

# Employer Health Plan Successfully Lowers Costs and Boosts Benefits



## EXECUTIVE SUMMARY

Offering competitive employee health benefits is a business essential, and a differentiator for attracting top talent, but as healthcare costs continue to rise, employers are challenged to offer affordable healthcare with extensive benefits. The traditional approach of reducing benefits and raising premiums is unsustainable as a long-term strategy, but without a good way to understand, rationalize, or reduce healthcare costs, these costs are unpredictable and unmanageable.

Health Catalyst decided to embrace self-insurance earlier than what would be typical for a company of its size to take the management of its healthcare costs and benefit design into its own hands, as well as gain access to the data it needed to manage its population health. The organization is leveraging data and analytics to help uncover insights into improvement opportunities and methods to drive behavior change in its team member population. The company designed an intelligent benefit plan based on the needs and preferences of its team member population and engaged team members in an ownership and accountability mindset. These efforts have resulted in:

- Successfully moved from a fully-insured/unmanaged organization to a self-insured/managed organization in less than five years.
- Reduced healthcare spending by more than 20 percent while increasing the benefits offered in significant ways.
- Maintained cost-effective, data-driven quality solutions that sustained the overall level of benefits offered to team members.
- Re-invested cost savings into enhancing employee benefits.

## HIGH COST OF EMPLOYEE HEALTH BENEFITS

Today's competitive job market makes it imperative to provide attractive benefits for drawing and retaining top talent. Both employers and employees rate healthcare as one of the most essential benefits



### HEALTHCARE ORGANIZATION

Analytics and Outcomes  
Improvement Organization

### PRODUCTS

- Health Catalyst® Data Operating System (DOS™) Platform



“The next step for companies is to embrace population management in a unified way, using tools and data to help them manage the healthcare of their employee population.”

Jeff Selander  
Senior Vice President  
Emerging Markets

to offer, with 95 percent of employers rating it as the most important benefit to their employees.<sup>1</sup> However, health insurance can be the most expensive benefit for employers with companies paying, on average, \$6,435 annually per employee for individual coverage and \$18,142 to cover the whole family.<sup>2</sup>

While competitive employee health benefits are a business essential, and a recruitment differentiator, healthcare costs continue to rise, challenging employers to offer affordable employee healthcare with extensive benefits. Companies traditionally have reduced benefits and raised premiums, but that is unsustainable long term. Without a good way to understand, rationalize, or reduce healthcare costs, they become unpredictable and unmanageable.

Self-funded healthcare insurance is one way to manage these unforeseeable and rising healthcare costs, and more than 95 percent of employers with over 2,000 employees are self-insured. However, a self-insured healthcare strategy has historically been more a financial risk arbitrage strategy rather than a mechanism to increase understanding of healthcare spend. With self-funded healthcare insurance however, an employer can also better understand its company's health and healthcare needs. That knowledge brings more control, greater flexibility, the ability to customize plans, and cost savings that can help keep a company's bottom line healthy.<sup>3</sup>

Simply moving to a self-insured strategy alone will drive cost reduction. And while the flexibility a self-insurance plan offers to an organization is necessary, it is not sufficient without also applying a data governance and analysis structure. Recognizing the value of this combination, Health Catalyst, a next-generation data, analytics, and decision support company, embraced these programs as part of its commitment to being a catalyst for massive, sustained improvements in healthcare outcomes.

## EMPLOYEE POPULATION HEALTH MODEL POSES RISKS AND CHALLENGES

For any population health management initiative to be successful, there first needs to be a clear understanding of a specific patient group's health and what factors are at play.

“  
We regularly look at the data to determine where there are some challenges, provide education to team members, and, in some cases, tweak the plan to drive better choices.

Jeff Selander  
Senior Vice President  
Emerging Markets  
”

## Inability to understand and influence performance without data and analytics

Faced with rising healthcare insurance costs year after year, Health Catalyst endeavored to keep increases to a minimum but had no access to data that would enable them to manage performance, and no ability to impact any increase in costs.

Leadership within Health Catalyst looked to find ways to address the problem, recognizing that the traditional approach of reducing benefits and raising premiums was unsustainable as a long-term strategy. If they reduced the benefits offered, employee retention would suffer. However, maintaining or increasing benefits without managing team member health would make costs unsustainable.

