

CHAPTER 4

MILLENNIALS WILL REVOLUTIONIZE HEALTH BENEFITS



Boomers blamed their parents' generation for handing them a society rife with corruption and mindless conformity. Now it's their kids' turn to point the finger. Boomers are bankrupting the country in the name of health care that doesn't deliver on the quality or economic promises they bought hook, line, and sinker.

If we can't slay the health care beast, millennials will see their future stolen from them. As the largest generation in history and now the largest chunk of the workforce (see Figure 6), they will make their presence felt.

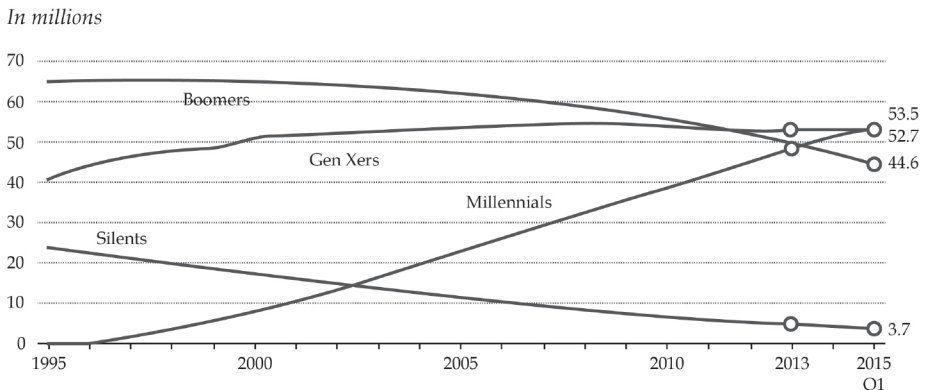


Figure 6. Source: Richard Fry, "Millennials Surpass Gen Xers as the Largest Generation in U.S. Labor Force," Pew Research Center, (July 4th, 2016).⁵⁰

Whether through government favoring the largest special interest groups (e.g., hospitals, pharmaceutical companies, and insurance companies) rather than the people or self-inflicted mistakes (e.g., the HMO “gatekeeper” and denial of care debacle), health care has been remarkably resilient to forces trying to disrupt it for decades—forces that have driven change in virtually every other sector from financial services to retail to travel. Millennials will bring this disruption to health care.

Becky and Her Biggest Expense

If you only read one (other) book about health care, read David Goldhill's *Catastrophic Care: Why Everything We Think We Know about Health Care Is Wrong*. Formerly CFO of a large media organization, Goldhill is currently CEO of The Game Show Network. He also lost his father to a hospital-acquired infection and saw numerous errors during that hospitalization. This experience caused Goldhill to bring his financial acumen to health care.

If he didn't break it down with well-sourced figures, Goldhill's conclusions would be unbelievable. Who could imagine that during their adult lives, one out of every two dollars earned by millennials over their careers will go to a health care system that is the perfect polar opposite to what they want and value? That is, if the current trajectory isn't altered. Keep in mind that, while well over 80 percent of health-related spending goes to the “sick care” system, that system only drives 20 percent of health outcomes.

Figure 7 tells a terrifying story, but more shocking is how conservative the assumptions behind the numbers are. The following description of these assumptions is from Goldhill's book.

Let's make a few assumptions about Becky's life. We'll say she gets married at thirty and has two children. She works until she's 65 and dies at 80. We'll also assume her income grows every year by 4 percent, so that at retirement she's earning \$180,000 a year. To simplify the analysis, we'll have

Share of Lifetime Earnings of a Millennial That Will Go to Health Care Unless We Change Course

