



Leaders at the Core of Better Communities

# ICMA Management Perspective

October 2006

## Healthy Communities

### Managers Can Help Local Governments Serve as Role Models in Wellness Trend

After years of retooling health benefits to try to rein in rising costs, employers are beginning to see an impact from wellness initiatives designed to reduce the need for medical care.

A growing number of local governments are on the leading edge of this trend as they search for ways to control their own spiraling costs, which for many have been growing at a double-digit rate. Some are building on earlier wellness efforts by also exploring “consumer-driven” care. The approach involves everything from health risk assessments and educating patients to minimize those risks, to structuring coverage so that people have low monthly premiums but high deductibles for all but regular preventive care.

Local government managers can play a critical leadership role on this issue. They can position their communities at the forefront of change—in both health plan design and employee engagement. Because many local governments rank

among their regions’ largest, most high-profile employers, they can serve as role models in establishing healthy living and wellness as a priority and aligning incentives and educational efforts to achieve that goal. Managers can help lead the transition to a very different way of thinking about health care.

Historically, health-care plans in the United States have focused on covering the treatment people need after they get sick or injured. A doctor diagnoses the problem and prescribes some medicine or other treatment. Depending on what kind of coverage the patient has, some or all of the costs of that care

are covered by insurance.

Insurers have modified health-care coverage over the years, most recently by placing restrictions on the choice of providers in an attempt to contain costs. But the focus of the care itself has been one of reacting to problems. Health insurance has been, in essence, “sick insurance.”

That orientation is beginning to change as more health plans focus on prevention and wellness with the move toward consumer-driven care. The term is still largely unfamiliar to the general public, but people understand the common-sense concepts behind it. As

**The ICMA Health Care Advisory Group** will help determine what information and tools local governments need to adapt to changes in health-care coverage.

The panel is made up of local government leaders from cities, towns, and counties in every corner of the country, including California, the Pacific Northwest, the Southwest, the Midwest and the East Coast. They represent fast-growing communities in Florida and Colorado, as well as older cities in New Jersey and South Carolina. Their communities range in size from burgeoning Phoenix, with nearly 15,000 municipal employees, to rural Walla Walla, Washington, with a few hundred employees.

With this diversity of community size, type, and geographic location, the advisory group will provide a reality check for ICMA and CIGNA as they work to address the health care challenges local governments face.

health-care coverage evolves from a reactive to a more proactive approach, it is rejecting the view of patients as passive participants in decision-making. The goal is to treat them instead as consumers, giving them the incentives, information, and tools to better maintain their health over the long term. Whether it's about getting proper pre-natal care or eating right to lower cholesterol, the trend is toward educating people and giving them more direct responsibility—and potential rewards—for living a healthier lifestyle.

### **A break with the past**

The American health-care system began moving in this direction two decades ago, with the emergence of HMOs and other managed-care approaches. But while managed-care firms increased coverage of preventive care, the change had a limited impact. Their use of often minimal co-payments for health-care services masked the actual costs of care for the insured. At the same time, these plans imposed greater limits on provider choice and required more approvals for medical services, which minimized patients' control over their own care.

The shift toward treating patients as consumers, on the other hand, marks a commitment to educating people about healthier living and putting them in charge. The idea is that if you provide the right resources and rewards, people can—and will—monitor their own health, identify medical risks early, and manage their diet and lifestyle accordingly.

The logic is simple: People will take better care of themselves if they're given the incentives and ability to do so. Whereas the old system was built around dependence on paternalistic providers, the new approach is patient-driven and

patient-centered. For employers, it translates to the very real possibility that overall health-care costs might become more manageable or even be reduced, as costs are eliminated rather than just shifted.

### **ICMA establishes advisory board**

Like many employers in the private sector, local governments have wrestled with sharply rising health-care costs for years. And the costs go beyond medical premiums and claims. Having unhealthy employees also brings higher absenteeism, declining productivity, and lower morale.

For cities and counties, the potential value of the consumer-driven approach to health care starts with improved employee well-being, but goes much further. As Eric Anderson, City Manager of Tacoma, Wash., put it: "Good health costs less."

