F I S C A L I M P A C T R E P O R T

		ORIGINAL DATE	02/23/11		
SPONSOR	Picraux	**LAST UPDATED**		**HB**	540
SHORT TITLE	State Employee Wellness Incentives			**SB**	
				ANALYST	Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	NA	*Indeterminate/See Fiscal Impact/Possibly Significant	*Indeterminate/See Fiscal Impact/Possibly Significant			

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
General Services Department (GSD)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Bill 540 creates a new section of the Group Benefits Act requiring the Risk Management Division (RMD) at GSD to establish a wellness incentive program for public employees and their covered dependents that ties the results of five health risk evaluations to health insurance premiums paid by employees. The health risk evaluations would include:

- body mass index,
- tobacco use,
- blood pressure,
- blood cholesterol, and
- blood glucose.

A committee would advise RMD on seven components of the program: health status goals, cost to employee for not participating in the program, amount of increases or decreases in employee health insurance contributions based on results of annual health risk evaluations, limitations on amounts, how often to reassess health status, reasonable alternatives for people with medical issues who are unable to reach health status goals, and an appeal process. The bill also amends 10-7-4 and 10-7B- 6 to recognize the program; creates a deadline for implementation of the program for July 2012; and mandates a three year wait to participate in the plan following a termination.

FISCAL IMPLICATIONS

*According to the analysis provided by GSD, the estimated annual cost for a comprehensive program to include consulting fees, administration costs, biometric lab work and health risk appraisals would cost $2.9 million. In addition, the analysis estimates program costs to be 3 percent of the total medical costs, year over year.

- While the analysis did not identify the total cost of providing "medical benefits only" the Employee Group Health Benefits Program has an approved operating budget of $353 million for fiscal year 2011. At a cost of 3 percent per year, this translates to roughly $10.5 million annually. In addition, the analysis suggested that 1 percent of employees would drop their insurance coverage altogether which would save the state $3.6 million.

Although not at all clear or explained, GSD's analysis suggested that the state would save $58.3 million over a 5 year period as a result of the implementation of a wellness based benefit program.

Please see Significant Issues below, for a description of initiatives similar to the requirements of HB540 have saved organizations money.

SIGNIFICANT ISSUES

According to a Wall Street Journal article published on June 12, 2009, *How Safeway Is Cutting Health-Care Costs, Market-based solutions can reduce the national health-care bill by 40%*. The article suggests that the key to achieving savings are health-care plans that reward healthy behavior. As a self-insured employer, Safeway designed a plan in 2005 that has made continuous improvements each year. During a four-year period, Safeway kept their per capita health-care costs flat (including the employee and employer portion), while most American companies' costs increased 38 percent in the same time period.

The plan was developed around the insight that 70 percent of all health-care costs are the direct result of individual behavior. Secondly, 74 percent of those costs are confined to four chronic conditions (cardiovascular disease, cancer, diabetes and obesity). Furthermore, 80 percent of cardiovascular disease and diabetes is preventable, 60 percent of cancers are preventable and more than 90 percent of obesity is preventable.

Safeway's Healthy Measures program is completely voluntary and covers 74 percent of the insured nonunion workforce. Employees are tested for the four measures cited above and receive premium discounts off a "base level" premium for each test they pass. Data is collected by outside parties and not shared with company management. If an employee passes all four tests, annual premiums are reduced $780 for individuals and $1,560 for families. Should they fail any or all tests, they can be tested again in 12 months. If they pass or have made appropriate progress on something like obesity, the company provides a refund equal to the premium differences established at the beginning of the plan year.

According to Safeway, their obesity and smoking rates are roughly 70 of the national average and their health care costs were held flat between 2005 and 2009. When surveyed, 78 percent of their employees rated their plan as good, very good or excellent. In addition, 76 percent asked for more financial incentives to reward healthy behaviors.

The State of New Mexico is self-insured for most health care related benefits including: medical, dental, vision and prescription services. GSD is responsible for developing premiums that will be paid for by employers and employees of the state with the employer portion ranging between 60 to 80 percent of the total premium.

