

Wellness Reform in Context

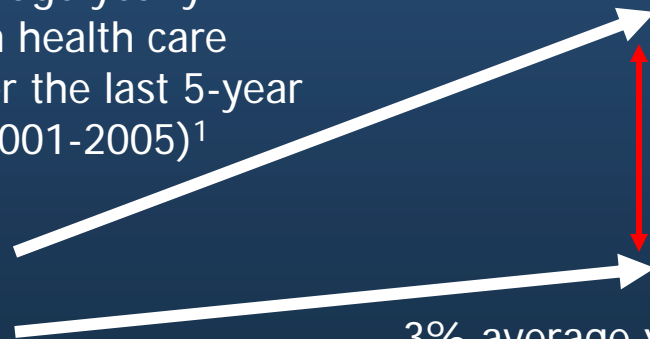
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Unsustainable Cost of Health Care: A R_x for Disaster

Health Care Costs are Growing Three Times Faster than
Wages in Minnesota

10% average yearly
growth in health care
costs over the last 5-year
period (2001-2005)¹



3% average yearly growth in workers' wages
over the last 5-year period (2001-2005)²

¹Source: Health care cost data (privately insured spending per person) from the Minnesota Department of Health, Health Economics Program. Note that privately insured premiums grew at a corresponding yearly average of 9% for this same period.

²Source: Workers' weekly wages from the Minnesota Department of Employment and Economic Development

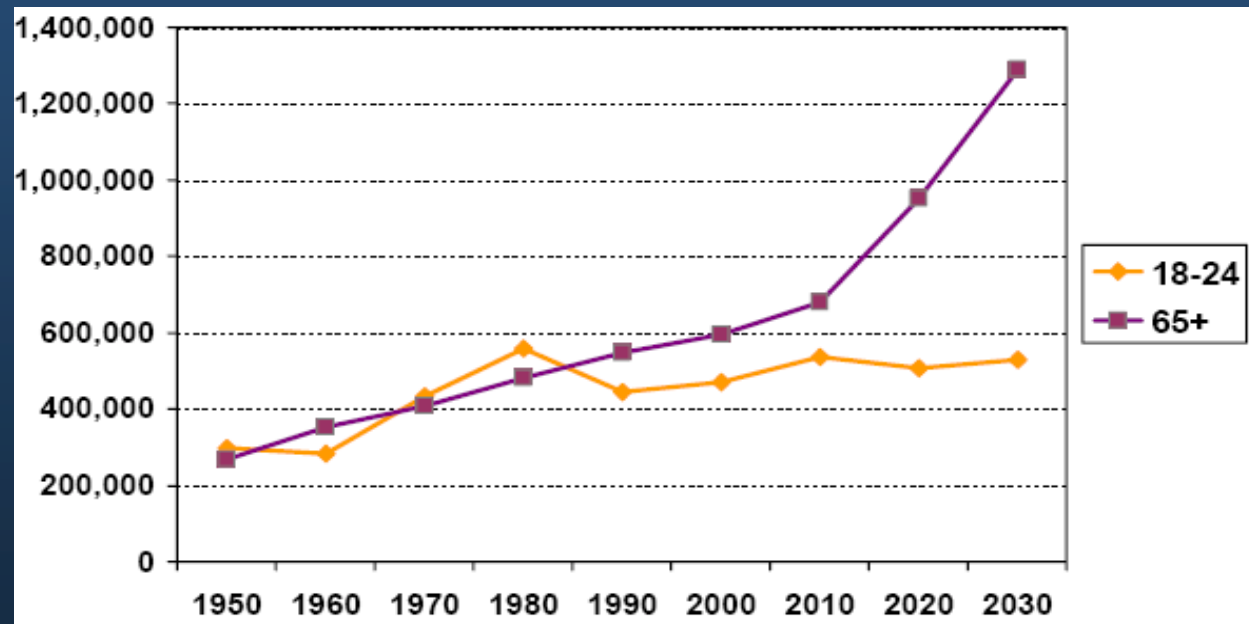
Increased Demand on Health Services

Aging is *the* Dominant Demographic Trend in Minnesota

- Dramatic changes will be seen in 2008 and 2011 and beyond. By 2020, the number of Minnesotans 65+ will increase by 53%. By 2030 it will double.

Minnesota's Boom Generation Begins Turning 65 in 2011.

