: Blue Cross & Blue Shield of Rhode Island, 2012-2016

B2BLUE



LEARN FROM THIS REAL-LIFE JOURNEY IN BENEFITS STRATEGY

If your job description includes “decision maker” for employee benefits at your company, you face a growing number of challenges each year balancing the need to offer competitive benefits that will attract and retain employees while gaining more predictability in healthcare costs.

The stakes are high and change is difficult, especially when it comes to your health plan. The challenges you face every year include:

- **Managing ever-rising costs**
- **Attracting and retaining the best talent**
- **Balancing the health and happiness of employees with financial performance**

We created this briefing to share our own experience and lessons we learned as you develop your own organization's future benefits strategy.



Rethinking Benefits Strategy

As a Rhode Island business with some 800 employees, we understand your challenges. Like you, we struggle with maintaining healthy lifestyles, managing chronic conditions, and enduring heartbreaking bouts with life-threatening diseases. Just like you, we want our employees to be healthy and focused on pursuing their best work each day.

We also understand the struggle that every organization faces trying to control the growing costs of employee healthcare. **From 2004 to 2012, our employee healthcare costs rose 56%, or 7% per year.**

One advantage we have, though, is that we get to work with more than 5,000 Rhode Island companies, unions, and municipalities to shape their employee benefit strategies—work we've been doing for more than 75 years. Those relationships provide us with a unique understanding of the healthcare landscape and, more importantly, generate valuable insight into which strategies are most effective for employers in controlling costs and improving employee health.

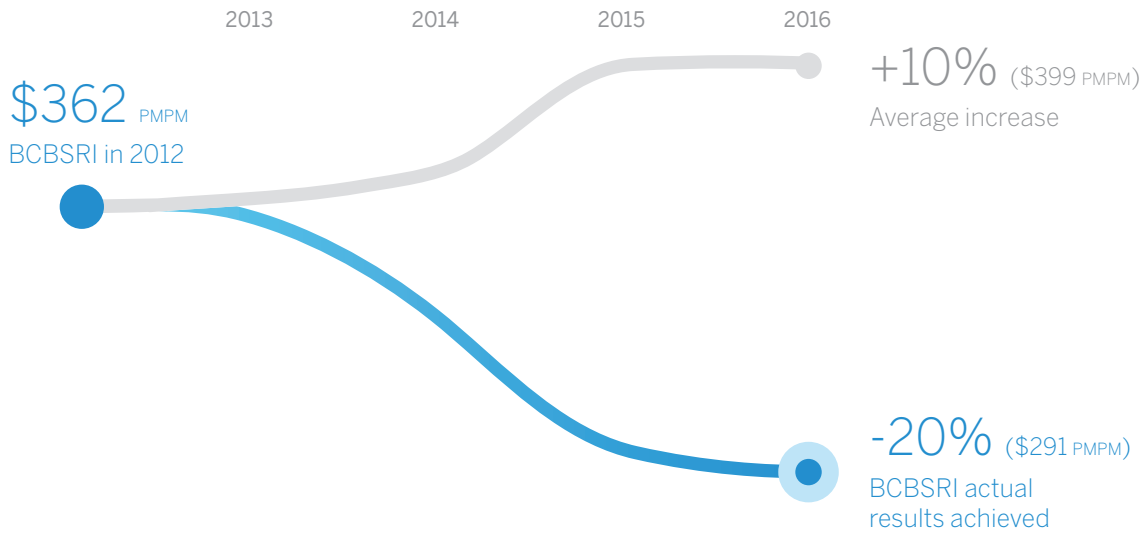
Recognizing our responsibility to lead change, we used those insights to rethink our benefits program, strategy, and practice. Our journey begins in 2012 with some very simple changes and continues today through an integrated program focused on employee well-being. We hope sharing our story helps leaders like you chart a new course toward healthier employees and more control of benefit costs.



