

A person is shown in profile, sitting in a meditative pose on a large, reddish-brown rock. The background features a sunset or sunrise over a landscape with hills and a clear sky. The person's hands are resting on their knees in a mudra. The overall mood is peaceful and contemplative.

A Matter of HEALTH & SAFETY

Has the time come to break silos on group medical, wellness and workers' comp?

Experts weigh merits of integrated approach for total absence management.

There are many parts of the nation's health care system that appear perverse to experts and casual observers alike. One, of course, is the endless shuffling of paper that feeds a bureaucratic beast. Another is fee-for-service pricing based on patient volume rather than outcomes.

A third could very well be the operation of silos that have long led to communication breakdowns and hamstrung employers in search of better cost-management tools. Indeed, pressure is building on Corporate America to tame rising health plan costs as never before. And it has spawned a movement toward more comprehensive or holistic solutions.

Integrating employee health and safety programs certainly can improve control of self-insured costs and outcomes on both sides, notes Jeff Fitzgerald, VP of employee benefits at Innovative Captive Strategies and member of SIIA's Alternative Risk Transfer Committee. "It makes sense to have one hand know what the other is doing," he believes, though acknowledging that few employers adopt this outlook and change comes slow to the world of insurance with so many siloed moving parts.

“The reality of it is that a small, midsized employer can and needs to look at their XMod rating on their workers’ comp, and they’ll manage that very well,” he says. “Until recently, there hasn’t been the same carryover for how they fund their health insurance.”

Healthier workers means fewer accidents

Most larger and sophisticated employers that can afford to self-fund both group health and workers’ comp operate in silos that completely separate these areas, according to Tris Felix, a VP at IMA, Inc. and member of SIIA’s Alternative Risk Transfer Committee. He says even within AIG, which writes workers’ comp, medical and stop-loss coverage, the disconnection is pronounced enough that “they may as well be two foreign countries.”

However, he’s a big believer in the integration of employee health and worker safety, noting that *“it’s all about the wellbeing of your human capital.”* By doing so, there could be enough low-hanging fruit for substantial cost savings. *“We know that healthier employees are going to have fewer accidents,”* he explains.

One promising example would be to use the same pharmacy benefit manager for group medical and workers’ comp scripts considering that a workers’ comp claimant’s doctor hasn’t a clue what might already have been prescribed by the individual’s general practitioner, orthopedic specialist or psychiatrist. This approach with the right algorithms in place could detect and prevent dangerous drug interactions that trigger a cataclysmic event that could cost \$500,000 or more.

Andrew Cavenagh, managing director and founder of Pareto Captive Services as well as a SIIA board member, believes that it makes “complete sense” to view employee health and safety together. He predicts the emergence of best practices to reduce medical and workers’ comp claims rather than the 24-hour care approach that was attempted 20 years ago. This new thinking “is being driven by a necessity on the part of the employers,” Cavenagh explains, and not the product-focus that the insurance industry once pursued.

The issue is relevant to his firm, which manages both group medical and workers’ comp for clients whose average size is about 120 lives. But for now, he says the focus is on studying the data for correlations between the health of employees and workers’ compensation claims. His suggestion is for employers to measure what they can control and not be overly concerned with finding an integrated product featuring coordination among providers, which will take time to develop. One such scenario would be looking at a group captive for health and group captive for workers’ comp.

Cavenagh believes that health and safety silos are quickly eroding as the C-suite becomes increasingly impatient with these rising costs. “One of the key catalysts is going to be when employers realize that they can do something to control the cost of healthcare costs” alongside better safety programs or ergonomics, he says. “Over





Payments *Simplified*

ECHO® simplifies your electronic payment process and places your company on the fast track to success with the only complete settlement option in the marketplace.

Let ECHO streamline your payments and reduce costs.

440.835.3511 | info@echohealthinc.com
echohealthinc.com

time, they're going to realize that there are buttons they can press."

More resources will be devoted to this task as employers with \$10 million to \$20 million in revenues fully understand a simple truth. To wit: if they have at least one individual who's responsible for reducing workers' comp claims but not healthcare claims, which he points out probably cost five times as much.

A game-changing approach

In recent years, the industry has warmed to health, safety and wellness programs offering a return on investment not only for health insurance but also workers' comp for employers that self-insure both areas.

"But it's just at its beginning stages, and there's no insurance company that's offering an integrated solution in terms of coverage," observes Mike Schroeder, president and CEO of Roundstone, which offers self-insured and alternative insurance solutions. Instead, employers are simply leading the charge to link these areas and reduce their respective exposures to risk.

Felix believes that integrating health and safety could turn self-funded employee health benefits consulting on its head. Under the siloed system, he notes that a Towers Watson on the group health side and Aon on the P&C side would be yielding territory to one another in terms of strategic consulting on behalf of the same employer client.

