

MARCH 2015

THE BUSINESS CASE FOR INTEGRATED WELLNESS

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Wellness programs have become a standard health insurance offering, but it's the rare carrier that gains any business benefit from wellness. The solution: Stop treating wellness as an add-on to your business. Start making it the core of everything you do.

Wellness has gone mainstream. In a recent Nielsen poll, more than 70% of Americans said they were actively working to improve or maintain their health. Fitness trackers and remote monitoring devices are reviewed in popular magazines, while app stores offer tens of thousands of choices related to health and wellness, from calorie counters to networking tools to information sources. Not surprisingly wellness programs have become a standard part of employer-sponsored health insurance offerings. In 2005 fewer than half of companies with more than 500 employees offered wellness services as part of their health benefit; by 2011 roughly three-quarters did.

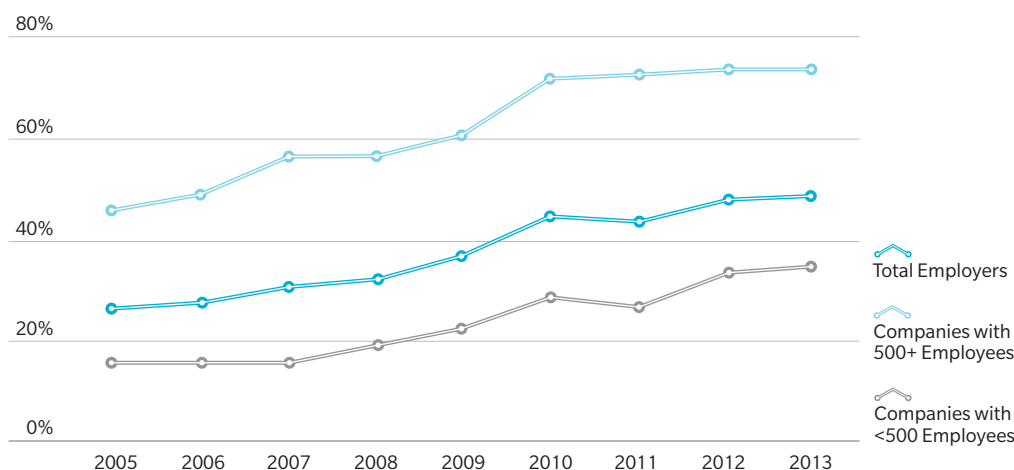
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It's fair to say, though, that most insurers have been disappointed with the value returned by their wellness offerings. While wellness has become "table stakes" in the large- and small-group market, it doesn't offer much differentiation from competitors, and employers are suspicious of claims that wellness programs improve member health or slow the growth of medical costs. Given the alternatives, the increased availability and quality of free-standing wellness vendors have led some health insurers to wonder whether plan-based wellness still makes sense.

Consequently, many health insurers are asking basic strategic questions: how much they should invest in wellness, how it fits into their overall mission, and how aggressively they should try to use it as a point of differentiation. We believe that correctly designed and executed wellness services are absolutely essential today. And there are many reasons to manage wellness in house, even if the final offering is constructed with the help of outside vendors—not least because poorly run programs risk eroding critical employer and member relationships.

The problem with many existing wellness programs is not a flaw in the underlying idea. It isn't primarily poor execution (though that is certainly a frequent concern). Rather, in almost every case, health plans have fallen into the error of making wellness a side-show. We believe that if they take the opposite strategy and integrate wellness into their overall strategy, wellness will offer powerful tools to build loyalty, improve customer experience, and influence customer behaviors—creating value that cannot be captured in traditional ROI calculations.

Exhibit 1: Companies that offer wellness programs



Source: MetLife 12th Annual Study of Employee Benefits Trends

Leading payers will treat wellness as an opportunity—potentially a huge one—to create new lines of business in managing the health of their member populations

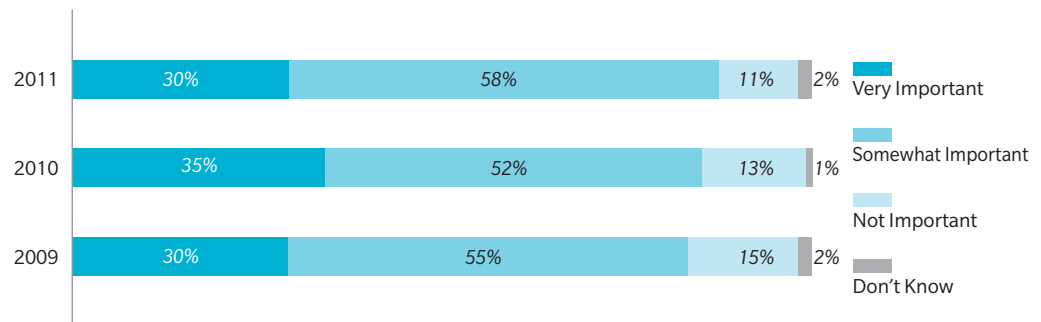
WELLNESS AS THE PRIMARY POINT OF CONTACT

