"Examining How Healthy Choices Can Improve Health Outcomes and Reduce Costs"
Briefing Material for the United States Senate HELP Committee Hearing – October 19, 2017

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Burd Health

After serving 20 years as CEO of Safeway, Inc. I founded Burd Health, a healthcare solutions company in late 2013. Burd Health was formed to build on and expand the work we pioneered at Safeway to transform healthcare delivery. We are unique in the healthcare sector and there is no one that does what we do. We help self-insured companies: (1) lower healthcare spend for both the company (40-50%) and employees (6-10%) without cutting any benefits, (2) secure better care, and (3) if desired, we help improve the health of the workforce. The same techniques we use with our private sector clients would also work well in the public sector, and could potentially relieve much of the pressure to develop a balanced budget.

Focus of This Hearing

The focus of today's hearing is to examine how a well-structured health plan can improve wellness and help lower cost for both plan sponsors and individuals. Given that 70% of healthcare spend is driven by behaviors, employers can have a powerful impact on both employee health and healthcare costs. In our experience, wellness efforts contribute more to cost reduction in a 5-10-year timeframe than they do in 1-5 years. In the near term, there are easier and quicker ways to lower cost. The biggest near-term opportunity is (1) improving provider efficiency, followed by (2) plan discipline and (3) plan design (Chart 1).

Wellness Results at Safeway

The work we did at Safeway is probably the most instructive example of our long-term wellness results. We began transforming healthcare delivery at the company in 2005, and at that time offered a modest reward for self-declared non-smoking status. This approach had no impact on population health status. In 2008, we introduced the Healthy Measures program. This program included five biometric measures and rewarded employees and spouses when they met or exceeded these standards. The program was completely voluntary, and 85% of employees and 70% of spouses participated. Initially we set the reward at $600 per year and the average participant earned $400. When polled annually, 78% of participants rated the program very good to excellent.

The results were outstanding. Of the participants who initially failed a biometric standard, two years later a significant percentage passed the same biometric: Blood pressure (73%), blood sugar for pre-diabetics (45%), cholesterol (43%), tobacco free (35%), and non-obesity (21%) (Chart 2). The Safeway obesity rate plunged from an already low 28% to 21%, while the national rate, the highest in the world (Chart 3), continued its steady and alarming increase (Chart 4). By improving behavior, our workforce actually reduced its biological age by 4 years.

In the 2 years after I retired as CEO, healthcare costs continued to decline by 9% per year with no material changes in plan design. Safeway's health actuaries reported this continued cost reduction was due predominately to improved health status.

I look forward to discussing these results – and any other questions – with members of the HELP Committee.