Anderson is one of 19 local government managers, human resources directors and benefits administrators who have agreed to serve on a new health advisory panel of ICMA members. ICMA established the group as a sounding board and source of ideas as it launches a new research and

### **Major Health Challenges Ahead**

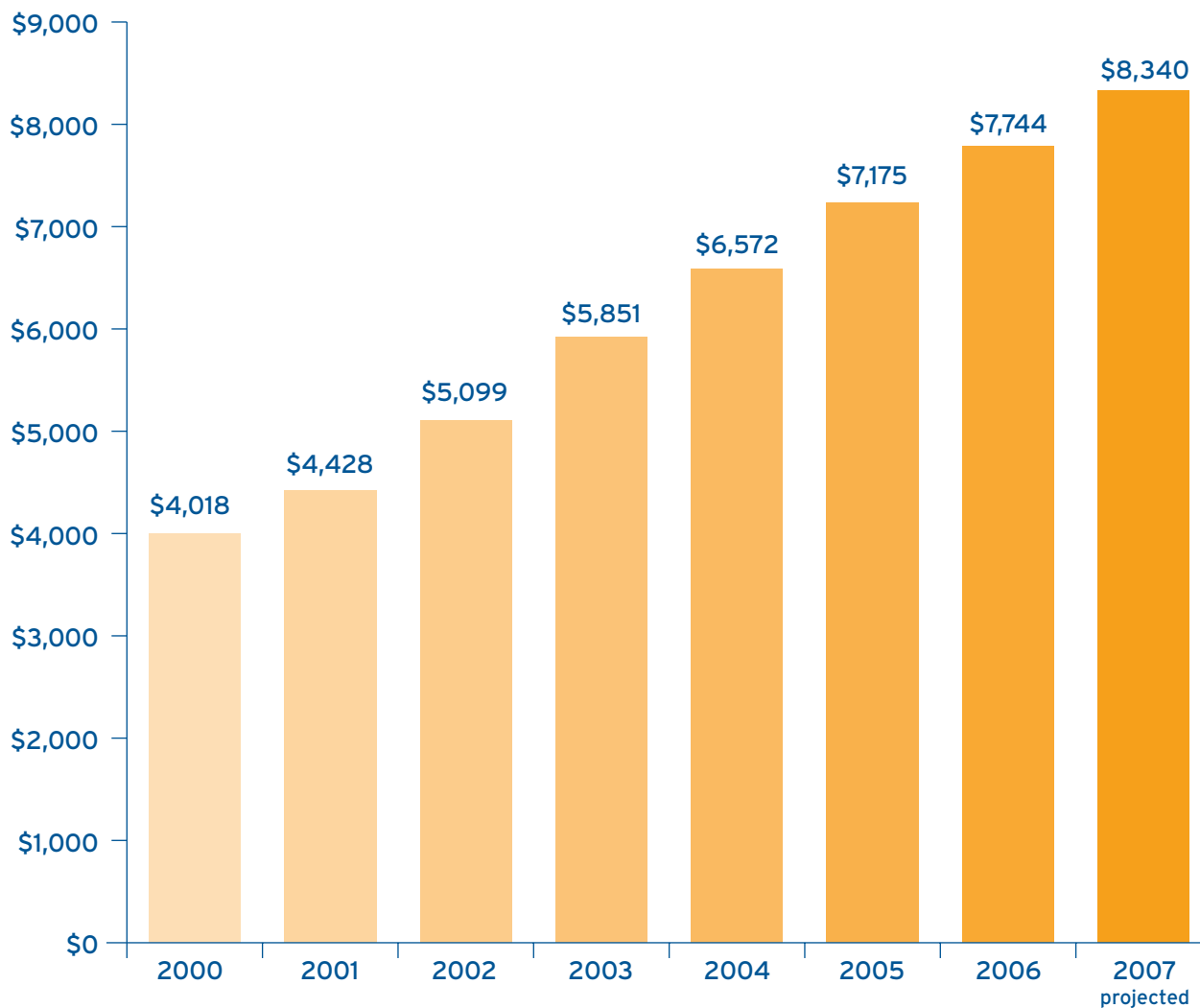
Despite ongoing rapid advances in medicine and one of the most sophisticated health-care systems in the world, Americans today face a challenging future where health is concerned. For local governments, the trends point to an urgent need to reexamine the health-care coverage they provide employees.

- Our society is aging, with millions of baby boomers approaching their retirement years, and life expectancy continues to rise. By 2030, one out of five Americans will be at least 65 years old.
- Alongside this trend is another that points to serious health problems in the making. Over the past quarter century, there has been an alarming increase in the number of Americans who are overweight. Nearly two-thirds of all Americans now fit that description, and 30% are obese, which puts them at greater risk for type 2 diabetes, heart disease and other serious conditions.
- The obesity epidemic is affecting kids as well as adults, with the percentage of overweight children roughly tripling over the last 30 years. If current trends continue, children today could become the first generation to live a shorter life than their parents.
- Obesity has clear economic impacts, in terms of direct medical costs and indirect costs such as lost productivity. The Centers for Disease Control and Prevention estimated the total direct and indirect costs of obesity to be \$117 billion in 2000.