Health plans typically treat wellness primarily as a transactional service provided to meet the demands of employers or members and to generate incremental value. We believe that a more successful approach would treat wellness as a way of creating a relationship between members and the health plan—one that members use because they *want* to.

There are several reasons why health plans today need to maintain a high-touch relationship with members:

- 1. Insurers need to provide a differentiated member experience.** As health insurance becomes more competitive, thanks to the growth of public and private exchanges and greater transparency, health plans need to compete on more than just price and benefits. Current models, however, make it hard to create a distinctive customer experience: When customers interact with the health plan beyond enrollment it is usually to get approval for a procedure or to look into a problem with reimbursement. The wellness program offers the opportunity to create a positive, supportive interaction with members that can lead to a better relationship with the plan—and in the best cases to improved health and satisfaction.
- 2. Knowledge is power; member data is an increasingly critical asset.** Health plans increasingly need more and better member data to run their business—for example, to segment members for marketing and outreach as well as to assess them for risk. Waiting until patients show up at the physician’s office is too slow and inefficient, especially for younger, lower-risk patient populations. The wellness program, especially when actively promoted by employers and supported by incentives, is an ideal source for current and accurate member data.
- 3. Engagement is the key to helping members get the right care.** Health plans need to be part of health delivery, if only by helping patients identify and use the most cost-effective care alternatives. The wellness program (in cooperation with disease management programs and patient navigator services) is well positioned to play that role.
- 4. Wellness helps create a path forward.** In the long run, healthcare providers may take on much of the clinical and financial responsibility for keeping patients healthier through prevention, care/disease management, and lifestyle changes. In the short run, however, payers can’t count on most providers to make this a priority. They need to help guide and support the process. Leading payers will treat this as an opportunity—potentially a huge one—to create new lines of business in managing the health of their member populations. In the process, they can develop new revenue streams and new roles for themselves. At a time when the traditional insurance model looks increasingly irrelevant to many players, integrated wellness seems far too valuable to ignore.

Exhibit 2: Percent of employers that regard wellness as important



Sources: MetLife 10th Annual Study of Employee Benefits Trends, 2012 Optum Wellness in the Workplace, 2012

THREE STEPS TO WELLNESS THAT WORK

You may already know how to run a wellness program but do you know how to transform it into something that works better for your customers, your members, and you? The specifics will vary based on your particular situation, but in virtually every case, you will have to address three issues:

What is the value? In our experience, few health plans fully understand what value they hope to capture through a wellness program, what they hope to deliver for their employers and members, and how it fits into their overall business strategy. Developing that understanding is an essential first step.

There are many questions to answer: How aggressive should you be in promoting low-cost care alternatives? How much help can you expect from employers in terms of incentives and onsite activities? What segments of your business offer a critical mass of members with employers who are ready to help drive substantive change? To what extent can you own wellness—or its partner disciplines of care/disease management and health navigation? To what extent can you partner with provider organizations or enablement companies? How does your wellness strategy vary across business lines (large group, small group, exchange-based individual, Medicare Advantage) or across different parts of your network? Which providers will become active partners in using wellness and disease management to improve health and reduce per-patient volume of care, and which ones will resist?

The key is to figure out which activities generate real value. Above all, how do you use the full resources of your organization, your network, and your employers to enhance patient satisfaction, engage members in healthier living, and create greater value?