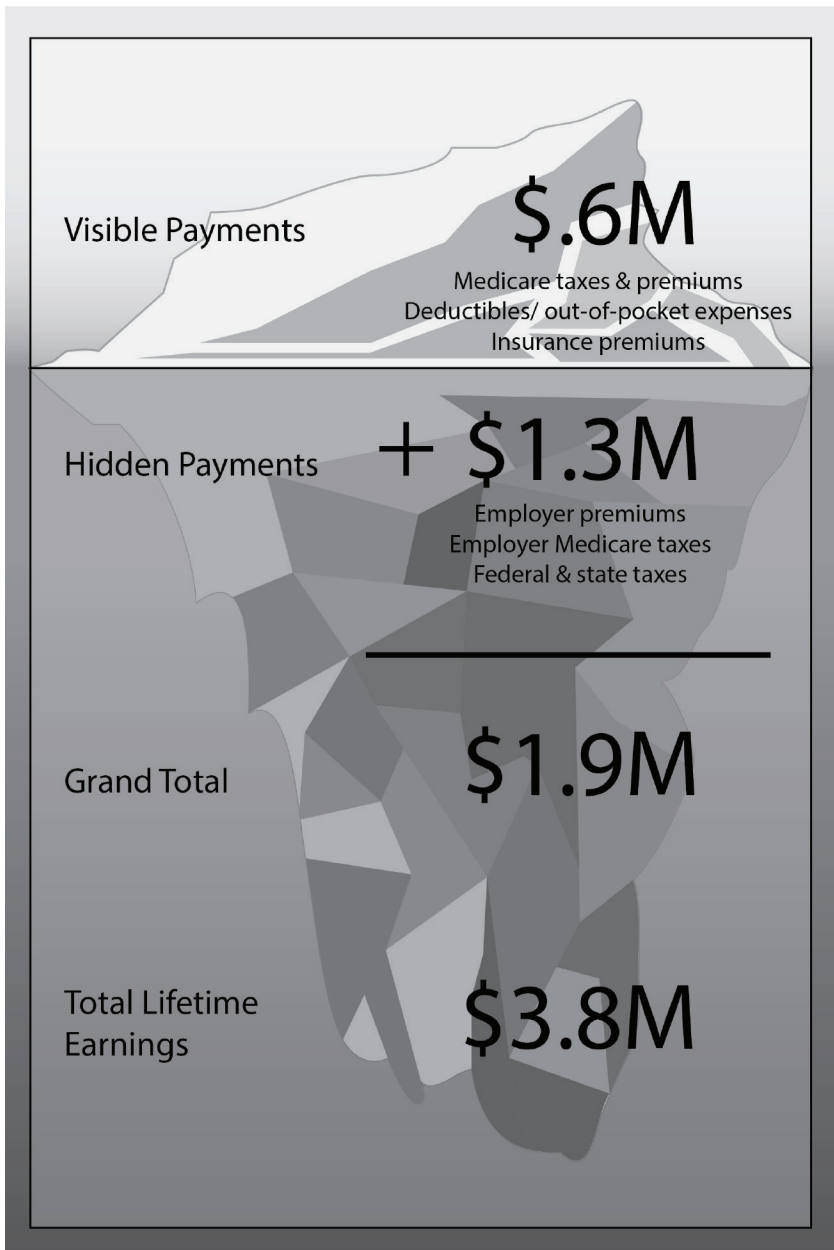


Figure 7. Source: Numbers come from Goldhill's book and are over the course of a millennial's lifetime.⁵¹

Becky's husband leave her to join an ashram when he turns 65, so she's only responsible for her own Medicare premiums. Let's also give Becky a stroke of good fortune and say that she and her dependents stay healthy, with no major health crisis requiring large out-of-pocket expenditures.

Now allow me to make a truly crazy assumption just for the sake of argument. Let's assume that health care costs grow at only 2 percent a year—half of Becky's income growth. This hasn't been true for forty-five years, but we can always hope. Given all those factors, how much do you think Becky will contribute to the health care system for herself and her dependents over her lifetime? I'll give you a hint: Becky will earn \$3.85 million over her career. The answer is \$1.9 million! If she has a working spouse, the two will contribute \$2.5 million into this system over their lifetimes.⁵²

How has this happened? Remember that Becky is almost certainly unaware of how many ways she is paying into the health care system, even though she'll probably put more into that system than she spends on anything else over her entire life.

