

Balancing Quality Employee Benefits With Cost Sharing

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In the current healthcare market, employers struggle to balance meaningful employment opportunities with access to high-quality healthcare—both necessary components of a profitable enterprise. According to the US Census Bureau, in 2004, 45.8 million people did not have health insurance, an increase from 45 million people in 2003.¹ More alarming is that the majority of those without insurance were employed in 2004 (only 25.8% did not work in 2004).¹ Less than 60% of employers are offering health benefits of any kind to their workforce, and that number is dropping, in part because these cost issues involve high-ticket biologics. Most employers feel that they are maximally cost shifted to their employees, leaving a lack of clear solutions.

Employers must consider the impact of lack of access to therapies, such as biologics, which help employees remain productive. Significant costs for employers are incurred when employees are absent from work or are less than productive. The need for healthy, productive employees must be balanced with the need to contain healthcare costs. There are potentially negative implications for patient cost sharing of high-ticket biologics, such as cost escalation and the value of the clinical gains they achieve.

As payment options have moved from copayment to coinsurance, employees, retirees, and family members have become increasingly concerned. Copayments are somewhat predictable, because a patient can expect to pay a certain dollar amount for a doctor's office visit. When a patient leaves a doctor's office with a therapeutic plan for which there is no definitive cost, the coinsurance can become an unknown and sometimes large amount of money. From a family budget point of view, this is very disruptive,

even more so if specialty pharmaceuticals move toward a coinsurance payment model.

Every employee counts in the current trend of downsizing in American business; the survival of these businesses depends on every employee being at work and being productive. Businesses can incur a tremendous burden if employees are absent or if those who are at work have suboptimal performance.

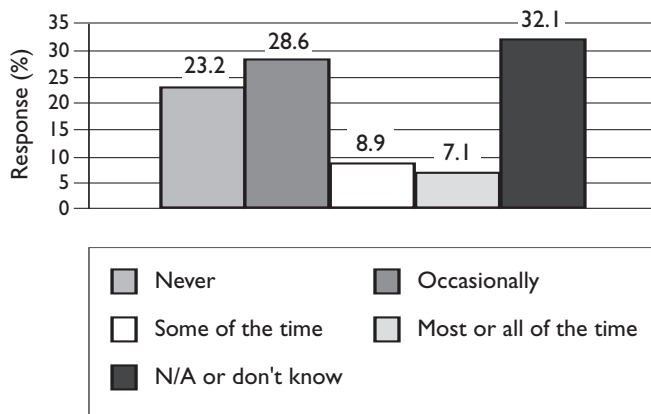
Employers are the primary payers of healthcare coverage in the United States. Yet, as our attendee poll shows, their needs are rarely taken into consideration by insurers when making cost-sharing decisions (Figure). Employers who are plan sponsors must be actively engaged and participating in the decision making for coverage options to ensure that their needs are being considered.

For most businesses, the money that is available for contributing to the cost of healthcare is now being developed in a very different profit model than it used to be. The new school of business operates in a global economy where the business model is different. Profit generation starts with the cost of production and the price that the market will find acceptable, with leftovers becoming the profit. Competition is now from across the world, instead of from around the corner. With this increased competition, profits have declined, leaving a smaller pool of money to cover benefits, such as pensions and health or dental insurance. This has raised the importance of having health benefits for the average employee.

Until recently, biologics offered treatment options to patients who had more serious,

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Figure. Impact on Employee Productivity When Making Formulary Decisions for Biologics



N = 56.
N/A indicates not applicable.

disabling, and dysfunctional diseases. However, given the aging population and current biologics pipeline, the future will bring more options for biologics to be used earlier in disease progression and by a much larger group of patients.

How will we pay for and cost share these drugs? It is critical that the American

healthcare system become adept at applying high-ticket biologic therapies in the right way and at the right time. We need a better decision-making approach that is very thoughtful about when to move out of low-cost options and begin using high-ticket items, especially for those therapies that are based on strong clinical evidence.

The concept of value to the payer must be seen in other dimensions, such as attendance at work, cost of goods sold, market development, and other business terms. Health plan pharmacy and therapeutics committees must be reconstructed from their current design around small-molecule issues to think more globally. In conclusion, if we continue along the path of the long history of yearly cost increases as projected nationally, specialty biologics will surely not be utilized. A cost which is prohibitive cannot be shared.

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REFERENCE

1. **US Census Bureau.** Income, poverty, and health insurance coverage in the United States: 2004. Available at: <http://www.census.gov/prod/2005pubs/p60-229.pdf>. Accessed February 2, 2006.