

# International Truck and Engine Corporation

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## Health & Productivity Model

# International Truck and Engine Corporation

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- ◆ Leading manufacturer of class 5-8 commercial trucks and 130-300 horsepower diesel engines in the US & Canada
- ◆ \$8.6 billion in FY 1999 sales & revenues
- ◆ 18,500 total employees in the Americas
- ◆ Unionized workforce
- ◆ Recent expansion into Mexico, Brazil, & Argentina

# HPM - History

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## ◆ Individual Program Efforts

- Safety
- Disability cost & liability analysis
- Integration of Workers' Compensation with Disability
- Health care cost analysis & tracking

## ◆ HPM promotion

- Wellness Initiatives
- Absenteeism measurement

## ◆ Integration & Action

# Safety Developments

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- ◆ Crisis climate in early 80s
- ◆ Safety program changed through union negotiation
- ◆ Safety and health were secondary to environmental compliance
- ◆ Board of Directors involved in 90s

# Safety and Health Goals

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- ◆ Goals set at the Board of Directors level
- ◆ Safety is one of the CEOs performance goals
- ◆ Management performance bonuses tied to safety record
- ◆ Monthly statistics reported to corporate executive management committee

# Safety and Health Goals

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- ◆ Began with Incidence Frequency Rate ('96)
- ◆ Added Lost Time Case Rate ('97)
- ◆ Added Workers' Compensation cost ('97)
- ◆ Expanded to include audit remainder ('98)
- ◆ Disability added to workers' compensation cost ('99)

# Audit Program

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- ◆ Associated with financial audits
- ◆ Adopted/Adapted Goodyear protocol
- ◆ Quantitative audit helps prioritize preventive efforts
- ◆ Cross plant teams:
  - Joint participation
  - Union representatives used at non-union and international sites
  - Benchmarking opportunity
- ◆ Using ISO 9000 process for follow-up

# Safety and Health Results

- ◆ Results for FY97, FY98, and FY99 vs. previous 3 year average:

	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
Incident Freq Rate	- 27%	- 10%	- 23%
Lost-time Case Rate	- 33%	- 23%	- 20%
Workers' Comp costs	- 19%	- 6%	0%
Audit Remainder		- 13%	- 27%
Total		- 52%	- 69%

# Disability Cost & Liability Analysis

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- ◆ Disability recognized as both a significant:
  - Cash flow cost
  - Balance sheet liability
- ◆ Reduced balance sheet liability (FASB 112)
  - Original liability based on total eligibility
  - Methodology redone to take into account expected liability
  - Improved International profitability by reducing liability from \$43 million to \$31 million
- ◆ Focused on disability costs through:
  - More active case management
  - Return to work programs

# Integration of Workers' Compensation with Disability

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- ◆ Integration of occupational and environmental health, medical care, disability, workers' compensation and return-to-work management have shown to considerably reduce:
  - disability costs
  - days lost
  - medical costs
  - number of physician visits
- ◆ Single point of contact with all vendors
- ◆ Early intervention due to integration of services
- ◆ Early return-to-work planning
- ◆ More complete information about overall disability, workers' comp and health care costs

# Health Care Cost Analysis & Tracking

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- ◆ Monthly tracking indicators developed
  - Goal established
  - Focused team effort
  - New team bonus structure
- ◆ Health risk assessment
  - Financial
  - Clinical
- ◆ Health care data analysis used to support union negotiations

# Health Risk Assessment: Clinical

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- ◆ Population based management
- ◆ Identify areas of risks and intervention
  - For International’s employee population, cardiovascular and musculoskeletal are clearly the two leading disease categories.
  - High risk areas: Activity & Exercise, Smoking, Cholesterol, Weight, Stress
- ◆ Recognize competitive disadvantage
  - Norms show that International has at least 19% to 34% excess inpatient cases
  - The result of our “excess illness” and loss of productivity is a competitive disadvantage

# Health Risk Assessment: Financial

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- ◆ Estimated avoidable costs for employees (Excluding families or retirees)
  - \$19 million in direct cost
  - \$38 million in indirect cost
- ◆ Estimates based on HRA for 3,150 active employees
- ◆ International's per unit cost of service is higher than its competitors' cost by:
  - 47% to 53% for inpatient services
  - 8% to 46% for outpatient services

