

Implementing a Medical Self-Care Program

by Don R. Powell*

©2003 International Foundation of Employee Benefit Plans

Medical self-care is a type of wellness program that encourages employees to decide what to do for themselves with or without provider assistance. This article provides a tool for assessing the value of such a program for cost containment.

Rising health care costs continue to be one of the biggest concerns affecting health and welfare plans and corporations. In 2002, the cost of health care in the United States totaled about \$1.55 trillion, representing 14.8% of the gross domestic product.¹ This came out to \$5,415 per capita. It is anticipated that by the year 2010, this number will increase to \$8,708 per capita.² (See the figure.)

There are a number of ways Taft-Hartley funds and employer groups have attempted to reduce health care costs, including copays and deductibles, pharmacy benefit managers (PBMs), utilization management and review, self-funded insurance plans and wellness programs. A previous article³ addressed the benefits Taft-Hartley plans and employer groups

can realize after implementing one type of wellness program called medical self-care.

Medical Self-Care

Medical self-care programs are unique in that they are inexpensive to provide, but the savings they can produce are enormous as evidenced by the return on investment (ROI) analysis described in this article. Another feature of a self-care program is that the savings are realized in a very short period of time—sometimes in as little as three months. The benefits include:

- Reduced physician and emergency room visits
- Reduced health care costs
- Reduced absenteeism
- Increased productivity
- Increased patient satisfaction
- Increased patient empowerment and sense of control.

These benefits occur because medical self-care programs teach members/employees and their dependents to become wiser health care consumers. They learn to make better decisions about when to go to the doctor or emergency room (ER) and when they can treat themselves using self-care procedures.

Unfortunately, according to the *Journal of the American Medical Association*, less than 10% of medical decisions are made with the participation of a fully informed patient.⁴ This is important because in 2000 there were 108 million visits to hospital ERs and 824 million visits to doctors' offices.⁵ It has also been estimated that 53.2% of ER visits, or 57.5 million, were for nonurgent conditions⁶

and 25% of all doctor visits, or 206 million, were for problems the patients could have treated themselves at home using self-care.⁷ Using an average cost of \$360 for an ER visit and \$55 for the typical doctor visit,⁸ each year saw an extra expenditure of \$20.7 billion for unnecessary ER visits and \$11.3 billion for unnecessary doctor visits.

How Much Can We Save?

In 2003, these trends continue and the numbers remain astounding. More than ever, funds are interested in seeing what their particular costs are for unnecessary doctor and ER visits, knowing these costs can be impacted with an active and appropriate communication program. They also want to know what their ROI will be before implementing any new program, including medical self-care.

The following tool can help predict the savings an organization can expect to receive by implementing a medical self-care program. The tool involves four components:

- *Cost of a Self-Care Guide.* The core of a self-care program is a publication, such as a book or pamphlet, that answers four basic questions when members or their families are having a health problem.

1. Is this a real medical emergency?
2. Should I see or call a health care provider?
3. Can I treat myself at home?
4. What self-care procedures should I use?

Depending upon whether an organization purchases a booklet or a book

*The author wishes to thank Naomi Shaheen, M.Ed., vice president of business development for the American Institute for Preventive Medicine, for the initial development of the ROI analysis tool described in this article.

and the quantity, the price for a self-care guide can range from about \$3.00 to \$6.50 per member. (Such guides have a shelf life of about two to three years so the cost can be amortized over that time period.)

- *Annual Health Care Expenditures.* It is beneficial to compare the total cost of the self-care guides to what an organization presently spends on health care. The cost of the guide is minuscule compared to this amount.
- *Utilization and Costs Assumptions.* Using \$55 as the average cost of a doctor visit and \$360 for an ER visit, we also estimate the reduction in utilization that will occur in households due to the guides. Our research has found that approximately 25% of households receiving a self-care guide will avoid one unnecessary doctor visit each year, while 5% will avoid one unnecessary ER visit. With this data, you can determine the number of doctor and ER visits that will be avoided.

