Encouraging Consumerism & Primary Care: FedEx Corporation

Opportunities and pitfalls abound as employers work toward promoting consumerism in health care among their covered populations. Learn from FedEx about its decision to replace a traditional PPO plan design with consumer-directed health plans and health reimbursement accounts and how they ensured that members continued to receive first dollar coverage for primary care services.

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Case Study

Encouraging Consumerism & Primary Care

FedEx Corporation (FedEx), founded in 1971, provides customers and businesses around the world with a broad portfolio of transportation, e-commerce, and business services. Headquartered in Memphis, Tennessee, FedEx has over 400,000 team members worldwide.

In 2018, FedEx had approximately 418,000 employees and dependents enrolled in its health benefits plans. FedEx self-insures, meaning it takes on the insurance risk of paying health care claims incurred by its population. It contracts with Anthem Blue Cross (Anthem) and Cigna as third-party administrators that review the claims and manage negotiations and payments with health care providers delivering care to FedEx's member population.

FedEx has a history of offering competitive health insurance coverage. However, with health care costs continuing to grow, FedEx, like many other companies across the U.S., needed to look for a more sustainable approach to providing health benefits.

Catalyst for Payment Reform interviewed Becky Atkeison, Director of Enterprise Human Resources and Services, and Amy Dennard, Manager of Health Care Planning and Management, to learn about FedEx's strategy to make health care costs more sustainable by encouraging consumerism and utilization of primary care services among its population.

FedEx's historic plan option

Prior to redesigning benefits, FedEx offered its population generous PPO plans with lower deductibles and co-payments.

The Problem & Background

FedEx faced challenges with its health care strategy

From 2011 through 2013, FedEx experienced annual health care cost growth in the upper single digits. With more than $1.5 billion in overall health care spend, this meant the company's costs increased by about $100 million each year. Employer-mandated fees, stipulated by the Affordable Care Act, compounded the problem. Exploring ways to control health care costs became a top priority for the company.

In addition, because of the type of coverage FedEx offered, employees were insulated from the true cost of care. When employees and dependents are not aware of the actual cost of health care services, they may not be encouraged to receive the services they need (e.g., an annual flu shot) and avoid the services that they don't (e.g., going to the emergency room (ER) for a cold). The FedEx benefits staff saw an opportunity to help control health care spending by guiding members to seek primary care services and implementing a benefits strategy that encourages employees to become active health care consumers with more investment in how they spend their health care dollars.

Change was imminent, but FedEx didn't want to sacrifice access or quality

Around 2010, FedEx knew it needed to change its approach to benefits, however, it did not want the new approach to limit access to care or sacrifice quality for cost. FedEx worked with a consultant to ensure the right health plans were in place. The consultant issued a Request for Proposals (RFP) to health plans on FedEx's behalf, which asked each health plan about its capabilities, provider networks across the country, and the pricing it would charge FedEx for administering benefits. FedEx found that the adequacy of each plan's provider network varied across states—one health plan's network might be larger and offer better provider discounts in some states, while competitors had stronger networks in other states. FedEx decided to contract with Anthem and Cigna to take advantage of their relative strengths in different markets; in some markets FedEx would only offer Cigna plans and in others, only Anthem plans.

With its health plan vendors, FedEx also wanted to ensure that its members received the same, if not better, quality of care along with all the health care services they need to stay healthy and out of the hospital, including preventive and primary care services.

Designing the Plan

Why did FedEx select a consumer-directed health plan?

Rather than continuing to offer traditional plans and increase employee paycheck contributions significantly, FedEx opted to manage the cost of health care by helping employees become more engaged health care consumers. This was the primary reason the company decided to offer a consumer-directed health plan (CDHP). CDHPs are high deductible health plans usually paired with a health savings account (HSA) or a health reimbursement account (HRA). Depending on the plan design, CDHPs may require members to cover 100 percent of their health care costs up to a certain amount—the deductible—at which point their insurance coverage and other cost-sharing arrangements, such as co-insurance, begin. Employers help cover employee medical expenses by offering access and making contributions to a tax-favored health care account to offset the burden of the high deductible.