# Accomplishments - Care Delivery

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- ◆ Union contract re-negotiation
- ◆ Managed care vendor RFP leading to a risk-sharing arrangement
- ◆ Implementation of EAP / Mental Health program
- ◆ Improvements in site case management through occupational health areas
- ◆ Use of discounted arrangement for non-network claims
- ◆ Mail-order prescription initiatives
- ◆ Administrative expense reductions

# Employee Assistance Program (EAP)

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- ◆ International has a comprehensive EAP program
- ◆ Joint initiative with the UAW
- ◆ Union and non-union EAP representatives at each major site
- ◆ Utilization has been steadily increasing (10% currently)
- ◆ Work-Life is a major component of EAP services

# Accomplishments - Occupational Medicine

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- ◆ Focus on safety
- ◆ On-site physical therapy
- ◆ Disability management of medical costs
- ◆ Ergonomic programs
- ◆ On-site outpatient care
- ◆ Return-to-work program design
- ◆ International & expatriate care
- ◆ Aggressive case management

# HPM - History

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- ◆ Individual Program Efforts
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- ◆ HPM promotion
  - Wellness Initiatives
  - Absenteeism measurement
- ◆ Integration & Action

# HPM Promotion: Measurement of Employee Health is Productivity

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- ◆ For every \$1 in health care cost, there may be an additional \$2 of indirect costs \*
  - Paid Time Off:
    - ◆ Sick Leave, STD, LTD, WC Disability, Vacation
  - Medical Services:
    - ◆ Group Health, Workers' Compensation
  - Preventive Occupational Health & Safety
  - Productivity Loss / Replacement Cost:
    - ◆ Average Lost Days, Average Costs, Product Quality
  - Administrative Cost

\* Journal of Occupational and Environmental Medicine, March 1997, Brady et al, "Defining Total Corporate Health and Safety Costs - Significance & Impact"

# HPM Promotion: How Do We Tackle the Problem?

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- ◆ Integration of the three components:
  - Health Promotion / Disease Prevention
  - Care Delivery (Acute & Chronic)
  - Occupational / Environmental Medicine
- ◆ How to achieve the integration?
  - Awareness of full impact to the bottom line
  - Functional integration between departments
  - Commitment to view health & productivity as a business asset
  - Set of performance indicators / outcome measures

# Wellness Initiatives: *Vital Lives*

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- ◆ Enlistment of our Chairman as champion
- ◆ Formation of corporate and site committees
- ◆ Corporate coordination and/or sponsorship of:
  - *Scientific* approach to selection of programs and measurement of program success
  - Wellness summit
  - Company-wide Health Risk Assessment data collection and database formation
  - Self care initiative
- ◆ Site-specific efforts such as construction of fitness centers

# Wellness Initiatives: Work-Life

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- ◆ As more employees find less time for personal matters, the need arises for a comprehensive work-life program
- ◆ The goal of the work-life program is to improve the quality of life for International employees and their families, while assisting International achieve its financial goals through improved productivity

# Work-Life Program Components

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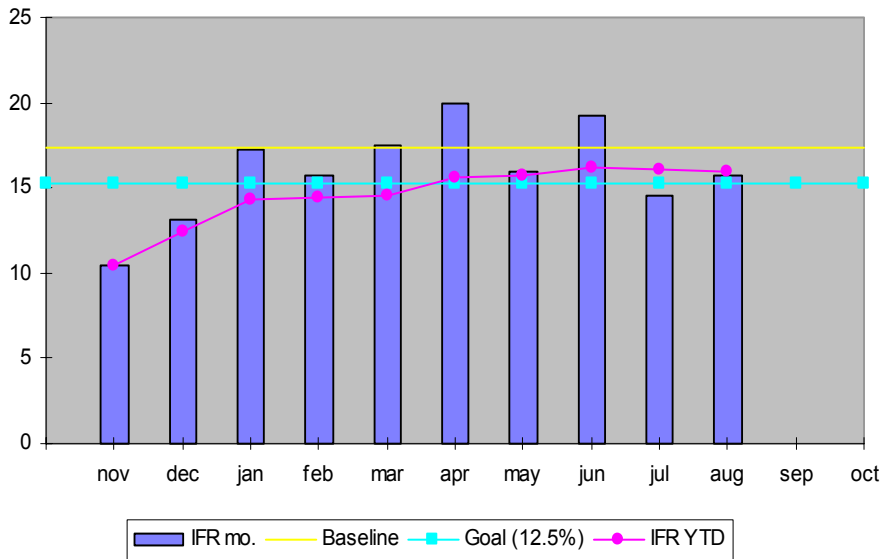
- ◆ Child care
- ◆ Elder care
- ◆ Clinical counseling
  - depression, stress, life transitions, marital issues, relationships, any other issue affecting the employee or family member
- ◆ Financial consultation
- ◆ Pre-retirement counseling
- ◆ Organizing life's affairs
- ◆ Legal counseling

