Client Spotlight: Duke Realty Corporation — Using Wellness to Drive Health Care Consumerism

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Tony Garavaglia: Hi. I'm Tony Garavaglia and I'm a Principal and consultant in Towers Perrin's Health and Welfare practice. I'm here today with Duke Realty Corporation's Teresa Donaldson. Duke is the largest publicly traded office and industrial property owner in the country. Duke employs 1,300 people, and Teresa is the health plan manager there. One of Teresa's many responsibilities is to get wellness strategies to work with the company's consumer-driven health plan, so I'm really glad she could take some time to talk with us. Hi, Teresa. Thanks for joining me.

Teresa Donaldson: Thanks for having me, Tony.

Tony Garavaglia: I want you to tell us about what Duke is doing, but first let's talk in general about how wellness comes into play.

Teresa Donaldson: You know, wellness is a bigger issue than most people realize. A lot of people probably don't know that 50% of their health status is driven by their behavior. Yes, we can attribute some of it to genetics and other factors, but mainly it's what we're doing to ourselves — or not doing *for* ourselves, in some cases. And organizations are now realizing that their employees' health care decisions affect the company way beyond the obvious hard-dollar costs in the benefit plan. In fact, the true cost of health problems in the workforce includes absenteeism and reduced productivity. You may have some employees who are out of the office sporadically, some who are forced to take an extended leave and some who are on the job every day but unable to work at their full potential. If a company fails to address issues like these, the costs can be significant.

Tony Garavaglia: And I'm going to guess that many organizations don't make an immediate connection between the wellness of their employees and the productivity — and ultimate profitability — of their organization.

Teresa Donaldson: That's true. It's not always apparent because so many factors can influence productivity and company performance. Employee health isn't usually the first thing employers think of, but it should be high on the list of what makes an optimal workforce.

Tony Garavaglia: So how can organizations use a wellness strategy most effectively? Because we're talking about much more than just going to the doctor for your annual physical. This is ongoing, active management of your

own health and well-being. And I think leading organizations are becoming very sophisticated at getting their employees engaged in this. Do you agree?

Teresa Donaldson: Absolutely. I think the first thing organizations need to remember about any wellness strategy is that it has to support consumer engagement. Behavior change relies on how your employees respond to the programs you're offering — how easy they are to use, what employees are getting out of them now and what they can expect to get from them in the long term.

I think a truly effective wellness strategy usually has four elements:

- health screens
- health improvement programs
- incentive programs, and
- measurement.

Tony Garavaglia: When you say health screens, you're basically talking about collecting employee health data, more than likely a health risk evaluation, correct?

Teresa Donaldson: Yes, a health risk evaluation or HRE. They're a really good first step for employees because the program includes an analysis of that data, so each employee can see what they need to do and take action.

Tony Garavaglia: But that's the challenge a lot of companies are facing, isn't it? The employees take the HRE — sometimes with an incentive like an employer contribution to a health savings account — but they don't necessarily act on the information, which doesn't help them and may not help the company manage costs down the road.

Teresa Donaldson: Well, the best plans promote high participation throughout the year, not only if the employee completes an HRE during open enrollment. And a really effective plan works with both incentives and disincentives.

The last step is measurement. Leading organizations know what's working with their health plan and why, and then they modify whatever is holding the plan back — whether it's a lack of understanding on employees' part or a health improvement program that isn't reaching the right employees. And they look at the data very comprehensively — not just the return on investment the first year they revamped the plan. This is an ongoing process. They understand that if the employees aren't getting enough out of the plan, neither is the organization.

Tony Garavaglia: We've also found that commitment from senior leadership makes a huge difference in how wellness strategies — and really, any major

changes to a health plan — are perceived by employees. Did Duke find the same thing when it was restructuring its plan?

Teresa Donaldson: Absolutely. It's really important that leadership demonstrates concern about employee well-being. We also found that effective communication makes a big difference. The difference between dealing with employees who are reluctant to change and helping employees become effective health care consumers comes down to how much employees understand. And I don't just mean that they understand the details of the benefit plan changes. Employees need to start thinking and behaving differently, and this is especially true with account-based health plans. People need to take a longer-term view of the value of their health, and how to manage their health care costs over time, rather than on a paycheck-to-paycheck basis.

Tony Garavaglia: So tell us a little about how this applies to Duke. Duke is one of the best examples I know of combining a wellness strategy with an account-based health plan. When did Duke begin moving down that path?