HRA or HSA?

There are two health account options that employers commonly offer with a CDHP—an HRA or an HSA. A summary of a few key differences between the accounts is shown on the next page. In the early 2000's, HRAs initially caught on among employers offering CDHPs. Today, employers more frequently offer HSAs to their employees.

In order to decide whether to offer an HRA or HSA, FedEx evaluated its demographics and workforce and found that many members did not have adequate or discretionary income to use on health care services. FedEx was concerned about whether the new benefit design would continue to protect its employees and their eligible dependents from burdensome health care costs—in this case, imposed by high deductibles.

Key differences between HRAs and HSAs

HRAs	HSAs
• Employer notional account	• Employee-owned savings account
• Can be offered with a qualified HDHP	• Must be offered with a qualified HDHP
• Only the employer contributes	• Employer and employee may contribute
• Employer may carry over unused funds year-over-year	• Employee carries over unused funds year-over-year

FedEx also wanted to ensure that the new design didn't discourage people from seeking necessary and high-value care. Because there are certain tax benefits associated with an HSA, a CDHP connected to an HSA is subject to rules set forth by the Internal Revenue Service (IRS). One of those rules strictly limits what care is exempt from the annual health care deductible, thereby restricting an employer's autonomy in designing benefits coverage. In a CDHP with an HSA, all medical and pharmacy benefits, except certain preventive services, are subject to the annual health care deductible. Additionally, for an HSA to be linked to the CDHP, the plan's annual deductible must meet a threshold set annually by the IRS.

FedEx was concerned that a CDHP with an HSA would discourage its members from seeking primary care or filling prescriptions, leading to potential health issues down the road. Therefore, for 2014, FedEx decided to roll out two CDHPs, each with an HRA, as HRAs are not subject to the same IRS rules as HSAs. Under the design, each enrolled employee would receive an annual HRA credit to help offset a higher annual deductible and out-of-pocket expenses for qualified medical expenses.

The Consumer Choice and Consumer Premier plans

Working with its consultant, FedEx developed two new benefit designs that did not alter the value of the health care benefit. FedEx's new "Consumer Premier" plan is equivalent to a "gold" plan on the federal health insurance exchange, which has an actuarial value of 80%--i.e., out of every $100 spent on health care in the plan, insurance covers $80, while the member is responsible for $20. The "Consumer Choice" plan is a less rich benefit design, as it has a higher deducible and member co-insurance. However, employees have lower monthly

Figure 1. Comparison of FedEx plan design summaries in 2014

Key Plan Features	Consumer Choice		Consumer Premier	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Annual Deductible	Individual: $2,250 Family: $4,500	Individual: $4,500 Family: $9,000	Individual: $1,200 Family: $3,600	Individual: $2,400 Family: $7,200
Out-of-Pocket Maximum	Individual: $6,250 Family: $12,500	Individual: $19,500 Family: $39,000	Individual: $3,200 Family: $9,600	Individual: $9,600 Family: $28,800
HRA Credits	$400 Employee Only; $650 Employee & Child(ren); $800 Employee & Family			
Preventive Care	100% with no deductible	No coverage	100% with no deductible	No coverage
Primary Care Physician Visit	You pay 30% Plan pays 70% (No Deductible)	You pay 40% Plan pays 60% (After Deductible)	You pay 20% Plan pays 80% (No Deductible)	You pay 40% Plan pays 60% (After Deductible)
All Other Services	You pay 30% Plan pays 70% (After Deductible)	You pay 40% Plan pays 60% (After Deductible)	You pay 20% Plan pays 80% (After Deductible)	You pay 40% Plan pays 60% (After Deductible)

premium contributions under this plan. See comparative summaries of FedEx's 2014 plans in Figure 1.