# Absenteeism Measurement

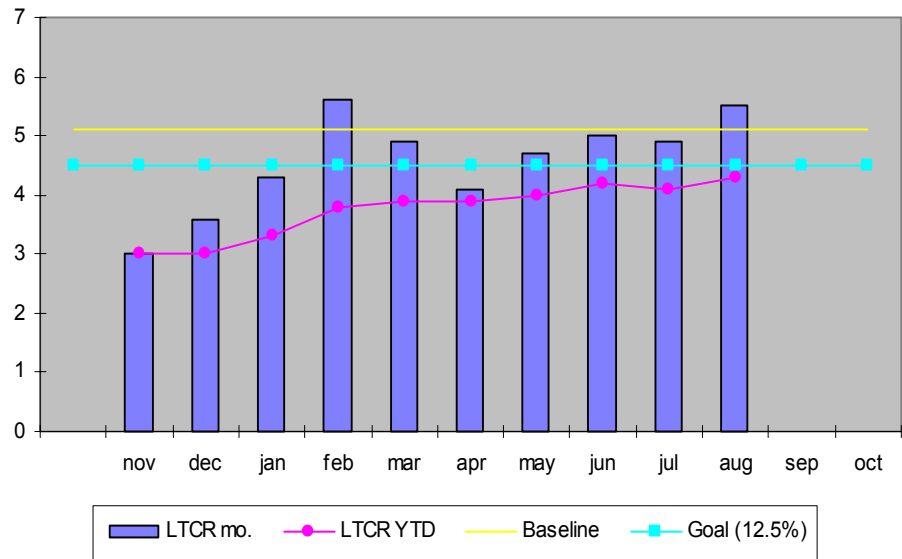
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- ◆ Final measure of the 1st generation model
- ◆ Most difficult measure to capture
  - Available for most of the manufacturing facilities
  - Available for hourly employees
  - Data poor for salaried employees
- ◆ Relying on a consistent measure from current systems
- ◆ Absenteeism increasingly a management focus
- ◆ HR and Blackbelt program

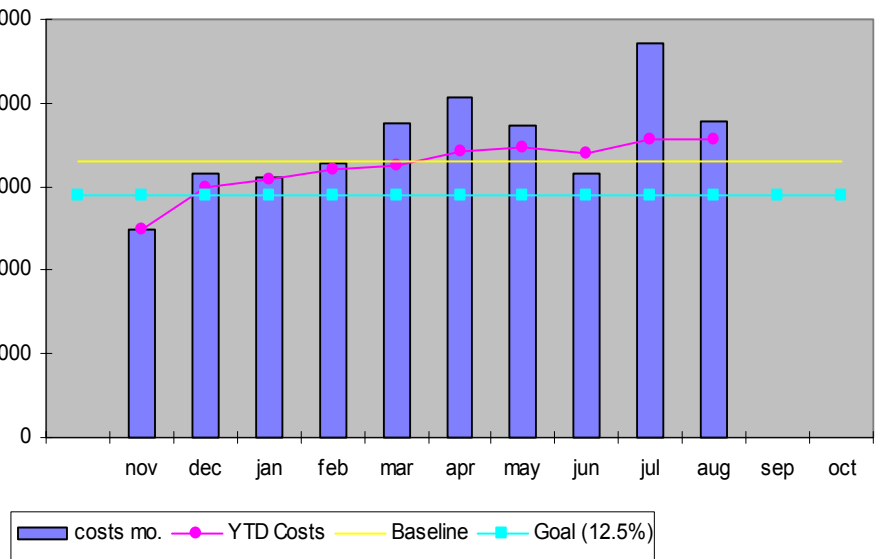
**1999 Incident Frequency Rate  
Manufacturing Operations**



