finHealth
Simplify & Control Healthcare Costs

# Healthcare Cost Governance: What Are The 5 Emerging Best Practices Being Adopted By Walmart, GE, Verizon, Boeing, Target and Walt Disney?

## Workplace Wellness

This may be the most overused term in corporate healthcare. **Workplace wellness is already a $7+ billion industry in the United States, and is expected to grow to $11 billion by 2019.** What does it mean and does it actually have any financial payback? That answer depends in part with whom you speak. If you talked to Catholic Health Initiatives, they would answer with a resounding "YES!". They credit their "Healthy Spirits" program with "bending the curve" on healthcare costs from prior increases of about 6% per year to a far lower 1.4% per year. They view their wellness initiative as extending the healthy commitment that is their corporate mission to positively impact their employees and their families.

If you read the RAND Wellness Programs Study, their findings are not quite as encouraging. RAND's study included almost 600,000 employees across 7 employers, and would indicate that wellness programs are having little impact on healthcare costs. They calculate a return of maybe only $0.50 for every dollar invested. RAND breaks wellness programs into two distinct components, lifestyle management and disease management. Lifestyle management focuses on employees with health risks, such as smoking and obesity, and works to reduce those risks to prevent the onset and exacerbation of chronic conditions.

Disease management, on the other hand, targets individuals with existing chronic conditions and helps coach them to ensure that they are following the needed protocols to minimize high cost episodes of care. This may be ensuring that a pre-diabetic/diabetic is monitoring their sugar levels or that someone with asthma is taking their medicine as recommended. In either case, the cost savings materialize from the avoidance of unplanned emergency room/hospital visits and other costly interventions.  Given that a relatively small portion of the employee population (5% or less) drives 50+% of overall healthcare costs, these interventions have a far more immediate and compelling financial return.  Per the RAND study, the return on investment for disease management is closer to 350%.

Target made a compelling announcement toward workplace wellness in **April 2016**, deciding to equip all 335,000 employees with Fitbits: http://www.bloomberg.com/news/articles/2015-09-15/target-to-offer-health-tracking-fitbits-to-335-000-employees. While there may have been an added agenda for Target in terms of positioning themselves as a "healthy" shopping choice, they are one of a growing number of organizations that consider fitness trackers an important component of a healthy workplace. Other notable employers like IBM, SunTrust, and many others have already taken that step. On a personal level, I am a huge fan of fitness trackers, as my Apple Watch has made me far more aware of my physical activity, resting heart rate and sleep patterns. And "Yes", if I find myself short by a few calories or steps, it often does prompt me to step up my activity level ☺️.

## Healthcare Coalitions

Whether it's the 20 major corporations that announced in early 2016 the formation of the Healthcare Transformation Alliance http://www.wsj.com/articles/companies-form-health-insurance-alliance-1454633281, the members of the Pacific Business Group on Health http://pbgh.org/, the National Business Group on Health https://www.businessgrouphealth.org/ or one of the many other coalitions, elite corporations are joining forces to tackle rapidly escalating healthcare costs.  These coalitions are formed to jointly study why healthcare costs are outpacing inflation by a factor of 3, to leverage their combined spending power and to develop innovative approaches to promote employee health and reduce costs.

Members of the Health Transformation Alliance include many East Coast based corporations such as American Express, Macy's, Verizon, IBM, Coca-Cola and 16 others.  The Pacific Business Group on Health (PBGH), which was formed twenty five years ago, consists primarily of companies out on the West Coast, such as Intel, Boeing, Walt Disney, Hewlett-Packard, Walmart, Chevron and a large chunk of the Silicon Valley tech giants.  Key strategies include for PBGH are:

- Accelerate cost transparency
- Pay for value
- Redesign care delivery
- Influence policy

Specific programs that have been put in place include a multi-payer database to enable benchmarking across member companies, bundled payment agreements that companies can tap into, and the Purchaser Value Network, which seeks to integrate procurement best practices and evidence based decision making into the public & private sector. The National Business Group on Health is the national voice of large employers dedicated to finding innovative and forward-thinking solutions to the nation's most important health care issues.