This projection takes on added urgency when you consider that obesity rates have tripled among young adults in the past three decades, from 8 percent in 1971-1974 to 24 percent in 2005-2006, thanks to the diet of what Michael Pollan calls "food-like substances" that their Boomer parents fed them. This is causing millennials to engage more broadly in the health care system much earlier than previous generations. As Figure 8 shows, only 20 percent of health outcomes are the result of clinical care. The areas that represent the other 80 percent are a good place to start for understanding where millennials will likely take our health care system.

Finally, the jig is up. A do-it-yourself health reform movement is rising—and not a moment too soon. Solutions are coming from the edges: from forward-looking employers, innovative towns, fed-up physicians, and, especially, from millennials wising up. Ask any venture capitalist whom they study to get insight into the future and they'll give you a clear answer—millennials.

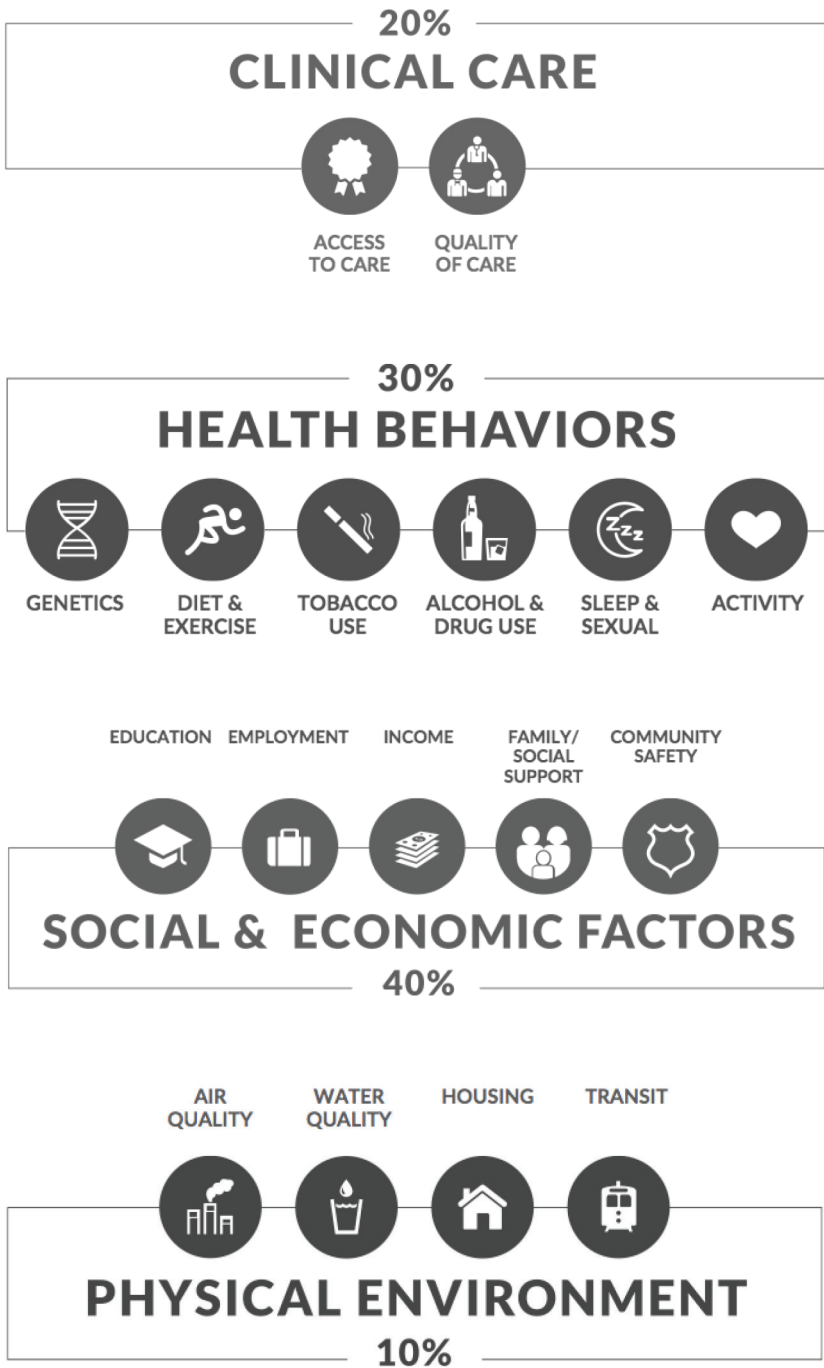


Figure 8. In the future, the health ecosystem will focus on the true drivers of outcomes, of which clinical care is only 20 percent.⁵³

Millennials to the Rescue

Millennials, people currently 20-36 in 2017, have driven society-wide change in many areas. Their early adoption of technology made smartphones, social media, and services such as Uber pervasive across all generations. That row of empty storefronts in your town? That's the power of millennials.

Financial services is a good example of millennials steering the market away from today's market leaders.⁵⁴

Well-known brand strategist Adam Hanft, author of *The Stunning Evolution of Millennials: They've Become the Ben Franklin Generation*, could have been talking about health care when he wrote:

[Millennials'] faith in technology is understandable. Algorithms don't act in their own self-interest. Algorithms weren't responsible for dreaming up sub-prime loans and nearly bringing down the financial system. Millennials didn't trust authority and conventional sources of wisdom before the melt-down. Imagine now. Wealthpoint argues that millennials: '...have been nickel-and-dimed through a wide variety of services, and they value simple, transparent, low-cost services.'⁵⁵

