Safeway Wellness Program

Chris Armijo, Elvis Gonzalez, Stephanie Kessinger, Scott Sorquist

Army-Baylor University

HCA 5389
SAFEWAY WELLNESS

Executive Summary

As healthcare expenditures continue to soar in America, workplace wellness programs have emerged to control spending, reduce health risks, and improve quality of life. Wellness programs are present in nearly half of US employers with 50 employees or more (Zula, 2014). The Safeway Corporation is a leader in workplace wellness initiatives. Wellness programs in the workplace, such as Safeway’s, have cut cost of health care expenses while promoting healthy behavior. Although these programs have yet to be fully evidence-based, the past decade they have gained federal and employer support. The current literature is conflicting on supporting the evidence of cost savings with wellness programs. The current best practice for work place programs includes communication, leadership commitment, leveraging resources, involved employees, and continuous improvement (Zula, 2014).
SAFEWAY WELLNESS

Background

In 2008, Safeway Supermarkets began an employer-ran health insurance program that tied its employees’ health insurance premiums to wellness incentives that are completely outcome-based (Volpp, Asch, Galvin, & Loewenstein, 2011). The intent of this program was to achieve flat health care costs, which it successfully achieved from 2005 to 2009. Instead of telling their employees they are on their own, Safeway’s approach to employee health care was created with the intent to help employees lose weight and become more physically fit. By creating a healthier workforce, Safeway engineered a way to cuts costs for both employer and employee (Bensinger, 2009).

When asked about his company’s approach to employee health insurance, Safeway Senior Vice President Ken Shachmut described it as more of a systematic solution for what the company deemed a systematic challenge (Bensinger, 2009). Safeway’s approach, which has been termed “health re-engineering”, encourages individuals to take a more active role in controlling the money they spend on health care while emphasizing preventing illness as oppose to treating it. While employees who smoke, have high body mass index, or have high cholesterol pay higher premiums, those who live generally healthy lifestyles and exercised on a regular basis were rewarded with decreased premiums. In short, employees are rewarded for modifying their habits with lower premiums (Volpp, Asch, Galvin, & Loewenstein, 2011).

Safeway’s Healthy Measures plan focused on four common medical risks to determine if an employee was eligible for price breaks on premiums. These risks are smoking, obesity, high blood pressure, and high cholesterol (Bensinger, 2009). Those employees who met the company’s set standards for these four risks received an $800 annual rebate on health insurance premiums. Discounts were given for each risk factor and if an employee failed to meet one or
SAFEWAY WELLNESS

more of the objectives he/she would be eligible for a retroactive rebate if enough improvement was made by the end of the calendar year (Bensinger, 2009).

Literature Review

Employer-based wellness programs are being studied by many sources to prove their efficiency and effectiveness. The shortcoming of literature leaves the evidence of success to be fully proven. A review of the literature by Zula (2014) indicates the best practice guidelines for wellness programs. It concluded the need for more leadership involvement and adaptability of the wellness program. The utilization of best practice initiatives can improve productivity, reduce absenteeism, and reduce turnover (Zula, 2014).

A review of health-promoting programs by Howitz, Kelly, and DiNardo (2013) suggest that the cost savings from such programs are shifted to unhealthy workers. Limitation of discrimination based on health is a goal of the Affordable Care Act that wellness programs may undermine. This review found little evidence to support the cost savings for employers by decrease of medical care (Horwitz, Kelly, & DiNardo, 2013).

The final study reviewed a sample of ten large firms (more than 1,000 employees) across multiple locations with voluntary wellness programs. The evidence suggested a return on investment of $3.27 on every dollar spent on employee wellness programs to include health care cost and reduction in absenteeism (Baicker, Cutler, & Song, 2010). The cost savings benefited the employee and the employer with reduced healthcare expenditures and insurance premiums.

Results of Implementation

There are several components to the results of the Safeway Healthy Measures Program to include the net health improvement, dollar cost savings per capita, unintended health expenditures, policy effect, carrot-stick paradigm, and the legal context. Each will be explored
SAFEWAY WELLNESS

in turn. But, it is important to point out up front that of the 200,000 Safeway employees, the law permits only about 28,000 to participate in the program and only about 17,000 of those actually participate. Further, its voluntary nature poses some selection bias problems, making interpretation of the data difficult.

