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City of Knoxville Uses Simple Innovations to Curb Medical Insurance Costs

Gary Eastes

Like most employers, the City of Knoxville's health insurance costs have risen much faster than its revenues, a trend that is likely to continue into the foreseeable future. Many of the 1500 employees and 140 retirees participating in the city's health insurance program are low income, and injudicious cost shifting could have detrimental consequences.

"Rising costs have not resulted in improved health - our society continues to cope with alarming increases in obesity, diabetes and other chronic conditions," according to City of Knoxville Mayor, Bill Haslam. Decades of providing all medical services at little or no charge to the patient have resulted in consumer disengagement from responsibility for their health and the cost-effectiveness of their care. "The popular definition of 'good' insurance is that when an employee develops medical problems, no matter how many services the doctor bills for, it will cost him/her less than dinner on Friday night," explains Gary Eastes, the city's Risk/Benefits Manager.

To address the healthcare issue, the City of Knoxville introduced a comprehensive program that integrates health promotion and medical insurance. The program includes:

1. City-funded health screenings for employees, retirees and covered spouses.
2. 100% health insurance coverage for preventive medical services.
3. Health Reimbursement Arrangement (HRA) funding based on healthy behaviors, including spouse non-tobacco use.
4. Low- and high-deductible HRAs to afford low-wage employees the opportunity to earn additional HRA funding.
5. Prescription credits as incentive for self-care compliance for members with chronic conditions.
6. Contract with a private medical practice to provide screenings, monitor incentive compliance, and provide other interactive health promotion services.
7. Data gathering, analysis and sharing.

Health Screening

Annual health examinations for city police and fire employees were expanded to include complete blood work (including thyroid screens), EKGs (age-based stress and standard), PSAs and other pulmonary and cardiac tests. Other employees, retirees and covered spouses are offered similar health screenings

with the same blood work, standard EKGs and PSAs. Participants are given copies of all test results, counseled about concerns, and encouraged to provide their test results to their personal physicians.

Over 75% of employees opted to participate in the program. In the first 18 months, many previously undiagnosed conditions were identified, including: over 40 participants with diabetes; multiple cases of early stage prostate cancer; multiple employees with coronary blockages that were subsequently treated; at least one rare disease; other health problems such as anemia, thyroid disease, blood and cardiac disorders and widespread high cholesterol. The existence of these problems is not good news, but early identification is. In addition, through direct contracting the city saw improvement in price, quality control and member participation.

One revelation, backed by broader studies, is that the majority of adults who visit their physicians regularly are not receiving universally recommended health screenings. At least three employees identified with serious conditions had recently discussed their symptoms with a personal physician and had been advised “not to worry” or to “wait and see” if the symptoms continued.

100% Coverage of Preventive Services

According to Chris Kinney, the City of Knoxville’s Senior Director for Finance and Accountability, “Providing 100% coverage for preventive services sent a message to employees and providers about its importance. It also ensured there is no monetary obstacle to any covered individual obtaining preventive services.”

Despite the modest risk of duplicating services and costs (i.e., combining 100% coverage of preventive services with city-funded screenings), the city opted to err on the side of overuse rather than under-use.

Health Reimbursement Arrangements (HRAs)

The City of Knoxville’s decision to provide spending accounts was based on the concept of employees earning the funds through healthy behaviors. HRAs were chosen because regulations permit roll-over of funds into future years (in contrast to FSAs). Although HRAs are usually associated with high deductible plans (i.e., employer funding less than the employee’s deductible) city employees can choose a \$300 deductible and qualify for HRA funding. In most cases they qualify for more than their individual deductible.

Participation in medical screening is a pre-requisite for HRA funding for employees. Funds can be earned by employees and spouses for not using tobacco and by employees who exercise regularly. Employees or spouses who use tobacco can earn the non-tobacco funding by attending tobacco cessation courses and “regular exercise” is defined on an individual basis.

The primary purpose of the spending accounts is encouraging healthy behavior. To encourage judicious use of funds, unused funds can be rolled over into future years, including retirement, as long as the individual remains in the city's health insurance program. Since funds can also be used for dental or vision care, there is an incentive for any employee to earn HRA money. The 100% coverage of preventive services ensures that employees are not motivated to save money by neglecting prevention.