Figure
**U.S. Health Expenditures per Capita—
Past and Projected**

2001	\$5,043
2002	\$5,415
2003	\$5,805
2004	\$6,186
2005	\$6,582
2006	\$6,979
2007	\$7,383
2008	\$7,800
2009	\$8,241
2010	\$8,708

Source: CMS, Office of the Actuary, 2002.

Visit us at the Annual
Employee Benefits Conference
in San Diego at Booth 636

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

Proudly serving employee benefit plans and labor organizations...

Legacy Professionals LLP specializes in providing audit, accounting, tax and compliance services to employee benefit plans and labor organizations. Our firm serves as independent auditors to over 400 multiemployer and single employer plans and 200 labor organizations. In fact, they make up over 80% of our client base.

Contact Julie Tucek at (312) 368-0500 or email us at info@legacypas.com for more information.

Visit us online at legacypas.com.

Chicago, IL
312.368.0500

Munster, IN
219.836.1065

Edina, MN
952.841.3950

Table I

Self-Care Program ROI Analysis for a 1,000-Member Health Plan

Cost of Self-Care Guides

Self-Care Guide	Quantity	Cost/Member (Price of Guide)	Cost/Member Over Three Years	Program Total Cost
XYZ Self-Care Guide	1,000	\$6.29	\$2.10 per member/per year	\$6,290

Cost of Guide Compared to Annual Health Expenditures

The total cost of the guides is \$6,290.00 .

If health expenditures are \$500,000 per month (approximately \$6,000,000 per year), the cost of the guides equals 0.1% of one year's expenditure (cost of guides/yearly health costs × 100%).

If the cost of guides is spread over three years, it equals 0.03% of the annual expenditures for each of the three years (cost of guides/three years of health costs × 100%).

Utilization and Cost Assumptions

The average cost for a physician visit is \$55 and the average cost for an ER visit is \$360.

For the first year, it's estimated that 25% of the households will avoid one unnecessary physician visit = 250 visits saved (1000 × .25).

For the first year, it's estimated that 5% of the households will avoid one unnecessary ER visit = 50 visits saved (1000 × .05).

Projected Cost Savings

Physician visit savings = \$13,750 (\$55 × 250 visits)

ER visit savings = \$18,000 (\$360 × 50 visits)

Total savings = \$31,750

Per Member/Employee Savings = \$31.75

Return on Investment (ROI) 5.0 to 1 in the first year (\$31,750 / \$6,290)

Return on Investment (ROI) 15.1 to 1 over the three years (\$95,250 / \$6,290)

Note: The projected cost savings is very conservative because it does not include the cost associated with absenteeism, exams and prescribed medications that one may receive at a physician or ER visit.

• *Projected Cost Savings.* You can now calculate physician visit savings by multiplying the number of visits avoided by \$55 and ER visit savings by multiplying the number of visits avoided by \$360. The total savings and the per member savings can then be compared to the amount of money invested in the self-care program to determine a total ROI. The analysis produces an ROI for the first year of the program as well as over three years. The first year ROI will likely triple over the three-year time period because there are no additional program costs, and use of the guides will continue to reduce savings. The key to this ongoing savings is periodic promotion of the self-care program by reminding members/employees to use

their self-care guide when they or a family member are ill.

Note: The doctor visit amount used in this analysis does not include the costs for exams and tests and any medications that are prescribed. This means that the \$55 figure is very conservative, so plans can actually save even more money. The analysis also does not account for the reduction in absenteeism and the increase in productivity when people are on the job and healthy, rather than waiting to be seen by a health care provider.