Millennials have also driven the growth of Wealthfront, an alternative to traditional financial advisers who frequently steer clients towards their own firm's financial products. In contrast, Wealthfront has mimicked, in algorithmic form, the portfolio investment strategies of the most sophisticated wealth managers (e.g., rebalancing portfolios, tax-loss harvesting), traditionally available only to very-high-net-worth individuals.

Hanft goes on to offer a word of warning to the financial industry that could just as easily be applied to the health care industry. "The giants of financial service haven't seen the [volcanic] shifts that travel, media, entertainment and home thermostats have. They will. Depending on who you are, the Ben Franklin generation is composed of 80 million Benedict Arnolds."

Industry giants may want to ignore this trend, but millennials are the canary in the coal mine, because the fact is everyone wants these features.

As Danny Chrichton, a venture capitalist investor at CRV—and a millennial—has said, “consumers want to be able to manage their finances from their phones and tablets while limiting their visits to bank branches and bank tellers. Plus, everyone hates bank fees, particularly their complexity and lack of transparency. The difference is that millennials are willing to shop elsewhere, because we are simply not going to accept that these are the only products on the market.”⁵⁶

Another example is of millennials forcing change is the newspaper industry. Millennials ignored newspapers as a source of news but, also as the de facto place to buy/sell items (Craigslist anyone?). Undermining classified ads, which were roughly half of newspaper profits, made newspapers a demonstrably worse product. Those profits previously supported the reporting that has declined sharply over the last 10 years. Many papers have even had to eliminate editions on some days, further accelerating the trend.

Health Care Priorities: Cost and Convenience

The health system parallels to newspaper classified ads are profit centers such as cardiac catheterization labs—sometimes nicknamed “cash labs” as they are also centers of overuse. Cardiac catheterization led to the development of wonderful interventions—angioplasty, coronary artery bypass grafts, stents—that revolutionized cardiology in the 20th century. Without question, this saved lives. But the fact that these procedures are grossly overused is no longer in question either.