For employers, the growing ranks of retirees and rising health-care costs have converged to create unprecedented challenges. Some have grown accustomed to double-digit increases in health benefit costs.

In the private sector, many employers pass along their increased costs to employees or change insurance providers if the costs get too high. But local government managers find it difficult to make changes to health benefits, which often are critical to their ability to attract good employees. As health costs consume a growing portion of their budgets, cities and counties are looking for new ways to contain them.

## Health Care Costs Per Employee



Source: Hewitt Associates—major employers

development initiative with CIGNA HealthCare, its corporate partner.

ICMA and CIGNA kicked off their partnership in July 2006, when they convened the ICMA member advisory panel for the first time in Denver. The group spent two days talking about health-care trends and challenges and what they signal for cities and counties:

**Fast-growing health costs** Local government leaders worry about sharply rising health benefit costs and the proportion of their budgets consumed by these costs, given flat or declining revenue.

**Employee expectations** Many managers note that local government employees view health benefits as a “God-given” right, and are often suspicious or anxious about any proposed changes.

**Competitive challenges** Cities and counties worry about how to remain competitive in their ability to recruit and retain good employees. Good health-care coverage, often viewed as one of the key rewards in public sector employment, is important.

**The new health model** Some worry about the transition to a

wellness approach. They say it will require a major culture change to get workers to move beyond their reliance on the decisions and judgment of health-care professionals to take more responsibility for maintaining their own health and making informed medical decisions.

**Educating employees** Communication challenges loom large. It’s not just an issue of teaching employees how to monitor and manage a particular medical risk or condition, but also how to become smart health-care consumers after

years of not having to think about anything other than making co-payments or submitting claims.

**Drug prices** The prices of many brand-name drugs have skyrocketed, at a time when people are being bombarded with TV advertising of pharmaceuticals.

**Retiree health care** Many local officials worry about their growing retiree populations and what that signals for health-care costs. They also are trying to develop responses to the new Government Accounting Standards Board (GASB) standards and the potential implications of large unfunded retiree health-care liabilities.

ICMA and CIGNA will explore ways to help local government managers assess and address what has become, for many, one of the biggest costs in their budgets. In coming months, the two plan to work with the advisory board to determine what information and tools local governments need to make the transition to a greater emphasis on wellness. ICMA will survey its members this fall and then host a national teleconference on the topic. Building on their research, the two will create publications, presentations, training programs, and other resources that ICMA members can use to educate elected officials, employees, and the general public.

Local government managers face enormous challenges in the effort to guide their communities through this transition. ICMA, working with CIGNA and the newly established member advisory board, is working to identify solutions.

ICMA Management Perspective is an exploration of critical issues facing local government by ICMA and subject matter experts.

## U.S. Health Snapshot

### Obesity

- Nearly one-third of American adults are obese
- Obesity is the 2nd most common cause of preventable death
- Direct and indirect costs amount to \$117 billion each year

### Obesity-related health risks

- Diabetes
  - 20.8 million Americans have diabetes
  - 6th leading cause of death in U.S.
  - 80+% of people with type 2 diabetes are overweight
- Heart Disease / Stroke
  - Leading cause of death in U.S. (stroke is 3rd)
  - Over 75% of hypertension cases are related to obesity
- Cancer
  - 2nd leading cause of death
  - 20% of cancer in women / 15% in men relate to obesity

*This brief is the first in a series of educational resources that will be developed through the ICMA/CIGNA Partnership.*

## About ICMA

ICMA is the premier local government leadership and management organization. Its mission is to create excellence in local governance by developing and advocating professional management of local government worldwide. ICMA provides member support; publications, data, and information; peer and results-oriented assistance; and training and professional development to more than 8,200 city, town, and county experts and other individuals throughout the world.



*Leaders at the Core of Better Communities*

## About CIGNA

CIGNA HealthCare provides benefits and other services to public and private sector employers around the globe. With millions of customers, CIGNA's operating subsidiaries offer medical, dental, and other benefits, as well as group life, accident, and disability insurance. The company is particularly focused on women, families and children; obesity awareness; healthy mind and body; health literacy; and disparities in health care.



**CIGNA HealthCare**

*A Business of Caring.*