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# Insight: Firms to charge smokers, obese more for healthcare

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By Jilian Mincer  
Sun Oct 30, 2011 7:19pm EDT

(Reuters) - Like a lot of companies, Veridian Credit Union wants its employees to be healthier. In January, the Waterloo, Iowa-company rolled out a wellness program and voluntary screenings.

It also gave workers a mandate - quit smoking, curb obesity, or you'll be paying higher healthcare costs in 2013. It doesn't yet know by how much, but one thing's for certain - the unhealthy will pay more.

The credit union, which has more than 500 employees, is not alone.

In recent years, a growing number of companies have been encouraging workers to voluntarily improve their health to control escalating insurance costs. And while workers mostly like to see an employer offer smoking cessation classes and weight loss programs, too few are signing up or

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showing signs of improvement.

So now more employers are trying a different strategy - they're replacing the carrot with a stick and raising costs for workers who can't seem to lower their cholesterol or tackle obesity. They're also coming down hard on smokers. For example, discount store giant Wal-Mart says that starting in 2012 it will charge tobacco users higher premiums but also offer free smoking cessation programs.

Tobacco users consume about 25 percent more healthcare services than non-tobacco users, says Greg Rossiter, a spokesman for Wal-Mart, which insures more than 1 million people, including family members. "The decisions aren't easy, but we need to balance costs and provide quality coverage."

For decades, workers - especially with large employers - have taken many health benefits for granted and until the past few years hardly noticed the price increases.

But the new policies could not only badly dent their take home pay and benefits but also reduce their freedom to behave as they want outside of work and make them resentful toward their employers. There are also fears the trend will hurt the lower-paid hardest as health costs can eat up a bigger slice of their disposable income and because they may not have much access to gyms and fresh food in their neighborhoods.

"It's not inherently wrong to hold people responsible," says Lewis Maltby, president of the National Workrights Institute, a research and advocacy organization on employment issues based in Princeton, New Jersey. "But it's a dangerous precedent," he says. "Everything you do in your personal private life affects your health."

Overall, the use of penalties is expected to climb in 2012 to almost 40 percent of large and mid-sized companies, up from 19 percent this year and only 8 percent in 2009, according to an October survey by consulting firm Towers Watson and the National Business Group on Health. The penalties include higher premiums and deductibles for individuals who failed to participate in health management activities as well as those who engaged in risky health behaviors such as smoking.

"Nothing else has worked to control health trends," says LuAnn Heinen, vice president of the National Business Group on Health, which represents large employers on health and benefits issues. "A financial incentive reduces that procrastination."

#### LACK OF JOBS

The weak economy is contributing to the change. Employers face higher health care costs - in part - because they're hiring fewer younger healthy workers and losing fewer more sickly senior employees.

The poor job market also means employers don't have to be as generous with these benefits to compete. They now expect workers to contribute to the solution just as they would to a 401(k) retirement plan, says Jim Winkler, a managing principal at consulting firm Aon Hewitt's health and benefits practice. "You're going to face consequences based on whether you've achieved or not," he says.

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And those that don't are more likely to be punished. An Aon Hewitt survey released in June found that almost half of employers expect by 2016 to have programs that penalize workers "for not achieving specific health outcomes" such as lowering their weight, up from 10 percent in 2011

The programs have until now met little resistance in the courts. The 1996 Health Insurance Portability and Accountability Act (HIPAA) prevents workers from being discriminated against on the basis of health if they're in a group health insurance plan. But HIPAA also allows employers to offer wellness programs and to offer incentives of up to 20 percent of the cost for participation.

President Barack Obama's big health care reform, the 2010 Patient Protection and Affordable Care Act, will enable employers beginning in 2014 to bump that difference in premiums to 30 percent and potentially up to 50 percent.

Employers do, however, also need to provide an alternative for workers who can't meet the goals. That could include producing a doctor's note to say it is medically very difficult, or even impossible, to achieve certain goals, says Timothy Jost, a professor at the Washington and Lee School of Law. For example, a worker with asthma may not be able to participate in a company exercise program.

These wellness programs typically include a health risk assessment completed online, and on-site free medical screenings for things such as blood pressure, body mass index, and cholesterol.

The programs, while voluntary, often typically offer financial benefits - including lower insurance premiums, gift cards and employer contributions to health savings accounts. For example, workers at the railroad company Union Pacific get \$100 in their health savings account for completing the health assessment, \$100 if they don't use tobacco and \$100 if they get an annual physical (tobacco users also can get the \$100 if they participate in a tobacco cessation program).

