

# Managing Your Total Cost of Risk

25<sup>th</sup> Annual Windy City Summit  
May 20, 2011  
Dave Chmiel

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What do they have in common?



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# How do we measure success?



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# Employer's Healthcare is expensive!



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# Agenda

- Cost of WC and EB
- Today's Workforce
- The Wellness Solution
- Workers Compensation Management Program
- What are your risks? Are we adding value?

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# How do we manage your total cost of risk?

- Ownership from within
- Promote wellness
- Integration of your broker and carrier
- Data analytics
- Workers' Compensation Injury Management Program
- Audit TPA / Carrier

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# Teamwork

- Ownership in “your” program
- Individual allocation of responsibilities
- Wellness program
- Risk Management team

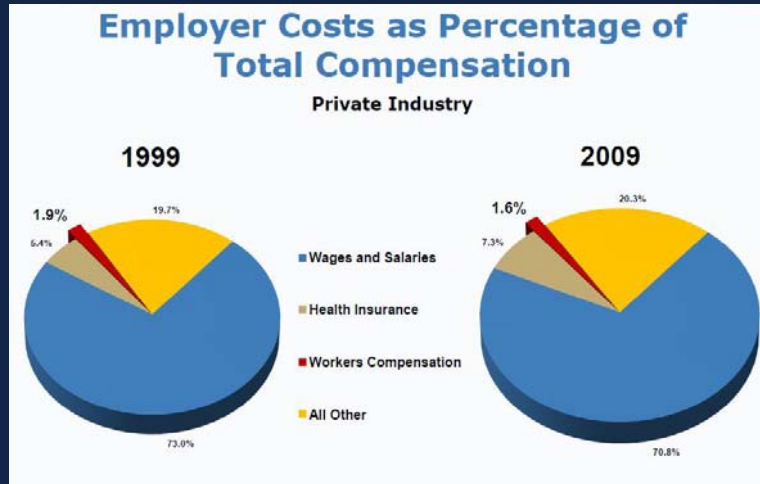
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# The Compensation Pie



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# Why is Healthcare so expensive?

- Rise in spending to treat diseases (37%)
  - Innovation / advances in technology
  - New / better medicines
  - New treatments
  - Delivery costs of newborns have increased 5x (1987-2002)
- Rise in prevalence of disease (63%)
  - ¾ of all spending in US is focused on patients who have one or more chronic conditions
  - Chronically ill patients receive only 56% of clinically recommended preventive health services
  - 27% of the rise in health care costs is associated with increased rates of obesity

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# Why is Health Care so expensive? (WC version)

- Increasing Severity – Decreasing Frequency
- Attempts to maximize income by some
- Failure to properly manage utilization
- Trends in our society:
  - Obesity
  - Age
  - Culture
  - Mental Health

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# Today's Workforce



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# Today's workforce is aging



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# Facts About Today's Workforce

<b>Silent</b>	<b>Born before 1946</b>	<b>5%</b>
<b>Boomers</b>	<b>1946-1964</b>	<b>40%</b>
<b>Gen X</b>	<b>1965-1981</b>	<b>30%</b>
<b>Millennials</b>	<b>1982-2001</b>	<b>25%</b>

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# Why it's important to understand generational differences

- Boomers are larger than two previous generations
- One out of every three adults over 21 is a boomer
- Boomers have tremendous work ethic
- 10,000 boomers per day are turning 50
- 13,000 people will reach the age of 60 everyday for the next 20 years
- Boomers will work longer than in past
- Millennials are at 80,000,000, but this could be lower depending on when the final generational spin is set
- By 2050, the median age worldwide will be 38, up from 28 in 2000 and 24 in 1950

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## Fact: We have an aging workforce that:

- Likes to work hard – motivated
- Independent
- Will retire later
- Will be dependent on dual incomes
- Are entitlement dependent
- Are generally optimistic about how long they will live and how they will live
- Have been hit hard by recent recession in home values and savings for retirement



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# What we anticipate will happen to our workforce

- Low claim frequency
- High claim severity
- Increased falls
- Longer healing times
- More sever musculoskeletal disorders
- Certain claim types will increase

