

# Q&A Insurance Premiums: Can Wellness Lower Costs?

WITH CHAPIN COLLINS, CIC



## Sterling G. Thompson Co.

Sterling G. Thompson Company, based in Louisville, KY, has been a locally owned independent insurance agency since 1937. They are a multi-line agency offering every type of insurance coverage available. The areas of specialty include commercial property and liability, personal home and auto, as well as employee benefits and individual life, health and disability. There is also a financial services division that offers expertise in annuities and pension plans.

## Chapin F. Collins, CIC

Chapin has been an employee benefits specialist since 1994. He joined Sterling Thompson Co. in 1998 and is currently co-owner and Vice President, running the employee benefits division. Chapin primarily consults small to medium sized employers with a holistic approach to their employee benefits package. He has also been an advisor to several national insurance companies specific to product development and distribution.

## What are the biggest drivers of health related costs for employers?

Specific to the health insurance premiums that employers pay, the most costly driver of health insurance claims are personal lifestyle choices by employees. Studies have found that anywhere from 50 % to 70% of healthcare costs in the U.S. are directly attributable to lifestyle choices (i.e. smoking, lack of exercise, poor diet, drug and alcohol abuse, etc.). Other major factors affecting health related costs include the employee demographic and their knowledge of how to best utilize services within the healthcare system.

## How are these drivers affecting the system?

Lifestyle decisions affect healthcare costs in every aspect of the healthcare system. Unhealthy habits can lead to increased rates of heart disease, cancer, and obesity, just to name a few. Even if caught early, ongoing medical treatment can be costly. If not properly addressed in a timely manner, the results can be catastrophic.

Regarding demographics, an aging workforce generally has more ailments to treat. Regardless of your age, knowing how to best utilize healthcare within the current system can have a major impact. Seeking less costly forms of treatment and reducing emergency visits can greatly reduce costs.



STERLING G. THOMPSON CO.  
INSURANCE

## What do you see employers doing in the way of wellness to curb healthcare costs?

Employers, especially larger ones, have begun to realize the importance of their employees' well being on their bottom line. Employers are adopting a wide range of wellness programs from relatively basic to very extensive. We are also seeing many employers penalize employees with higher insurance deductions for bad habits like smoking, while rewarding those employees who live healthier lifestyles. Preventive exams are a part of many wellness programs to help individuals identify previously undiagnosed health conditions. Another important aspect is employee education on the topics of diet, exercise and stress management.

## How can companies reduce health insurance premiums through wellness programs?

If an employer successfully rewards healthy behavior and gives disincentives for unhealthy habits, the employees should begin to change their habits for the better. Over time the pay off should be fewer and less severe medical conditions within a group. If that employer has a self-funded health insurance program, the savings will be realized within a few years. If an insurance company takes on the risk of funding claims, the savings may take several years to develop in the form of more predictable and steady premium renewals. Insurance companies are beginning to develop wellness programs that will guarantee aspects of renewals if a certain percentage of employees complete a specific wellness program offered by the carrier.

## What aspects of these programs have the biggest impact on the bottom line?

The single most important aspect of any employer wellness program is to get the employees to buy-in. If the employees don't embrace the concept, it will be difficult to produce the desired culture. The biggest impact to the bottom line will vary by employer. A successful plan needs to be well-rounded, incorporating employee education, active participation and tracking, along with rewards and incentives. All of these cost money. The return on the investment can be four to six times the cost.

## What is the biggest mistake you see employers making when it comes to decisions on healthcare?

The biggest mistake employers make specific to wellness programs is to not have upper management commitment. Without the foundation of senior management support, even the best plans will eventually fizzle out. For a wellness program to be successful it must be long term so that the behaviors and habits of the employees improve on an ongoing basis. Resources need to be budgeted and the plan must be given time to mature. Without key decision makers backing, the benefits will ultimately go unrealized.

## How will the passage of the Healthcare Reform affect wellness programs?

As of this publication, there are still many details to be worked out regarding the Patient Protection and Affordable Care Act (PPACA). In its current form, the law provides \$200 million in funding for grants for small employer-based wellness programs. However, there are components of the law that may restrict health insurance companies from reinvesting in the wellness features that they provide to their employer clients. Over time Congress will likely recognize the importance that the wellness of all Americans has on the national costs of healthcare. When that realization occurs, you will surely see an increase in wellness funding from both the private and public sectors.



STERLING G. THOMPSON CO.  
INSURANCE

Phone: (502) 585-3277  
Fax: (502) 585-3306  
[www.sterlingthompson.com](http://www.sterlingthompson.com)