



## Bariatric Surgery Insurance: Evaluating the Business Reasons for Adding It to Your Company's Plan

Following are questions to consider/research when determining whether adding weight loss surgery to your company's health insurance plan makes financial sense. This questionnaire was designed to supplement the information provided on Bariatric Surgery Source's *Bariatric Surgery Insurance* web page (<http://www.bariatric-surgery-source.com/lap-band-insurance.html>).

We have also included an example scenario that follows each point:

- 1) What is your average monthly employer-paid health insurance cost per employee?
- 2) Roughly how many employees in your company would qualify for bariatric surgery? (see the "Getting Insurance Approval" section on the above-referenced page to learn the eligibility requirements most insurance companies have for bariatric surgery)
- 3) For simplicity, assume 10% of bariatric-surgery-eligible employees move forward with surgery. If each bariatric surgery patient's health care costs are reduced by \$900 per month<sup>1</sup> (\$10,800 per year), by how much would your company's total annual health care costs differ?
- 4) Based on the percentage of employees at your company who are clinically obese and your turnover rate, could your company benefit over the long run by educating your employees about the benefits of bariatric surgery?
- 5) To illustrate the best-case scenario, if all of your morbidly obese employees received the treatment how would it impact your short- and long-term health insurance costs?
- 6) According to a Duke University study, obese workers file twice as many workers compensation claims as non-obese workers.<sup>2</sup> How could bariatric

Point	Example (500 ee's)	Your Company
<b>GROUP HEALTH INSURANCE SAVINGS</b>		
1) ER paid monthly costs	\$9,000	
2) bariatric surgery qualifying ee's	50 out of 500 ee's	
3) 10% of qualifying ee's X mo. Savings	5 X \$900 = \$4,500 / mo (\$54,000 / yr)	
4) With education, increase to 20% of qualifying ee's	10 X \$900 = \$9,000 / mo (\$108,000 / yr)	
5) Illustrative (all qualifying ee's)	50 X \$900 = \$45,000 / mo (\$540,000 / yr)	
<b>WORKERS COMPENSATION SAVINGS</b>		
6) 20% of qualifying ee's have surgery (obese ee's file 2x more WC claims)	\$727 add'l avg cost per morbidly obese ee X 10 ee's who have surgery = \$7,270 / yr { \$400,000 total WC costs = (50 obese X \$1,454) + (450 non-obese X \$727) ; \$1,454 - \$727 = \$727 }	



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surgery affect self-funded workers comp costs?  
How would it affect renewals?

- 7) How would the indirect financial benefits of weight loss surgery impact your company's absenteeism and presenteeism and how could you translate these into direct financial savings? For example...
- a. Employee's having bariatric surgery will miss 13 less days of work according to the Duke study mentioned above, so what does each day that they work contribute to your company's bottom line?
  - b. Using the Journal of Occupational and Environmental Medicine's study results regarding productivity improvement, add an additional \$506 of annual savings for each employee who has bariatric surgery.<sup>3</sup>

Point	Example (500 ee's)	Your Company
<b>ABSENTEEISM / PRESENTEEISM SAVINGS</b>		
<b>7a)</b> 13 less days missed for 20% of qualifying ee's	\$100 per day X 13 days <b>\$1,300</b> (assumed \$800 PEPY* / 8 average days missed / year)	
<b>7b)</b> Productivity improvement - \$506 per bariatric surgery patient	\$506 X 20 <b>\$10,120</b>	
<b>Total annual savings</b>	<b>\$126,690</b>	
<b>Total annual savings per bariatric surgery patient</b>	\$126,690 / 20 = <b>\$6,335</b>	

\* According to <http://bizcovering.com/business-law/attendance-and-punctuality-cost-companies-big-money/>

## Other points to consider:

- If you are self-funded, the cost-impact will be immediate. How will the reduced claims affect your stop loss renewals over 1, 3, 5 and 10 years given your annual increases' compounding effect?
- If you are fully insured, how credible is your claims experience and how would the savings impact your renewals over the short and long-term? If you add bariatric surgery to your plan, could your broker or consultant negotiate with your insurance company to immediately receive the benefit of the long-term cost savings?
- Could adding bariatric surgery to your plan support a broader wellness and disease management initiative?
- What would this mean to your company's bottom line? If you are publically traded, how would the health insurance short- and long-term savings impact your company's stock price?

## References:

- 1 – Cremieux P, et al. A Study on the Economic Impact of Bariatric Surgery. American Journal of Managed Care. September 2008. Available at: [http://www.ajmc.com/media/pdf/AJMC\\_08sep\\_Cremieux589to596.pdf](http://www.ajmc.com/media/pdf/AJMC_08sep_Cremieux589to596.pdf).
- 2 – DukeHealth.org. Obesity Increases Workers' Compensations Costs. April 2007. Available at: <http://www.dukehealth.org/HealthLibrary/News/10044>.
- 3 - Gates DM, et al. Obesity and Presenteeism: The Impact of Body Mass Index on Workplace Productivity. Journal of Occupational and Environmental Medicine. January 2008. Available at: [http://journals.lww.com/joem/Abstract/2008/01000/Obesity\\_and\\_Presenteeism\\_The\\_Impact\\_of\\_Body\\_Mass.12.aspx](http://journals.lww.com/joem/Abstract/2008/01000/Obesity_and_Presenteeism_The_Impact_of_Body_Mass.12.aspx).