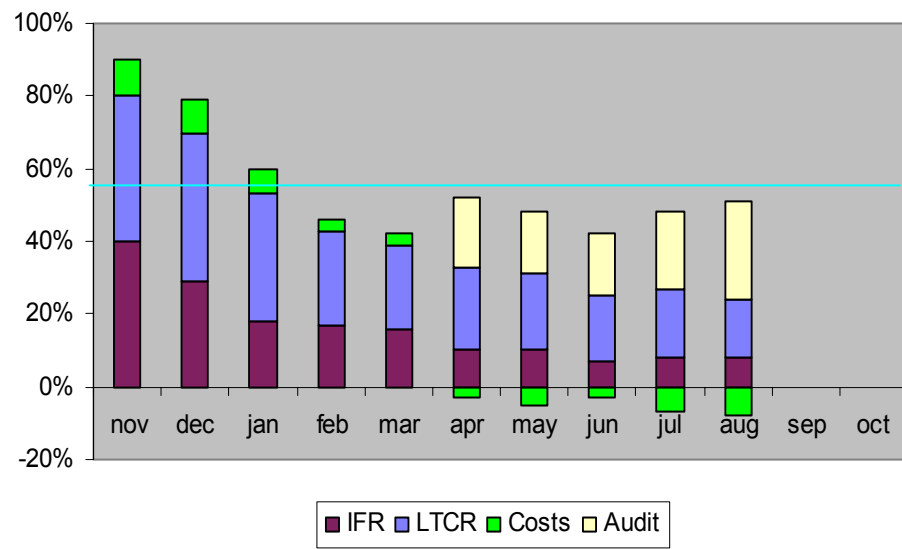
**1999 Lost Time Case Rate  
Manufacturing Operations**



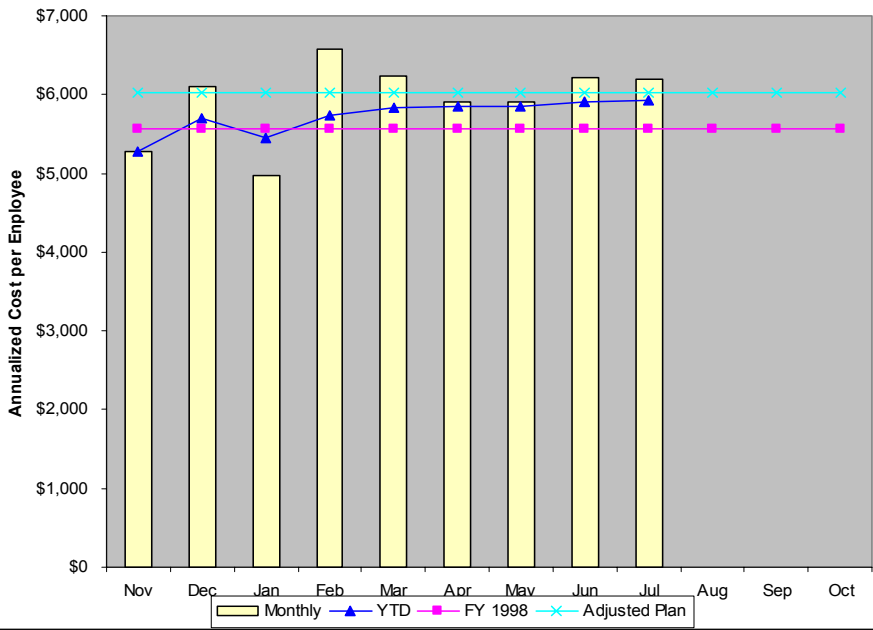
**1999 Workers Compensation, STD and LTD Costs  
Manufacturing Operations**