But offering an integrated package could be a game changer. The idea would be to team up consultants who design data-driven wellness strategies for employee populations with safety and loss-control experts on the workers' comp side. In doing so, Felix says the strategic objective is to create an all-encompassing culture of employee health and safety.

"The first brokers or consultants that really figure out how to integrate these [areas] is going to lead a new market wave," he observes. But he also acknowledges that it would require a substantial investment of time as well as research and development that could stall this approach.

Artex

Ensuring Accelerated Growth



Artex provides a full range of alternative risk management solutions, customized for our clients' individual challenges and opportunities. Powered by independent thought and an innovative approach, we empower our clients and partners to make educated risk management decisions with confidence.

- > Stop-Loss Captives
- > Single-Parent Captives
- > Enterprise Risk Captives
- > Rent-a-Captive & Program Solutions
- > Group and Association Captives
- > Bermuda Market Access

PROUD TO BE A DIAMOND MEMBER OF SIIA

Operating in over 25 domiciles and in more than 15 offices internationally, we have the proven capacity to supply any alternative risk need. For more information, please contact us at:

E: artexinfo@artextrisk.com
T: 630.694.5050
W: artextrisk.com



29343B

While earmarking, say, \$10,000 for biometric screenings or other wellbeing initiatives to lower health insurance costs is a common scenario, Felix wonders what could happen if the efforts are expanded to break through silos managed by third-party administrators.

“What if you could also say you spend that \$10,000 to create your healthier employee population, should it have a 2% or 5% impact on your workers’ compensation financing cost?” he suggests. “Nobody can say that empirically today, although smart people know anecdotally that it’s true.”

Group captives involving smaller employers that are entrepreneurial and adept at taking risks could help pave the way for a more holistic approach that integrates employee health and safety, according to Felix. “They’re more nimble in many instances than a 10,000 employee, publicly traded firm,” he explains, and therefore, might be more inclined to study these solutions.

He believes the real key, whether it’s homogeneous or heterogeneous, “is to have the same basic ownership group that has the data. If it’s two different captives, one on the medical side and one on the P&C side, it doesn’t work. It’s got to be the same employers studying the same data.”

Better tools and measures

Spending less than 1% of a multimillion-dollar annual health benefits tab on employee wellness or about \$10 per employee per month can result in a fairly robust program, Schroeder says. “If you’re self-insured for health, you should see a reduction in your health claims,” he believes, noting the potential for results on the workers’ comp side as well.

And as technology advances, the benefits of this integrated approach will continue to trickle down market to middle-market employers. “A company with 100 employees can actually know where its health claims and workers’ comp claims are coming from, and what kind of program for health and wellness and safety can influence those claims,” Schroeder says.

Booth 306 at the SIIA Conference in Austin Sept. 25-27

We know the bottom line is important to you.

Go direct with Prime PPO and realize immediate cost savings.

We’re your primary PPO solution, providing nationwide coverage customized to your needs. Let us help you to maximize your penetration and work comp savings while offering you highly competitive primary PPO network access rates.



work comp | auto | commercial group health | medicare

www.PrimeHealthServices.com

info@primehealthservices.com

866-348-3887



As a managing general underwriter pricing health insurance risk as well as running workers' comp and captive programs, his firm believes the key to success involves efficiently priced services and objective measures.

“If a vendor can do those two things, then they’re going to have great opportunity in this whole growing marketplace of self-insured employers,” he explains.

Roundstone’s 49-point biometric test is seen as a way to get ahead of the claim. “To us, it’s like doing a safety inspection,” reports Schroeder, who also compares it to an executive physical.

Developing a culture of health and safety starts at the leadership level, which he

says doesn’t need to know the intricacies of being self-insured other than accepting that everyone must have skin in the game. As part of that effort, Schroeder says employees need to understand that since the company is self-insured, their health and safety is of paramount importance. “If the leader stands up and says that, you’re halfway home,” he adds.

Fitzgerald sees the move to embrace health and safety integration as part of a larger employee benefits trend. In short, he says it fits a strategic push beyond boundaries to accommodate growing demand for more flexible work schedules and benefit choices, as well as a benevolent attempt at improving coordination of employee care. The expectation, in turn, is to fuel job loyalty and retention alongside better ROI for the employer.

Viewing this issue as a human capital investment challenge is critical considering how many employees don’t stay in their jobs long enough for wellness programs to work, according to Fitzgerald. He also cites a lack of engagement and buy-in at the corporate level.

But with new bold approaches to health care cost management gaining credence, particularly in the self-insured community where employers are more motivated to take risks, it’s possible that these systemic obstacles can be overcome. Integrating employee health and safety efforts could prove to be a solution worth considering. ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 28 years.