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Insurance discounts for healthy habits spur debate in Washington

Safeway says it's a smart incentive: charging lower premiums for people who lose weight, quit smoking or start exercising. Some medical groups say it's a new way to exclude pre-existing conditions.

By Janet Hook

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Reporting from Washington

Who could object to rewarding people who quit smoking, lose weight or start to exercise? The American Cancer Society and the American Heart Assn., for starters.

Some companies are charging lower insurance premiums to workers who meet benchmarks for healthy living. The Senate's healthcare overhaul legislation would expand the trend.

But instead of cheering the proposal, some patient advocacy and health groups are worried that it could mean higher rates for less-fit Americans, possibly pricing them out of their employers' insurance plans.

"It is a way of cherry-picking," said Dick Woodruff, senior director of federal affairs for the American Cancer Society. "We are all for workplace wellness, but when you tie it to the insurance pricing system, it's a real problem."

Critics of the Senate proposal also say that giving special treatment to those who meet a company's fitness standards could undercut one of the marquee promises of the Democrats' proposed overhaul: preventing employers and insurers from discriminating against people on the basis of their health status and preexisting medical conditions.

Under current law, companies can discount insurance premiums by 20% if employees meet certain health benchmarks. Earlier this year two Senate committees, as part of the healthcare overhaul, voted to allow such cuts to go as high as 50%.

Leading the charge for the discounts is Safeway. Last year, the giant grocery store chain began to offer health premium discounts of up to 20% to nonunion workers who don't smoke and meet company benchmarks for weight, blood pressure and cholesterol levels.

Jo Chiti, a Safeway employee who has lost about 30 pounds over the last year, said she has been swayed by Safeway Inc. Chief Executive Steve Burd's argument that health insurance should be more like car insurance. Just as good drivers pay lower premiums than reckless drivers, Burd says, people who maintain a healthy lifestyle should pay less for coverage than people who do not.

A lobbying blitz by Burd, who has traveled to Washington 11 times this year, was instrumental in the two Senate committees' decision to include the idea in their healthcare bills. Senate leaders are currently putting together the final version of a bill that they will take to the Senate floor.

"We believe that personal responsibility and financial incentives are the path to a healthier America," Burd wrote in a newspaper column.

Nationwide, 25,000 nonunion employees in Safeway's health insurance plan are eligible for the premium-reduction

program, most of them in California. The company says that 74% have signed up.

Once a year, participants submit to tests of four health risk factors: smoking, obesity, blood pressure and cholesterol. If they pass all four, they receive a \$780 annual discount, which is 20% of the total cost of their insurance. If they do not pass initially but make progress in some areas -- quitting smoking or losing 10% of their weight -- they can get a premium rebate.

After making several changes in the health policy offered to nonunion workers, Burd said, the company's healthcare costs have "flat-lined" over the last four years, while other companies' costs have gone up nearly 40% on average.

But it is not clear how much credit goes to the discounts. Those have been available only for one year, and presumably it is too soon for lifestyle changes to affect health expenses.

There has been no independent analysis of the program and whether it really changes behavior -- or, as critics suggest, rewards people who would have been healthy anyway.

Critics in the labor movement say the incentive scheme is a backdoor way for companies to cut costs by driving less-healthy workers out of the insurance group. Most of Safeway's union workers, who are represented by the United Food and Commercial Workers and make up about 95% of the company's workforce, have not embraced the idea in their own health plan, which is established in a multiemployer contract.

What's more, critics worry that the program will unfairly penalize people whose health status is not solely the result of behavior they can easily control, such as those with a genetic predisposition for obesity or those who gain weight when they quit smoking.

Ken Schachmut, a Safeway senior vice president, says the company has a system for making exceptions if employees bring a physician's note to explain why they cannot safely or wisely achieve the company's benchmarks. "We do not discriminate," he said.

Opponents hope to water down the Senate provision in the legislative maneuvering ahead. A coalition of patient-advocacy and health groups said in a letter to Congress: "We believe that provisions increasing premium variations allowed under current law can -- if used unwisely -- be a back door to making coverage to the sick unaffordable."

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