

# **Tobacco Cessation & Sustainability Partnership**

**Version Two  
January 2010**

## **STATE OF COLORADO RESOURCE BOOK: TOBACCO CESSATION COVERAGE FOR SELF-INSURED EMPLOYEES**

Information designed to assist the State of Colorado's Department of Personnel & Administration as it moves forward with consideration of a tobacco cessation benefit on behalf of state employees.

## State of Colorado

### Resource Book for Considering a Tobacco Cessation Benefit for Self-Insured Employees

	Page
Overview	3
1. Recommended Cessation Benefits	4
2. Partnership Plan as a Cost-Effective Option for Cessation Coverage	4
3. ROI Results (State of Colorado group-specific)	5
a. Kaiser Family Foundation and America's Health Insurance Plans Cost Calculator	
• Medical cost savings	
• Productivity savings	
b. Oklahoma State Employees ROI Methodology	
• Medical cost savings	
• Productivity savings	
4. Partnership Plan as a Baseline for Assessing the Cost-Competitiveness of ASO Proposals	6
5. Mechanisms to Track and Evaluate Results	7
6. Other States with Benefit Coverage for State Employees	7
a. Coverage levels	
b. Incentive structures	

## OVERVIEW

### STATE SUPPORT FOR TOBACCO COVERAGE IN THE SELF-INSURED BENEFIT PLAN

#### Purpose

This document provides information to assess the value of and mechanisms for providing a tobacco cessation benefit as part of the State's self-insured benefit plan

#### Background

Tobacco cessation is the single most cost effective benefit an employer can provide to its employees. The State's current benefit plan does not include coverage for tobacco cessation for its self-insured members though the State's fully insured members have a fairly robust cessation benefit. Previously, State employees had access to the Colorado QuitLine, which provides counseling and four weeks of nicotine replacement therapy (NRT) free of charge to all Coloradoans funded through tobacco tax revenues. Due to budget reductions this fiscal year, the QuitLine is now limited to providing QuitLine services to the uninsured, Medicaid, and pregnant populations. The State is urged to consider other options, as described in this Resource Book, for providing cost-effective cessation services to its employees.

#### Partnership Plan

The State Tobacco Education and Prevention Partnership (STEPP), the Tobacco Cessation and Sustainability Partnership (TCSP) and the Colorado QuitLine have created a highly cost-effective option enabling many health plans to continue to provide their insured members with access to QuitLine services, including both counseling and NRT. Specifically, all of Colorado's major health plans have agreed to participate in the Partnership Plan and will be covering costs for QuitLine services for all of their fully insured members and some self-insured members.

The State is also being offered access to the Partnership Plan. Employees covered under the self-insured benefit plan would be provided counseling and four weeks of NRT free of charge; the State would be billed the negotiated Partnership rate – either through its Administrative Services Only (ASO) partner or Third Party Administrator (TPA). A set-up fee or eligibility verification fee may be required.

Benefit	Partnership Plan	Colorado Industry Average
NRT – 4 weeks	\$57	\$112
Multi-session telephonic counseling	\$128	\$195

#### Return on Investment (ROI)

Using the State's self-insured population data (October 2009) and the actual costs of the Partnership Plan benefit, TCSP calculated the ROI to the state for providing cessation coverage as part of its self-insured benefit plan. Productivity savings are generated in the first year; medical cost savings in the second year. Significant medical cost savings will accrue over time.

Year	Outlay	Medical Savings	Productivity Savings
One	\$68,394	\$0	\$11,304
Two	\$68,394	\$124,073	\$29,023

Three	\$68,394	\$296,051	\$43,271
-------	----------	-----------	----------

## 1. CESSATION BENEFITS – RECOMMENDED CESSATION COVERAGE

Colorado’s Tobacco Cessation and Sustainability Partnership’s recommendation for cessation coverage is consistent with H.B. 1204, the recent state legislation, which mandates coverage of all Level A and B recommendations of the U.S. Preventive Services Task Force. Although this legislation applies only to fully insured coverage, the Partnership believes self-insured individuals should have access to the same level of benefits. Specific to tobacco, TCSP recommends:

- All FDA-approved medications are included in formulary.
- Quitline or other counseling available but not required.
  - QuitLine free
  - Other counseling subject to standard plan copay/deductible requirements
- Two attempts covered per year, no lifetime limits.
- Rx provided free of charge.

