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Health Care Cost Shifting Creates False Economy

Shifting prescription drug and other medical costs to employees is an ineffective means of cutting health care expenditures, and it often discourages employees from seeking treatment essential to health-related productivity, two recently published reports have asserted.

The nonprofit Integrated Benefits Institute (IBI) commissioned a study to examine how pharmacy design influences adherence to drug regimens and to explore the impact of drug adherence on non-occupational disability and productivity loss among rheumatoid arthritis sufferers. Using data on more than one million workers employed by 17 U.S. companies, IBI researchers analyzed changes in the rates of disability and absence-related lost productivity among 5,483 health plan participants with rheumatoid arthritis after employers increased out-of-pocket payments for prescription drugs.

Researchers said they chose to focus on this subset of employees because there are clear evidence-based medical guidelines regarding prescribed medication for rheumatoid arthritis sufferers. There is also a strong connection between rheumatoid arthritis and work disability. Compared to healthy workers with similar demographic characteristics, people suffering from rheumatoid arthritis are twice as likely to be hospitalized, are ten times more likely to claim disability, and incur three times the medical costs.

The study showed that, contrary to doctors' recommendations, fewer than two-thirds of employees diagnosed with rheumatoid arthritis fill at least one symptom-relieving anti-inflammatory prescription, and just 45% of sufferers fill at least one of the disease-modifying anti-rheumatic agents (DMARDs) that are used to slow the progress of the disease. But, researchers found, when employers increased drug co-pays by $20, the percentage of employees with at least one DMARD fell to 35%, while the percentage of employees filling a prescription for at least one symptom-relieving drug declined even more dramatically. Researchers speculated that many sufferers switched to over-the-counter substitutes for pain-relieving drugs when co-pay amounts rose.

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Services to Value, People to Trust

The analysis found that, for each 10% increase in cost sharing, prescription drug spending declines by 2% to 6%, depending upon the class of drug and the condition of the patient.

Failure to adhere to drug regimens results in more than just discomfort for the employee; it is also associated with higher rates and longer periods of short-term disability leave from work, researchers said. The analysis showed that disability incidence rates among those rheumatoid arthritis sufferers who filled at least one DMARD prescription were 36% lower than rates among sufferers who did not fill their prescriptions.

"It is unfortunate that employees appear to make medical decisions based on price and cost shifting, rather than evidence-based medicine," said Dr. Thomas Parry, president of IBI. "Increasing co-pays for workers can often make a bad situation worse."

The study modeled the lost productivity differences, comparing the costs incurred by those rheumatoid arthritis sufferers who filled no prescriptions with those who filled at least one prescription. Compared with a baseline of $17 million in lost productivity, the savings difference was found to amount to $3.2 million from reduced disability incidence and an additional $1.2 million from shorter disability durations, resulting in a total lost productivity savings of 26%.

Meanwhile, a separate analysis of previous research on prescription drug cost sharing recently published in *The Journal of the American Medical Association (JAMA)* indicated that increased cost sharing is associated with lower rates of drug treatment, lower rates of adherence among existing users, and more frequent discontinuation of drug therapies.

Written by health economist Dana P. Goldman and colleagues from the Rand Corporation, the study looked at data from 923 medical articles published between 1985 and 2006. The analysis found that, for each 10% increase in cost sharing, prescription drug spending declines by 2% to 6%, depending upon the class of drug and the condition of the patient. Results also showed that higher levels of cost sharing are associated with increased use of medical services, especially for patients with congestive heart failure, lipid disorders, diabetes, and schizophrenia.

Given these findings, the study's authors concluded that pharmacy design represents an important public health tool for improving patient treatment and adherence. But, while acknowledging that increased cost sharing is highly correlated with reductions in pharmacy use, Goldman and colleagues observed that the long-term consequences of benefit changes on health remain uncertain.

Deceleration In Health Care Cost Increases Predicted For 2008

Health care cost increases will continue to outpace inflation in 2008, but they should rise at lower rates than in recent years due to factors such as slower spending growth for prescription drugs, increased transparency and cost sharing with employees, improved IT infrastructure, and a more holistic approach to health management, a study published by PricewaterhouseCoopers (PwC) concluded.

Using data gathered from private insurers, the study predicted medical costs will increase in 2008 by 7.4% for consumer-directed health plans (CDHPs) and by 9.9% for preferred provider organizations (PPOs), health maintenance organizations (HMOs), point of service plans (POSs), and exclusive provider organizations (EPOs). For 2007, medical costs are projected to rise 10.7% for CDHPs, 11.9% for PPOs, and 11.8% for HMOs, POSs, and EPOs.

The study attributed the overall slowdown in medical cost increases in part to lower levels of growth in prescription drug spending. Researchers cited a number of factors that have contributed to this trend, including the introduction of fewer blockbuster drugs, a number of blockbusters going off patent, transition of some drugs to over-the-counter status, the acceptance of tiered formularies, and a lower rate of price growth. In particular, the study said, increases in generic dispensing have put the brakes on rising drug prices.