However, according to the U.S. Department of Labor (http://www.dol.gov/ebsa/faqs/faq_hipaa_ND.html) under HIPAA, an individual cannot be denied eligibility or benefits or charged more for coverage because of a health factor. Health factors include:

- health status;
- medical condition, including both physical and mental illness;
- claims experience;
- receipt of health care;
- medical history;
- genetic information;
- evidence of insurability; and
- disability

In addition, a group health plan may not require an individual to pass a physical exam for enrollment. However, health plan can require an individual to complete a health care questionnaire in order to enroll, but the information cannot be used to deny, restrict, or delay eligibility or benefits, or to determine individual premiums.

The Department of Health provided the following information:

> HB540 is intended to improve health status of public employees and their covered dependents and to lower health care expenses subsidized by taxpayers. There is currently no published evidence that tying employee health insurance premiums to the results-based health risk evaluations as a sole intervention will result in either improved health status or lower health care expenses. Common elements of *comprehensive* worksite wellness program include benchmarking and evaluation, health education, supportive environments, integration within the organizational structure, linkage to other employee support services such as an employee assistance program, and health screening with appropriate follow-up (Partnership for Prevention, *Leading by Example - Leading Practices for Employee Health Management*, 2007).
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> The question of return on investment (ROI) from employee health promotion programs is a very complex issue. Direct and indirect measures used in ROI calculations include improvement in health status (e.g., obesity, physical activity and tobacco use), reduction of healthcare cost and utilization, productivity (absenteeism, presenteeism, disability, and worker's compensation), and recruitment and retention. The Wisconsin Public Health and Health Policy Institute cites a variety of studies published in reputable journals that demonstrate an ROI of $2.05 – 4.73 for every $1 invested in *comprehensive* worksite programs. The document also cites two studies that show wellness programs generally require three to five years before having an impact on medical costs. (Wisconsin Public Health & Health Policy Institute, September 2005: (http://uwphi.pophealth.wisc.edu/publications/issueBriefs.htm accessed September 24). Another research article shows an average 25% reduction in sick leave, health plan costs,

and workers compensation and disability costs for employers with multi-component worksite wellness programs (Chapman, Larry. Meta-Evaluation of Worksite Health Promotion Economic Return Studies. *The Art of Health Promotion.* Vol 6, Number 6, Jan/February 2003).

The DOH Employee Wellness committee has reviewed 17 state employee programs and highlighted models from Delaware, North Carolina, Oklahoma, and Utah. Oklahoma has an example of a multi-component model that appears to be applicable for State of New Mexico employees because it incorporates evidence-based strategies and has a health plan structure similar to ours. In addition to health risk assessments, Oklahoma's model includes: behavior-change interventions with individual health coaches; on-site physical activity, tobacco cessation and weight loss programs; and, web-based health education tools. Oklahoma's $1 million per year wellness program has documented a return on investment of $2.30 for every $1 invested in the wellness program. The Oklahoma program has been in place since 2001 and has been modified for improvements each year (Source: *Department of Health Employee Wellness Program Progress Report for 2010*).

TECHNICAL ISSUES

Per HIPAA, information may not be used to discriminate against employees with existing health conditions and risk factors or to remove sick employees from their jobs. Assuring participants that their health data is confidential is crucial during all phases of a worksite wellness program.

OTHER SUBSTANTIVE ISSUES

Although excluded from the requirements of the bill, the Retiree Health Care Authority offered free biometric screenings during their 2010 switch enrollment meetings. Of the 632 screenings performed notable findings are as follows: 486 with BMI measured (27% normal, 44% overweight, 26% obese, and 2% extremely obese); 518 with blood pressure measured: (15% optimal, 49% borderline, and 37% at risk).

DOH suggests that premium surcharges or other cost-sharing measures can make coverage less affordable for those who need it most and increase health disparities among low-income and minority populations. People who cannot afford coverage may have decreased access to therapies and interventions that can help curb unhealthy behaviors. When policies cover a family, the surcharge penalizes every family member (*Circulation* 2009: 120:0-0). Attainment incentives provide welcome rewards for employees who manage to comply but may be unfair for those who struggle, particularly if they fail (Schmidt et al., *New England Journal of Medicine*, December 30, 2009).

DA/bym:svb