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# Average Cost per Claim Top 20 Claims: test sample

- Analysis of client data
- Age group
- 100% of most costly claims were for employees over 36
- 85% of most costly claims were for employees over 41
- Average claim for 16-40 is \$4,814
- Average claim for 41-87 is \$11,825

Age Group	Total Incurred
56 to 65	\$666,945.00
41 to 45	\$454,069.13
51 to 55	\$374,250.41
36 to 40	\$292,942.00
66 to 100	\$280,440.00
46 to 50	\$276,559.84
46 to 50	\$271,244.00
36 to 40	\$263,963.00
56 to 65	\$253,987.37
41 to 45	\$236,200.00
41 to 45	\$235,815.54
51 to 55	\$229,616.05
56 to 65	\$216,208.00
56 to 65	\$205,696.00
46 to 50	\$203,097.57
46 to 50	\$201,986.00
46 to 50	\$200,515.21
51 to 55	\$199,177.00
41 to 45	\$192,679.67
36 to 40	\$185,077.00

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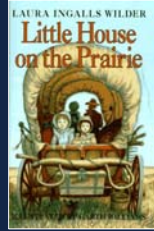


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# The years ahead could be the best for your workers...

- Laura Ingalls Wilder wrote her first book at the age of 65
- Colonel Sanders took to franchising Kentucky Fried Chicken restaurants, starting at age 65
- Orville Redenbacher launches famous popcorn at age 63
- Ronald Wilson Regan became President of the United States at the age of 70



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# Cost of obesity: Duke University Medical Center Study

- Obese workers filed 2x the number of workers' compensation claims
- Obese workers had 7x higher medical costs
- Obese workers lost 13x more days of work from work injury or work illness than did non-obese workers
- The average medical claim costs per 100 employees were \$51,019 for the obese and \$7,503 for the non-obese



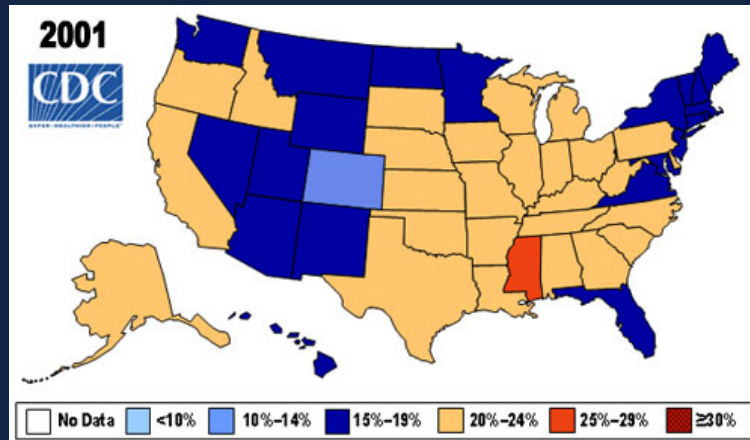
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# 2001 – What shape were we in?



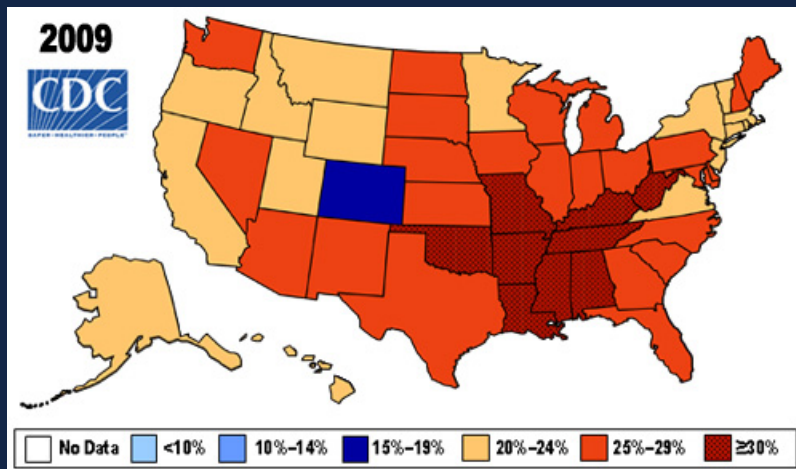
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# 2009 – What shape were we in?