Health Catalyst's traditional, fully-insured plan was not able to provide timely, meaningful insight into the data needed to improve team member health. The “one size fits all” plan did not offer many options for team members and did not provide the company with the opportunity to reduce cost or help team members maintain a good standard of health.

## Introducing self-insurance to better serve employee population

Typically, only larger companies adopt self-funded healthcare insurance, due to inherent risks, such as the smaller size of the risk-sharing population, and the impact that variation could have on costs. Moving from a traditional, fully-insured coverage plan to a self-funded plan would mean that material dollars would be in play, and potentially at risk. Understanding that managing the health of its team member population would remain out of reach without detailed insight into its performance data, Health Catalyst looked to self-insurance as a possible path forward, even though it was a small company of fewer than 200 team members at the time.

To make self-insurance a viable option, Health Catalyst needed to understand its population's health and recognized that team member wellness is a combination of personal and corporate responsibility. For any changes in the plan to work, and to truly adopt population health management, the company would need to engage team members and their families to take ownership of their health.

Many employers are using this shared accountability approach, motivating employees to shoulder more responsibility for maintaining and improving their health and contributing to the costs of health coverage. Health Catalyst knew it would need to guide a shift to a consumer mindset.

“  
By reinvesting our cost savings into making changes to offer better benefits for team members, we have positively impacted engagement and the overall feeling that the company is looking out for each team member and their family.

Jeff Selander  
Senior Vice President  
Emerging Markets

”

## MOVING TO POPULATION HEALTH MANAGEMENT

Health Catalyst recognized that managing healthcare costs and retaining talent is a survival imperative and decided to embrace medical self-insurance as a first step to take the management of its healthcare costs and benefit design into its own hands.

### Managing healthcare costs requires a fresh approach

The company began its entrance into self-insurance by formally aggregating and analyzing team member health data. With this information, even the basic analysis work, including comparing various slices of the data on a per member per month cost basis, both to historical performance and national benchmarks, drove insights into opportunities for improvement.

Data showed that relative to benchmarks, its team member population was significantly healthier, with fewer chronic conditions and large claims, as a percent of total spend relative to other companies of its size. Additionally, the majority of team members (65 percent) were paying for a traditional PPO insurance plan that they underutilized because they did not have chronic conditions that resulted in routinely accessing the health system.

### Intelligent healthcare plan design and a well-designed wellness program

Armed with this information, Health Catalyst knew it could do a better job of tailoring the team member health benefits to fit its team member population. The leadership team determined that a high deductible health plan (HDHP) coupled with an HSA savings plan, that could be used as directed by the team member, would be a good match for its team members.

Health Catalyst encouraged its team members to take part in its newly designed HDHP/HSA plan, making the plan cost favorable over the traditional PPO, which was well-received. In one year, utilization of the HSA went from 35 percent to 93 percent. Team members were able to put the dollars they would have spent on a traditional PPO into their HSA accounts and direct those funds as they saw fit.

For a certain small segment of the team member population, a PPO was still a better option, prompting leadership to keep that plan in place to support those team members. Healthcare benefits were also coupled with an engaging and robust wellness program to further involve team members and their dependents in improving their health.

## Engaging hearts and minds to drive culture change

Buy-in and support from the team member population were key to long-term sustainability and success. As a company focused on improving health outcomes, Health Catalyst believed that its population was ahead of the curve for its willingness to embrace ownership of their own health and reducing costs.

From a team member perspective, the move from the insured to self-insured plan did not look different. The significant change was the move from a PPO to an HDHP plan and HSA. Because that was a significant change, Health Catalyst demonstrated to team members how an HSA could be an enhanced benefit for most team members, as they could save and accrue money, and direct the use of those funds as they saw fit, making better use of their dollars, and in many cases, spending less for coverage that met their healthcare needs.

The company also invested in focused education and communication efforts on the plan benefits and changes, as well as ongoing outreach and communication to help team members thoroughly understand all the implications and benefits. Leadership launched a series of meetings leading up to the change, openly engaging team members in dialogue and addressing their questions and concerns.

Health Catalyst initiated a robust wellness program as part of the benefits package, providing additional incentives for team members and their dependents to embrace healthy behaviors. The popular program included a gym with fitness classes on site, subsidized gym memberships for remote team members, and the Catalyst for Health program and app, which uses gamification and incentives to engender friendly competition among team members and their family members.

