Xcel Energy embarked on a remarkable education campaign to help employees understand the causes of rising medical costs, the risk to the company and what they could do. And it worked.
Xcel Energy is a major U.S. electricity and natural gas company operating in eight Western and Midwestern states. Headquartered in Minneapolis, it provides a wide range of energy-related products and services to 3.4 million electricity customers and 1.9 million natural gas customers. It employs more than 11,000 people.

**Challenge: tame rising costs, engage employees**

A self-insured employer, Xcel Energy's medical costs had risen considerably in recent years. Indeed, the company’s yearly medical costs per employee were exceeding national averages.

The company realized that it had to address its medical costs. It also recognized that long-term cost management depended on improving employee engagement in making health-wise and dollar-smart decisions for their own health care.

Starting in January 2008, Xcel Energy added a consumer-driven health plan with health savings accounts (HSAs) to the choices offered employees. The rollout, however, had a lot more wattage than the usual benefits enrollment program.

Throughout the ranks, Xcel Energy's employees became fully informed about health care cost trends, their new health insurance option and how they could become engaged consumers of health care. And it worked.

Today, the company continues to fine-tune its approach to employee health care, with a population that has learned the lessons of consumerism and is paying more attention to costs, quality and effectiveness of care.

**Plan of action: make consumer-driven plan a more attractive option**

Planning began more than a year in advance. Xcel Energy knew that it had to make the new plan easy to use, attractive and clearly different from the status quo if employees were going to choose it. So, Xcel Energy made deliberate decisions to:

- Offer the consumer-driven health plan with no premium – a substantial change from the preferred provider organization (PPO) plans that remained options in year one.
- Cover preventive care at 100 percent without a deductible.
- Contribute to employees’ HSAs – $560 for individual coverage and $1,120 for family coverage.

The company kept the emphasis where it wanted it – on raising employee awareness about better ways to use the health care system.

Understanding that too many choices would cause confusion and inhibit enrollment in the new plan, the company eliminated its indemnity plan and a zero-deductible PPO plan. Most employees were left with three choices: two PPO plans with deductibles and the consumer-driven health plan with an HSA.

**Power in the plan**

- Offered consumer-driven plan at an attractive price
- Executives on board – and talking up HSAs
- Full-throttle communications plan
Rollout: start with executives, move into the organization

Rollout of the new plan began in early 2007, nearly a full year before the Jan. 1, 2008, effective date. First, Xcel Energy sought senior level buy-in, embarking on a remarkable five-month educational and promotional campaign. A team of senior human resources managers and other benefit specialists fanned out to company locations across eight states to explain to senior managers the rationale behind the consumer-driven plan and how their support could help encourage others to join.

The teams made it clear: this was not a one-time event, but rather a long-term strategy with the goal of creating a culture of wellness and consumerism.

Once senior management was on board, the benefits team held several “train the trainer” sessions with HR leaders to ensure that they were sufficiently knowledgeable about consumer-driven health plans and HSAs.

The next phase – engaging employees – comprised about 250 face-to-face meetings at many company locations over several months. Presentations by a corporate benefits professional, a health plan representative and a local human resources professional were held “on the clock” – usually toward the end of one shift and the beginning of the next.

By the time enrollment began in the fall of 2007, Xcel Energy’s employees were fully steeped in the benefits of the new consumer-driven health plan and HSAs.

Communication strategy: immerse employees in information and opportunities to question

Xcel Energy built its communication strategy around a theme – the “Power of You” – to convey the idea of personal responsibility.

CEO Richard Kelly personally got involved, encouraging his management team to practice good consumerism. He talked about generic drug usage and related it to his own health care.

The company leveraged an array of communication tools to drive home the message:

- A newsletter explaining the new plan
- Articles about consumer-driven health plans and HSAs in the company’s daily online newsletter
- An intranet site and health plan Web site offering a plan cost estimator tool, benefits coverage information and other resources
- Postcard mailings to homes to encourage employees to visit the Web site and enter a drawing for a retail store gift card
- Evening and weekend webinars so spouses could learn about the consumer-driven plan and ask questions from home
- A “Do the Math” campaign that included materials comparing the costs and benefits of the consumer-driven health plan with the other options

Importantly, the company didn’t stop educating when the enrollment period ended. It continued to communicate frequently and held more than 200 face-to-face employee meetings after Jan. 1, 2008, to address follow-up questions and concerns.
Results: strong enrollment, smarter utilization

In 2008, the first year the consumer-driven health plan was offered to all non-union employees and those in two unions, a remarkable 75 percent of eligible workers signed up. The following year, the plan became the sole option for one union and the entire non-union population.

Enrollment by the members of the other union – which still retains the PPO option – exceeds 40 percent. Today, roughly 80 percent of all Xcel Energy employees are enrolled in the consumer-driven health plan.

The consumer-driven plan has already led to more effective and appropriate employee use of health care. Compared with employees in the company’s other plans, employees and dependents in the consumer-driven plan:

- Seek preventive medical care at a higher rate.
- Use the nurse hotline more frequently.
- More frequently visit urgent care clinics or doctors’ offices in non-emergency situations instead of the hospital emergency room.
- Purchase more generic prescription drugs.

Employee response to the consumer-driven health plan has been positive. Employee Kirsten Wick says, “I am much more involved and pay attention to what the cost of my prescription drugs and medical services are since I’ve been covered under this plan. I pay attention to the providers I use, as there are many financial advantages when I use network providers. To reduce my out-of-pocket drug costs, I have started using mail order for my maintenance drugs and changed pharmacists for my as-needed drugs. I never paid much attention before when my copayment was $15. Now I definitely do!”

Employees engaged – cost management challenges remain

Xcel Energy’s employees are also using their tax-advantaged HSAs to save money for health care today, tomorrow and in the future. Nearly 93 percent of those with HSAs contribute to their accounts – far above the average for companies with HSA-eligible, high-deductible health plans.

Of those who contribute to their HSAs, 80 percent are depositing $1,000 or more per year.

While the rate of increase of health care costs has started to slow slightly, chronic and catastrophic illness claims – particularly for back conditions, cancer and heart disease – continue to rise, posing a major challenge.

Xcel Energy is working with its health plan to better manage the care of those with chronic conditions. In order to maintain its cost-sharing arrangement with the workforce, Xcel Energy did not fund non-bargaining employees’ HSAs in 2010.

Xcel Energy’s senior management team believes that the impressive level of employee engagement shows that employees are accepting a greater role in managing their health care and their health care finances. Sustaining a culture of accountability will, it’s hoped, help the company better manage its health care costs for the long term.

Health savings accounts (HSAs) are individual accounts offered by OptumHealth BankSM, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment, and restrictions. Federal and state laws and regulations are subject to change.