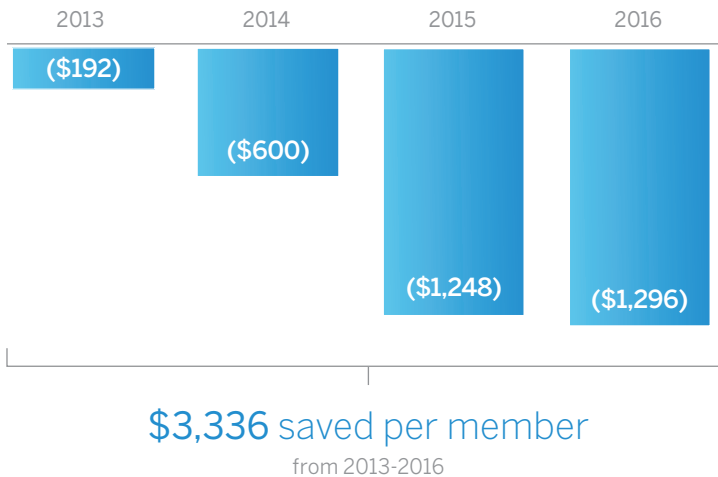
Achieving Lower Healthcare Costs Annually

Employee healthcare costs in Rhode Island increased 10% for large employers during the five years beginning in 2012. By taking steps to improve health and manage costs, we not only avoided that 10% increase but also reversed the cost trend by 20% in that same time span.

BCBSRI EMPLOYEE HEALTHCARE COSTS*
PER MEMBER PER MONTH (PMPM)



ANNUAL SAVINGS*
PER MEMBER PER YEAR



*Charts reflect BCBSRI annual paid claims during the period of 2013 through 2016, excluding annual employee contributions to incurred costs.

Charting a new course

Creating a “Rhodes to Well-Being” Strategy

In 2012, we began taking a hard look at the benefits we were offering our employees. Rising healthcare costs impact our business just like any other, and we knew we needed to take action. We also knew we needed to commit to a multiyear plan. Introducing too much change quickly wouldn't be fair to our employees or the company as a whole. For our strategy, we set the following objectives:

- Help employees become better consumers of healthcare
- Ensure the care that employees receive remains accessible and high quality
- Limit annual increases in costs for both our organization and our employees

We came up with a strategy for a multiyear, multilayered approach that allowed our organization to introduce new network choices, plan options, and employee health programs at a responsible and effective pace. Called “Rhodes to Well-Being,” our strategy has focused on three critical layers of health improvement and cost control.

“Rhodes to Well-Being” Strategic Focus

- Commitment to High-Value **Healthcare**
- **Benefits** that Increase Value and Employee Control
- Employee Growth through **Well-Being** Incentives





High-Value Healthcare

KEY ELEMENTS



PCPs who coordinate care for employees and their families



Lower cost streamlined networks



Integrated medical and pharmacy benefits

LESSONS LEARNED

CHALLENGE

Employees may not know how to get help from a health manager

SOLUTION

Be flexible when employees need help and let them know the many ways they can connect with a health manager:

- Phone
- Email
- On-site
- Off-site
- At home



Value-Based Healthcare

Commitment to High-Value Healthcare

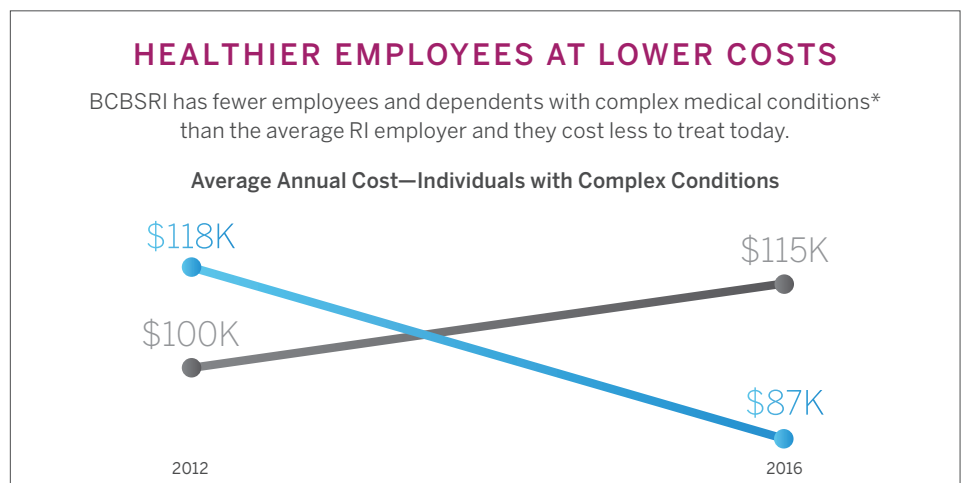
We know from national studies as well as our own data and analysis that employees who have regular access to a highly capable primary care provider (PCP), one who coordinates all of their care, are healthier. They also are less likely to receive unnecessary care or expensive services that deliver little value.