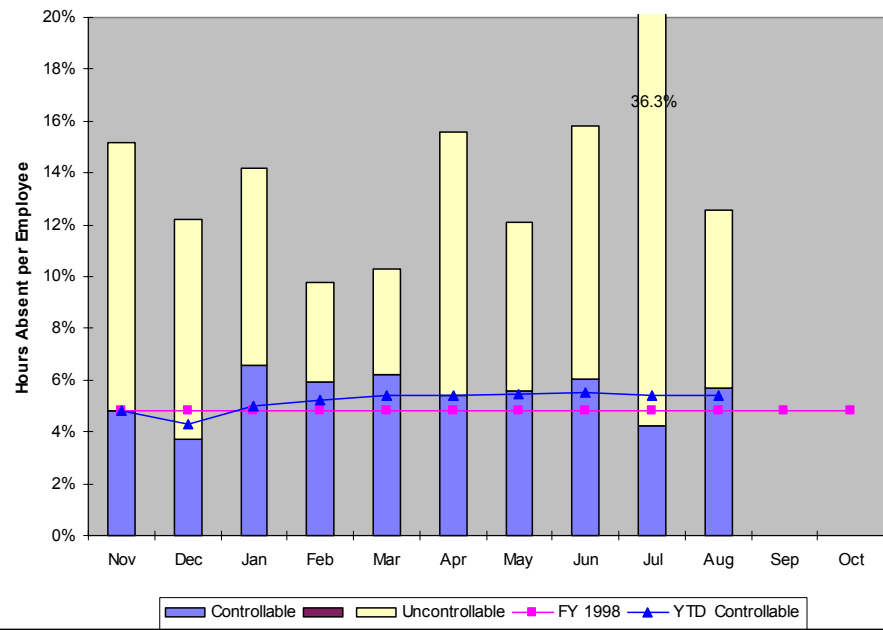
**1999 Safety Performance Summary  
Goal is 50% Combined Improvement**



