MEMORANDUM

DATE: January 18, 2006

TO: OPERS Retirement Board Members

FROM: Scott Streator, Director of Health Care

RE: V. Discussion Items:
A. Wellness Initiatives

Purpose –
Staff is interested in receiving Board feedback as we further develop tools to improve both our member’s health while strengthening the health care program for the future. The following concept was presented last May: Providing financial incentives to increase member participation in healthy behaviors. These types of “Wellness Initiatives” are gaining momentum as numerous health studies underscore the need to address prevention and risk reduction.

As our membership becomes more engaged in choosing and adopting healthy lifestyles and behaviors, the risk of disease development diminishes. This leads to a better quality of life and reduces member and OPERS health care costs.

Background -

At the May 2005 Board, staff presented the results of a health survey of our active and retiree population. The health survey results indicated our population had a higher incidence of a significant risk factor- over two-thirds of our population is overweight or obese. Members did indicate they want to live healthier lives. The survey also revealed specific types of incentives would help increase their participation in programs to help achieve necessary goals.

The project is a culmination of member and Board feedback, clinical methodology application and current practices in population health management. Program design input has been obtained from The Ohio State University, Harris
Health Trends in Toledo, Ohio, various physicians, dieticians, nurses and experts in the field of wellness.

Issues –
Staff is interested in overall feedback to enable OPERS to successfully launch a program to counter unfavorable state and national trends in morbidity and specific health risk factors.

Next Steps -

The project’s operational requirements are being evaluated in addition to final legal feasibility. At this time, special counsel had provided overall guidance and more detail is forthcoming. Next month, Health Care staff would be pleased to provide follow-up information on a more detailed ROI, a full legal review and any other outstanding items to ensure a smooth 2007 proposed implementation.
How Can OPERS Improve Members’ Health While Reducing Costs?

January 18, 2006

Scott Streator-OPERS
Donna Meyer- OPERS
Consultants: Gebra Cuyun Grimm, MPH, RD
Harris Health Trends, Toledo Ohio
OPERS Wellness Initiative

Develop an approach for member’s and OPERS to take an active role in disease prevention.

OPERS objectives:

• Assist in improving member’s health
• Increase quality of life
• Reduce health risks
• Provide a measurable reduction in healthcare costs
• Began with the OPERS Wellness Survey (May 2005 Board)

• Objective accomplished: Established baseline health data for designing future benefit programs

• Sample Size: 2,950 Active and 2,950 Retirees

• Broad range of questions to assess weight, smoking, nutritional status and to gauge interest in incentives
OPERS Survey Results

Weight Measured by Body Mass Index (BMI)

Members

- Underweight (BMI <18.5): 18%
- Normal (BMI 18.5-24.9): 37%
- Overweight (BMI 25-29.9): 44%
- Obese (BMI 30 or greater): 1%

Retirees

- Underweight (BMI <18.5): 29%
- Normal (BMI 18.5-24.9): 29%
- Overweight (BMI 25-29.9): 1%
- Obese (BMI 30 or greater): 41%
• 10%-12% of respondents stated that they smoked

• This rate is approximately half of the state average - perhaps underreported

• Approximately half of the respondents who smoke indicated that they are very interested in stopping
The most popular response by both active members and retirees was “Financial Incentives” would best encourage them to:

- Obtain a healthy weight
- Become more physically active
- Engage in a more healthy lifestyle
“Half of Americans in the 55-to-64 age group... have high blood pressure, and two in five are obese.”

- “The late 50s and early 60s are a crucial time to focus on disease prevention,” said Dr. Julie Gerberding, Director of the Centers for Disease Control and Prevention in Atlanta.

Newsweek, December 8, 2005
According to the US Surgeon General there are 300,000 deaths associated with obesity every year in the US.

