

SUCCESS STORY: Viking Range Corporation Promotes Employee Wellness with Care Management Technology and Saves 16% on Health Costs

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Introduction

Located in Greenwood, Mississippi, Viking Range Corporation manufactures, markets and distributes high-end kitchen appliances and cabinetry. Beyond its core manufacturing business, however, Viking's operations also include a variety of hospitality and lifestyle ventures, including: cooking schools, restaurants and a spa. As a self-insured employer, Viking provides healthcare coverage for approximately 800 employees and their dependents. There are over 1,400 covered members.

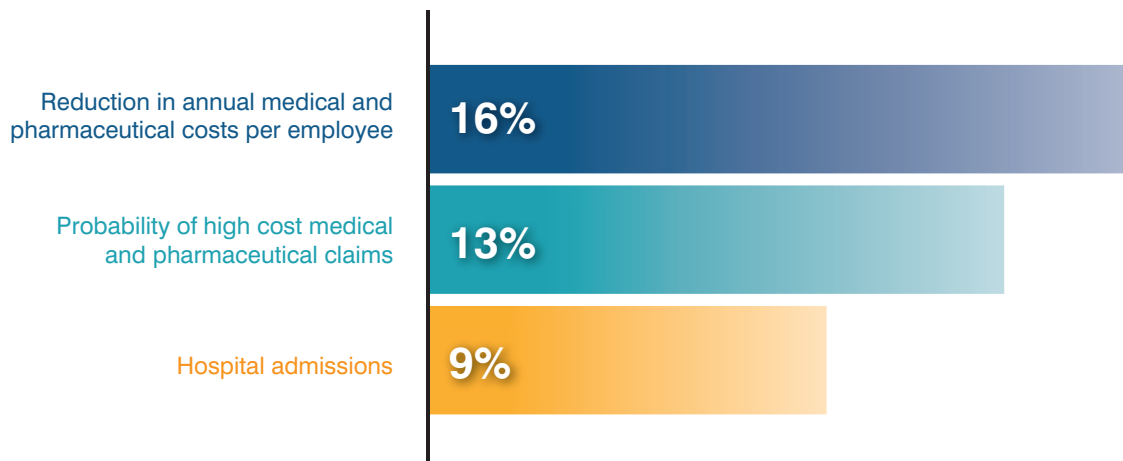
Viking implemented a Healthcare Performance Management strategy in January 2010. The strategy has generated a significant return on investment and noticeably reduced the company's healthcare costs. From 2009 to 2010, the company has achieved:

- \$1.16 million savings on annual medical and pharmaceutical claims;
- 16 percent reduction in annual medical and pharmaceutical costs per employee;
- 13 percent drop in the probability of high cost medical and pharmaceutical claims; and
- 9 percent decrease in hospital admissions.

The company achieved these results by utilizing predictive modeling technology to continually target its members with the highest probability of high-cost claims across disease categories. It also offered incentives for engaging with Care Managers and fostered a corporate culture in which wellness is a shared organizational priority driven from its executive leadership on down.

Utilizing a Healthcare Performance Management strategy allowed for Viking Range to save \$1.16 million in annual medical and pharmaceutical claims savings from 2009 to 2010.

Percentage reductions were achieved in the following:



Situation

Viking's health plan covers medical, dental, vision and pharmaceutical expenses. Until recent years, the company covered all of the premiums, leaving employees with very low deductibles and copays. But as healthcare costs have escalated, Viking has been challenged to continue offering high levels of coverage.

"It is such a differentiator to employees when a company has a rich benefits program, including its healthcare coverage. We've

really taken pride in being able to offer that to our employees," notes Beth Tackett, Director of Human Resources for Viking Range. "On the other hand, you can definitely see how that could be a drain on profitability," she says.

In response to rising costs – especially a spike in pharmaceutical spending – Viking adjusted some of its coverage levels and shifted a minimal premium cost to employees. However, it soon became clear that the impact on expenses

was not commensurate with the additional burden that was placed on employees.

