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IBM to pick up the tab for workers' primary care

Big Blue's move to pay all costs bucks trend

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ARMONK, N.Y.—At a time when many employers are asking employees to shoulder a greater share of the health care cost burden, IBM Corp. is taking the opposite approach: It will pay 100% of the cost of primary care for its employees beginning in 2010.

Long considered one of the more innovative employers when it comes to its health care benefit programs, IBM's latest initiative is part of the company's ongoing advocacy of wellness among its employees, according to Marianne Defazio, director of health benefits design and strategy.

The Armonk, N.Y.-based technology firm introduced cash rebates in 2004 for participation in wellness activities and has been covering preventive care at 100% since 2006, she said.

The company also has participated in pilots involving medical homes, a health management model in which each patient has an ongoing relationship with a primary care physician who serves as a personal “health coach,” leading a team of medical professionals that takes collective responsibility for delivering care.

Though the decision to use financial incentives to encourage greater use of primary care complements the ongoing medical home projects, it is independent from it, and employees will not be required to designate a primary care physician to be their medical home in order to become eligible for the coverage, Ms. Defazio said.

Rather, all employees enrolled in IBM's self-insured health care plans will receive full coverage throughout the year—with no copayments, coinsurance or deductible—for in-network primary care visits with their internist, family practitioner, pediatrician, general practitioner or primary osteopath.

“We believe very strongly that employees should have a primary care physician who's sort of the quarterback to help coordinate all of their care. But we're not requiring that employees or their families have one primary care doctor,” she said.

The coverage will extend to employees enrolled in IBM's high-deductible/health savings account plan, after the deductible is met, according to Ms. Defazio.

IBM offers five health plan options: three self-insured preferred provider plans, one self-insured HDHP with a health savings account, and, in some locations, a health maintenance organization.

Approximately 80% of IBM's 115,000 U.S. employees are enrolled in the company's self-insured health care plans, about 5% of whom participate in the HDHP. The remainder of IBM's employees is enrolled in health maintenance organization plans that already provide preventive and primary care services at a low or no cost.

Though primary care visits will be covered at 100%, any lab tests, X-rays or radiology and prescription drugs will remain subject to the coverage terms of the plan in which each employee is enrolled, according to Ms. Defazio. Coinsurance generally is around 20%, she said.

As with past initiatives, IBM will track and document the financial impact of its new program, as well as how it affects employee health, Ms. Defazio said.

For example, IBM's research shows that the \$79 million investment it made in wellness and preventive care between 2004 and 2007 saved the company and its employees nearly \$191 million in health-related costs. IBM's support also has produced dramatic increases in healthy behavior among its employees, such as increased physical activity and healthier eating. Of the company's 115,000 U.S. employees, 80,000 report they exercise regularly, according to Ms. Defazio.

IBM's health promotion efforts also have tempered the rate of increase in the company's health care costs, she said, noting that "IBM's costs remain lower than the national average," with cost increases measuring in the "low single digits."

For the most part, benefit experts applaud IBM's overture, though some expressed concern about the temporary cost spike they are likely to experience.

"If you take away copays, there's an immediate cost," noted Helen Darling, president of the National Business Group on Health in Washington. On the other hand, "one of the messages they're trying to send is that the average American sees too many specialists. If they have a pain in their stomach, they think they need to see a gastroenterologist," when a primary care doctor will suffice, she said.

"I think they are smart because we've seen for years a primary care physician is a lower-cost and more efficient way to treat patients as opposed to sending them to specialists," said Shawn Jenkins, chief executive officer of Benefitfocus, a health care software vendor in Charleston, S.C.

In many ways, what IBM is doing is similar to Pitney Bowes' lowering of copayments for drugs prescribed to employees with chronic conditions, observed Francois de Brantes, CEO of Newton, Conn.-based Bridges to Excellence, an employer-led pay-for-performance program.

"It's consistent with a lot of the work that is being done in value-based benefit design. You want to encourage active involvement of patients in primary care," he said.

"IBM is to be commended for taking an enlightened approach to incentivizing employees to get regular primary care to prevent illness and manage any chronic conditions that they have," said Laurel Pickering, director of the New York Business Group on Health. "This is value-based benefit design."

"IBM's decision to remove patient contributions to primary care visits is an important illustration that value-based insurance design programs go beyond prescription drugs," agreed Dr. Mark Fendrick, co-director of the Center for Value-Based Insurance Design at the University of Michigan in Ann Arbor, in an e-mail. "These patient incentives fit perfectly with their innovative patient-centered medical home initiatives."

Raymond Brusca, vp of benefits at Black & Decker Corp. in Towson, Md., wrote in an e-mail, "The question is, 'Will this result in lower overall costs through increased attention to medical issues before they grow into more complex and costly conditions?' Using the lessons learned from the value-based benefit initiatives, one could argue that this will pay off in the long run. After several years' worth of data, it will be interesting to see if this broader application of the value-based theories has merit."

"Employers are looking for ways to get better value for what they're spending. More primary care is probably better for people, and if you can eliminate some financial obstacles, that's a good thing," observed Steve Raetzman, senior consultant at Watson Wyatt Worldwide in Arlington, Va.

"I've seen people look at putting primary care before the deductible," said Mike Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York. "One of the issues around consumerism is, we really would like people

to take control of their own health, but sometimes they're not fully qualified to do so. By eliminating barriers to primary care, it enables people to make informed choices.”
