

Why Health Insurance Doesn't Work

Because of a growing awareness that the current system is unsustainable, reformers are promoting disease prevention. A look at one campaign leader.

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Health-care costs—really, disease-care costs—continue to rise faster than inflation and wage increases, and are reaching a tipping point. According to the Kaiser Family Foundation, [premiums have risen 87 percent in the past six years](#) to an average of \$11,480 annually for family coverage, which is almost what a minimum-wage worker earns. And over 47 million Americans don't have health insurance at all, which is appalling. This issue is already playing an important role in the presidential campaign.

Most Americans receive health insurance from their employers. As costs continue to rise, there is a growing awareness that this system is unsustainable. An unusual alliance is beginning to emerge between management and labor, Democrats and Republicans, conservatives and liberals. One of the leaders of this influential movement is Steve Burd, CEO of Safeway. We met a few years ago, when the Safeway Foundation provided a grant to the nonprofit Preventive Medicine Research Institute (which I direct) in support of our research showing that [comprehensive lifestyle changes may stop or reverse the progression of prostate cancer](#). I interviewed him earlier this week.

Excerpts:

Dean Ornish: What are you trying to accomplish?

Steve Burd: We're trying to take a leadership role in solving the nation's health-care crisis. We want everybody in this country to have health insurance. In our experience at Safeway, we're confident that we can actually improve the quality of health care while taking costs down and using the savings to help finance coverage of low-income people who are clearly going to need help to pay for insurance. And there's no need to raise taxes.

How did you get interested in this issue?

Our health-care costs for our employees reached \$1 billion and were exceeding our net income by about 20 percent.

Clearly, that's not sustainable.

No, it's not. We're a high-volume, low-margin business, so we decided to reinvent our own approach to health care. The great revelation was that 50-70 percent of health-care costs are driven by people's behaviors. Ten years ago, I thought genetics played an overpowering role. I've now come to believe that personal behavior really plays a much larger role.

The Interheart study looked at 30,000 men and women in 52 countries on every continent and found that nine factors—all related to diet and lifestyle—accounted for more than 90 percent of the risk of coronary heart disease, which is the No. 1 cause of premature death. So, your number may be an underestimation.

Most people really don't have any idea that behavior is that important. And, for the most part, insurance plans don't take behavior into account as directly as we've done at Safeway.

Recently, [The New England Journal of Medicine](#) published a major study confirming what other research showed— that angioplasties and stents don't prolong life and don't even prevent heart attacks, yet \$30 billion was spent on those last year. In contrast, Mutual of Omaha found that almost 80 percent of people eligible for angioplasty or bypass surgery were able to safely avoid it by making the [comprehensive lifestyle changes we recommend](#) , saving almost \$30,000 per person in the first year. Why do you think people have become so enamored of high-tech interventions and drugs that are covered by most insurance plans and Medicare, whereas diet and lifestyle choices that may play an even bigger role both in quality of life, survival and costs are usually not covered?

Many Americans are looking for a quick fix. If I can take a pill or have a stent rather than change my lifestyle, that sounds easier. As I talk with policy makers, only a few seem to really understand the role of behavior in health-care costs. Most policy makers believe that solving the coverage problem is going to cost an enormous amount of money and that's why it hasn't been dealt with. Even people who thought behavior mattered believed that you had to make a big investment today and wait five to 10 years to begin experiencing the savings. The big surprise is that's not the case.

When we redesigned our health plan to reward people for healthful behaviors and prevention—such as an annual physical, a colonoscopy, regular mammograms, to name just a few, if you're diabetic you control your blood sugar, if you're overweight, you make a commitment to lose those extra pounds—those behavioral changes will clearly affect your health, clearly affect your longevity, and lower your costs and our costs.

What has been the experience at Safeway?

We saved 15 percent of our health-care costs the first year, flattened our costs the second year and rewarded our employees with a premium reduction of 25-34 percent. We've been paying for 100 percent of preventive care. But if you're not getting annual physicals, then you're not going to gain a financial incentive, so effectively your insurance premium with us will go up. It's not just that we suggest you do this; there's a strong financial incentive for you to behave in your own best interests. And, we continue adding incentives in our health-care plan. As a result, we believe that we can continue to improve the quality of care for our employees, make them healthier with some of our wellness programs, and in fact, continue to drive costs down.