"The adjustments we were making – such as increasing deductibles by \$100 – had a minimal impact on offsetting costs...but they were having a huge impact on many employees," Tackett points out.

The situation prompted Viking to seek a better solution.

Solution

In January of 2010, Viking established a relationship with WellNet Healthcare Group, a national healthcare management company based in Bethesda, Md. Working with Mutual Assurance Administrators, Viking's third party administrator (TPA), a wellness program was launched leveraging the principles of Healthcare Performance Management (HPM). Viking's goals were to:

- Identify and target health plan members with high historic and predicted pharmaceutical and medical expenses;
- Engage members in a highly personalized manner; and
- Address lifestyle behaviors by providing members with the tools and knowledge to lead healthier lives.

The first step in Viking's wellness strategy was to identify its highest-risk members by analyzing historical data using predictive modeling software that was compliant with the Health Insurance Portability and Accountability Act (HIPAA). This provided Viking with insight necessary for registered nurse Care Managers to engage these members and deliver personalized care.

"WellNet delivered in-depth analysis of our healthcare plan without compromising our member's privacy. This allowed us to take actions which were far more cost-effective than the conventional approaches. The Care Managers began to engage with each of our high-risk members to monitor progress and ensure that our members were being compliant with their medications," Tackett recalls.

HIGH & MEDIUM-RISK MEMBERS CLAIMS COST



The company initially identified 35 high-risk members who accounted for \$1.6 million in claims costs. WellNet then expanded its focus to 292 medium-risk members who accounted for \$1.7 million in claims costs.

“We thought that in the initial stages, this process would increase our pharmacy costs due to employee compliance. But, we also realized that it was a good long-term strategy. We understood that the Healthcare Performance Management approach would significantly reduce the total medical claims in the next one to five years. We’ve now been able to see a dramatic difference in our ability to understand the factors that are driving our health plan costs.”

Direct interaction with Viking’s employees was a critical success factor in the care management program. By providing personalized attention, Care Managers were able to provide

guidance that would specifically target each member’s conditions and vulnerabilities. This proactive outreach was enabled by cloud computing technologies which allowed nurses, plan members and other players in the healthcare program to coordinate, collaborate and communicate.

While initially concerned about employee reception, Tackett recalls that most employees actually appreciated receiving a high level of attention and guidance about their health.

Care Managers reached out and engaged these members mostly at their homes. They called them directly and sent letters to introduce themselves, and would

have in-depth conversations and establish ongoing lines of communication using private and secure email in a protected cloud environment.

“We were concerned that employees might feel uncomfortable discussing sensitive issues because most people don’t even have the opportunity to discuss their medical condition at length with their own doctor. Typically, they’re accustomed to seeing a doctor for a very brief time, getting a prescription, and then going straight to the pharmacy. It was heartening to get positive feedback from employees on their experiences with their Care Manager.”

Incentives and Executive Management Support

So far, Care Managers have actively engaged 54 percent of the members targeted in the outreach phase of the program. This high level of success is a function of the disciplined communication campaign. But is also a function of the carefully crafted incentives that were created to encourage engaged participation.

“We have the good fortune of being able to offer employee gift cards for use with our hospitality

group,” says Tackett. “We have a fine dining restaurant, a spa, a cooking school as well as our Viking retail store. Employees who participate with their Care Manager receive a \$75 gift card upon completion of their initial 90-day program.”

Another important success factor revolves around the support that the program has received from its senior executive leadership.

“Our founder and CEO, Fred Carl, Jr., is a real champion for us. I’m very fortunate that I have the opportunity to work with a CEO who ‘gets it.’ He truly understands the value of the employees and what their contributions do for this company. Without that, I think we’d be having a very different conversation today,” says Tackett.

