

Saratoga  
Human resource services

# The Saratoga Review

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## In this issue

Healthcare: Building a sustainable approach

Saratoga's US 2008/2009 Human Capital  
Effectiveness Survey

Metric of the month: Healthcare costs per  
active employee

# Healthcare: Building a sustainable approach

One of the leading challenges facing American companies is the ever-rising cost of healthcare, and its affect on their ability to remain globally competitive. As the gains of managed care systems have waned, companies have turned to consumer directed systems in search of a glimpse of hope. While offering initial gains, these systems also have murmurs of doubt and skepticism about their long-term feasibility. A more sustainable healthcare solution requires breaking the mold of the early consumer driven healthcare model, and offering a more adaptable solution for which the attributes and needs of individuals and specific business populations drive the ultimate system of health improvement and care.

The history of healthcare offers many valuable lessons as a new path is forged into the future, and its evolution over the years has taken many forms, none of which have been sustainable.

## **Pre-1980's:**

- Employees paid deductibles and co-insurance, which maintained cost sharing for consumers.
- The system wasn't focused on effective healthcare delivery and controlling costs.

## **Managed Healthcare (Early 1980's--forward):**

- Supply focused strategies controlled provider health spending by negotiating fees, referral processes, provider profiling and at times expensive health plan oversight.
- As more and more responsibility shifted to the provider side, consumers became increasingly disengaged from the responsibility for their own healthcare consumption, resulting in limited attention to the patients' own role in wellness and disease prevention.

## **Present day, less restrictive PPOs (Easing the transition into HMOs):**

- High-deductible plans can lead to the deferral of minor treatments, routine checkups and the purchase of medicines in lower-income brackets, thus resulting in higher costs on the back end for major treatment of illnesses and disease.
- Nourished by a culture that tends to prefer spending dollars on the back-end quick-fix rather than front-end prevention, costs are further increased.
- Employers are reaching the limits of how much cost they shift to their employees while still maintaining a competitive benefit package.

**A new approach** to the healthcare problems of today will be neither quick nor easy; it will require a reassessment of the entire system, including all stakeholders. People need to view healthcare as a shared responsibility between the supply and demand, the providers and employees. A sustainable healthcare approach will require:

- Targeted cost sharing
- Commitment to a culture of health
- Adopting a corporate health excellence framework

An overview of each of these requirements is discussed below.

### **Targeted cost sharing**

A high deductible health plan will lead to reduced utilization of services, but individuals are often challenged to distinguish between discretionary and non-discretionary services. A targeted cost-sharing scheme, aimed at the services and costs over which consumers have the ability to exert influence, is key to realigning the consumer with the responsibilities of their own health maintenance.

A critical component of targeted cost sharing is the creation of an environment in which being a healthcare consumer is “the easy thing to do.” Since the consumer’s view of a healthcare bill often comes after the fact, with limited opportunity to influence the outcome, employee cost sharing must focus on areas that the consumer of services is most likely to influence. In addition, data on quality and choices must be simplified and delivered to the patient in a more real-time and meaningful way. This way, individuals can be encouraged to make value-based choices regarding both providers and treatments.

### **Commitment to a culture of health**

Helping employees and dependents take better care of themselves is essential to reducing the prevalence and severity of chronic conditions such as diabetes, cancer, and heart disease. A new healthcare approach must:

- Create a culture of health and wellbeing within a company in which employees and families take an active interest in managing their own health
- Offer tools and support for personal health management
- Invest more front-end dollars to create and reward a culture of health, as this will create long-term gains through reduced spending on back-end treatment
- Have the support of senior leadership, who can communicate the linkage between employee health, performance, and business goals

### **Adopting a corporate health excellence framework**

Finally, a sustainable health strategy should be built on the lessons learned from other business-improvement initiatives, such as safety and quality programs. Activities and programs alone will not necessarily lead to meaningful or lasting transformation. Organizations must adopt a business-appropriate, disciplined approach that is both incremental and comprehensive. Organizations executing a sustainable healthcare strategy must:

- Deploy an integrated data platform to measure, assess, prioritize, regionalize and personalize the overall health strategy
- Facilitate seamless collaboration in the integration of internal and external resources to support health programs
- Continually identify performance gaps and realign programs, processes and policies to deliver measurable progress

Organizations that go beyond a benefits strategy and commit to a sustainable health approach will embrace a new paradigm. Early forms of consumer driven healthcare are not panaceas any more than early forms of managed care were. Consumer driven healthcare needs to evolve and adapt to the needs of the individual and to the unique connection between health and the overall goals of each business. The sustainable health approach executes with excellence to support a shared responsibility between the business and its employees and a vitalized and healthy workforce. Ultimately, the health of an organization is inextricably linked with the health and performance of its employees.

# Saratoga's US 2008/2009 Human Capital Effectiveness Survey

Saratoga's annual US Human Capital Effectiveness survey launches on January 2, 2008. The survey consists of hundreds of metrics focused on the workforce including productivity, structure, labor costs, movement, turnover, quality of hire, high and low performer turnover, and cost of voluntary turnover. Additionally, the survey contains more than 200 HR cost and structure metrics.

Some of the new metrics added to the survey include:

- Generational metrics including headcount percents, hiring and voluntary turnover
- Percent of employees outside of compensation payband
- Pay for performance ratio
- Percent of new hires that were past employees of the organization
- Tuition reimbursement costs

All participating organizations have access to established and standardized instructions for each data element, ensuring organizations are utilizing the same assumptions when entering data. Saratoga provides each client with a data entry support contact who will be available to answer any questions the data collection team may have.

Additionally, as data is being entered into Saratoga's online system, a series of automated data quality checks will occur to assist in identifying any inconsistency of or across data elements. Once data has been submitted to Saratoga, all results are assessed by two members of Saratoga's staff to promote data quality. Finally, we conduct an outlier removal process where we review the individual results for each metric and remove any extreme values that would otherwise impact benchmark results.

To learn more about Saratoga's latest survey, please contact us at 866-724-2864.

# Metric of the month: Healthcare costs per active employee

Rising healthcare costs have increasingly become a regular feature in the media. It seems as though there are daily reports focused on the increasing cost of healthcare for organizations and their employees, as well as its impact on US employers.

Monitoring healthcare costs is critical for organizations, which is why Saratoga offers a number of employee healthcare-focused metrics. This month we focus on Healthcare Costs per Active Employee:

Employer Contribution Towards Healthcare Coverage for Active Employees/ Employees Participating in Healthcare Plan

Saratoga's definition of healthcare costs includes medical, prescription drug, dental and employee assistance program (EAP) fees or premiums.

According to Saratoga's 2007/2008 Human Capital Effectiveness Report, Healthcare Costs per Active Employee have risen at a compounded annual growth rate of 5.5% a year since 2004, a cost per active employee of \$7,288 in 2006. How long can the trend of rising healthcare costs continue? To learn more about controlling healthcare costs, please read this month's article titled "Healthcare: Building a Sustainable Approach."



Have an idea or topic that you would like Saratoga to write about? If so, we would love to hear from you! Please send your ideas and/or topics to [saratoga@us.pwc.com](mailto:saratoga@us.pwc.com).

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