## 2. THE PARTNERSHIP PLAN – A COST-EFFECTIVE OPTION FOR CESSATION COVERAGE

The CDC and the Partnership for Prevention proclaim that tobacco is the single most cost effective benefit an employer can provide. The conservative America’s Health Insurance Plans (AHIP) calculator demonstrates a positive ROI within one year for productivity and two years for medical cost savings. However, any opportunity to reduce the immediate fiscal outlay required for a new benefit is desirable.

In Colorado the state has access to an innovative partnership between health plans and the state’s QuitLine. Called the Partnership Plan, this utilizes the principles of pooled purchasing and public-private support for existing quitline infrastructure. Coverage includes:

- NRT at cost – 4 weeks for \$57
- Counseling - \$128 for multiple telephonic sessions

This represents significant savings:

<b>Benefit</b>	<b>Partnership Plan</b>	<b>Colorado Industry Average</b>	<b>Savings Due to Partnership Plan</b>
NRT – 4 weeks	\$57	\$112	\$55
Multi-session telephonic counseling	\$128	\$195	\$67

The Partnership Plan has been offered to all of Colorado’s major health plans and all are offering these benefits to their insured members. Using the Partnership Plan for self-insured employers promotes a consistent statewide benefit, as well as common messaging, provider education and promotion, consumer outreach, and evaluation initiatives.

### 3. RETURN ON INVESTMENT (ROI) RESULTS

#### AHIP Cost Calculator

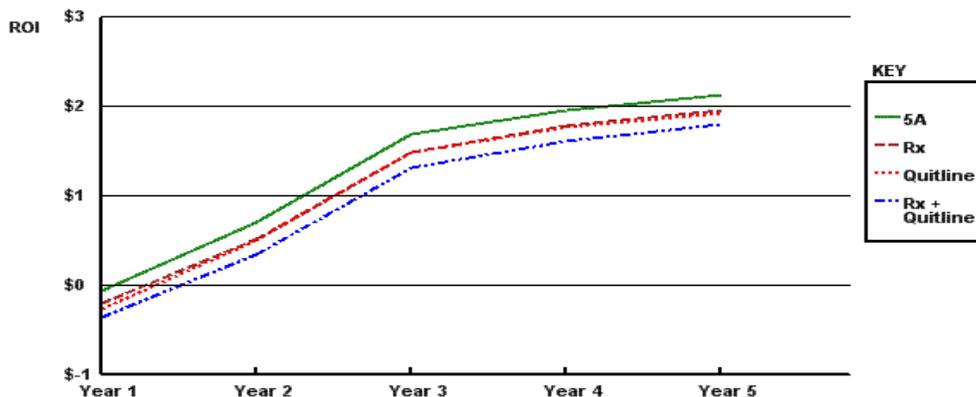
ROI for tobacco cessation is split between productivity gains and medical cost reductions. AHIP and the Kaiser Family Foundation (KFF) developed the industry's most accepted cost calculator for determining tobacco cessation ROI. The Centers for Disease Control (CDC) views the AHIP calculator as credible, albeit conservative. The ROI for the State was calculated using Colorado State Employee Group-specific data and the Partnership Plan benefit design. The cost of the benefit design was based on the Partnership Plan's negotiated rates with the QuitLine, including NRT at cost (\$57 for four weeks) and a bundled counseling rate of \$128 per qualified caller. The State of Colorado's self-insured employee population (as of October 2009) was used for the calculation. The fully insured members were not included because a cessation benefit is included in the HMO premium.

- Productivity gains come in the first year. For the self-insured group, gains are as follows:
  - Two less days of absenteeism per quit smoker
  - Four weeks of productive time recovered per quitter per year due to no smoking breaks

For a group such as the State, which has a separate Personnel division that pays for benefits, productivity gains accrue in the departments where smokers work not to the Personnel division, making it difficult to claim the cost offset. Some companies have developed accounting offsets to recognize the positive contribution to overall bottom line provided by HR.

- Medical cost reductions represent the savings from reduced or avoided medical costs that are directly attributable to tobacco.
  - Savings are minimal the first year and insufficient to offset the cost of the benefit
  - ROI is positive in the second year, regardless of benefit design
  - Positive medical cost ROI continues to accelerate over time.

