WORKSITE HEALTH CARE COSTS/CLAIMS

Health care costs are expected to rise from 14% of the GNP in 1994 to 18% in the year 2000. There are four factors related to the increasing costs:

Medical inflation,
Aging of the population,
Health care personnel wages increasing faster than the wages of other workers, and
Medical technology. (1)

A 1998 study notes that medical technology is the root of spiraling health care costs. The predominant factor in these rapidly increasing costs is the development and utilization of new medical techniques, of which there are an enormous number. (2)

Substance Abuse

According to a 1993 study, substance abuse drives up health care costs:

Between 25% and 40% of all general hospital patients have been admitted for complications related to alcoholism;
Between 17% and 53% of falls are alcohol related, and falls are the second leading cause of fatal injuries;
When heavy smokers are hospitalized, they stay 25% longer than do nonsmokers; and
About 28% of all ICU admissions and nearly 40% of all ICU costs at one major hospital were due to substance abuse. (3)

A study conducted by the Institute for Health Policy, Brandeis University, found substance abuse to be the number one health problem in the country, resulting in more deaths, illnesses, and disabilities than any other preventable health condition. (3)

Employees diagnosed with a chemical dependency disorder in a large manufacturing plant were found to have a significantly larger number of health care claims related to injuries, hypertension, and mental disorders than other employees. (4)

Cutting Health Care Costs

At McDonnell Douglas, the Employee Assistance Program (EAP) cut costs by nearly $4,000 over the costs incurred by workers with similar ailments who did not get help from the EAP. (5)

After an EAP implemented at Gillette Company, there was a 75% reduction in inpatient substance abuse treatment costs. (6)

In a study of 3,729 alcoholics, a time series analysis revealed that total health care costs of treated alcoholics decreased by 23%, to 55% of their highest pretreatment levels. In contrast, the costs rose for individuals who had been identified but who had not been treated for alcoholism. (7)

Worksite Health Care Costs/Claims (Continued)

A study of 8,334 employees who participated in Procter & Gamble's health promotion program had significantly lower health care costs (29% lower total and 36% lower lifestyle-related costs) when compared with nonparticipants in the third year of the program. Similarly, in the third year of the program, participants had significantly lower inpatient costs, fewer hospital admissions, and fewer hospital days of care compared with nonparticipants. There were no differences noted in the first 2 years of the program. (8)

Approaches to Measuring Costs

Companies are highly fragmented in their approach to measuring health care costs. Benefits managers may focus on medical claims, whereas other managers look at workers' compensation, and a different group zeros in on absenteeism and short- and long-term disability costs. Increasingly, a number of companies are taking an integrated approach to evaluating costs. (5)

The extent of improvement in outcome measures is limited by:

the kinds of clients seen,
the severity of their problems, and
their work performance difficulties.

If assistance is provided in the early stages of a problem, dramatic investment-to-cost ratios are less likely, especially if the study is prevention focused rather than treatment focused. In other words, clients with dramatic middle- and late-stage problems who are very costly to the organization will show the greatest cost reductions, and organizations with many such clients will produce the most dramatic time-series changes in costs. Successful prevention and early intervention programs should prevent the incurrence of costs associated with late-stage problems and will therefore show less change over time. (9)

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