FedEx designed the plans so that out-of-pocket costs are paid through the HRA funds first, to give members insight into the cost of care. Under this design, members do not have to pay out-of-pocket costs until they exhaust their HRA funds.

Re-defining primary care

Under both FedEx plans, primary care services—as FedEx defines them—are not subject to the deductible and the member is only responsible for co-insurance. FedEx's expansive definition of primary care included care sought from clinicians in family practice, general medicine, internal medicine, pediatrics, and obstetrics and gynecology. It also included care from urgent care clinics. The goal was to encourage members to seek care early and make use of preventive services. Under these new plans, many members pay less out-of-pocket to visit their primary care provider compared to what they paid out-of-pocket under the prior plans.

Designing cost-sharing for prescription drugs

FedEx also decided not to subject prescription drugs to the deductible. The benefits team designed pharmacy benefits so that members have a low co-payment for generic retail prescriptions, 40% co-insurance for preferred brand, and 50% co-insurance for non-preferred brand retail prescriptions. To ensure members could predict their share of the costs for the brand tiers, FedEx implemented a co-payment "floor" and "ceiling" that guaranteed a cost share range for members needing prescription drugs in these categories. For mail-order prescriptions, members pay less for a 90-day supply of generics ($10) than three 30-day prescriptions ($15 total). FedEx has since selected a new pharmacy benefit manager, which now gives members access to 90-day prescriptions at the retail pharmacy with a lower co-pay. A summary of the 2014 prescription drug benefit is in Figure 2.

Figure 2. Summary of out-of-pocket costs for prescription drugs in 2014

Tier	Retail (30-day supply)	Home Delivery (up to a 90-day supply)	Specialty (30-day supply)
Generic	$5 co-pay	$10 co-pay	50% coinsurance ($100 max)
Preferred Brand	40% coinsurance ($35 min/$75 max)	30% coinsurance ($70 min/$110 max)	50% coinsurance ($100 max)
Non-Preferred Brand	50% coinsurance ($50 min/$100 max)	40% coinsurance ($100 min/$150 max)	50% coinsurance ($150 max)

Rolling out the model

No small feat

The extensive redesign of FedEx's health care benefits required substantial resources and a variety of methods for educating employees and their families, including:

The ground campaign: FedEx and its communications consultant conducted approximately 2,300 in-person meetings and webinars with members to educate them about the new benefit designs and answer questions.

The call center: The communications consultant also staffed a centralized call center to answer questions from employees and their families about the new plans.

New program branding: In 2013, FedEx launched its action-oriented "Choose Well" health and well-being brand to help employees identify important benefits and educate them on better health care choices.

Extensive communications campaign: Print, video, and electronic communications began more than six months prior to the implementation to prepare employees for the change. Communications included information about the plan basics, seeking the right care at the right place, the importance of using in-network providers, and an online benefits education tool to help employees choose the best medical plan for their family needs. A Memphis-area newspaper, *The Commercial Appeal*, wrote an article at the time stating, "FedEx appears to be making the right moves to communicate the changes to employees, through meetings, online, mailings, newsletters and a telephone hotline."

Scenarios employees can relate to: To help members understand how the new benefits plans worked, FedEx created scenarios to compare the prior plans to the new plans to show how the switch would impact members' out-of-pocket costs. Walking members through the scenarios made them stop and say, "I get it."

Results

Meeting the company's goals

With the new benefits plans in place for a few years now. FedEx has assessed their impact and is generally pleased with the early results.

Outpatient services: When FedEx rolled out the new benefit designs in 2014, there was an immediate 7% decrease in overall outpatient utilization, which included primary care—an unintended consequence. Despite FedEx's efforts to educate members about the new plans, some members remained confused about the benefit design, especially that primary care, as newly defined by the company, was covered before the deductible. However, in the subsequent year, utilization of these important services rebounded and both primary and preventive care have continued to steadily increase.