Overuse in health care is not simply a matter of wasted resources, money, and time. It exposes patients to terrible harm—often including death. Here’s what happened to one 52-year-old woman who came into an ER with chest pain after starting a new exercise regime. Shannon Brownlee, Senior Vice President

of the Lown Institute, described the situation at the Health Care Town Hall Meeting at the Frontier Cafe in Brunswick, Maine on November 6, 2014:

“The emergency doctor thought it was almost certainly a pulled muscle, but just to be sure he ordered a new and special CT scan of the heart. It showed a little something, as these scans so often do, and so just to be sure he sent her to the cath lab. There was nothing wrong with her heart until they perforated her aorta. They did an emergency bypass from which she recovered; but then she had graft bypass rejection and she had to have her heart replaced. This is a person who came into the emergency room with a pulled muscle.”

Cath labs are no longer the sound investment they once were. Millennials, more than previous generations, want to know all the diagnostic and treatment possibilities when they're sick or injured and are more likely to select lower-cost, less invasive treatment options. This is also what most people of all generations want when given full information. Again, millennials are just the drivers.

Given their insistence on new ways of doing business on every front, it's not surprising that millennials are avoiding the ill-designed norms in health care. For example, selecting a doctor. It's not that millennials aren't loyal to their physicians when convenient, but they're far more willing than boomers to “doctor shop” until they are satisfied. They're looking for same-day appointments, online scheduling, easy access to their medical records, and the option to text or email the doctor between visits, according to KQED's Chrissy Farr.⁵⁷

The vast majority of people who use ZocDoc—a website that helps individuals schedule doctor's visits—are millennials. Many of the doctors who have signed up on ZocDoc offer text and email communication, as well as weekend and evening appointments.

Retail clinics, typically found in national pharmacy chains like Walgreens and CVS, are another innovation being embraced by cost- and convenience-conscious millennials. Between 2006 and 2014, the number of retail clinics in the United States grew

from 200 to 1800, while visits grew sevenfold to 1.5 million.⁵⁸ A PNC health care survey found that 34 percent of people ages 18 to 34 prefer retail clinics—about double the rate of 17 percent for baby boomers and 15 percent for older seniors.⁵⁹

New Benefits Choices for Smart Employers

Millennials may be more interested than their parents in getting the most for their health care dollar, but nearly three in four of them are confused about their benefit options, according to a 2016 Harris Poll. And almost half would rather clean out their email than research those options.⁶⁰

Why is this important to you and your company? Because that same survey shows that 76 percent of millennials say health care benefits strongly factor in their decision about where to work.⁶¹

Millennials are now the biggest portion of the workforce and will be 75 percent of it in 12 years.⁶² The time has come for benefits brokers to fulfill their promise and guide their clients towards developing new benefits programs optimized for millennials.

For example, smart employers can shift their workforce to a higher-performing benefits package through tiers that introduce changes. Under this strategy, the old “get less, pay more,” status quo package becomes “Tier 2.” The new benefits offering is “Tier 1” and is the default package for new employees.

This is the millennials' moment. They're not alone, but will suffer the devastating consequences of an out-of-control health care system more than anyone. When millennials rise to the occasion, I believe they'll be remembered as the Greatest Generation of the 21st century.

CASE STUDY

ROSEN HOTELS & RESORTS



In my experience speaking with many companies who have beat the health care cost beast, there has been one recurring theme: Either the CEO or CFO took the lead—and did so knowing that success involves weaving employees into the reinvention process rather than trying to pull the wool over their eyes.

Harris Rosen is the founder, COO and president of Rosen Hotels & Resorts, a small regional chain in Orlando, Florida. Though he's not a health care expert, he intuitively knew what PwC data famously showed: half of health care spending doesn't add value.⁶³ In a business of ups and downs in which staff costs are a major factor, Rosen surrounded himself with a special executive team to tackle this challenge.

To date, they've adopted more Health Rosetta components than any other company I know, saving approximately \$315 million on health care costs since 1971 and spend 50 percent less per capita than the average employer. If all employers followed suit, we could conservatively remove \$500 billion of waste from health care and shift it to more productive sectors of the economy.

