

PERSPECTIVES ON HEALTH MANAGEMENT

While health care costs pose chronic problems for most U.S. companies, a new vision is emerging from the fundamental cost/people management dilemma human resource executives face every day. Leading organizations are balancing the cost and people dimensions of health benefits by making changes that are producing positive results for both employees and business. This issue of *Perspectives* looks at how leading retailer JCPenney is doing just that by creating what could be one of the most innovative and comprehensive health management programs in the country.

JCPENNEY: BUILDING A CULTURE OF HEALTH BY MANAGING COSTS AND CARE

After several years of double-digit increases in health care costs and continued cost shifting to associates (employees), JCPenney's health benefits were no longer competitive with other leading retailers. What's more, healthy associates, increasingly dissatisfied with their health benefit plans and concerned about escalating employee contributions, were continuing to opt out of health benefits, leaving behind higher-risk participants, higher costs and potential productivity issues for the company.

To turn things around, JCPenney was determined to increase the competitive value of its plans and improve associate satisfaction by reinventing the way it manages costs and care. "Our goal was to create a comprehensive health plan strategy designed to reduce health care costs, improve plan participation and satisfaction, and build a culture of health," says Lisa Wargofchik, director of benefit development at JCPenney. Another important objective: JCPenney's new health benefit program needed to have built-in metrics — financial, operational, clinical, participant satisfaction and return on investment (ROI) — to measure the success of the strategy.

CASTING A WIDER NET

As a first step toward achieving its goals, the company conducted an operational and clinical assessment of its condition management programs, followed by the development and implementation of a new approach designed to address the specific cost drivers and health status issues of the entire JCPenney-eligible population. JCPenney's health benefit program, branded "PUTTING *You* FIRST," most of which rolls out in 2007, trades a one-size-fits-all approach for more individualized care based on plan participants' needs, as well as their readiness to change lifestyle habits. But unlike some care management programs that concentrate efforts — and dollars — on a particular risk group, JCPenney is casting a wider net.

"Rather than simply focusing on people who are sick," says Wargofchik, "we're creating a total health care approach that targets people across the health care continuum — from employees and family members in optimal health to those with complex illness at the end stage of life."

To meet such a broad spectrum of needs, JCPenney created a multipronged approach — ranging from comprehensive condition management programs for health plan participants with chronic conditions, to a customized personal nurse team (comprised of a group of registered nurses that is supported by other health care professionals) to manage acute and complex conditions, to lifestyle management and preventive care programs for participants with low health risks.

CREATING INTEGRATED LINKS WITH A PERSONAL TOUCH

JCPenney's "best in class" health care strategy focuses on the broad spectrum of population health status. In addition to the personal nurse, who provides an integrated, comprehensive approach to managing the health care needs of each participant, the plan includes various condition management programs. These programs are targeted to the 16% of health plan participants with chronic conditions that drive 84% of the company's health care costs. The plan also includes a host of resources and programs to address overall wellness and preventive care (e.g., personalized preventive checkup and screening reminders). All of the programs comply with evidence-based medical and behavioral health treatment guidelines.

Along with providing state-of-the-art care management services, these programs are helping to distinguish JCPenney as an employer of choice. The personal nurse model, for example, is one of the most innovative aspects of the new JCPenney health care strategy because it is designed to address the specific needs of the JCPenney population. To do so, the personal nurse team, which is given a close-up view of the unique characteristics of the JCPenney population, serves as the coordinating link between plan participants and all of the company's varied health management programs.

The personal nurses also help participants navigate through the complexities of today's health care system. For instance, an individual in an acute situation (e.g., undergoing an inpatient procedure) receives a preadmission call from a personal nurse to ensure that he or she understands all aspects of the hospital stay — the procedure, preoperative care, safety guidelines, etc.

The personal nurse then follows the participant through the entire health care event, making follow-up calls to assist the person through the recovery period. The participant can also contact his or her personal nurse directly at any time for additional support.