Teresa Donaldson: We implemented our new plan in 2007, but we actually began taking the first steps in 2005. We have about 1,300 associates, and we were averaging cost increases of over 12% per year over the prior three years — *and* we were shifting costs to employees along the way. Well, if your increases are that high, something isn't working. So we decided we had to start thinking differently — not just to change the plan, but change the way we all behave in terms of our health. Our two main goals at the time were to:

- lower our rate of health care cost increases, and
- maintain our associates' current level of maximum liability.

So back in 2006, Towers Perrin helped us design our new plan and create our initial communication strategy. But we also needed to know what our associates were concerned about, including what parts of the plan they felt were effective. So in 2006, Duke started conducting focus groups to get their input.

Tony Garavaglia: You mentioned before how important communication is. What was Duke's communication strategy?

Teresa Donaldson: Our strategy was very comprehensive, and I think that's what made the program so successful. One of the things we tried to keep in mind is that people absorb information differently, and there was a lot of information for people to take in. We produced a very detailed brochure outlining all our plan changes, but we also created a brochure that just presented the highlights — giving people a bigger picture and frame of reference. We also conducted surveys and an e-mail communication campaign. These methods can be really informative, but they're not personal, and they don't give people the opportunity to have a conversation or to listen to what their colleagues have to say. So we held multiple conference calls with our associates, and also face-to-face meetings that associates could bring their spouses to. We even offered refresher courses throughout the year following the first enrollment. And we continue to communicate even now. If the process to improve our health — and the bottom line — is ongoing, communication needs to be as well.

Tony Garavaglia: You have a lot to say about how important wellness is to a cost-effective health plan. What are some of the key elements of the wellness program?

Teresa Donaldson: Our wellness program at Duke is called Living Our Best. You wouldn't know it now, but it started out kind of modestly in 2006 with just some incentives for associates to fill out an HRE. It worked, though — 72% of our associates did complete an HRE in the first year of the plan.

Now we have online programs on a whole range of topics, such as:

- diet and nutrition
- weight loss
- stress management
- diabetes, and
- heart health.

Duke also has a Wellness Council, which develops various programs throughout the year that associates can take part in, even if they're not participating in the health benefit plan. The council is fairly new, but 2008 programs already include:

- the Duke Health Fair (which includes health screenings)
- a company-wide walking program, and
- a weight-loss challenge program.

Tony Garavaglia: Are associates utilizing these programs? I think the concern some companies have is that there's an up-front cost, and if employees aren't engaged, there's no ROI.

Teresa Donaldson: Actually, already in 2008 alone, 63% of our associates have participated in at least one wellness activity, so we're already seeing a return on our investment.

Tony Garavaglia: That's really fantastic, and a good point for employers to take away from this. Duke also implemented an HSA as part of its new plan, right? What kind of results are you seeing there?

Teresa Donaldson: We do have an HSA, and 77% of our associates currently contribute to an account. This goes back to communication, because part of the reason we have such a high HSA contribution rate is that the majority of our associates went into the plan knowing what it entailed and how an HSA contributed to the program's value. They understand what the HSA can do for them in terms of managing their costs and risks in the short term, as well as saving for future costs in a really tax-effective way.

Tony Garavaglia: What are associates saying about the plan so far?

Teresa Donaldson: As of June 2008, nearly three-quarters of associates said they were either satisfied with or neutral about the new plan, which is up from 63% only nine months earlier. We're also seeing higher HSA contributions.

Tony Garavaglia: And the bottom line?

Teresa Donaldson: We ended 2007 5.57% below our prior-year annual cost per employee. That's approximately $1.5 million in savings compared to what our old plan would have cost us. In 2008, we're looking at roughly $600,000 in savings. We're seeing less savings because more people are enrolled in our wellness programs and we continue to make higher employer HSA contributions. So we're right where we need to be.

Tony Garavaglia: That's really impressive. Any final thoughts before we wrap it up for today?

Teresa Donaldson: At Duke, we found it was important to build trust with our associates if we wanted their buy-in. I think that was key. Also, we focused on *how* to change things, not just the potential result. And I think it's important for organizations to remember that consumerism and wellness strategies can work regardless of the size of their workforce. Duke isn't the biggest company out there, but that didn't make our challenges any less critical. We tend to hear about these strategies with large companies, but it can work for everybody.

Tony Garavaglia: Thanks so much for your time, Teresa. You had a lot of important things to say today, so I hope organizations can take something from what you're doing at Duke.

Teresa Donaldson: Thanks again for having me, Tony. I appreciate it.

Tony Garavaglia: If you'd like to learn more about how your organization can create a more effective health care strategy — including improving employee health and the bottom line — you can go directly to our Health and Welfare page. And to check out all of Towers Perrin's service offerings, please visit our home page at www.towersperrin.com.