Their plan has also grown from 500 to 5,700 lives. They have a highly culturally, racially, socioeconomically, and demographically diverse employee base, including many immigrants that often have not had regular access to care before. Yet single coverage for the average employee is only \$18.75 per week for bene-

fits that include medical, dental, and pharmacy and, as you'll see below, are better than most of us have ever had.

Rosen also uses focus groups and surveys to match up programs with employee needs, and they continuously refine their programs. Here are a few elements of what makes their program successful.

- They have a comprehensive, onsite 12,000-sf medical center that provides access to many routine health care services, far more than typical primary care. They even outfit it with used but modern and functional medical equipment for 10 to 15 cents on the dollar. Employees are able to visit the center “on the clock,” thus removing a major barrier to receiving care.
- They take great care of individuals, hiring health coaches and nurses to serve as coaches and navigators throughout a medical journey. They use robust, evidence-based approaches to case management, in-patient care management, care transitions, and medication compliance management.
- They have eschewed the blunt instrument approaches most employers use to cut costs (high copays, deductibles) in favor of \$5 office visit copays, zero copays for 90 percent of pharmaceuticals, and no co-insurance. Where necessary, they offer free transportation to appointments to further remove barriers.
- Company events serve food approved by nutritionists and the director of health services. They also offer cooking courses.
- They offer the most effective kind of wellness programs for free, including onsite stretching and exercise (e.g., Zumba, kick-boxing, walking programs, spinning, boot camp), flu shots and vaccinations, family planning, educational materials, nutritional services, and health fairs and physicals on a schedule informed by the US Preventive Services Task Force, which is far more conservative than workplace wellness vendors push.
- They provide free health screenings for colon cancer, diabetes, breast cancer (onsite mammograms), high cholesterol, hypertension, and sexually transmitted diseases, along with

visits from registered dietitians. Key to this is that it's based on evidence-based guidelines from organizations like the US Preventive Services Task Force to minimize misdiagnosis and overtreatment.

- They have a zero tolerance policy for tobacco use and do random drug and tobacco testing.
- They have a mandatory stretching program for housekeepers and other employees with a higher risk of injury, reducing injuries by 25 percent.
- Fifty-six percent of their employees' pregnancies are high risk as a result of high rates of advanced maternal age, diabetes, hypertension, and HIV. The company is very proactive about helping employees manage pregnancies (a premature birth can cost \$500,000).
- The company cafeteria provides discounts for healthier foods to reduce consumption of unhealthier foods, e.g., discounts on salads. The dietitian and director of health services analyze employee cafeteria offerings for portion size and nutritional benefit. They also use signage to educate employees about nutrition, use smaller plates to control portion sizes, and limit fried food.
- They focus on better management of chronic conditions and have even seen a drop in development of new chronic conditions. This is especially important for workers coming from developing countries that often have complex diseases.

Rosen is partnering with other businesses in their community to expand this approach, demonstrating that it's worth ruffling a few feathers to gain the dual benefit of lower costs and a healthier, more satisfied workforce. The ripple effects extend well beyond the company, boosting employee well-being and their broader community's economy. For example, in an industry that sees employee turnover approaching 60 percent, Rosen has turnover in the low teens.

Rosen pays for full time employees' college tuition after five years of employment. They also pay state college tuition for

employees' children after just three years of employment.

They've also used money that would have been overspent on health care to fuel a range of creative philanthropy. Rosen started by paying for preschool in the underserved, once crime-ridden Tangelo Park neighborhood in Orlando. He's also continued to fund various programs to help those kids develop, such as paying for their college education in full (tuition, room/board, and books). The results have been breathtaking.

- Crime has been reduced by 63 percent
- High school graduation rates went from 45 percent to nearly 100 percent
- College graduation rates are 77 percent above the national average

The cost over 24 years of the Tangelo Park program has been \$11 million—roughly the amount Rosen saves in one year. Recently Rosen has agreed to adopt another underserved community called Parramore, which is five times the size of Tangelo Park.

For Harris Rosen, the approach is simple: Get involved, care for your people.