## Centers of Excellence

What exactly is a “center of excellence” as relates to corporate healthcare? Generally speaking, it is an initiative for a large organization to contract directly with nationally ranked medical centers to provide treatment for a particular disease, procedure or condition for employees and their families. Benefits include state of the art medical expertise, recognized top notch care, and potentially less missed time off work, all for a bundled payment by the organization. For example, Walmart expanded its “center of excellence” program in early 2015 to include cancer care through the Mayo Clinic. The “center of excellence” program was formally initiated in 2013, but Walmart has been working with top-ranked health system Mayo Clinic since 1997 on organ transplants.

While employees still have the option of using their local provider, Walmart encourages the use of its “centers of excellence” by waiving the copay, deductible and coinsurance AND paying for the travel and accommodations for the patient and a caregiver. In addition to predictable costs and low risk of complications, Walmart has seen the initial treatment plan suggested by the employee’s local provider reversed 30% of the time. This may entail avoiding surgery altogether or employing a leading edge medical practice that would not yet be available to the general public. Given Walmart’s 1.3 million domestic employees, the potential savings are enormous.

## Direct Negotiation with Health Systems

Boeing took this dramatic step in mid-2014, deciding to contract directly with health systems in their geographic footprint (initially Seattle) for medical care for employees and families: http://www.modernhealthcare.com/article/20150804/NEWS/150809961. With 30,000 employees in the Puget Sound region and another 11,000 employed at their Dreamliner plant near Charleston, this approach to healthcare procurement is a radical departure from blind reliance on a third party administrator (who by the way, is not highly aligned to reduce healthcare expenditures). Boeing is highly skilled in negotiating, and holds the chosen health systems to increasingly challenging performance targets covering everything from patient satisfaction, quality of care, continued innovation and more, just as it does for suppliers of landing gear, brakes, seats, engines and fuselages for its jets.

Based on figures from the Advisory Board, only about 2% of employers are currently contracting directly with health systems. Look for this percentage to grow rapidly as large organizations look for innovative ways to control healthcare costs. Those organizations with large pockets of employee population in specific geographies hold a significant edge in wielding their procurement leverage, but bundled payment initiatives can be available to employers whose employee base is scattered across the U.S.. This trend will accelerate as large corporations make the realization that the biggest hurdle to healthcare cost containment is the huge cadre of "middlemen" who profit from the current bloated state of affairs.

## Data Mining/Analytics

I believe that this is ultimately the "gold mine" for healthcare cost governance. By integrating the vast array of "big data" internal and external to the corporation, companies can now make evidence-based decisions as to which health programs AND medical providers are most effective for their employee population and unique culture. Tapping not solely into historical healthcare claim activity, but also health assessments, employee fitness data and the myriad of provider ratings, medical coding rules, provider profiles, error rates and more amassed by the Medicare administration.

Large global corporations have mined data for years to "predict the future" and build competitive advantage in the marketplace. Financial services has certainly been a frontrunner in using data analytics to flag & stop potentially fraudulent transactions. But then too have innovative companies like Amazon and Google to know exactly what to sell you on-line, when to email you a coupon, or how to make the largest amount of profit from each customer. What about in reducing healthcare costs? Not so much for the employers, but the health systems are certainly getting a helping hand in boosting both their top & bottom lines. Lead by companies such as Athena Health & Truven Analytics, health systems are being schooled in the art of "revenue cycle management". This is defined as "All administrative and clinical functions that contribute to the capture, **management**, and collection of patient service revenue".  In other words, how do we maximize the monies collected from both public & private payers (like you!)?

Who's helping the self-insured employers to make sure their healthcare dollars are safeguarded? First of all, do you even retain your own healthcare claims data? It is fairly typical that healthcare claims are paid directly by a third party administrator. It's also quite possible (maybe even likely) that the organization does not retain the valuable claim data of its employees and families, even though these costs could be considered "financial records".  This critical data can be analyzed & interrogated to help employees make better financial decisions, to evaluate the quality of potential providers, or even determine which employees will be getting sick. With the right tools & data, large organizations can better understanding their healthcare costs and "move the needle" by promoting initiatives that deliver measurable reductions in healthcare expenses and improvements in employee health. If you are interested in learning more about "healthcare cost governance", please join the conversation with Barbara Hodge of the Shared Services & Outsourcing Network: http://www.ssonetwork.com/sson-talent-management/articles/what-s-the-most-critical-but-also-most-overlooked/

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