Obesity has been associated with an increase in the risk of many diseases, including:

- Endocrine and metabolic diseases
- Cardiovascular diseases
- Pulmonary disease
- Musculoskeletal disease
- Cancer
Costs associated with obesity

- The annual health care costs for obesity-related diseases in the United States increased from $39 billion in 1993 to $117 billion in 2000 (Martin LF, 1998)
- With current overweight and obesity trends affecting all age groups, urgent preventative measures are required to reduce disease, disability and cost containment (Daviglus, 2005)
- Among those aged 50-69, medical care spending for those with a BMI of greater than 35 was 60% higher than for those who were of normal weight (Thorpe KE et al, 2004)
- Preventing obesity in one 70 yr old saves $39,000 and allows greater disability-free years (Journal of Health Affairs Sept 2005, Lakdawalla)
Smoking Prevalence

- US adult population - 21.6%
- Adult Ohioans - 25.4%
  - Ranks number 12 nationally
- OPERS retirees - 10%
  - Likely an underestimate
  - 79% of retirees who smoke have tried to quit
In the United States alone,

- an excess of $75 billion dollars are spent annually for direct health care costs attributable to tobacco,
- with another $82 billion in indirect expenditures (Fiore MC et al, 2000)

In Ohio,

- it is estimated the 2005 smoking related health costs exceed $4 billion
Health consequences associated with smoking

- 30% of cancer deaths are linked to smoking
- In the US, death rates are twice as high for smokers as compared to non-smokers
- Smoking is associated with increased risk of:
  - Stroke
  - Heart disease
  - Peripheral vascular disease
  - Sudden death
High Cholesterol

- Increases risk for heart disease

- High levels of LDL (low density lipoprotein) cholesterol can build up in arteries, causing them to narrow

- Built up cholesterol can burst into the blood stream, causing a heart attack or stroke.

- Lowering cholesterol levels can slow down or stop cholesterol from building up in arteries, decreasing the chance of heart disease.
High Blood Pressure

• Increases the risk for heart disease and stroke.
  – Also increases risk for aneurysms, kidney failure, hardening of arteries and vision changes or blindness.

• Nearly one in three U.S. adults has high blood pressure

• Defined as a blood pressure equal to or greater than 140/90, or the need to take medication

• “Pre-hypertension” is a blood pressure between 120 and 139 for the top number and 80 to 89 for the bottom number
• Overall focus is reducing obesity, % of smokers and key risk factors in OPERS members

• Health measures/conditions of focus includes:
  – Body Mass Index (BMI)
  – Smoking Status
  – Overall wellness score
  – Cholesterol
  – Blood pressure
Total Paid by OPERS (non-Medicare)

- Circulatory System: $35,900,983
- Muscular/Skeletal: $65,359,598
- Endocrine/Kidney/Urinary Tract: $83,779,605
- Respiratory: $77,235,259
The Risk Reduction / Cost Reduction Formula

• Changed behaviors = reduced risk

• Reduced risk = reduced illness / injury

• Reduced illness / injury =
  – Reduced cost
  – Improved productivity
Wellness programs that incorporate incentives...

- Bank of America Retirees
  - The intervention group averaged a **reduction in cost of $164** at 12 months verses an increase of $15 in the combined control groups

- Citibank Employees
  - **$4.56 to $4.73** saved for every dollar spent

- Microsoft Employees
  - By year 2 - **90%** ROI; by year 3, **197%**, and 5-year ROI approached **250%**

- Current literature review of health promotion programs concludes that on average the ROI is **$3.48:1**

- **Success is proportional to member participation in program**
Sample Program

- Incentives are mutually exclusive
- Incentive program is completely voluntary

HIPPA & Legal Opinion: TBD
Participant completes health screening and takes HRA

ASSESS:
Participant earns incentives as follows:
- Non Smoker: $50
- Healthy weight: $25
- BP controlled: $25
- Cholesterol at goal: $25

All screening/HRA completers receive his/her results; have opportunity to participate in risk-appropriate programming