Benefits

There have been a series of expected and unexpected benefits from the adoption of an aggressive Healthcare Performance Management

strategy. For instance, Viking has been able to offer richer benefits and a broader range of services to high-risk employees and members who need it most. Allowing Care

Managers to directly contact and establish relationships with these members has played a critical role in meeting preventive care objectives, explains Tackett.

“For employees to actually have a chance to talk to a dedicated registered nurse Care Manager has been great. They walk members through the process of understanding how to manage high blood pressure and the importance of medication compliance. You would be surprised by the impact of simply getting a periodic reminder,” Tackett says.

Viking’s adoption of an HPM strategy has led them to control their overall healthcare expenses, making it possible to continue offering comprehensive coverage at an affordable cost.

Additional benefits include the recruiting and loyalty advantages that Viking gets by maintaining its rich benefits programs.

“We have created a workplace that has a wellness mindset. Our ability to offer a rich benefits program to our employees has definitely made us more competitive among industry employers who are going for the same engineers with appliance experience. It is a very good recruiting opportunity for us.”

Achieving this result, however, does require an overarching focus on long-term cost and outcome objectives. Viking’s pharmaceutical costs actually rose in the first year because of higher compliance with medications. However, these costs were more than offset by reduced hospitalizations and lower medical claims costs.

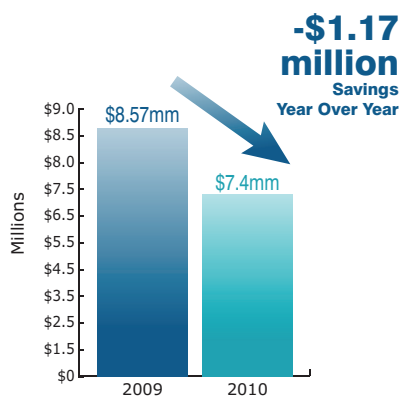
After only two years, Viking still views its wellness program and the use of HPM tools as being in its initial stages. The company recognizes that the larger long-term benefits – such as total cost savings and cost avoidance – will come after years of consistent participation by employees.

“We realized that our pharmacy management costs would increase during that first year as employees became compliant, and it did. But it stabilized and even reduced during the second year. We’re now seeing medical costs on a per member per month basis being reduced. As we remain engaged and active with this approach, we expect healthcare costs to continue to go down in the years to come.”

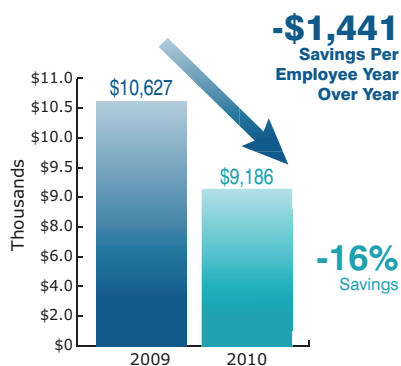
“There are always going to be people each year who show up in those high- and medium-risk categories. If we don’t work together to manage their wellness appropriately, then nobody wins. We want to be able to work with employees even more strategically. We intend to offer more education to them and really engage them with WellNet. It is great that we have a 54 percent participation rate, but we certainly would love to have 100 percent participation in the future.”

The HPM strategy has had a positive effect on productivity and attendance. “Sick leave is down. There’s no doubt that the employees who have participated in the process are more productive. Absenteeism has been lowered as a result.”

MEDICAL/Rx PAID CLAIMS



MEDICAL/Rx PER EMPLOYEE PER YEAR



About the HPM Institute

The Healthcare Performance Management Institute (HPM Institute) is a research and education organization dedicated to promoting the use of business technology and management principles that deliver better and more cost-effective healthcare benefits for employers who cover their employees.

The Institute's mission is to introduce and develop a new corporate discipline called Healthcare Performance Management (HPM) — a technology-enabled business strategy that tackles the challenge of controlling healthcare cost and quality in much the same way that enterprises have optimized customer relations, supply chain management and enterprise resource management. HPM provides C-level executives with visibility and control over company healthcare benefits spending trends and risk management postures, while protecting individual employee privacy.

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