

Lifestyle Incentives to Control Health Care Costs

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I. Introduction

As 75 million baby-boomers reach the prime years of their lives they are facing an epidemic of chronic disease. In spite of the fact that medical advances of the 20th century improved life expectancy from 47 years at the beginning of the century to 77 years at the end of the century, some very troubling trends developed in the last quarter of the 20th century.

- The incidence of cancer is up over 25%.
- The incidence of heart disease is up over 50%.
- The incidence of diabetes has doubled.
- The prevalence of obesity has more than doubled.

The data is in and we now know that lifestyle changes can make significant reductions in all these disease categories. We individually need to take personal responsibility for significant lifestyle changes to improve our health. When looking at the cause of health care cost increases perhaps it is time to stop pointing fingers and literally look in the mirror.

II. Key Elements of Lower Costs via Lifestyle Changes

Three key elements will be required if we are to witness significant improvements are:

a) Education

People need a consistent, reliable source of information on the efficacy of health improving behaviors. Health and Human Services has done an excellent job of collecting and distributing information on health improvements. Our health care providers should be encouraged to deliver the message to their patients. Employers can play an active roll in educating in the workplace.

b) Screening & Assessment

People need a method to measure their current health status in order to calibrate their current health status against a reliable standard. Benchmarking key indicators such as diet, exercise, weight, cholesterol levels, blood pressure levels, alcohol consumption, and driving habits against acceptable standards is the second step towards making changes. This is a personal responsibility we each have to maintain our health and well-being.

c) Incentives

Incentives are the final and essential component to motivate people to make behavioral changes. Proper rewards and incentives applied by health care

payors serve as an important impetus to reinforce the message and secure important lifestyle changes.

III. Health Insurance Products that Encourage Healthy Lifestyles

a) Medical Savings Accounts

At Fortis we have observed that the cost of health care is lower and annual increases in costs are also lower for individuals who chose to self-fund a significant portion of the first dollars spent on health care. Direct personal responsibility for health care costs has an impact on controlling costs.

b) Health Reimbursement Accounts

In increasing numbers employers are embracing health reimbursement accounts as a method to engage employees in a partnership to control health care spending. Health Reimbursement Accounts are relatively new, but reports on early data is encouraging.

c) Lifestyle discounts at point of sale

For many years Fortis has offered discounts for improved lifestyles. We reward people who control their weight, cholesterol and blood pressure. We also include smoking habits and driving habits in our assessment. We have found people with better lifestyles consume less health care and continue to spend at lower levels for long periods of time.

d) Renewal incentives to encourage healthy people to continue to fund the pool.

Unfortunately, most state laws significantly restrict the ability of an insurance carrier to introduce incentives at renewal. Fortis believes that if insurers were granted more latitude in providing incentives at renewal to reward healthy lifestyles this would have positive outcomes. With appropriate incentives more healthy people would retain their coverage at renewal. They would then stay in the insured pool helping to finance the less healthy and not enter the ranks of the uninsured.