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What Issue is at top of  
the list?

Top Drivers of Overall  
Health Care Costs?

Stress  
Mental Health

More workers are absent from work because of stress  
& anxiety than because of physical illness or injury

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# Work related stress is a growing health concern

- 33% of the 40.2 million workdays lost by illness and injury are from stress, anxiety, and depression
- Stress can be a hidden trigger behind cardiovascular problems, musculoskeletal disorders, obesity, depression, and violence

National Safety Council - News Release September 21, 2005

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# Impact of Mental Health

## Recent economic trends have affected stress levels

### Recession

- Layoffs, foreclosures, loss of investments & savings
- Impact on disposable income
- Increased risk of stress-induced health concerns
  - Depression
  - Anxiety
  - Compulsive behaviors (over-eating, excessive gambling, spending)
  - Substance abuse

Substance Abuse and Mental Health Services Administration, April 2009

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# Diagnosing Mental Health

U.S. primary care physicians fail to recognize ½ the cases of depression they see in their offices.



Global Burden of Disease Study

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Can we agree on three major points?

**Our workforce is (1) older (2) more obese, (3) has more mental health issues than ever before!!**

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# Why Wellness and WC have not mixed

- Many employers haven't seen correlation
- Wellness typically focuses on Employee Benefits only
- Some companies keep WC in Risk Management and Employee Benefits with HR...Wellness Message Not Shared
- Carriers slow to make correlation



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# Strongest force in universe – Resistance to change

- Why don't people change?
- Think of one "risk" factor you could eliminate:
  - Why don't you eliminate it?
  - What are con's of not making change?
  - What are pros of making change?
  - What support can you get?



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# Why don't people change?



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# Optimistic Bias

*"An earthquake of 9.2 won't hit here?"*

*"The Titanic is the greatest ship ever made, it's unsinkable."*

*"I'll quit tomorrow or soon."*

*"I don't have the time to exercise."*

*"It's so hard to eat good when you're traveling."*



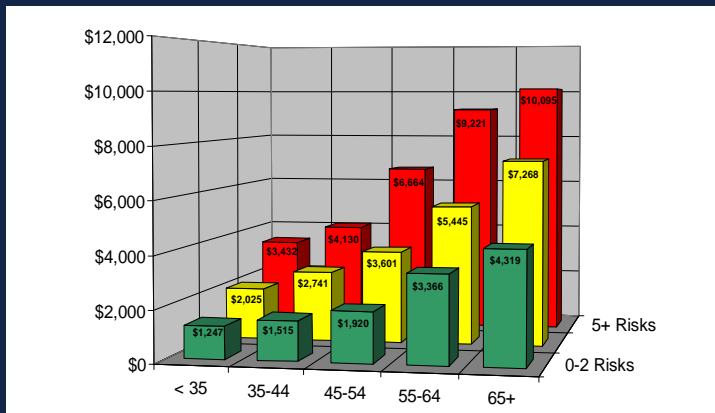
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# Analysis of Risks, Age and Cost



Surviving the Perfect Storm; D.R. Anderson, PhD  
Source: StayWell Data analyzed by University of Michigan

N=43,687

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# Ballooning Costs of Poor Health



Dealing only with the financial transactions of healthcare does **not lower total costs** —it tends to only shift them



Wellness programs can reduce the Burden of Illness and Burden of Health Risks leading to healthier population and measurable **total cost DECREASES**