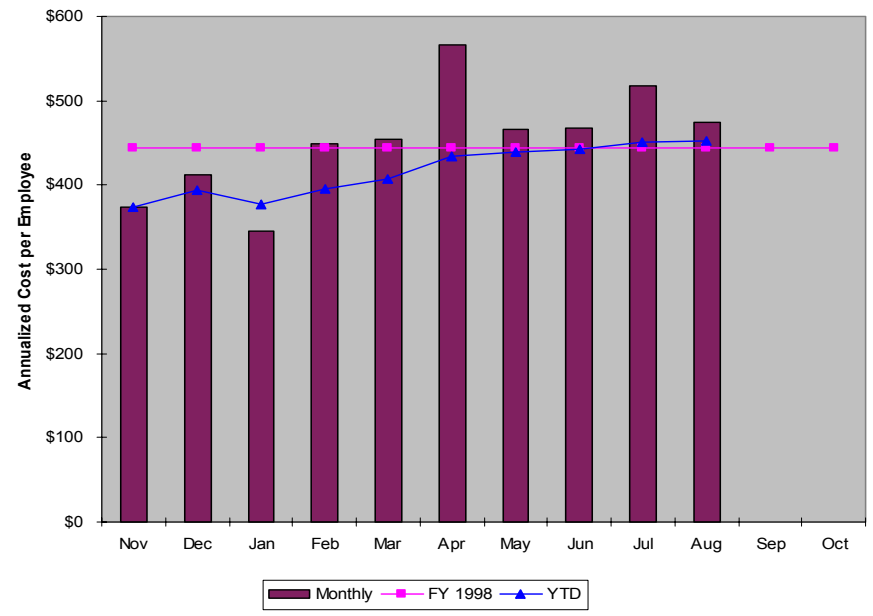
### Active Health Care Costs



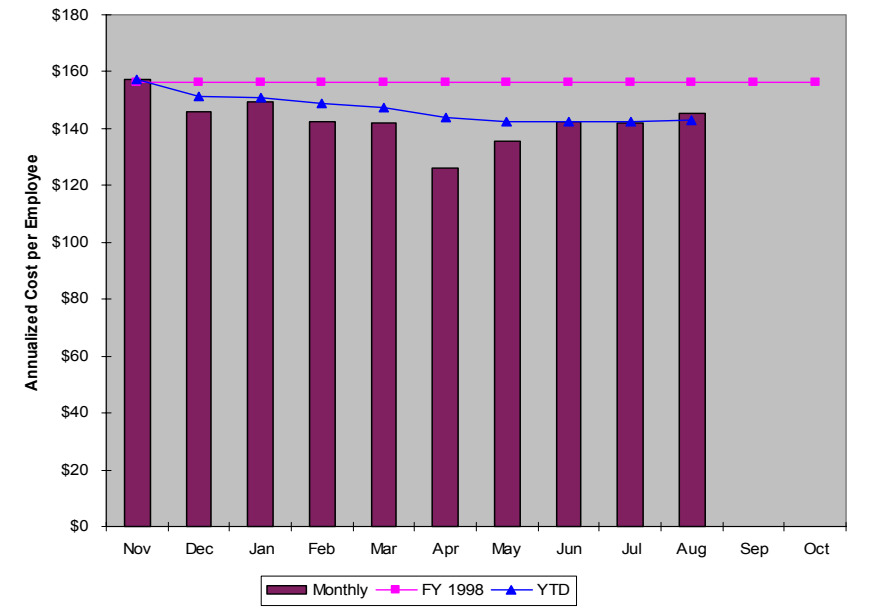
### Absenteeism



### Short Term Disability



### Long Term Disability



# Partnership Example

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- ◆ Study focused on cardiovascular disease management
- ◆ 3 Phases
  - Patient Identification
  - Intervention
  - Outcomes Measurement
- ◆ Shared Resources

# Cardiovascular Disease Management

## Patient Identification

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- ◆ Data Analysis using:
  - Utilization review and pre-certification data
  - Medical claims
  - Pharmacy claims
  - Disability
  - Absenteeism
- ◆ Health Risk Assessment

# Cardiovascular Disease Management Intervention

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- ◆ On-Site intervention with both employees and providers:
  - Physicians
  - Nurse case managers and pharmacists
  - Fitness centers with on-site physical therapy facilities
  - “Lunch & Learn” workshops for low risk individuals
- ◆ Telephonic intervention:
  - Aetna disease management program including clinical guidelines, nurse case managers, quality of life surveys, and physician profiling
- ◆ Targeted physician intervention through academic detailing

# Cardiovascular Disease Management Outcomes Measurement

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- ◆ Cedars Sinai research organization
- ◆ Measurement of success based on:
  - Change in baseline data from all sources
  - Self-selecting control group of non-participants
  - Different intensity interventions at different sites
- ◆ Definition of success:
  - Improved outcomes
  - Lower costs
  - Higher quality of life
  - Improved productivity

# Partnership Example

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- ◆ Demonstration study of positive impact of non-sedating antihistamines on:
  - Workplace safety
  - Absenteeism
  - Productivity
- ◆ Pre and Post Intervention Study
- ◆ Resources
  - Full study funding
  - International pharmaceutical expense

# Seasonal Allergies & Workplace Safety Study Design

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- ◆ Case-control based on alternative sites
- ◆ Pre-Intervention baseline
  - Employee survey
  - Capture of current cost and safety record
- ◆ Intervention
  - Education
  - Enhanced access to NSAs
- ◆ Post-Intervention
  - Analysis of both case and control sites

# Seasonal Allergies & Workplace Safety

## Outcomes Measurement

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- ◆ Subject to FDA requirements for research
- ◆ Measurement of outcomes:
  - Safety record improvement, including workers' compensation cost
  - Decreased absenteeism
  - Improved productivity
  - Analysis of health claims and disability data

# NIOSH - UAW - Aetna Partnership

## Example of Intervention - AmTran

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### Issue

- Largest industry in a small community
- Outpatient costs increased 25% last year
- Limited ability to change outpatient cost through benefit plan modification

### Solution

- Occupational health clinic on-site to cover outpatient care of workforce
- If ROI (including productivity improvements) is 5:1 as anticipated, the next step is to establish an outpatient clinic to cover both employees and families