Regarding the net health improvement, the company spokesperson, Teena Massingill (Hilzenrath, 2010), reports that from 2008 to 2009, of those who participated in the program those categorized as obese fell by 5%. Forty-percent who failed the blood pressure test eventually passed it. Thirty-percent of former smokers were tobacco free. Finally, 17% of those that failed the cholesterol test passed. There is no doubt that the health condition of many people improved. What is unclear is whether these improvements will last over time or reduce costs.

In terms of costs, the numbers reported are difficult to navigate through and with dubious motivations possibly at work on both the part of the company and on the part of its critics. The company reported that over the four-year period it managed to keep healthcare costs flat. It is true at face value, but two elements are important. First, in 2006 the company’s costs dropped precipitously by 12.5% due to a restructuring of how the company administered its health care plan by changing the cost structure of who is first payer, second payer, and what the co-pays are thereafter. Second, the company did not actually introduce financial incentives based on the tests until 2009. When you separate the drop in 2006, the results of total costs were not flat.

There is the possibility that the upfront costs were incurred in the testing and will not yield the long-term effect of cost savings due to the transient nature of some employees. To understand more concretely, imagine covering the initial and recurrent annual costs of testing combined with the monetary kickbacks of successfully passing the tests in the form of premium discounts and refunds. This healthy behavior is desirable, but we have no information about the
SAFEWAY WELLNESS

period of return in the future when costs are expected to be low because that person avoided
disease due to better behavioral choices earlier. Longevity, or lack there-of, in the company
could undermine cost avoidance.

The legal context is important here. It is noteworthy to point out that the financial
rewards are in fact constrained by law and the practices of Safeway are right at the legal
threshold. HIPAA, the Employee Retirement Income Security Act of 1974, and the Public
Health Service Act collectively apply a series of limitations on discrimination provisions of
wellness programs based on health status. Essentially, the reward can be no more than 20% of
the cost of the member’s coverage; the program is reasonably designed to promote health and
prevent disease; reward is available once a year; it is available to similarly situated employees, is
medically advisable to meet standards, and alternatives are available (Schmidt, 2010). What
these laws and rules are intended to do is protect employees from the unfair financial burdens of
paying higher costs associated with their medical condition. This is best understood by
considering a patient with a pre-existing condition who is dropped from coverage or precluded
from future coverage.

Whether you view the incentives as carrots or sticks is a matter of perspective. Wrapping
the whole matter as a health initiative out of the corporate benevolence of Safeway misses a huge
point that in fact makes the distinction between carrot and stick irrelevant. The point is that this
is all about the total cost of employees. Was the program successful? It depends on what the
goal was. If the goals were to improve the health of its workforce, data of that success would be
made available to the public. So far, the health and cost data has been withheld. If the point is to
contain costs, then that should not be obscured by trimmings of good-hearted concern for health.
The following quote by the company Senior Vice President Ken Shachmut is telling: “I have no
problem with a smoker having a 10-pack-a-day habit and killing him or herself… I mean, it’s a personal choice. It’s a free country. I just don’t want to have to pay the health-care costs of that personal choice.” (Downey, 2013).

Conclusion

The potential for cost savings and an improved health of the workforce is possible with the implementation of an employee wellness program. Safeway is a leader in the initiative to improve the health of its employees while reducing cost. The evidence is still pending on the best practice for the most cost effective wellness program. Other challenges include the possibility of cost shifting to unhealthy employees or adding a different factor to discrimination in healthcare coverage. In conclusion, the Safeway Healthy Measures Initiative has potentially promising results of decreased healthcare expenditures while improving the health of America. A more rigorous analysis over time will be required to establish the effectiveness of workplace wellness initiatives.
SAFEWAY WELLNESS

REFERENCES


http://www.downeyobesityreport.com/2013/01/employer-wellness-incentives-questionable-origin/