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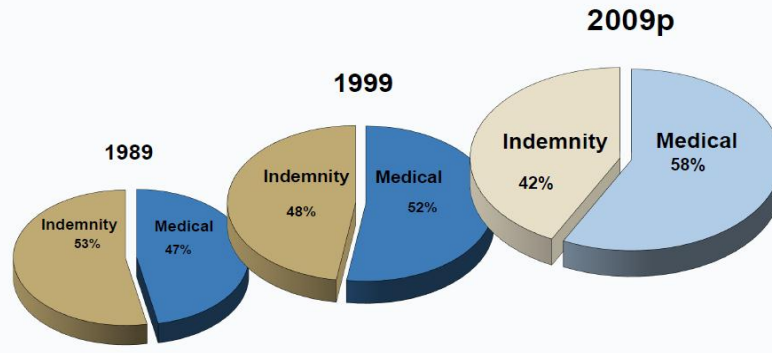
Focusing on who pays the financial transactions of health care does not lower the total cost of care. The high costs are being paid – it just may be coming out of a different wallet. When implementing strategies such as increasing employee premium contributions, coinsurance, and deductibles or decreasing overall benefits, again - these strategies simply shift the financial burden rather than address the underlying reasons affecting the increased cost.

We believe that through a comprehensive wellness program strategy, an organization like yours can impact the Burden of Health Risks and therefore proactively influence the total cost of health care.

# WC Medical Costs Rising

## Workers Compensation Medical Losses Are More Than Half of Total Losses

All Claims—NCCI States



NCCI, WC Symposium 2010

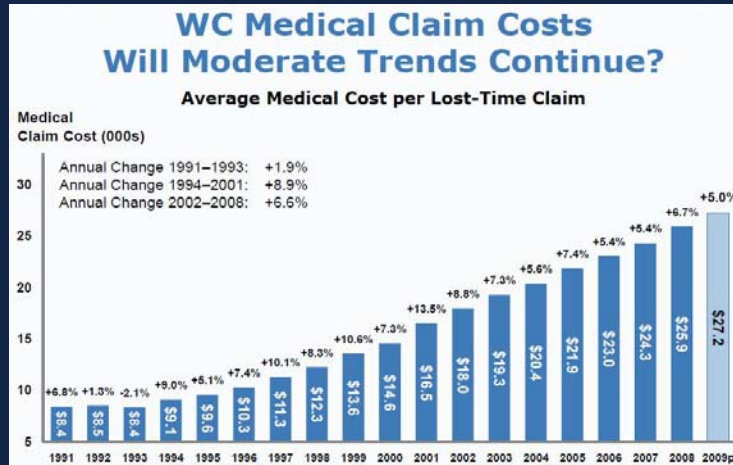
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# WC Lost Time Claims: Medical



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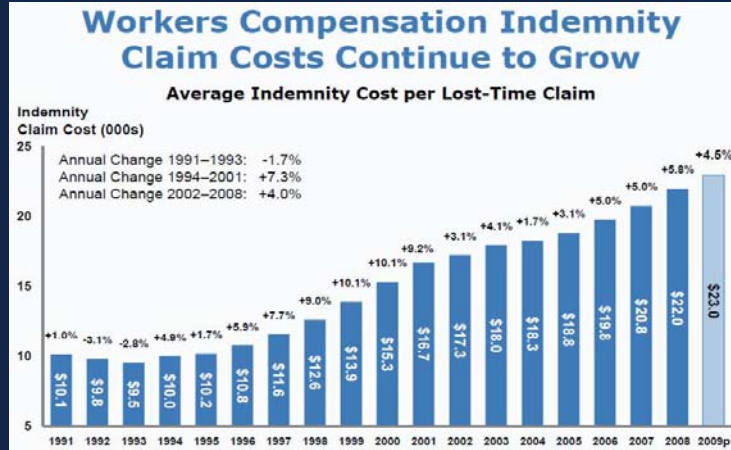
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# WC Lost Time Claims: Indemnity



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# Wellness Strategy

	Group Health Programs	Worker's Compensation
<b>Loss Prevention</b>	Wellness Programs Health Risk Assessments/Screenings Wellness Committee	Create a safe working environment Ergonomic Assessment, safety audits, pre-work stretch Safety Committee
<b>Loss Reduction</b>	Condition Management Education: medical self-care, consumerism Behavior change programs	Claims management Education: safety practices & procedures Transitional return-to-work Provider Discounts
<b>Risk Transfer</b>	Fully insured alternatives Coordination of Benefits Defined Contribution	Insurance Contract review Retrospective plans
<b>Risk Financing</b>	Direct Contracting, Networks, Tiered plan	Program Design Benefit Structure/Pricing

