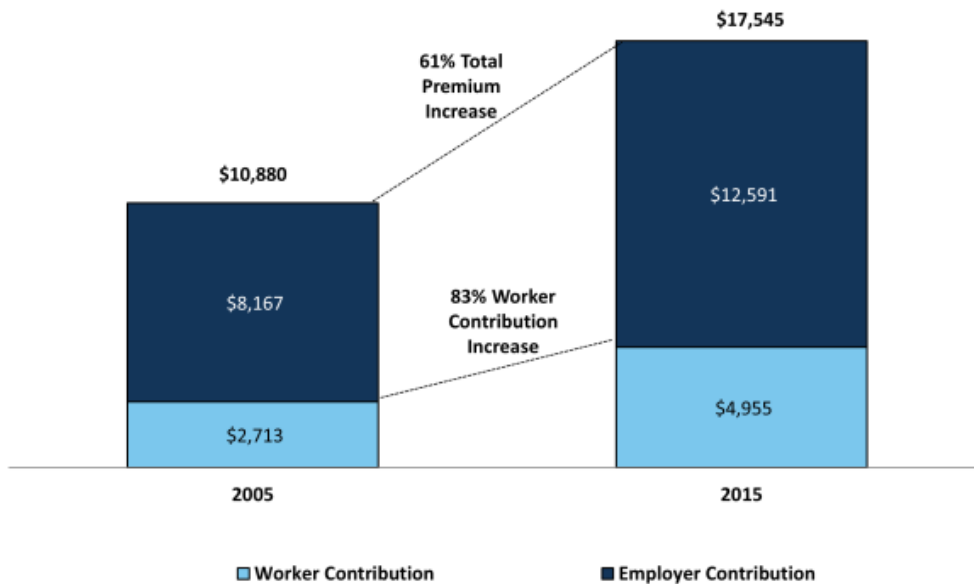




The P&C Risk Management Process... The Solution for the Healthcare Crisis?

By: F. Scott Addis, CPCU, CRA, CBWA

As you know, the current U.S. healthcare system and the role of the benefits advisor is under fire. Consumers, frustrated with year after year of double-digit rate increases, see themselves feeding a self-serving medical care system that waits for people to get sick and then profits from that illness. From 2005 to 2015, the employee contribution increased 83%. While many models have been considered, the sad fact is that the design and procurement of health insurance for most employees is ineffective and economically dysfunctional as it systemically ignores the root cause of rising healthcare costs – which are health risk factors.

Exhibit A:
Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2005-2015


SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005-2015.



Consider the following:

- Less than 5% of adults participate in 30 minutes of physical activity each day.
- Children (our future workforce) now spend more than 7-½ hours per day in front of a screen (TV, videogames, computer)
- Nearly 40% of adults age 20 and over are obese, and, in 35 states, 25% or more of the populations are obese.
- By 2018, it is projected that obesity will cost the U.S. 21% of its total healthcare costs.
- 19% of the U.S. smokes.
- 90% of Americans eat more than the recommended amount of sodium.
- 86 million American adults have pre-diabetes. A person diagnosed with diabetes spends approximately \$13,700 annually on medical expenses.
- 48% of Americans do not get enough sleep. And close to 31% of adults are turning to coffee or caffeinated beverages as their way to make up for lost sleep.
- Recent studies give evidence that lack of quality sleep contributes to serious medical issues including memory loss, heart disease, strokes, and diabetes.
- Workplace stress costs U.S. employers an estimated \$200 billion per year with the top causes including workload, juggling work/personal issues, and perceived lack of job security. As today's workers perceive lack of control and lots of increased demands, the risk of heart attack, hypertension, and disorders increase.

- Presenteeism -the action of employees coming to work despite stressful life events such as illness - is causing workers to perform under sub-optimal conditions. This condition is especially common with people with children, employees with poor health status, and those having difficulties setting limits when confronted with excess demands. Although not measured as closely as absenteeism, the cost of presenteeism is greater than absenteeism.
- Poor health is costing the U.S. economy \$576 billion per year with 39% -- or \$227 billion - due to loss of productivity associated with poor health. And on-the-job losses from presenteeism are 60% of the total cost of worker illness ... exceeding what employers are spending on medical, disability, and absenteeism.

Health Risk Factors

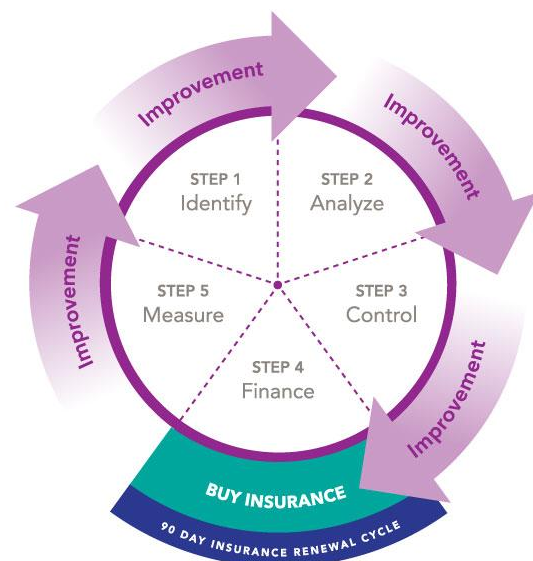
A health risk factor is any attribute, characteristic, or experience of an individual that increases the likelihood of developing an illness, disease, or injury. Examples include body weight, cholesterol levels, tobacco use, alcohol consumption, stress, sleep deprivation, and texting and driving. The more risk factors an individual has, the higher healthcare utilization.