ACT:
Participant earns $50 incentives for participating in appropriate program

Participants will retake the screening/HRA one year later

ACHIEVE
Participants who maintain a healthy score or improve their score can earn an additional $25 incentive.
Cost Trends Based on Risk and Disease

Harris Health Trends
Morbidity Pyramid

- High Acuity Diseased - Highest Cost = 30% of $
- Low Acuity Diseased - High and Churning Cost = 30% of $
- High-Risk - Accelerating Cost = 25% of $
- Moderate-Risk - Moderate-Cost = 5% of $
- Low/No Risk - Low-Cost = 5 % of $

Sometimes Forgotten Groups

Keep Population at Lower Risk

Source: Harris Health Trends
<table>
<thead>
<tr>
<th>Health Risk Score</th>
<th>Support &amp; Intervention</th>
<th>Measurement &amp; Reporting</th>
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<td><strong>Low Risk</strong></td>
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<td>• Health Risk Assessment</td>
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<td>• Preventive reminders</td>
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<td>• Preventive tests paid at 100%</td>
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<td>• Online Tools</td>
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<td><strong>Moderate Risk</strong></td>
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<td>• Rich benefit design</td>
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<td>• Health Plan Initiatives</td>
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<td>• Medication Prior Authorization</td>
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<td>• Intervention for low risk applies</td>
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<td>• Utilization Review</td>
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<td>• Intervention for low and moderate risks apply</td>
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Costs Associated with Risks
Medical Paid Amount x Age x Risk

OPERS Claims (Allowed Expenses) Baseline Projection

Note: this chart shows the expected claims expenses if no program is instituted. The forecast shows a high and low range.
Expected ROI over the next 25 years
OPERS Projected Net Program Savings

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<th>Year</th>
<th>Savings (Millions)</th>
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<td>2007</td>
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<td>2008</td>
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<td>2009</td>
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<td>2010</td>
<td>$31</td>
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<td>2011</td>
<td>$47</td>
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Recent Surge in Employer’s Health Management Activities

- Implement lifestyle behavior change program through health plan: 40% (2005)
- Implement lifestyle behavior change program through outside vendor: 28% (2004) vs 18% (2005)
- Focus on obesity reduction for employees: 32% (2004) vs 14% (2005)

Source: Watson Wyatt
Possible Incentive Methods

• Waive co-pays for a certain number of prescriptions (retail or mail)

• Cover selected over-the-counter products

• Beginning in 2007, offer a premium discount to members / spouses who have premiums

• Other potential incentives continue to be developed
Example of Group One Retiree Premiums in 2008

- 2007 Health Care Premium $800
- 2008 Health Care Increase 12% $896
- 2008 CPI Increase 4% $832
- Total Difference is 8% $64
- Retiree pays 5% of the difference $40
- OPERS pays the rest $24
- Retiree’s monthly ’08 premium $40
OPERS Wellness Initiative Objectives

- Determine a baseline risk factor in the first year, then measure improvements each following year
- Reduce obesity and smoking rates
- Obtain a positive ROI after one year of full participation
- Communicate a clear and effective message
- Reduce overall healthcare costs of participants
- Reward members who have adopted a healthy lifestyle or are actively taking steps to improve their health
In Conclusion

• Recognized Health Care leaders (e.g. Center for Disease Control) link risk factors such as smoking and obesity to several diseases

• OPERS members and retirees have indicated that incentives for healthy behaviors would encourage them to change to healthier lifestyles

• Improving the health of our retirees would benefit their quality of life while achieving significant cost savings

• Long Term “Vertical” Strategy with OPERS Employer Groups
Next Steps

- Incorporate Board Feedback
- Incorporate Legal Feedback
- Determine operational feasibility during 2006 for 2007 implementation
The OPERS Health Care Department will provide the highest quality, most cost effective health care benefits, while empowering members to make informed decisions.