

Setting The Record Straight- Safeway's Healthcare Success

A January 17, 2010 Washington Post article by David Hilzenrath asserts that Safeway's healthcare story is not a cost control success story but instead is a "myth." The article suggests that financial incentives coupled with wellness programs have not yet proven to lower healthcare costs. As a result, he argues it would be a mistake to expand these incentives as currently proposed in the Senate healthcare bill. Hilzenrath is wrong on all counts. Safeway is an indisputable success story. Incentives and wellness programs have been proven to work. Furthermore, the provision to enhance these incentives may, in fact, be the most powerful feature for controlling rising healthcare costs in the entire Senate bill.

Indisputable Success Story

Safeway's "all in" (employer and employee) per capita costs have risen only 2% from 2005 to 2009 while the balance of American companies have experienced a cumulative increase of 38%. Had Safeway held its healthcare benefits constant, per capita costs would have fallen to 5% below 2005 levels. Instead, we chose to expand our benefits. Hilzenrath is pre-occupied with Safeway's costs not being uniformly flat for four years. He completely misses the point that our costs, while remaining nearly flat, were 36 percentage points lower than the rest of industry.

The article also suggests our results are somehow invalidated because they result from factors not entirely confined to financial incentives. We have never suggested our cost control success resulted only from financial incentives. We have made dozens of plan design changes, many of which have altered employee behavior and therefore lowered health costs. Among the more important are: a health reimbursement account, fully-paid health screenings, a 24/7 nurse hotline, free or discounted gym memberships, conversion to a non-smoking campus, Weight Watchers subsidies, other weight management programs, and a dramatic change from branded to generic drugs. Then, beginning in 2008, we introduced our Healthy Measures program supported with financial incentives.

Experts Agree: Incentives and Wellness Programs Work

Hilzenrath says the benefits (meaning a decline in healthcare costs) from financial incentives coupled with wellness programs are untested and unproven. We disagree. One of the great health success stories of the last 25 years is the decline in smoking. This decline (which healthcare authorities universally agree improves health, reduces healthcare needs and therefore reduces healthcare costs) has been attributed to two key changes. The first is the increase in tobacco taxes which have dramatically increased the cost of smoking. The second is restricting the opportunity to smoke. These restrictions started with airplanes and were then extended to restaurants, public offices, other public places and finally bars.

Safeway's elevated health insurance premium for smokers is no different than a tobacco tax (a proven smoking deterrent). Our conversion to a non-smoking campus has further restricted the opportunity to smoke (a proven deterrent). We have facilitated the quitting process by offering free cessation products. The fact that we have not separated the independent measurement of these three elements does not invalidate the proof that financial incentives and wellness programs work.

Stated differently, the American Heart Association and the American Cancer Society can not validate the impact of tobacco taxes and public smoking restrictions, which they have, without also validating our incentives and wellness programs. When you consider that 30% of the employees and spouses who failed last year's smoking standard (i.e., they smoked) passed the 2009 screening...we believe we have proven our program works.

Medical authorities also agree that high blood pressure, high cholesterol and obesity increase the risk of cardiovascular and other diseases. If these out-of-control factors are brought under control, it is a widely accepted fact that general health is improved, future healthcare needs are reduced and, therefore, future healthcare costs for a group of affected individuals will decline.

In Safeway's recent re-testing efforts we saw dramatic changes among our "healthy measures" population. For the population that failed the high blood pressure standard last year, 40% met the standard this year. For those who failed the cholesterol standard, 17% percent met the standard in late 2009. With respect to obesity, 16% who failed the standard in 2008 either met the standard in 2009 or achieved a 10% improvement in their Body Mass Index (BMI) level. As a result, Safeway's non-union workforce now has an obesity rate of 23% down from 28% in the first year...an unprecedented achievement.

Our failure to separate the financial incentives component from the wellness component (which is required by law) does not invalidate the proof that financial incentives coupled with wellness works to lower healthcare costs.

Increasing Incentives Will Bend the Cost Curve

Under current law, we are restricted in our ability to apply financial incentives. The incentives used to date by Safeway don't begin to match the cost of the unhealthy behaviors. In addition, there are so many other behaviors we would like to incentivize. For example, we would like to encourage pre-diabetics to take steps to avoid becoming diabetics. We would like to reward existing diabetics for improving their HbA1C levels and we would like to reward patients taking medications for chronic conditions for complying with their prescription instructions. Today 35% of the population fails to renew prescriptions on time.

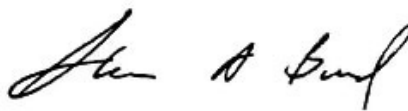
Contrary to the reporter's claims, Safeway does not penalize health status. We are focused entirely on behaviors that are controllable by the individual. Should a patient's physician conclude the behavior is not controllable, we are required by law to alter the health standard and we do so.

If the current Senate provision becomes law, it will not create an immediate increase to the reporter's \$6,688. The provision would increase potential incentives from 20% of total premiums to 30%. This would be \$2,340 for a family in the Safeway plan, not \$6,688.

Summary

The incentives provision of the Senate healthcare bill is among the most powerful ways to bend the cost curve. No one should be influenced by the incomplete and misleading analysis of this article. You will be hard pressed to find any practicing cardiologist or oncologist who would argue against the wisdom of incentives, including renowned heart surgeon and Cleveland Clinic CEO, Dr. Toby Cosgrove; Dr. Michael Roizen, Chief Wellness Officer of the Cleveland Clinic; Dr. Ken Cooper, a prominent expert in preventive medicine and Founder of the Cooper Clinic; Dr. Dean Ornish, Clinical Professor of Medicine at the University of California of San Francisco and Founder of the Preventive Medicine Research Institute; and Dr. Jonathan Simons, Founding Director of the Winship Cancer Institute at Emory University and CEO of the Prostate Cancer Foundation.

In fact, these leaders wrote a letter to Senate Finance Chairman Baucus early this month that endorsed proceeding with the proposed legislative change to HIPAA limits and thoroughly debunked all criticism that detractors have made on the issue. Their letter says, "Behavior incentives to motivate healthy lifestyles constitute a major step in the right direction." These incentives are welcomed by practicing physicians because they reinforce the medical advice contained in their prescriptions for improved health. We should rally around this Senate provision—not naively argue against it.



Steven A. Burd
Chairman, President and Chief Executive Officer
Safeway Inc.

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