Year	Outlay	Medical Savings	Productivity Savings
One	\$68,394	\$0	\$11,304
Two	\$68,394	\$124,073	\$29,023
Five	\$68,394	\$378,608	\$62,632



### Oklahoma Return on Investment Methodology

Oklahoma adopted a very expedient but credible approach to assessing the impact of the tobacco cessation benefit it provided state employees. Using published data on estimated cost savings per quitter coupled with actual claims data and state-specific quit rates, it created a formula for estimating the fiscal impact of its benefit. Although Colorado numbers would be different, the framework presented below could be adapted quite easily. This methodology would allow Colorado to quantify the cost benefit of its cessation coverage.

### **Oklahoma Framework and Preliminary Results**

<b># of Recipients with <math>\geq</math> One Paid Pharmacy Claim for a Smoking Cessation Medication</b>	<b>2479</b>
Minimum Estimated Quit Rate	23%
Minimum Estimated # Quitters	570
Minimum Estimated Annual Cost Savings to Oklahomans <ul style="list-style-type: none"><li>• Medical cost savings: <math>\\$2,626 \times 570 = \\$1.5M</math></li><li>• Lost productivity savings: <math>\\$1,184 \times 570 = \\$0.7M</math></li></ul>	\$2.2M
Amount Spent	\$0.37M

***Minimum Years of Life Saved: 570 quitters x 7.1 years of life saved = 4,047 years***

Colorado would want to consider the following adjustments to the Oklahoma framework:

- Use CDC published rates of excess medical expenditure per smoker per year = \$1,623. This is more conservative than Oklahoma's \$2,626 but well documented and defensible.
- CDC productivity gains are \$1,760, which is more aggressive than Oklahoma's rate of \$1,184. This probably reflects a lower average pay rate. If the State of Colorado has internal data that can be used to calculate an average pay rate, this could be used for maximum credibility.
- Use actual quit rates from the entity it chooses to work with to provide the benefit. Colorado QuitLine has a quit rate of 36% for NRT + counseling, 28% for counseling only, and 18.4% for self-guided Web users.
- Amount spent would be specific to Colorado.

## **4. PARTNERSHIP PLAN AS A BASELINE FOR ASSESING THE COST-COMPETITIVENESS OF ASO PROPOSALS**

As the State of Colorado assesses its ASO partner's proposal to provide tobacco cessation, it can use the Colorado QuitLine's costs and effectiveness rates as a baseline for comparison. Working with Pfizer, the Tobacco Cessation and Sustainability Partnership determined Colorado and industry average costs relative to the QuitLine. State of Colorado employee population data was used to ensure relevancy.

In addition to establishing baseline costs, this analysis also permits the State to assess the relative costs of different pharmacotherapies. Although the per member per month (pmpm) cost of Chantix is

considerably higher than the average cost for bupropion and NRT, the cost per quitter is not. This is because Chantix has a higher quit rate than some of the other FDA-approved pharmacotherapies.

***Cost per Quitter and Per Member per Month by Medication (State of Colorado employee population)***

<b>Cost</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Chantix per quitter</b>	\$1,349	\$1,393	\$1,477	\$1,571	\$1,675
<b>Chantix pmpm</b>	.62	.59	.57	.55	.54
<b>Bupropion per quitter</b>	\$1,166	\$1,201	\$1,271	\$1,350	\$1,435
<b>Bupropion pmpm</b>	.34	.33	.32	.32	.31
<b>NRT patch per quitter</b>	\$1,427	\$1,470	\$1,556	\$1,652	\$1,756
<b>NRT patch pmpm</b>	.42	.40	.39	.38	.37
<b>Colorado QL NRT patch per quitter</b>	\$756.65	\$780.79	\$821.23	\$871.38	\$931.20
<b>Colorado QL NRT patch pmpm</b>	.22	.21	.21	.20	.20

*Note: To ensure comparable analysis, the Partnership used the same industry average quit rates applied by Pfizer for the NRT patch for the Colorado Quitline (QL) data. Colorado QL actual quit rates are higher because of the provision of counseling (36%). Without NRT, Colorado QL's documented quit rates are 28%. As such, actual cost per quitter and per member per month for Colorado QL NRT will be lower.*

***Average Colorado Cost per Course of Pharmacotherapy***

	<b>Average Colorado Cost</b>	<b># Rx per Course of Therapy</b>	<b>Total Cost per Course of Therapy</b>
<b>Chantix</b>	\$111.17	3	\$333.51
<b>Bupropion</b>	\$61.27	3	\$183.81
<b>NRT Patch (2 wk)</b>	\$55.73	4	\$222.92
<b>Colorado QL NRT Patch (4 wk)</b>	\$57	2	\$114

**5. MECHANISMS TO TRACK AND EVALUATE RESULTS OF STATE-PROVIDED COVERAGE**

An additional benefit to participating in the Partnership Plan is the ability to tap into existing evaluation opportunities. The QuitLine is externally evaluated to ensure ongoing quality of services, to measure program successes or outcomes, and to determine the most effective ways of offering service, as well as meeting funding requirements. A full spectrum of reports describing member utilization and demographics is also available on a monthly basis.