In 2001, Dee W. Edington, Ph.D., professor emeritus and founder of the University of Michigan Health Management Research Center and chairman of Edington Associates, performed a series of studies in which he placed the risk factor status of employees into three buckets – Low Risk (0-2 risk factors), Medium Risk (3-4 risk factors), and High Risk (5+ risk factors). While the study is more than 15 years old, it emphasizes the point that there is a clear correlation between risk factors and medical costs. The “excess costs for excess risks” findings were attributed to health and safety outcomes that were measured including medical care, pharmacy, days absent from work, disability, workers’ compensation claims, and, overall production at work.

The P&C Model for Healthcare

A property and casualty agent or broker is schooled on the art and science of the risk management process through a systematic five-step approach:

- Step 1 – Risk Identification
- Step 2 – Risk Analysis
- Step 3 – Risk Control
- Step 4 – Risk Financing
- Step 5 – Risk Measurement



The P&C agent, broker, and carrier work as a team on the first three steps (risk identification, analysis, and control), as evidenced by the underwriting process, claims analysis, and the efforts of risk control specialists to evaluate and improve the risk factors of a business. Risk profile improvement is the DNA of the property and casualty agent business.

Step 4 (risk financing) is conducted only after the first three steps take place. Simply put, the insurance program design is heavily dependent upon the risk factors that surface in the first three steps of the risk management process. If the profile of an organization has minimal risk factors, it is rewarded by lower premiums. On the other hand, a business with multiple risk factors is surcharged or declined.

The P&C agent or broker does not simply gather data and spreadsheet with competitive terms to finance risk. Rather, he or she begins each engagement with a blueprint focused on the identification, evaluation, and measurement of risk – a diagnostic risk management check-up. The P&C agent or broker understands the necessity of developing a clear understanding of his or her clients' operations, corporate culture, safety practices, exposures, and appetite for risk. While the short-term objective is to evaluate risk, the long-term goal is to design and build programs to impact an organization's health through the strategic elimination, reduction, and/or shifting of risk.

"The benefits industry is ripe for the risk management approach traditionally practiced by the P&C agent or broker," said Randy Boss, a 40-year insurance industry veteran with Ottawa Kent Insurance in Grand Rapids, MI. "It came to me as I was sitting in a course as part of my CIC continuing education. The instructor flipped on his PowerPoint, and there they were in bold—the five fundamental steps of risk management: Identify, Analyze, Control, Finance, and Measure. It was an "aha moment" for me—quality P&C brokers and agents spend an immense amount of time and energy on the first three steps, and yet their benefits brethren are transfixed on the fourth step—bidding, shopping and quoting health insurance rates."

Randy's epiphany inspired him to design and build a risk management process for benefits to help his clients address the health risk issues facing their employee population. His efforts, along with his partner and son, Dustin Boss, lead them to co-create the Certified Benefits and Wellness Advisor (CBWA) designation, a course designed to educate benefits producers on how to bring risk management to the benefits business.

As CBWAs learn, all five steps of the risk management process are equally important. However, as any good risk manager knows, without the completion of the first step – health risk factor identification – the subsequent steps cannot be completed successfully. When it comes to identifying risk for benefits, it all starts with the Health Risk Assessment.

The Importance of the Health Risk Assessment

A health risk assessment (HRA) is a questionnaire used to provide individuals with an evaluation of their health risks and quality of life. Commonly, an HRA incorporates three key elements – an extended questionnaire, a risk calculation or score, and some form of feedback, e.g., face-to-face with a health advisor or an automatic online report.

The Centers for Disease Control and Prevention define an HRA as: "a systematic approach to collecting information from individuals that identifies risk factors, provides individualized feedback, and links the person with at least one intervention to promote health, sustain function, and/or prevent disease."

Once an individual completes a HRA, they usually receive a report, detailing their health rating or score, often broken down into specific sub-scores and areas such as stress, nutrition, and

fitness. The report can also provide recommendations on how individuals can reduce their health risks by changing their lifestyle.

“The CBWA course teaches agents and brokers how to generate over 90% participation in health risk assessments without any financial incentives. This is an absolute game changer,” said John Basten, vice president of sales at the Mid-State Group in Lynchburg, VA. “By achieving such high participation in HRAs for my clients, I am able to deliver a credible executive summary detailing the risk factors facing their employee population.”

These executive summary reports include demographic data of participants, highlight health risk areas, and often include cost projections and savings in terms of increased healthcare, absence, and productivity. Organization-level reports can then be used to provide a first step by which organizations can target and monitor appropriate health interventions within their workforce.

Of interest, a 2015 study by the Kaiser Family Foundation and Health Research and Education Trust found that 50% of large firms offer an opportunity or require employees to complete HRAs as compared to only 18% of small employers. And 62% of larger firms must offer incentives to get the assessments completed.

The statistics evidence the heart of the problem – an employer cannot strategically improve the health and wellness of its workforce with incomplete data. To make a difference, we must go beyond spreadsheeting and quotes. That being said, we must deliver all five steps of risk management to benefits. Your clients will thank you for it!

About the Author

Scott Addis, CPCU, CRA, CBWA is the CEO of Beyond Insurance and is recognized as an industry leader having been named a Philadelphia finalist for *Inc. Magazine's* “Entrepreneur of the Year” award as well as one of the “25 Most Innovative Agents in America.” Beyond Insurance is a consulting firm that offers leadership training, cultural transformation, and talent and tactical development for enlightened professionals who are looking to take their practice to the next level. Since 2007, the proven and repeatable processes of Beyond Insurance have transformed individuals and organizations as measured by enhanced organic growth, productivity, profitability, and value in the marketplace.