Equally important, by forging long-term relationships with participants and building their trust, the personal nurse may also play an important role by encouraging preventive services that could have a lasting impact on their health. For example, after overseeing a significantly overweight participant through knee replacement surgery, the personal nurse, whose goal is to help treat the "whole person," might also refer that individual to the JCPenney weight management program. But instead of stopping there, the personal nurse would continue to reach out to that participant to motivate change. "The key," says Kathy Wooley, benefits development project manager at JCPenney, "is to be responsive to members' emotional *and* physical needs by providing high-touch, proactive outreach."

To help low-risk participants improve their health and even avoid the need for more aggressive services down the road, JCPenney targets healthy plan participants with wellness and preventive care programs, including interactive health, fitness and nutrition tools, lifestyle programs, an employee assistance program and a 24-hour nursesline, among other valuable resources.

For high-risk participants, the condition management programs that JCPenney will implement for 2007 use an "opt in" approach (i.e., the participant elects whether or not to participate in the program). This approach allows resources to be focused on those participants truly engaged and motivated to improve their health. These programs will not only engage participants based on their clinical acuity level, but also assess their readiness to change lifestyle behaviors to improve their condition. The readiness-to-change component is key to maximizing the benefit program's ROI. Simply put, participants who are willing to manage their conditions receive a higher level of intervention than those who aren't. As Wargofchik sees it, "We're spending our resources where we're actually going to have an effect on somebody's life." But JCPenney is not forgetting about the participants who are not yet ready to change. These individuals may choose to enroll in any of these programs at any time in the future.

PROVIDING INCENTIVES TO INCREASE ENGAGEMENT

In addition to creating a leading-edge care management program, another key to JCPenney's success is engaging all of its associates, many of whom had become discouraged with or even dropped out of the health benefit plan when premiums reached their high mark. Wargofchik believes that programs with low ROI (such as the former JCPenney program) typically fail to achieve their objectives because employees don't know enough about them, or need incentives to participate. Wooley agrees. "If you don't engage the member, it doesn't matter how good the program is — it's not going to work."

To address these issues, JCPenney empowers associates with not only the resources to better manage and take control of their health, but also incentives to use those resources. For example, to encourage participants at every point along the health care continuum to understand their health risks and conditions — and take the necessary steps to maintain or improve their health — plan participants will be awarded \$250 in a Health Incentive Account (HIA) just for completing the Personal Health Assessment (PHA) during open enrollment in 2006. The plan then provides access to a health educator who explains the results of their PHA and, where indicated, directs them to the appropriate JCPenney programs or health information resources. In 2007, the health benefit program is upping the ante: Plan participants must participate in the health management programs they qualify for during 2007 (e.g., smoking cessation) to receive \$250 in their HIA for use during 2008.

Once deposited into the associate's HIA, the \$250 can be used to pay out-of-pocket expenses and will roll over annually to encourage participants to seek preventive care. In addition, the plan provides unlimited diagnostic screenings at no cost to participants. "Our program is proactive rather than reactive," says Wooley.

To communicate the program redesign, JCPenney invested substantial resources in an aggressive benefit marketing campaign. The campaign is as comprehensive as the program itself, including constantly changing print collateral (e.g., monthly newsletters, in-store posters and fliers) and monthly internal broadcasts when associates can dial in with questions. "I'd be surprised if there's an associate at JCPenney who doesn't know we're making changes for 2007," says Wargofchik.

HOLDING VENDORS ACCOUNTABLE

Along with taking a longer-term approach to engaging associates in their health care, JCPenney is managing all aspects of its vendor relationships, including quality of service, efficiency and cost-saving opportunities. In fact, only vendors willing to be held accountable for their performance in delivering on the key metrics of the programs — financial, operational, clinical, participant satisfaction and ROI — have been selected as vendor partners. If vendors don't deliver on specific measures, they must refund a portion of their fee. "We didn't want to throw money at a program or strategy that wouldn't maintain our cost in the long run," says Wargofchik.

LOOKING AHEAD

JCPenney anticipates that its new health management strategy will increase the competitive value of its program, along with associate satisfaction. But Wargofchik anticipates that the program's real strength will be in its unique condition management programs and the personalized touch of the personal nurse. Ultimately, JCPenney predicts that this more aggressively designed and managed health benefit program will increase participation, reduce staff turnover, encourage healthier behaviors in the workforce and give the company a reputation for offering best-in-class programs — while also meeting the company's objectives for cost control.

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