Improvements in price transparency and cost shifting to employees have also

contributed to the deceleration in health care cost increases, according to the study. While CDHPs still make up a small percentage of employer-sponsored health plans, researchers said plan sponsors are adopting many of the broad principles of consumerism, such as discouraging unnecessary consumption of medical services, encouraging the use of preventive care, and promoting healthier lifestyles.

Finally, the study found, health care providers are beginning to make substantial investments in health information technology. With a strong digital backbone in place, payers should find it easier to manage both performance and compliance, while providers will be able to better coordinate care while reducing costs.

Workers And Employers Split On FMLA

Following a request for comments about the Family and Medical Leave Act of 1993 (FMLA), the Employment Standards Administration/Wage and Hour Division of the U.S. Department of Labor (DOL) has released a report summarizing some of the positive and negative experiences workers and employers have had with the law.

In an official request for information (RFI) issued on December 1, 2006, the DOL asked the public to submit accounts of their experiences with the FMLA and to comment on the effectiveness of current FMLA regulations. The RFI resulted in more than 15,000 comments, including brief e-mails, detailed personal accounts from employees who had taken advantage of the leave, and complex analyses of the legal and economic issues surrounding the FMLA.

Under the provisions of the FMLA, an employee who has worked for a minimum of one year for a company with 50 or more employees is generally entitled to take up to 12 weeks of unpaid leave during a 12-month period when suffering from a serious medical condition or caring for a newborn, a newly adopted child, or an immediate family member who is seriously ill. According to DOL estimates, just over half of all workers in the U.S. qualify for FMLA benefits, and between 6 and 13 million workers took leave under the act in 2005.

Generally, the responses showed that most employees and employers are not experiencing noteworthy problems related to the FMLA, the report said. Researchers noted, however, that employees often expressed a desire for greater leave entitlement, while many employers raised concerns about their ability to manage business operations and control attendance, particularly when workers take unscheduled or intermittent leave.

DOL officials noted that the employers most concerned about the impact of the FMLA on their business operations tend to be in industries with a strong time-sensitive component, such as delivery, transportation, telecommunications, health care, public safety, and manufacturing. Employers also complained about suspected abuses of the FMLA entitlement and about the medical certification process. In addition, researchers said, the comments demonstrated that many employees do not fully understand the procedures they must follow when seeking leave.

"The 15,000 comments from workers, employers and others attest to the importance of family and medical leave for America's caregiving workforce," said Victoria A. Lipnic, assistant secretary of labor for the department's Employment Standards Administration.

"While family and medical leave is widely supported, we also heard from many workers and employers that there are challenges with the way certain aspects are being administered," Lipnic added. "This report provides information for a fuller discussion about how some of the key FMLA provisions and their interpretations have played out in the workplace."

A number of labor and industry groups reacted to the publication of the report. John Sweeney, president of the AFL-CIO, observed that the Labor Department report included no proposals for changing the

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regulations that implement the FMLA, but instead merely called for a fuller discussion of how the FMLA has affected the workplace.

Sweeney called for any such discussion to include support for paid family and medical leave, as well as paid sick leave. "The U.S. lags behind virtually every other country in the world in provision of these key family values programs, and we must move quickly to provide a more meaningful balance to working families," Sweeney said.

But Jason Straczewski, director of employment and labor policy at the National Association of Manufacturers (NAM), commented that the DOL report "clearly shows there are legitimate business concerns when it comes to granting FMLA leave. It is a compelling record of the challenges employers face every day in managing the workplace."

According to Straczewski, the NAM has long called upon the DOL to revise FMLA regulations, particularly with respect to notice requirements, defining serious health conditions, and the use of intermittent leave.

Health Plan Terminology Confuses Many Workers

Understanding their health care benefits is a struggle for a large percentage of U.S. employees, according to a study by human resources consultancy Watson Wyatt.

The survey of nearly 2,100 participants in employer-sponsored health care plans found that 43% of workers are uncertain about what treatments and services their health care plan covers. When asked if they would feel comfortable explaining specific terms relating to health care coverage to a friend or co-worker, 49% of respondents told researchers they are familiar with the term "co-pay;" 46%, with "deductible;" 36%, with "flexible spending account;" and 35%, with "out-of-pocket maximum." Fewer than one-third of respondents said they would be able to define the terms "lifetime maximum," "health savings account," "coinsurance," "formulary," or "center of excellence."

"It's hard for employers to ask employees to take more responsibility for their health care when they are not speaking the same language," said Kathryn Yates, global director of communication consulting at Watson Wyatt. "Helping employees improve their health care literacy and learn the terminology can make or break a company's health care efforts overall."

When asked how they would like their employers to communicate with them about their health benefits, around seven in ten respondents said they prefer receiving printed materials mailed to their home or provided at work, just under two-thirds said they wish to receive information online, and fewer than one-half indicated they prefer face-to-face meetings. The survey further showed that only around one-half of employees read all the materials provided by their employer during the annual health plan enrollment process.

"It's essential to communicate with employees in ways that meet their needs and preferences," Yates said. "By using a mix of channels and formats, employers can effectively increase understanding and empower employees to become smarter health care consumers."

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