On the other hand, when employees direct their own care across multiple providers, it results in higher out-of-pocket costs for the employee as well as annual premium growth for employers.

Armed with that knowledge, we have committed to ensuring our employees and company are getting the highest value healthcare for the collective dollars spent on premiums and out-of-pocket costs:

- We encourage employees and family members to select PCPs who belong to certified patient-centered medical homes (PCMHs). Those PCPs coordinate care among specialty doctors, such as cardiologists, as well as labs and hospitals. When compared to the average RI employee group:
 - 11% more BCBSRI employees and dependents see a PCP
 - 17% more have had a well visit with their PCP this past year
- For employees with complex medical conditions, we provide health managers to coordinate services among their healthcare providers.
- Integrating medical and pharmacy claims allows us to work with PCPs to better ensure members take their medications as prescribed as well as prevent potentially dangerous and costly drug interactions.

With a foundation of “value-based healthcare” firmly in place through capable PCPs, BCBSRI employees and family members are seeing the health and financial benefits of receiving the right care at the right time in the right place.



● BCBSRI ● RI Average

*Individuals with more than \$50,000 claims annually in 2016



Aligned Benefits

Benefits that Increase Value and Employee Control

For decades, it was common for many large employers to absorb as much of their employees' healthcare costs as possible. Employers paid most—if not all—of the premiums and offered plans that required little financial outlay by their employees. By 2010, we realized this was not sustainable. A new approach was needed.

We had to motivate employees to be more involved in their healthcare. Aligned with our foundation of primary care, we provide employees with financial incentives to select a certified PCMH where innovative offerings, including 24/7 support, could help them save on costly and unnecessary ER visits.

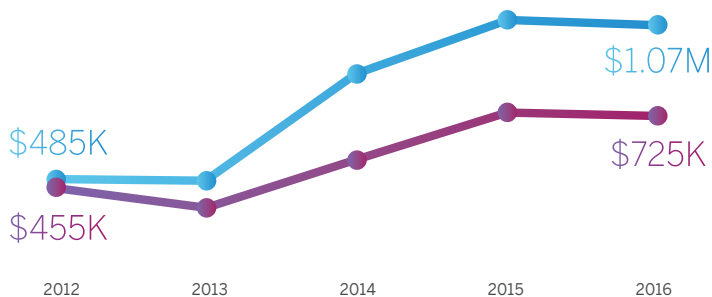
We also offer consumer-driven health plans (CDHPs). CDHPs are typically high-deductible plans that can be paired with a tax-advantaged account such as a health savings account (HSA). With an HSA, employees can use money in their account to pay medical bills or enjoy the significant tax advantages of investing it for future healthcare needs.

BCBSRI HEALTH PLAN EVOLUTION

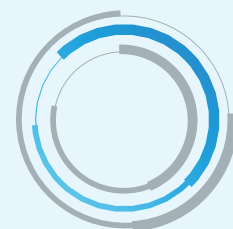
	2012	2018
PCP-required plans	✗	✓
Most popular plan	PPO	CDHP/HSA
Network options	National	New England
Deductible maximum	\$3,000	\$6,000
Well-being incentives	\$200	\$950
Company HSA contribution	\$1,500	\$1,100
Disincentives for non-participation	✗	✓

Over time, employees have lowered their premium and out-of-pocket costs through a variety of options. This includes paying \$0 for preventive services and drugs, choosing smaller networks of providers, or building their healthcare savings with wellness incentives deposited into their HSAs.

EMPLOYEE HSA SAVINGS GROWTH OUTPACES COMPANY CONTRIBUTIONS



● Employee Contribution ● Company Contribution



Benefits

KEY ELEMENTS



\$0 copays for PCPs who coordinate care



Health savings account (HSA) options



Lower cost managed care product options

LESSONS LEARNED

CHALLENGE

Employees ignore administrative emails

SOLUTION

Reach employees through every channel

Don't rely on generic email.

Do send messages through:

- Intranet
- Emails
- Desk drops
- Stop-by question time
- Team meetings led by managers



Well-Being

KEY ELEMENTS



Contributions to employee HSAs



Rewards for healthy actions



Disincentives for non-participation

LESSONS LEARNED

CHALLENGE

Employees do not always read materials about new programs

SOLUTION

Always highlight the incentives up front, especially in emails

Example

Don't write "2018 wellness program requirements"

Do write "Save \$1,000 off of your 2018 Medical Premium!"