Table I shows what a Taft-Hartley plan or company that has 1,000 members/employees would save by implementing a medical self-care program. Table II is a blank form so you can do the same analysis for your own organization.⁹

Funds will sometimes use the excuse that "our members won't read the guide" to

vote against implementing a medical self-care program. Unfortunately, they fail to understand that a self-care guide is meant for use in the home by more than just the employee. Research shows that 75% of a family's health care decisions are made by women. Women are also responsible for spending \$2 out of every \$3 health care dollars. Since most Taft-Hartley funds have a predominantly male membership, the key to success is putting a self-care guide in the hands of the member's spouse. In actuality, it is not important whether members will read the material because their wives will.

Conclusion

Medical self-care programs are ideal for self-funded organizations because every dollar saved on health care costs

Table II

Tool for Determining ROI for a Self-Care Program—Blank

Cost of Self-Care Guides

Self-Care Guide	Quantity	Cost/Member (Price of Guide)	Cost/Member Over Three Years	Program Total Cost
			per member/ per year	\$0.00

Cost of Guide Compared to Annual Health Expenditures

The total cost of the guides is _____.

If health expenditures are _____ per month (approximately _____ per year), the cost of the guides equals _____ of one year's expenditure (cost of guides/yearly health costs × 100%).

If the cost of guides is spread over three years, it equals _____ of the annual expenditures for each of the three years (cost of guides/three years of health costs × 100%).

Utilization and Cost Assumptions

The average cost for a physician visit is \$55 and the average cost for an ER visit is \$360.

For the first year, it's estimated that 25% of the households will avoid one unnecessary physician visit = _____ visits saved (_____ × .25).

For the first year, it's estimated that 5% of the households will avoid one unnecessary ER visit = _____ visits saved (_____ × .05).

Projected Cost Savings

Physician visit savings = _____ (\$55 × _____ visits)

ER visit savings = _____ (\$360 × _____ visits)

Total savings = _____

Per Member/Employee Savings = _____

Return on Investment (ROI) _____ to 1 in the first year (_____ / _____)

Return on Investment (ROI): _____ to 1 over the three years (_____ / _____)

Note: The projected cost savings is very conservative as it does not include the cost associated with absenteeism, exams and tests, and prescribed medications that one may receive at a physician or ER visit.

goes back into the pocket of the fund. Given the large potential savings with a minimal required investment makes a medical self-care program perhaps one of the most cost-effective interventions that an organization can do to reduce its escalating health care costs. ◆

5. National Ambulatory Medical Care Survey, U.S. Department of Health and Human Services, 2002.

6. National Hospital Ambulatory Medical Care Survey: 200 DHHS Publication No. (PHS) 2002-1250, April 2002.

7. "Effect of a Self-Care Education Program on Medical Visits," *JAMA*, 250(21) (1983): 2952-2956.

8. D. R. Powell and C. Breedlove-Williams, "The Evaluation of an Employee Self-Care Program," *Health Values*, 19, 1995: 17-22.

9. American Institute for Preventive Medicine, 2003.

Endnotes

1. Levit et al., "Trends in U.S. Health Care Spending," *Health Affairs* 22(1), 2003.

2. Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, 2002.

3. D. R. Powell, "How to Achieve an ROI on Your Health Care Dollars," *Employee Benefits Journal*, 27(1), 2002: 24-27.

4. *Journal of the American Medical Association (JAMA)*, December 22, 1999.

The Author

Don R. Powell, Ph.D., is president and CEO of the American Institute for Preventive Medicine, Farmington Hills, Michigan, a developer and provider of self-care and wellness programs and publications. He is a member of the U.S. Government's Healthy People 2010 project and serves on the International Foundation's Health Care Management Committee. Dr. Powell is a licensed psychologist who earned his Ph.D. from the University of Michigan. This article is based on his presentation at the International Foundation's 2002 Annual Conference. Dr. Powell is the author of 19 self-care guides, including *Health at Home*® and *Health at Home*—Lifetime, which are distributed by the International Foundation. To order these books, call (888) 334-3327, option 4, or visit www.ifebp.org/bookstore.