

Ounce of prevention

Omar Reid, the city of Houston's director of human resources, institutes a plan that saves money and ensures better health options for employees

By Kyrie O'Connor

When Omar Reid took over as Houston's director of human resources more than five years ago, the city's health care costs were looking dire. Insurance was costing the city more than \$300 million a year, and the tab was shooting up by 10 percent each year.

"I had to make some tough decisions very fast," Reid said. At times, he wondered what he was doing in this job. "Did I lose my mind?" he would ask himself.

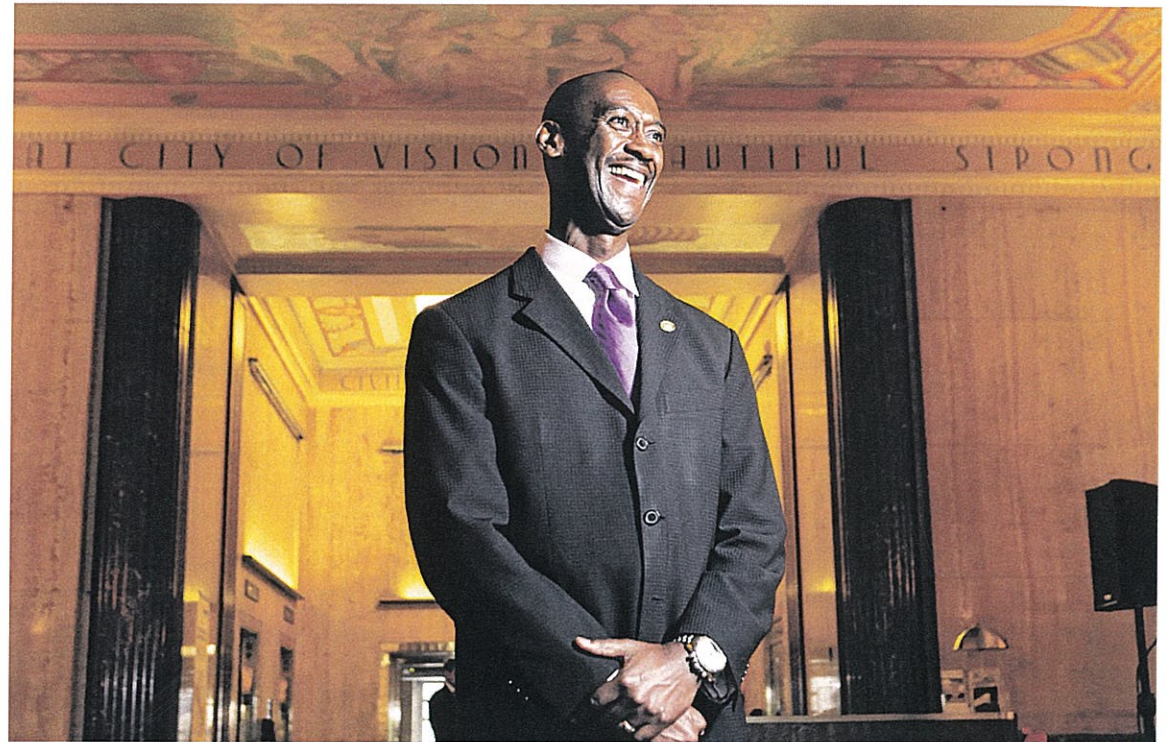
Reid, 51, had left a 26-year career with UPS, managing a 400-person night operation in Stafford. At UPS, everything was data-driven: the depth of a driver's uniform pocket, how many steps to each door, the friction on a seal. "I grew up in a culture where everything was measured," he said.

And if something wasn't working, it was time to try something different. Clearly, the city's health care for its nearly 22,000 employees and their families was in that category. "We had to do something different," Reid said.

That something was to stop using an insurance provider and move to a self-insured model.

The object of that and other changes was paradoxical: to cut costs not by cutting benefits, but by increasing care and improving employees' lives by making them healthier.

A Health Risk Assessment of each employee identified health conditions that were



Mayra Beltrán/Houston Chronicle

Omar Reid, city of Houston human resources director, revamped the city's health plan and saved millions of dollars.

most prevalent — and most costly. Then, the city partnered with Kelsey-Seybold Clinic on a "capitated" model, meaning paying a set fee per patient.

That way, Kelsey-Seybold "has some skin in the game to keep people healthy," Reid said.

The changes were approved by the City Council in 2011. Employees who didn't participate in the Health Risk Assessment stood to pay an additional \$25 a month in health-insurance premiums and another \$25 for not being part of the wellness initiative. Reid got 93 percent participation.

The city offers three plans: a limited-network plan through KelseyCare and Cigna, an open-access plan and a

high-deductible plan. Some 75 percent use the limited-network plan.

The strategy was risky. Costs were projected to go up in the first year—and they did—as patients who hadn't seen a doctor in a while got new diagnoses. In fiscal year 2012, the budget took a \$6 million hit, but the next year it came in below budget by \$11 million and the year after that by \$37 million, for a cumulative savings of \$42 million by the third year of the new plan.