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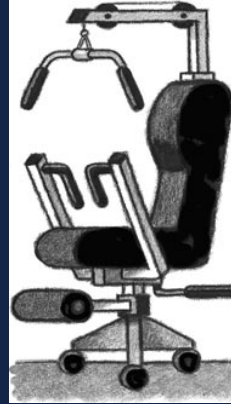
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So with this background and research in mind- we feel strongly that a comprehensive wellness program would be a powerful, strategic fit for your organization. Willis is committed to partnering with you to impact the key areas outlined on this slide given our expertise, tools, and resources to meet your program goals.

# Wellness Strategy

- Senior Level Support
- Cohesive Wellness Team
- Collecting Data to Drive Decisions
- Operating Plan
- Appropriate Interventions & Incentives
- Supportive Environment
- Evaluation/Outcomes



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So what should a comprehensive strategy include? These seven gold standards are based on the Wellness Councils of America (WELCOA) best practices. These are the consistent program components from companies who see an ROI on their long term programs.

Developing a wellness strategy is an evolving process. We begin where and when you are ready to start, and work together to build a comprehensive strategy over time using these key areas to guide the process.

# The Wellness Solution

- Converging healthcare trends affecting employers:
- Ballooning costs – demand for new solutions
- Increased focus on productivity
- Talent retention / competition
- Consumerism, cost sharing
- Aging workforce

*Shifting Costs does not always lead to lower costs or help address the problems causing increasing costs.*

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In today's financial climate, employer's are demanding new, proactive solutions to combat ballooning premium costs. There is an increased focus on productivity more than ever before, and we know that retaining talent is a top priority. We know that you would still like to be viewed as an employer of choice in the community. Other trends that may be affecting you lately include the increased need for consumerism with the recent introduction you had of your CDHP – to better educate members on how to appropriately utilize health care. From your demographics we know that you also face an aging workforce and that many of your employees have been delaying retirement for financial reasons and working longer with chronic conditions such as diabetes, heart disease and even cancer which are leading cost drivers in your medical and pharmacy claims.

To combat these trends, many employers may try shifting costs to employees or shopping for cheaper provider network arrangements, however these are traditionally short-term cost-saving strategies do not target the actual causes of increasing costs.

# What Some Leading by Example Companies are Doing

Partnership for Prevention

- Safeway
  - 100% coverage of annual physicals
  - Incentives weight loss, tobacco cessation, stress reduction and positive healthy behaviors
  - Premium discounts for healthy decisions and higher (based) premiums for non-compliance

*“Too often companies look at wellness as just another benefit. We have fully integrated wellness into every aspect of our company’s culture. It’s a source of pride, and reflects how we care for one another. As a result, wellness has become a critical element of our success.”*

*-- Steve Burd, Chairman, President, and CEO*



**Steve Burd**  
Chairman, President, and CEO

**Safeway, Inc.**  
Healthy Incentives

**Company Overview**

- Type of Industry: Food and drug retailing
- Number of employees: 200,000

**Program Components**

- Strong behavioral involvement and responsibility to health care management
- Health reimbursement accounts (HRAs) and Health Spending Accounts (HSAs)
- Flexible care model: 80%
- Incentives for healthy behavior
- Free wellness programs
- Health risk assessment (HRA) and proactive care management programs

**Program Highlights**

- Annual preventive care program with 100% coverage of annual physicals, well baby/child care and other age appropriate screenings
- Lifestyle Management Program with focus: diet for diabetes prevention, weight loss, stress reduction, and positive healthy behaviors
- Employee health resources include: web-based health information tools, career case management, health education and education resources for employees and price transparency tools
- Incentives for healthy behavior that include premium discounts for healthy decisions and higher (based) premiums for non-compliance

**CEO Statement**

“Too often companies look at wellness as just another benefit. We have fully integrated wellness into every aspect of our company’s culture. It’s a source of pride and reflects how we care for one another. As a result, wellness has become a critical element of our success.”