Incent Well-Being

Employee Growth through Well-Being Incentives

Since employees in a CDHP have an increased financial stake in how their healthcare is provided and paid for, they become more involved in the management of their care. They ask more questions and do more research before making decisions. Whether they receive enhanced services through their PCP or compare costs before spending their HSA dollars, our employees are now in a position to make more informed choices about their care.

However, we want to do more than just help them be better consumers. We want to encourage them to take better care of themselves. So we provide access to well-being programs as well as additional incentives for making healthy lifestyle choices. The goal is for our employees to be better informed and healthier people who will need to use the healthcare system less.

ENCOURAGING HEALTHY CHOICES

- "Fitness for Beginners" exercise class welcomes all employees, even if they don't belong to the on-site gym.
- Mindfulness program teaches employees methods and habits to reduce stress at work and at home.
- Innovative health station lets employees check—and track—their own blood pressure and BMI whenever they want.

Creating simple programs and effective financial incentives helped get early buy-in from employees. In fact, many earned enough incentives in the initial years to cover most of their deductible, and that propelled employee adoption of CDHPs. While rewarding participation was the goal in the early years, our employees are now rewarded to pursue—and achieve—healthy outcomes.

WELL-BEING PROGRAM PARTICIPATION

72% of employees and 29% of spouses active in well-being program

52% of participants track steps daily
91% walk more than 7,000 steps daily

\$950 well-being incentives available in 2018



Partnering with employees

One question you're probably asking is: "How do we bring employees along on the journey toward taking more control over their healthcare decisions?" The gradual, step-by-step approach has certainly helped. Most important, however, is a thoughtful program of communicating, educating, and partnering with employees and their families.

Step 1: Communication

Two-way discussions about why these actions are necessary and how they will benefit both employees and the company over the long run

Step 2: Education

Easy-to-understand guides, coaching, and real-life examples help employees and their families understand the importance of being better healthcare consumers

Step 3: Partnership

Well-being programs and incentives that demonstrate a commitment to helping colleagues and their families not only be healthy but also benefit from change

By communicating with our employees and providing opportunities for ongoing dialogue and feedback, we've gained a more informed sense of what's important to them. They've also become more knowledgeable healthcare consumers by using the educational tools we made available to them. Finally, seeing our commitment to partnering with them and investing in their future, our colleagues have embraced a culture of change and are taking more control over their healthcare decisions.

The broad adoption of CDHPs shows their appeal across all segments of our employees, and more significantly it reflects how we introduced the new plans to our colleagues. We knew the introduction of a high-deductible plan might cause confusion, apprehension, and resistance. So we helped them understand and accept the change. We explained that if they opted for a CDHP, they would get the benefit of an HSA, and we would contribute to that HSA to help them offset higher deductibles.

BCBSRI EMPLOYEES IN CDHPS MADE BETTER CHOICES, LOWERED COSTS*

When we compared our employees in a BlueSolutions CDHP plan to those in a traditional plan, they:



chose generic drugs
13% more often



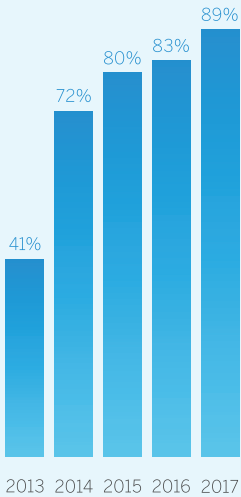
used emergency rooms
52% less frequently



incurred claims costs that were
73% lower

We observed these results among our employees in 2016. While every group has differing circumstances, we can show you how CDHPs may help both you and your employees.

BCBSRI EMPLOYEES CHOOSING A CDHP



LESSONS LEARNED

CHALLENGE #1

HSAs were being underutilized by a segment of employees

SOLUTION

Contact employees who were going to maximize their 401(k) contributions

Result: This simple activity prompted 13% to contribute more to HSAs, compared to industry standard of 4-6% with this segment.

CHALLENGE #2

Planned phase-out of employer contribution risked adoption of CDHP

SOLUTION

Either risk CDHP adoption or continue employer contribution

Result: Analysis showed that continued employer contributions were more than offset by lower claims costs.

