

Case Study: The State of Colorado

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The Most Effective Way to Cut the Cost of Health Care: Think Outside of the Box

Every year, employers consider how best to change their benefits plans and processes to achieve a more affordable, effective, and accessible benefits platform. Employers and insurance consultants share many of the same concerns, and both can relate to the top issues we discovered in 2007, including:

- advanced strategic planning;
- definition of project plans for acquisitions or annual enrollments;
- communication between HR and employees;
- and the organization of the enrollment process.

Employers may be satisfied with elements of their enrollment, but each year's evaluation also reveals what is not working. Now is the time for employers to make changes to simplify their delivery of benefits, and to discover a cost-effective, flexible, and accessible benefits process.

The state of Colorado is an example of an employer that is ahead of the insurance benefits curve. By no means is it immune to the problems affecting all employers who offer benefits; rather, the state of Colorado has instituted changes designed to attack these problems.

For instance, while some employers debate the cost savings of upgrading their paper enrollment process, or offering a health savings account (HSA), the state of Colorado has quashed these concerns and is prepared for future issues.

What it has done, and how it did it, is a fresh approach from which we can learn something. Here is a summary of its four-step process:

1) Fully Insured to Self-Funding

Colorado decided to move from a fully-insured environment to self-funding beginning in its fiscal year 2006 (July 1, 2005 - June 30, 2006). The primary reason it changed was to gain control of the design of medical and dental plans. Self-funding affords the state the flexibility to change plans to meet its needs and the needs of its employees.

And while immediate and direct cost reductions were not the goal, the increased adaptability and improved value of its platform marginalized nationwide increases and has begun to translate into future cost avoidance.

2) Effective and Accessible Plans: Health Savings Accounts

At a time when few banking institutions offered HSAs, the state not only decided to pair a self-funded high-deductible health plan with an HSA, but also to offer funding the HSA through payroll deductions. The plan and the

account has become another avenue for employees to manage their health care dollars. Today, with many options for their HSAs, employees can decide between a state-offered HSA qualified plan and an HSA offered by another institution.

3) Enrollment Management

The state of Colorado moved to a year-round, online benefit administration system (Benefitsolver) at the same time it moved to self-funding. The move established enrollment self-service for employees making new hire enrollment mid-year changes. The benefit administration system took over the task of delivering enrollment files to the state's insurance vendors, working with the vendors on file format, timing, and delivery. This ensures that when employees enroll in a benefit, they can go to the doctor or see the dentist when that enrollment becomes effective.

Beyond timing and delivery, the annual open enrollment is now the responsibility of employees, rather than the human resource (HR) staffs throughout the state. The new system allows HR staffs to maximize their efforts, tracking the system's electronic trail to see who has and has not enrolled, and when enrollments were completed. Advanced reporting features allow them to get a more complete picture of enrollment than was ever possible using paper forms.

4) Diabetes Initiative

Starting with fiscal year 2007 and continuing for fiscal year 2008, the state of Colorado, Great-West Healthcare (the third-party administrator for its self-funded medical plan), and the School of Pharmacy at the University of Colorado, initiated a pilot program for employees with diabetes.

This program assesses if lowering diabetic drug and supply costs influences people with diabetes to continue to take their medications as directed. The

long-term goal of the program is to encourage those with diabetes to maintain a program to manage their condition, including diet, exercise, and regular doctor visits, in addition to taking medications as prescribed.

Under the initiative, the lowest prescription copays apply to all diabetic supplies and medications, including insulin. Researchers at the School of Pharmacy, the Health Sciences Center, and the newly founded School of Public Health are assessing the effectiveness of the program independently. This pilot program for the state hopes to recreate some of the success seen in similar employer approaches to diabetes, such as the Asheville (North Carolina) model and Pitney Bowes' program.

Don't Lose Hope!

Achieving a more affordable, effective, and accessible benefits platform can seem like a tedious and endless task. But if you follow the flagship employers that are leading the way, such as the state of Colorado, and leverage your insurance consultant to investigate trends in wellness, disease management, and technology, your business can stay ahead of the game and cut insurance costs by hundreds of thousands of dollars. It's possible when you think outside of the box. **CDHC**



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