Given there was a focused effort specifically to educate members about alternatives to accessing the ER, FedEx closely tracked their members' ER use. In 2015, ER visits decreased 8% and the number of patients utilizing the ER decreased 6.8%. There was a resulting spike in urgent care visits, increasing 28.7% from calendar year (CY) 2014 to CY 2015, compared to 0.2% in the prior year. FedEx estimates it saved $8.3 million due to reductions in ER visits.

Ninety-eight percent of employees in the FedEx Services and TechConnect departments viewed a video educating them about ER use. These business segments saw the largest decrease in ER utilization.

Pharmacy: Since the roll-out, pharmacy utilization has remained steady and with an increase in the generic dispensing rate.

Overall health care cost trend: The company has met its cost trend goals, and the data suggest that FedEx's members are generally seeking primary care and preventive services as they need to, using the plans as FedEx intended.

Lessons Learned

No matter how much you communicate, employees need time to adjust

Despite all the resources devoted to upfront education, FedEx saw members hesitate to use the plans in the first year. With such a large employee base, levels of health care knowledge vary across the population. Many employees thought that the new plan design was an IRS-qualified high-deductible health plan where everything except the most basic preventive services is subject to the deductible. Even with 2,300 employee meetings, a centralized call center, and other communications, FedEx now believes it could have used additional communications channels to get the word out and ease its employees into the new plan designs.

How FedEx built on its communications with members

For 2015, FedEx experimented with an additional format for communicating about benefits and educating members by implementing Jellyvision. Jellyvision features an interactive benefits counselor robot in an animated format, named ALEX, making education fun and engaging. Jellyvision customizes modules for each employer customer. FedEx employees who interacted with ALEX enjoyed the format and provided positive feedback to the benefits staff. In 2017, ALEX had a record number of users during enrollment—more than 20,000. The benefits team learned that 98% of members that responded to a survey found the tool helpful and about 81% found it very or extremely helpful. In retrospect, FedEx would have liked to roll out this mode of communication and member education sooner.

In 2017, FedEx implemented a health and well-being portal to complement the enrollment site. The name for the portal, The Choose Well Hub, was proposed to align with the company's "Choose Well" brand that it developed in 2013. The name also correlates to FedEx's "Hub" locations where packages are sorted and shipped. The Choose Well Hub is an educational resource with current news, consumer tips, resources, plan and coverage overviews, and videos. Upon logging in, members have access to a personalized version of the portal, which includes sensitive information like employee contributions and a personalized benefits dashboard. Members also have access to a public version that does not provide sensitive information, which allows dependents and prospective employees to quickly and easily access important health and well-being information. The site is also mobile friendly so employees and dependents can access information on the go. Content and updates for the portal are managed in-house, so the FedEx team can make immediate updates without the cost of a third-party. The Choose Well Hub has had more than 2 million page views since it launched in June 2017.

What's Next?

Collaborating with its health plans on payment and delivery reform

In conversations with Anthem and Cigna, FedEx stresses the importance of paying providers for quality and value. Therefore, FedEx is considering payment and delivery reform initiatives to implement with its plans in key markets. In addition, the company is working with Anthem and Cigna to incorporate quality measures into provider contracts. FedEx is also diving into evaluating the total cost of care, including contracted rates as well as how effectively the health plan and the provider network manage population health.

Evolving FedEx's consumer-centric approach

FedEx's transition to its new consumer-driven benefit design was the first step in its consumerism strategy. The next step is to push information to members to arm them with knowledge before they need care. FedEx currently leverages each health plan's online cost-calculator tool, with varying degrees of success. Going forward, FedEx is considering several different tools to help employees and eligible dependents compare the cost and quality of health care providers and identify actions they can take to improve their health.

With its new benefit designs implemented and by continuing to evaluate opportunities for further payment and delivery reforms, FedEx is in a strong position to ensure its health care purchasing produces better value for members and the company for the foreseeable future.