Reid's program is, as far as he knows, unprecedented. "We did not begin the journey with a laundry list of strategies that other cities employed," said Gerri Walker, assistant director of human resources.

The city implemented 20 initiatives ranging from establishing an internal Wellness Team and using data analytics to identify chronic diseases prevalent among employees and their families to quarterly meetings with key medical providers. Employees who accumulated 500 "wellness points" through participation in various programs can save \$600 on their next year's premium cost.

Building a culture of wellness calls for small actions repeated daily, Reid said: weight-management programs, programs for new mothers

“There’s no magic bullet,” he said. “It’s magic BBs.”

But as patients started taking maintenance drugs and adhered to treatment plans, emergency room and urgent care visits dropped. In the year that ended in April 2014, the city paid \$8.2 million for emergency room and urgent care visits for asthma alone, a cost Reid believes will come down significantly once asthma drugs are offered free. The projection is that at an estimated \$892 cost-avoidance per asthma patient per year — and with 1,900 patients — the city should save \$1.69 million a year just for that diagnosis.

The city also now pays the full cost for employees’ generic diabetes and cholesterol drugs; that means they have no co-pay for those drugs. In May, it will add generic asthma, blood pressure and cardiovascular drugs to that list.

Current health care costs have plummeted below 2010 numbers. Premiums haven’t gone up for the past two years.

“We are seeing phenomenal results from this program. Serious illnesses are being caught early, when they can be treated, and other problems, like high blood pressure and asthma, are being managed so they do not become major problems,” said Mayor Annise Parker. “The health of our workers has improved, and the city

Reid practices what he preaches, works out three times a week

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Mayor Annise Parker

has seen an impact on its bottom line. Our approach is helping to slow the increase in health care costs.”

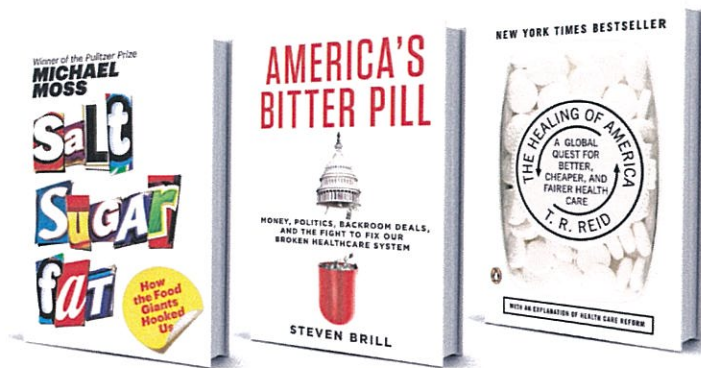
Dr. Spencer R. Berthelsen, chairman and managing director at Kelsey-Seybold, also believes this has been a transformation. “The program installed by Mr. Reid is the most advanced and successful example of introducing accountability to a very large employer’s health-benefit plan,” he said.

Chad Guest, a fire captain at fire station 51, considers himself one of the beneficiaries of the new plan. After he was thrown from his horse on New Year’s Eve 2010, doctors at Kelsey-Seybold noticed a spot on his left kidney during an examination. Months later, doctors at St. Luke’s Hospital removed part of the cancerous kidney.

Just a few days ago, Guest, 45, who has been getting regular check-ups through

Omar Reid’s healthy reading list:

“**Salt Sugar Fat:** How the Food Giants Hooked Us,” by Michael Moss
“**America’s Bitter Pill:** Money, Politics, Backroom Deals, and the Fight to Fix Our Broken Healthcare System,” by Steven Brill
“**The Healing of America:** A Global Quest for Better, Cheaper, and Fairer Health Care,” by T.R. Reid



the new plan, found out he’s still cancer-free. “It’s been extremely positive,” he said, for both him and his family.

Leo Bourgeois wishes the city had implemented the new programs years earlier, when they could have addressed his weight-related problems nonsurgically. When he hit 415 pounds in 2010, his high blood pressure, sleep apnea, arthritic knee and cholesterol issues convinced him it was time to deal with his weight.

He had bariatric surgery in July 2010, and in the hospital, he told his wife “I want to run a marathon.” She thought he was kidding.

Bourgeois, a deputy assistant director in public works and engineering, ran his first half-marathon in 2011, and he’ll do his third

Iron Man on May 16. He has lost 200 pounds. “One thing I do appreciate since Mr. Reid came on board is that he has made health a focal point,” Bourgeois said.

If the new policies had been in place earlier, Bourgeois believes he’d have gotten healthy sooner instead of watching his weight balloon. “I may not have had bariatric surgery,” he said.

Reid practices what he preaches. Married and with one daughter, the Akron, Ohio, native gets to the gym at 5 a.m. three times a week and clocks 40 to 60 miles on his bike on weekends. “You lead by example,” he said.