The Tobacco Cessation and Sustainability Partnership can provide some further assistance to facilitate incorporating a state employee-specific evaluation component into the provision of a cessation benefit. One approach may to be use the simplified Oklahoma ROI methodology to derive Colorado-specific results for purposes of fiscal reporting.

**6. OTHER STATE COVERAGE**

The majority of states provide some level of coverage to assist state employees in quitting tobacco. Five states lead the way in providing comprehensive coverage to all state employees and dependents:

- Illinois
- Maine
- Nevada
- New Mexico
- North Dakota

Eight states provide no cessation treatment coverage for state employees. Until January 2010, Colorado would have joined the ranks of those states with no treatment coverage. The implementation of H.B. 1204 and Kaiser Permanente's participation in the Partnership Plan has provided access to cessation coverage for participants in the state's fully insured option. Colorado continues to provide no cessation treatment for employees who do not select Kaiser Permanente.

The remaining 32 states provide inadequate coverage.

#### State Employee Tobacco Cessation Programs

A growing number of states have launched tobacco cessation programs and policies, primarily using positive incentives, high visibility marketing and some assessment requirements to reduced tobacco use. A few examples include:

- Idaho Wellness Program
  - First phase is tobacco cessation.
  - \$10 co-payment for every thirty-day supply of quit aids.
  - Pharmacists will require a state identification card to dispense the quit aids.
- North Carolina
  - Each smoker represents approximately \$1, 623 in excess medical expenditures.
  - By making nicotine replacement therapy patches free with counseling, the State Health Plan anticipates improved member health and significant long-term savings for the plan and for taxpayers.
- North Dakota Public Employees Retirement System
  - Received a grant to help state employees and their dependents age 18 and older quit smoking or chewing tobacco. The grant will help pay for:
    - Participating in one of more than 20 approved smoking cessation programs.
    - Most of these programs are available through public health departments.
    - Project is administered by BlueCross BlueShield of North Dakota.
    - Program pays 100 percent of state employees' out-of-pocket expenses for office visit, prescription, and over-the-counter medication up to \$500, for a total benefit of \$700.
    - The program was scheduled to end April 30, 2009.
- Delaware
  - Previously covered no cessation treatments. Changed prescription drug plan providers and gained coverage of three cessation medications.
- Mississippi

- Previously covered no cessation treatments. Added coverage of prescription cessation medications in 2009.

Sources: National Conference of State Legislatures (<http://www.ncsl.org/programs/health/tobaccocess.htm>) and American Lung Association, State Cessation Coverage 2009

### State Tobacco Surcharges and Incentives

A number of states have started adding a surcharge to the premium for employees who smoke. Surcharges can be viewed as discounts for nonsmokers or as additional charges for smokers. Others have provided an incentive to motivate employees to be tobacco free – either cash/deductible credits or free smoking cessation assistance.

State	Smoker Surcharge	Incentive	Applicability	Tobacco Requirement for Incentive
West Virginia	\$15/\$30 per month	NRT patch at no cost	Employee and enrolled family members	Tobacco free for the last six months
Kentucky	\$21/\$42 per month		Employee and enrolled family members	
Georgia	\$40 per month		Employee and covered spouse	Tobacco free in last 12 months
South Dakota	\$60/\$120 per month		Employee and covered spouse	Tobacco free for 120 days
Kansas	\$40 per month		State employees	Tobacco free in upcoming year
North Carolina	\$40 per family	No NRT copay if enrolled in QL		
South Carolina	\$25 per month		State employees and enrolled family members	
Indiana		\$500 deductible credit	State employees	Tobacco free in upcoming year
Utah		\$100 rebate	Employee and covered spouse	Quit for six months and maintain participation in a cessation program
Rhode Island		\$100	Employee	Certify no tobacco use or participate in tobacco cessation program