Source:
Minnesota State Demographer

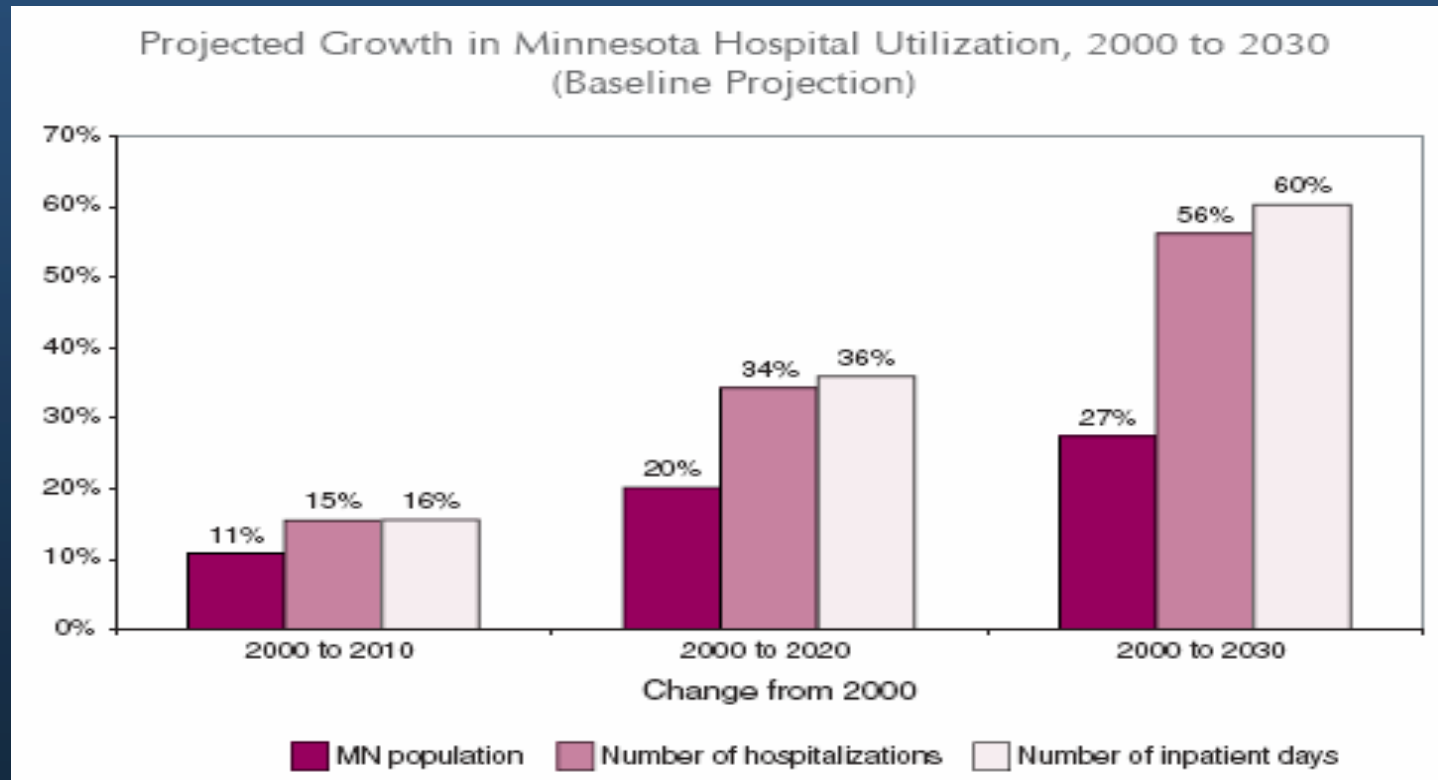


- Excluding long-term care, health care spending per person age 65+ is more than three times the average for the population under age 65.

Source: Minnesota Department of Health, Health Economics Program

Increased Demand on Health Services

Higher Health Care Needs of an Older Population Means Services will Grow Faster than the State Population



Source: Minnesota Department of Health, Health Economics Program. Note that the figure assumes hospital rates and average length of stay by age group remain constant at 2000 levels.

Share of Spending on Health Care Rising

“The United States spends more of its wealth on health care than any other developed country, and that share is rising. In 2005, the United States spent \$1.9 trillion, or 16 percent of GDP, on health care, up from \$1.7 trillion or 15 percent of GDP, in 2003. In 1960, the share of GDP had been only 5.2 percent. It is an arresting statistic that the United States now spends more on health care than it does on food.”