To ensure that low-income employees are not discouraged from obtaining basic care, an additional \$100 in HRA funding is available for those with salaries of \$25,000 or less, and \$50 for salaries between \$25,000 and \$35,000. This encompasses over 60% of city employees. In keeping with the incentive nature of the program, employees must be involved in managing their health by participating in medical screenings in order to earn the additional HRA funds.

Chronic Disease Prescription Credits

This program may be the only one of its type in the country. By submitting monthly logs that demonstrate adherence to appropriate self-care practices, covered members with chronic diseases receive \$40 quarterly in prescription credits (\$80 quarterly if they have two or more chronic diseases.) Members who participate in the diabetes program also receive free testing supplies and those with asthma or congestive heart failure receive free peak flow meters. Use of prescription credits allows this incentive to apply to retirees and spouses as well as employees. To be eligible for this benefit, the member must participate in medical screening.

Contracted Private Medical Practice

A contract with a private medical practice (Family Care Specialists, P.C.) includes a dedicated registered nurse and medical assistant who provide services on-site as well as services provided through the practice's own facilities. The nurse and medical assistant monitor members' compliance with the incentive programs, eliminating the need to share personal health information with the City of Knoxville. The nurse and medical assistant are provided computer access to help participants research the growing consumer information on the Internet related to diseases, medical treatment and other health issues.

Data Collection, Analysis and Sharing

Medical screenings provided a new dimension of aggregate data for analysis. For instance, the City of Knoxville found that average cholesterol levels for fire department employees were significantly higher than those of other employee groups. Such information allows the city to target health promotion programs more accurately. In the near future, participants in the diabetes prescription

credit program will be able to download their blood sugar readings into the health promotion nurse's computer for analysis of individual and group progress.

A member of HealthCare 21 Business Coalition, the City of Knoxville participates in a medical claims data-sharing cooperative that provides actionable information about medical treatment trends and anomalies that can be used to improve medical plan design and improve the quality and cost effectiveness of health care. The analytic capabilities are state of the art. Jerry Burgess, President and CEO of HealthCare 21 states, "Managing the dilemma of health care cost and quality is only possible when a company mines its data to inform the process."

Employee Acceptance

A year in advance of program launch, employees were educated about the necessity of making changes to curb the increases in medical insurance costs. While reaction was mixed, the vast majority appears to understand and accept the need for change and the necessity for more personal responsibility. Several employees have voiced appreciation for motivating them to do things they have needed to do for years.

To date, over 75% of employees have participated in the medical screenings. In the first month, almost one-third of employees turned in exercise logs to earn the exercise incentive, and there appears to be great potential for participation to increase. Seventy-eight covered members are currently enrolled in the chronic disease prescription credit program, including several who admit they had not performed the recommended self-care practices in the past. Over 100 members have indicated that they plan to participate in the tobacco cessation classes scheduled during the year.

Obstacles

Because of the program's many unique features, capabilities of the health insurer, pharmacy benefit manager and savings account administrator had to be taken into account in program design. Details remain to be worked out, but the selected providers (BlueCross/BlueShield of Tennessee, Caremark and PayFlex) have been supportive and have viewed the program as an opportunity to prepare themselves for the future.

One surprising obstacle has been the reluctance of local providers to use preventive service codes on insurance claims. Because health insurance plan views on coverage of preventive care are inconsistent, providers have learned to use diagnostic codes when filing insurance claims - a difficult habit for them to break. The City of Knoxville mailed over 400 letters to local providers advising them of the 100% coverage for preventive services. The city also provided employees with wallet cards describing the preventive benefits.

The Future

By broadening the definition of “consumer driven”, the City of Knoxville has created a model without the large deductibles usually associated with consumer driven designs, thus representing “less invasive treatment.” “Consumer behavior is not just choosing the right mechanic and getting cost effective repair; it is also regularly checking the oil to help avoid the need for repairs,” Eastes remarks. “It is the most innovative program we are aware of,” says Leigh Cattell-Roberts of Cowan Benefit Services, benefits broker/consultants for the city.

Inclusion of exercise incentives for spouses and preventive care for children may be considered in the future. Incentives for preventive practices for covered children would be complex to implement and administer, but these may also evolve.

Expansion will be considered for the prescription credit program currently limited to five chronic diseases. There is also a possibility for changes to incentive and deductible levels, but these will be based on experience and analysis.

The City of Knoxville budgeted to reinvest roughly half of the savings from its medical insurance plan re-design into the incentive programs. The city is confident that return on this investment over time will more than offset the cost.

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