You've been bringing together both the left and the right, Republicans and Democrats, management and labor. Yet only three years ago, Safeway had a contentious strike with its unions over trying to deal with rising health-care costs by cutting benefits. It cost everybody a lot of money, and nobody really won. But you're now saying, "We can take a different approach where everyone wins and we can all come together." Last month, for example, we went together to Dallas and met with several union and business leaders to discuss these ideas, and it was a constructive dialogue. What changed?

I think there's a natural alliance between business and labor on this issue, and there's been a sea

change. This is clearly a nonpartisan issue. The reason business is getting engaged is that costs are rising and it's affecting global competitiveness. Labor leaders are engaged in this issue because health-care cost increases are eating away at their ability to get wage increases. Last year alone, health-care cost increases explained 50 percent of the rise in the consumer price index.

While we must always be competitive, I'm now advocating, along with union leaders, that we fundamentally change the rules of the game. That will not only drive health-care costs down and get everyone covered, but it will also improve the competitive landscape. When I talk to business leaders, I have yet to find a CEO who doesn't agree with the notion that everyone should be insured. That was not true 10 years ago.

What's different now?

I think the problem has simply gotten worse. It's interfering with companies' ability to be globally competitive. I now believe that health-care costs in this country—which run about \$2 trillion—can be reduced by 25-50 percent if we just remove some of the current obstacles to market forces.

In a true market-based system, consumers pay more when they get sick so there is a clear incentive to stay healthy. However, with insurance and other third-party payers—even with universal coverage—the market forces don't apply, since people pay essentially the same amount each year whether they're sick or healthy. How does your approach address this issue?

In our health-care plan, your premium fluctuates with your own personal behavior. If you choose not to engage in healthy behaviors, you will pay a higher premium in future years.

How will you be able to monitor that, and what do you say to people who say that you're turning into a version of the food police or Big Brother?

We have a third-party administrator, so all the information is kept confidential. That information is kept behind a HIPAA firewall. We don't want you to have any reason not to do the preventive stuff, so that is paid for 100 percent. But if you don't take advantage of that, then your premium will go up.

In some insurance companies, smokers already pay a higher premium today. And the average smoker costs about \$1,500 per year more. Individual responsibility is important. It's not fair for people with good, healthy behaviors to be subsidizing people with poor behaviors.

What kind of response have you gotten?

In the first year, about 45 percent of our eligible employees signed up. In the second year, it was 71 percent. The only other alternative plan people can choose from is an HMO, which has none of these behavior characteristics—you sign up and they take care of all your health care. The cost of that plan actually went up 8 percent last year. And I believe the cost of that plan will go up again.

So you're talking about universal coverage but not single-payer universal coverage?

That's correct. Sen. Ron Wyden from Oregon and Gov. Arnold Schwarzenegger from California advocate an individual mandate following the model of the automobile insurance industry. In California, for example, you have to buy liability insurance to drive a car, but you can buy it from many different companies.

In summary, you're saying that prevention is more cost effective than managed care because it addresses the more fundamental causes of health and illness.

Yes. Your preventive message has been influential on Safeway's health-care design in collaboration with our work with Cigna. The cornerstone of that design is really prevention and behavior, which is what you've been preaching for 30 years.

Besides helping our employees to stay healthy, we're helping our customers identify foods that are

particularly healthy for them to eat. Some of the healthiest foods are unbranded fruits and vegetables, so we've put signs in our produce section with notes from you, such as, "Did you know that these tomatoes are high in lycopene, which may reduce your risk of breast cancer and prostate cancer?" "Did you know that these blueberries may improve your memory?" You're our field guide. I envision a day when insurance companies give families discounts on their insurance for eating healthier foods.

There's no question that this problem is going to get solved if we address the root causes. Rarely in a lifetime does a problem this big, this complex, surface that you can sit around a water cooler and say: you know, we can solve this one. Prevention and behavior matter. They are the Holy Grail of a health-care solution.

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