Source: McKinsey Global Institute

Market Based Approach

A comprehensive January 2007 study prepared by McKinsey Global Institute supports the need for a market based approach. It emphasizes the need for:

(1) Demand Reform so to "*provide sufficient incentives to patients and consumers to be value-conscious in their demand decisions,*" and

(2) Supply Side Reform so to "*establish the necessary incentives or mandates to promote rational supply by providers and other suppliers.*"

McKinsey clearly states that, "*To be effective, reform in US health care will need to apply sound principles on both the demand and the supply sides of the system.*"

Further Support for Market Reform

Writing on the impending “Medicare Meltdown”, a public trustee of the Social Security and Medicare system recently wrote the following: *“So what else can be done? In general, no reform should be taken very seriously unless it is specifically designed to slow the rate of growth of health care spending. On the demand side, someone must choose between health care and other uses of money. On the supply side, the way health care is produced must fundamentally be changed, replacing cost-increasing innovations with cost-reducing ones.”*

Source: Thomas R. Saving, Texas A&M's Private Enterprise Research Center and National Center for Policy Analysis

Demand Reform

- Those who spend a portion of their own money should be more efficient in their selection
 - Incentives to encourage use of high-deductible insurance must continue
 - Federal tax code reform, which treats insurance as taxable income and sets standard deductions, will assist
 - Individual insurance mandates will create demand pressure – people will begin to “own” their insurance

Physical Fitness and Obesity

- There are two critical areas within health promotion that affect employees and contribute to rising health care costs – lack of general physical fitness and obesity
- Some of our most costly and disabling chronic diseases are associated with excess weight and obesity; they include heart disease, stroke, diabetes, certain types of cancer, arthritis, sleep apnea and psychological disorders, such as depression

Physical Fitness and Obesity

- This growing problem leads to many negative outcomes: absence from work and school, lost productivity, lower academic performance, and higher health care costs. In fact, the financial burden of just diabetes in Minnesota is **\$1.6 billion** per year (just direct medical costs/not indirect costs)
- When people make unhealthy choices related to other areas of health – such as smoking or substance abuse, the total financial burden is even greater

Physical Fitness and Obesity

- To put things in a business perspective, Thomas Kowaleski, Vice President of Communications for General Motors, recently said:

" We have about 145,000 employees, active employees, and we have health care coverage for 1.1 million retirees, independents and family members. Last year we spent \$5.2 billion on health care coverage for all of our employees in the U.S. Basically, it equates to about \$1,500 a car. "

Governor's Commitments

- Two of the Governor's commitments to improving the health of all Minnesotans are: (1) the **Fit Workplaces Initiative**, and (2) the state's commitment to **preventing and reducing childhood obesity**
- Our efforts in both of these areas will help us improve the health of Minnesotans and contain rising health care costs

Fit Workplaces

- Worksite wellness is an area of critical need
- At least **50%** of an organization's health care costs are driven by the lifestyle-related behaviors of the employees, such as smoking, poor diet, and lack of exercise
- In the past 10 years, comprehensive worksite wellness programs have been shown to yield a **three-to-six dollar return** on investment for every dollar spent. It only takes about 2-5 years after the initial program investment to realize these savings

Fit Workplaces

- Healthy employees are more productive employees, with fewer sick days, fewer accidents, higher morale, and lower job turnover
- Well-designed wellness programs result in an **average 25% reduction** in health plan costs, sick leave, disability costs, and workers' compensation
- Clearly, investing in worksite wellness is a good health promotion strategy and a sound business decision

The Fit Workplaces Initiative

- The Governor's Fit Workplaces Initiative (full name being the *Healthy Minnesota Workplace Initiative*) builds on the Governor's Fit Schools and Governor's Fit Cities programs, following the Governor's declaration of 2005 as the "The Year of Fitness" in Minnesota

The Fit Workplaces Initiative

- The Governor's Fit Workplaces Initiative is being funded by a one-year grant from the National Governors Association (NGA) – Minnesota was one of 13 states to receive NGA's Healthy States grant
- The vision of the Initiative is to promote wellness where Minnesotans work by implementing healthy eating and active living strategies, as well as to contain rising health care costs

The Fit Workplaces Initiative

- The Fit Workplaces Initiative includes:
 - Creation of a **Workplace Wellness Toolkit** and website for employers to use to implement worksite wellness programs
 - **Grants to public and private sector workplaces** to test use of the Toolkit
 - A **Governor's Healthy Minnesota Summit** on Aug. 20th, 2007, to promote the initiative statewide
- Six employers have received grants to test the Toolkit:
 - Winona County, Steele County, Duluth Public Schools, DuraSupreme Cabinetry, UCare, and the MN Chamber of Commerce. The MN Dept. of Agriculture and the MN Dept. of Health are also testing the Toolkit, without receiving grant funds to do so

The Fit Workplaces Initiative

- The Toolkit also offers other worksite wellness resources and information on such things as gaining management support, working with unions, legal issues surrounding the administration of incentives and tools to help build and evaluate your worksite wellness programs. The Toolkit will be shared at our statewide worksite wellness summit on Aug. 20th