What is the message? In a world of greater price transparency, health plans will be hard pressed to command premium pricing. Too many people believe that with employers paying the bills and doctors and hospitals providing the care, health plans add nothing. And too many health plans seem content to let that idea go unchallenged. We see an integrated wellness program as a key element in not only building the value of what the health plan

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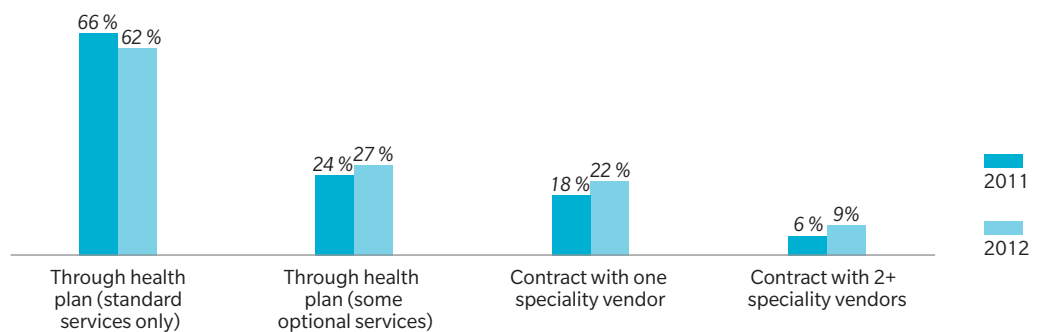
provides, but of making a case for that value to employers and members alike.

Thus every aspect of the wellness program should be analyzed from the perspective of the message it sends. Not just documents and brochures but processes need to be part of the analysis. For example, we worked with one insurer that made a large difference in how it was perceived simply by making the wellness program the human face of the onboarding process. Where once contact from the health plan was anemic and largely a matter of distributing documents, the new approach was quicker, easier for members, and conveyed a strong message that the employer and the health plan viewed the health benefit as an active partnership.

How do the pieces fit together? Healthcare provider organizations are all grappling with how to reduce the overall cost of serving customers, while making the experience of working with the system convenient, engaging, and purposeful. If health plans wish to become part of the new world of population health management (and to do otherwise is to become marginalized), they need to engage in a similar effort. The process begins with finding out how information and patients flow within their organizations, but it can't end there. Health plans need to discover how they can help the whole care and wellness team optimize processes that cut across organizations and organizational business models. Durable platforms and good enterprise architecture are necessary to enable data-driven decision making. But such a system needs to be fueled by a dynamic connection to members/patients, and we believe that integrated wellness is a practical, powerful way to accomplish that goal.

This means that the wellness function has to be designed for the system's data flows. The wellness data needs to be treated as an enterprise asset and shared with other parts of the health plan. An entire support apparatus and team also needs to be created as a hub within the organization, within the network, and also with nontraditional providers such as telehealth companies, rewards managers, and patient support services.

Exhibit 3: Percentage of large employers (500+) purchasing solutions from health plans or specialty vendors



Sources: Mercer National Survey of Employer-Sponsored Health Plans, 2012

Wellness has the potential to create frequent, positive interactions with the 80% of the members who you know the least—the same ones who keep the plan afloat

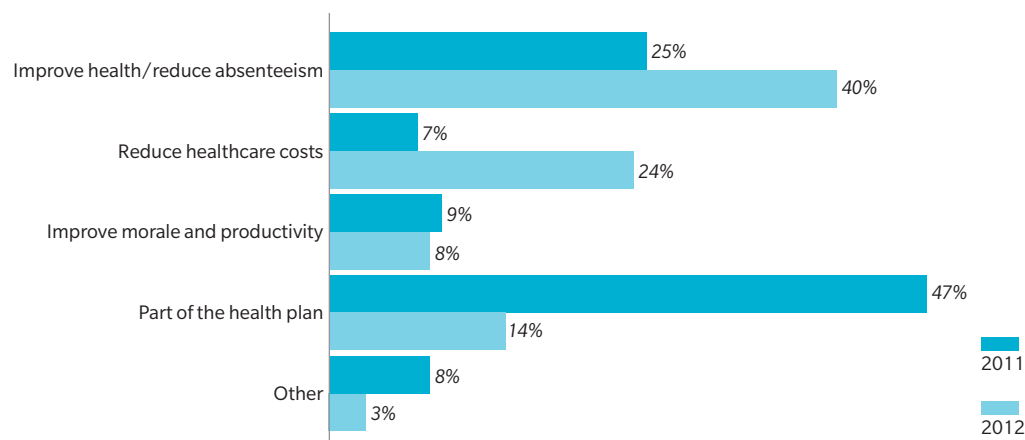
CREATING RELATIONSHIPS THAT COUNT

Wellness has the potential to create frequent, positive interactions with the 80 percent of the members who you know the least—the same ones who keep the plan afloat. The next few years will see the healthcare sector become substantially more consumer-centric. Public and private exchanges will encourage consumers to actively select their own health plans, rather than passively accept what employers have chosen for them. In this new marketplace, health plans need to provide solid perceived value not just to members who require frequent services, but for the great mass of customers who do not currently need medical treatment.