## Re-investing cost savings into additional, improved benefits

Health Catalyst team members have not seen an increase in their healthcare premiums in the four years since the company moved to self-insurance. Although the first two years brought a slight increase that Health Catalyst absorbed, each year since year three, the company has seen a decrease in costs.

The money that was saved from reducing spending was used to enrich team member benefits. For example, adding procedures or benefits that were previously excluded or reducing the required co-payment. The company continues to analyze data and make changes that improve the offering for team members.

Health Catalyst believes that tailoring benefits based on employee population improves engagement and sends a strong message that the company is watching out for its employees and their families. The fact that this can be done by re-investing the savings from reduced expenditures makes it a win-win strategy.

Some of these enhanced benefits are cultural or mindset shifts that require little investment; others require financial backing. As a general example, by crafting thoughtful changes in plan design, including providing free visits to a primary care physician (PCP) and charging more for non-emergency visits to the emergency department (ED), an organization could drive tangible savings through directing employees to more appropriate, lower cost alternatives. However, educating employees to think about whether they truly need the ED when a PCP or urgent care would be enough is a mindset shift that takes time and energy.

Health Catalyst has set up an infrastructure that proactively looks at costs, claims, and performance data on an ongoing basis. It analyzes those costs to look at overutilization related to benchmarks and compares its employee's use and healthcare costs to other companies working through similar challenges. However, much remains to be done.

Being proactive has resulted in the creation of specific action pathways to drive down costs. By offering education and support to employees, adjusting the plan to encourage better behaviors, and arming employees with the information to make better choices, population health is improved, and costs are reduced.

## RESULTS

By proactively managing costs with the use of targeted data and analytics, an intelligent benefit plan design based on the needs and preferences of its employee population, and engaging employees in an ownership and accountability mindset, Health Catalyst has achieved significant results:

- Successfully moved from a fully-insured/unmanaged organization to a self-insured/managed organization in less than five years.
- Reduced healthcare spending by more than 20 percent, while increasing the benefits offered in significant ways.

- Maintained cost-effective, data-driven quality solutions that sustained the overall level of benefits offered to team members.
- Re-invested cost savings to enhance employee benefits.

## WHAT'S NEXT

Health Catalyst continues to proactively manage and improve its employee population health and is taking steps to engage and improve the healthcare system to help promote better health for all employee populations. In addition, Health Catalyst plans to incorporate its claims data into the Health Catalyst® Data Operating System (DOS™) to gain additional analytics insights and further improve its benefit plan design. ⚡

## REFERENCES

1. Leon, M. (2017). 5 awesome job benefits that attract quality candidates. *Glassdoor Blog*. Retrieved from <https://www.glassdoor.com/employers/blog/5-job-benefits-attract-quality-candidates/>
2. Claxton, G., Rae, M., Long, M., Damico, A., Sawyer, B., Foster, . . . Schapiro, L. (2016). 2016 Employer Health Benefits Survey. *The Henry J. Kaiser Family Foundation*. Retrieved from <https://www.kff.org/report-section/ehbs-2016-summary-of-findings/>
3. Hill, H. (2017). Top five features of a self-funded insurance plan. *HMA*. Retrieved from <https://www.accesshma.com/blog/blog/self-funded-insurance/top-five-features-of-a-self-funded-insurance-plan>

## ABOUT HEALTH CATALYST

Health Catalyst is a next-generation data, analytics, and decision support company committed to being a catalyst for massive, sustained improvements in healthcare outcomes. We are the leaders in a new era of advanced predictive analytics for [population health](#) and [value-based care](#) with a suite of machine learning-driven solutions, decades of outcomes-improvement expertise, and an unparalleled ability to integrate data from across the healthcare ecosystem. Our Health Catalyst Data Operating System (DOS™), a next-generation data warehouse and application development platform—powered by data from more than 100 million patients, encompassing over 1 trillion facts—helps improve quality, add efficiency and lower costs for organizations ranging from the largest US health system to forward-thinking physician practices. Our technology and professional services can help you keep patients engaged and healthy in their homes, communities, and workplaces, and we can help you optimize care delivery to those patients when it becomes necessary. We are grateful to be recognized by Fortune, Gallup, Glassdoor, Modern Healthcare and a host of others as a Best Place to Work in technology and healthcare.

Visit [www.healthcatalyst.com](http://www.healthcatalyst.com), and follow us on [Twitter](#), [LinkedIn](#), and [Facebook](#).