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### CEO Quote

“Too often companies look at wellness as just another benefit. We have fully integrated wellness into every aspect of our company’s culture. It’s a source of pride, and reflects how we care for one another. As a result, wellness has become a critical element of our success.” -- Steve Burd, Chairman, President, and CEO

# What Some Leading by Example Companies are Doing

- The Dow Chemical Company
  - Company health strategy
  - Preventive emphasis in benefit plan
  - Relevant workplace health policy
  - Over 85% of North American employees voluntarily participate in one or more health services each year

*"In 2004, we launched a simple yet dynamic Health Strategy that took our business case for health investment to the next level. This strategy is sharply focused on improving Dow's financial position by promoting better health, and features tough goals and clear metrics to ensure forward progress. Our top two priorities are prevention and quality and effectiveness of health care."*

*-- Andrew N. Liveris, Chairman and CEO*

**The Dow Chemical Company**  
*Good Health for the Whole Sky*

**Company Overview**  
Type of Industry: Manufacturing  
Number of employees: 43,000

**Program Components**

- Company health strategy
- Comprehensive health metrics
- Health assessment and counseling
- Web-based information and programs
- Onsite programs and innovations
- Flexible emphasis in benefit plan
- Relevant workplace health policy
- Fitness programs and facilities
- Healthy culture efforts

**Program Highlights**

- Health risks are improving opportunity for our top three risk targets: tobacco use, physical activity, and obesity
- Over 85% of North American employees voluntarily participate in health assessments
- About 75% of employees participate in one or more health services each year

**CEO Statement**

"In 2004, we launched a simple yet dynamic Dow Health Strategy that took our business case for health investment to the next level. This strategy is sharply focused on improving Dow's financial position by promoting better health, and features tough goals and clear metrics to ensure forward progress. Our top two priorities are prevention and quality and effectiveness of health care."

**Dow** 27

**Willis** **CHAMPIONS**

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CEO Quote:

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- Results from a study at the Dow Chemical Company, using a prospective ROI model showed that even small reductions in health risks for Dow employees would yield large savings in health care costs for the company. The "break-even" point, in which savings exactly equal investment dollars, occurs when each health risk is reduced by 0.17% points annually over a period of 10 years." (p. 23 of publication).
- Liveris of the co-chair of Leading by Example and they really tied this into their metrics

# Risk Management Solutions-- Why workers compensation?

- Workers compensation costs represent a growing, yet controllable expense in any organization
- Workers compensation costs are THE MOST CONTROLLABLE INSURANCE expenses in the business today

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# Managing the Workers' Compensation Process

- Injury Management Program
- Reporting Structure-Lag Time
- Incentive Programs
- Analytics
- Closure Projects & Auditing
- Risk Control

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# Injury Management Program

- Provide a uniform platform for managing workers compensation claims across all states and clients
- Establish a consistent management structure with clear roles and responsibilities for all parties, external and internal
- Enhance understanding of the financial impact of workers compensation claims
- Formalize Transitional Return to Work, Medical Management and Incident Investigation Programs

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# Workers Compensation Injury Management Program

A customized and comprehensive system for managing work related incidents and claims. The system is created for Bucyrus by employing “best practices” claim handling procedures and applying them to the operational realities of your organization.

- Designed for managers and administrators
- Defines entire WC management process and outlines roles and responsibilities
- Provides comprehensive “How To” guidelines for each step in the WC process
- Incorporates Return to Work
- State specific detailed information

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# Reporting Structure

- Multiple Locations
- Consistent reporting: incident forms; supervisor investigation forms; etc.
- Claims Committee
- Lag Time
- Incentive programs (Days off; vacation packages; etc.)

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# What is “low hanging fruit” and what can I do?

- Data Analytics
- TPA/Carrier Audit
- Claim Closure project

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# Creating Value Together



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# What can be done by WC Risk Control?

## Slip and fall prevention

- Condition of walking surfaces
- Stairs
- Visibility
- Spill clean up
- Shoe selection

## Ergonomics

- Vision, hearing, and touch

## Safety Videos

**Safe driving** – expectations, monitoring, and training

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# Questions ?

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