For the health plan, members like these can make the difference between success and failure on several levels. If members have no interaction and no sense of connection with the health plan, they have little reason to stay loyal when it is time to renew their policies—and no health plan can survive without an adequate number of healthy members to pay for the medical costs of the sick. Moreover, today’s well members are tomorrow’s sick members—or perhaps the day after tomorrow’s, if they are properly coached, managed, and encouraged. For higher-risk members and those who already have expensive chronic conditions, the challenge is to keep them engaged and encourage them to make smart choices about care and lifestyle.

On both these fronts, we believe the integrated wellness program can become the health plan’s tool of choice, and not just because its focus is health and prevention. We believe that health insurance must transition from being an almost totally transactional business to one with a strong focus on relationships. Situations will certainly change over the next decade, but for the moment, a properly conceived integrated wellness program is the tool of choice for creating and maintaining relationships with members. For smart health plans, it is the next step forward.

Exhibit 4: Rationale for offering wellness



Source: Kaiser Family Foundation & HRET Employer Health Benefits 2013

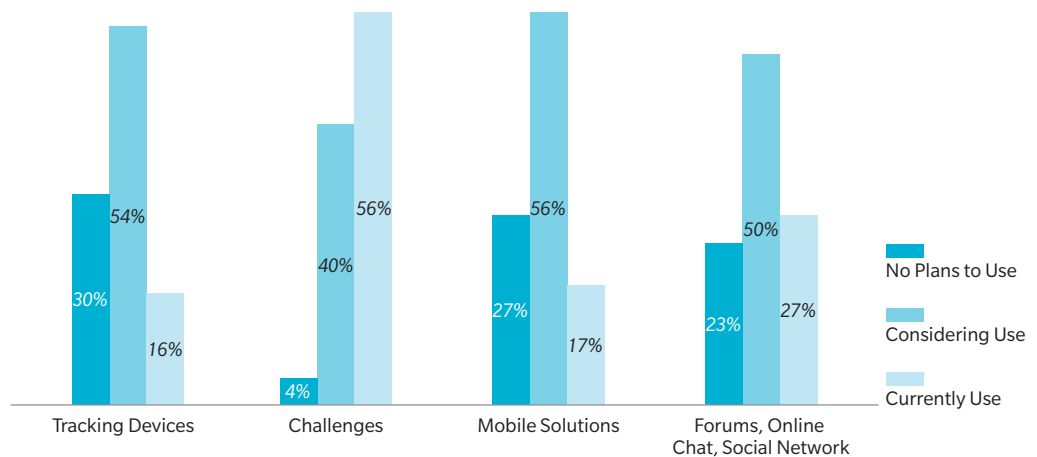
CASE STUDY: WHAT IS WELLNESS WORTH?

Wellness programs are frequently treated as add-ons to the group business or even as stand-alone P&Ls. Our research indicates that wellness can be much more valuable than its current treatment would imply. One recent client ran an uncompetitive wellness offering that had known performance issues, generated serious customer complaints, and was consistently losing market share. Despite all these problems, and a general lack of belief in the value of the service to members, the company was having a hard time justifying investments in operations and IT for the program. In support of creating a long-term strategy and investment plan, we worked with the insurer to take a broader look at value and also consider ROI in terms of member engagement, improved risk adjustment, and more current and accurate member data, for example.

We estimated that the improved wellness program could transform from break-even performance to an additional \$30 MM in revenue and two to three times that in the value of retained wellness group clients.

Moreover, we further identified NOI improvements of \$6 MM to \$8 MM in potential savings in wellness operations and IT costs—mostly attributable to excessive manual labor, rework, and costs of integrating with third-party wellness vendors. More difficult to quantify, but potentially quite significant over the long run were secondary benefits to the organization, including the value of increased member scores, reductions in medical spend, and the value of an expanded member data set resulting from more frequent interactions. The total: A wellness business that was considered a “bad business” that salespeople avoided selling could be producing value to the enterprise in excess of \$100 MM annually.

Exhibit 5: Employers currently using or planning on using innovative means to better engage employees



Source: Kaiser Family Foundation & HRET Employer Health Benefits 2013 Technology + Employee Wellness Report, ShapeUp, 2012

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To learn more about the Oliver Wyman Health & Life Science's integrated wellness perspective, please contact John Coyle at john.coyle@oliverwyman.com

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