The Fit Workplaces Initiative

- The Initiative is guided by a Policy Team, consisting of members of the Governor's Health Cabinet, MN Dept. of Employee Relations (DOER), contracted health insurers, employers from urban and rural Minnesota, academia, and nonprofit organizations dedicated to disease prevention
- Minnesota state agencies and many small, private-sector businesses in Minnesota have limited coordinated workplace wellness resources

The Fit Workplaces Initiative

- The Initiative will allow Minnesota to improve the health of workplaces in the state, raise awareness of and increase employee participation in workplace wellness programs, and convene public and private employers to explore and expand workplace wellness programs across Minnesota
- Our goal is that *all* employers – no matter how few employees – will have a workplace wellness program

Childhood Obesity

- Improving the health of adult employees throughout Minnesota is important, but so is ensuring that the next generation is in a position to flourish as well
- Promoting good health and preventing obesity requires the efforts of all sectors – families, workplaces, communities, health care and many others
- By investing in our children and youth and working to create healthy environments, we can help to instill healthy behaviors that will carry them throughout their lives

Childhood Obesity

- Prevalence of obesity among children and adolescents in the United States has **quadrupled** among 6-11 year-olds and more than **tripled** among 12-19 year-olds since 1971 according to the National Health and Nutrition Examination Survey
- This increasing rate threatens the health of our children and younger generations, placing them at much greater risk of a wide variety of chronic diseases and health conditions

The Healthy Kids Initiative

- Gov. Pawlenty in Feb. 2007 announced a state goal to **reduce childhood obesity by 50% by the year 2012**
- We stand to achieve the greatest success if all of our partners work together to achieve our common goal of **reducing childhood obesity by 50% over the next five years**

The Healthy Kids Initiative

- The obesity strategy complements the Governor's Fit Schools Initiative and the Presidential Active Lifestyle Awards (PALA) Program
 - The Governor's Fit School Program recognizes Minnesota schools committed to creating and maintaining an environment that supports an active and healthy lifestyle of students and staff. Schools have an opportunity through the classroom, activities and food offerings to help develop and model lifelong healthy behaviors. So far, more than **100 schools** – and in some cases complete school districts – have been recognized as “Governor's Fit Schools”

The Healthy Kids Initiative

- The purpose of PALA is to enthusiastically encourage students to get at least 60 minutes of physical activity, 5 days a week for 6 weeks. The General Mills Foundation, through their General Mills Champions for Healthy Kids program, Gov. Pawlenty and the MN Dept. of Health are sponsoring this program for all Minnesota schools to implement in Grades 3 and higher. The PALA award recognizes children and youth who begin and continue regular physical activity as part of their daily lives in school and at home

Central Minnesota Childhood Obesity Coalition

- This program in central Minnesota is doing great things to reduce childhood obesity
- In May 2006, Dr. David Tilstra of CentraCare Clinic pulled together a large community group to address childhood obesity. A steering committee was formed and decided on four focus areas (physical activity, nutrition, medical community & community engagement) and a ten-year timeline to make an impact on childhood obesity

Central Minnesota Childhood Obesity Coalition

- The Coalition encompasses a broad range of community organizations
 - YMCA, St Cloud Times, American Heart Association, United Way of Central Minnesota, Sartell, Sauk Rapids and St. Cloud School Districts, Benton County Public Health, Stearns County Public Health, Childcare Choices, Boys and Girls Club, Big Brothers Big Sisters, Boy Scouts, Coborn's Inc., Health Partners, St. Cloud Medical Group, CentraCare Clinic, and others
- The CentraCare Health Foundation awarded nine grants to improve health in Central Minnesota, with the largest grant (\$309,000) to the Coalition – which aims to reduce childhood obesity by **10% by 2016**

Physical Fitness and Obesity

- **SUMMARY:** Because of the complex nature of both of these public health challenges, rising health care costs and childhood obesity, it is vitally important that all entities – including worksites, schools, industry, government, health care, media, communities and families – work together to help formulate a variety of approaches to prevent obesity and decrease health care costs in Minnesota

Conclusion

Ten percent annual growth in health care costs cannot be sustained, and with an aging population and childhood obesity growing, the situation will only worsen. We have only a short time to try market-based reform. If we fail in using markets to reallocate resources, we will have to choose between a utility model (treat medicine like a regulated industry) or a single payer system.

But we must not let this be our legacy...

The Challenge

Imagine a world where informed consumers drive the health care market

Imagine a world where obesity and lack of physical fitness are problems of the past

Imagine a world where health care costs are actually going down

Imagine a world where the health care system is no longer our greatest fear, but our greatest accomplishment

This is all within our grasp if we are up to the challenge!

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