#### INCENTIVE TO EXERCISE

Like Wal-Mart, more employers are coming down harder on individuals who have voluntarily identified themselves as tobacco users, often during their health risk assessment. As yet, very few employers identify smokers through on-site medical screenings.

Veridian, which until now has not charged its employees for healthcare premiums, says increases to its health care costs have been unsustainable, climbing 9 percent annually for the past three years. Earlier this year, it rolled out a wellness program and free screenings, which 90 percent of workers have now completed.

As it starts charging, it will provide discounts to those making progress as it "wants to reward those who have healthy lifestyles," says Renee Christoffer, senior vice president of administration for the credit union.

Mark Koppedryer, vice president of branches at Veridian, was one of the workers who participated in the screenings. The 37-year-old father of three initially participated to show his support but was shocked to find out that he had elevated blood pressure and cholesterol scores.

His colleague, Stacy Phillips, says she used the new wellness programs to exercise more. "I knew there needed to be a change in my life," says the 35-year-old, who has lost 40 pounds since January. "This made me more aware that at some time there would be a cost."

These changes come at a time when health insurance premiums are soaring. In 2011, the average-cost of an employer-provided family plan was more than \$15,000, according to a survey by the Kaiser Family Foundation and the Health Research and Educational Trust. That's 31 percent higher than five years ago. And the number is expected to climb another 5-8 percent next year, according to various estimates.

In contrast, the giant medical and research center Cleveland Clinic, which employs about 40,000 people, has seen these costs grow by only 2 percent this year because it has implemented a comprehensive wellness program that has dramatically improved the health of many workers.

The effort began several years when it banned smoking at the medical center and then refused to hire smokers. It later recognized that having a gym and weight loss classes wasn't enough to get people to participate. It made these facilities and programs free and provided lower premiums to workers who maintained their health or improved it, typically with their doctor's help.

"You don't do this overnight," says Paul Terpeluk, Medical Director of Occupational Health at the Cleveland Clinic. You have to develop a program and change the culture, he said.

#### INTRUSIVE

But not all programs are as well constructed and effective, says Mark A. Rothstein, a lawyer and professor at the University of Louisville School of Medicine. The wellness programs may be well-intentioned, he says, but there's not strong empirical evidence that they work and getting a weekly call about your weight or smoking habits, which is offered by some programs, could be humiliating for participants.

"What might be seen as a question to one person may be an intrusion to another," he says. That's one reason that lower-paid janitors at his school participate but, "the professors on campus consider it a privacy tax so we don't get some stranger calling us about how much we weigh."

And there are also those that no matter how much they exercise or how healthy they eat can't lose weight or lower their blood pressure or body mass index. "There are thousands and thousands of people whose paycheck is being cut because of factors beyond their control," says Maltby from the National Workrights Institute.

The programs could be especially burdensome for low-income workers, who are more likely to fail health assessment tests and less likely to have access to gyms and healthier fresh produce, says Harald Schmidt - a research associate at the Center for Health Incentives and Behavioral Economics at the University of Pennsylvania.

"We want to use provisions to help people and not penalize people for factors beyond their control," Schmidt says. "Poorer people are often less healthy and this constitutes a potential double whammy. They are likely to face a higher burden in insurance premiums."

That's the case for Barbara Collins, a 35-year-old Wal-Mart employee - who lives in Placerville, California. She says she'll have to pay \$127 every two weeks for health insurance next year, including a penalty of almost \$25 because she's a smoker.

"I'll cut back on cigarettes and hopefully eventually quit," says Collins, who earned \$19,000 pretax, or about \$730 every two weeks, last year. "Christmas will definitely be tight this year and for years to come if this lasts," she says. "Family vacations, there's no way I can afford that."

(Reporting by Jilian Mincer in New York. Editing by Martin Howell in New York)

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Why stop with smokers and obese? What about those into high-risk sports or sexually permissive lifestyles as well? Do you live in a high crime area? May as well tack that on as well. This is just the tip of the iceberg. Eventually people will get so fed up with restrictions the US will turn to socialized medicine.

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kentmt wrote:

Slippery slope.

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- Frequency of Doctor visits

You get the point.

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kentmt wrote:

#HAL.9000

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