PARTNERING WITH EMPLOYEES

By continuing to make HSA contributions, we reduce our employees' exposure dramatically, and we provide them with the chance to accumulate savings for future medical expenses if they don't need to use the money right away. This is particularly attractive to someone who is thinking ahead to retirement, such as a Baby Boomer looking to the near future. At the same time we are transferring control of healthcare spending to our employees, we are incentivizing them and their families to take better care of themselves by offering HSA contributions for participating in well-being activities.

Now, as employees are building higher balances in their HSAs, we give them the choice to save on premiums by increasing their deductibles each year.

We're committed to ongoing investments in our employees' health and well-being, including gym reimbursements, well-being incentives, and preventive coverage. The investments contribute to stronger talent recruitment and retention as well as drive healthcare cost savings (see below).

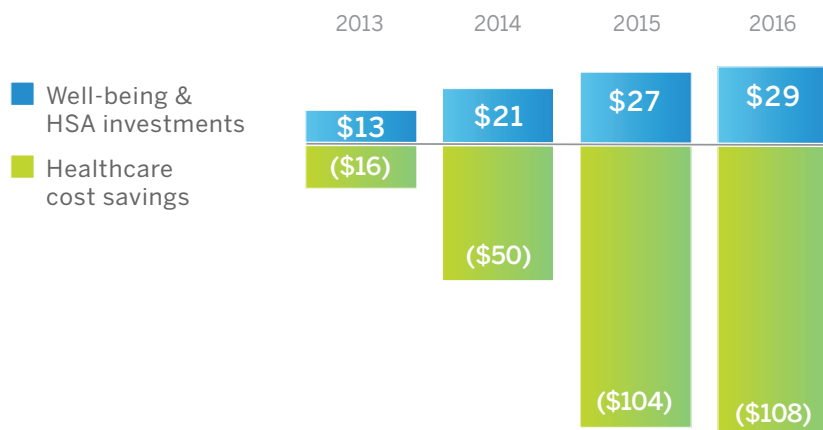
Over four short years, our employees have transformed how they view (and value) the way their health, well-being, and dental benefits fit into their total rewards package.

As the challenges in managing healthcare costs continue across our country, we know that our journey has not ended, but really just begun. However, we move forward knowing our employees today are better informed consumers of healthcare. They better understand their healthcare needs and their health status as well as the real value of the healthcare services they receive and pay for.

WELL-BEING/HSA INVESTMENTS VS. HEALTHCARE COST SAVINGS

PER MEMBER PER MONTH

While we spent more money on helping employees transition to new plans, that investment was dwarfed by the overall cost savings.





How you can get started

Engage Your Employees on a Journey Toward Well-Being

Your organization is unique, and your course toward healthier, more engaged employees is defined by many factors, including your industry, competitive profile, talent needs, employee demographics, and most important, appetite for change.

Today, you may already have implemented some of the tactics included in this case study. So you will be focused now on connecting your programs over the coming years to work more effectively for employees and your bottom line.

If, on the other hand, you are just starting to chart a more specific, multiyear employee benefits strategy, congratulations on taking the first step, no matter how small it may seem to you.

Regardless of the path your organization forges in the coming years, you can adapt these objectives to fit your unique factors:

1. Create a total benefits strategy that engages employees to better understand their physical, financial, emotional, and social well-being.
2. Give your employees the tools and information they need to be better consumers of healthcare. That might include:
 - Education sessions about healthcare costs
 - Financial planning sessions
 - Cost comparison tools
 - Mobile reminders about their healthcare choices
3. Change the trend in cost increases while still ensuring access to the high-quality care they expect.

To learn more about the specifics of the tools and strategies mentioned here, including CDHPs, HSAs, well-being programs, coordinated care, and employee incentives, visit bcbsri.com/b2blue.



WELLNESS

Transform your workplace culture. Increase productivity. Reduce medical costs.

CUSTOMER SERVICE

Relieve HR workload. Meet employees' expectations. Let them get help when they need it.

REGIONAL HEALTH PLANS

Save time and money on healthcare. Access the best care in New England. Reduce premiums.

DATA & ANALYTICS

Understand the data. Spot trends. Make informed decisions.



2017 - 2018

Customer service and keeping members healthy are just two of the reasons that the National Committee for Quality Assurance rates us Excellent.* We received 4.5 out of 5 in NCQA's Private Health Insurance Ratings 2017-2018. That makes us one of the highest rated health insurance plans in the nation.

*This rating applies to our commercial preferred provider organization (PPO) plans.



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4/18 COR-203487