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Cutting out the Middle Man

Opportunities for Hospitals to Partner Directly with Employers

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Companies in almost every sector of business offer some kind of healthcare services to their employees. They can access employer health services via many outlets, including private wellness companies, their managed care plan and even via large consulting firms offering "employer healthcare solutions."

However, with local hospitals and health systems increasingly networked with outpatient treatment facilities and multispecialty providers, who better than they to provide the greatest array of employer services? Today, many hospitals and health systems are taking a leading role in this arena, by packaging solutions — from employee wellness services to full-service health plan management —and selling them to companies in their area.

There is a wide range of options a hospital or health system has for providing business-to-business (hospital-to-employer) services. In this article, we explore several successful service models, what to consider in establishing a program and what it takes to create lasting success. For forward-looking healthcare providers, there are options worth exploring.

Then and now

Decades ago many of the nation's businesses hired so-called "corporate" doctors, nurses and PAs. They held regular office hours to serve employees, handling everything from pre-employment physicals to yearly checkups, drug testing and workplace injury triage. Even today, some companies like software giant SAS Institute in North Carolina offer staff — and even their families — on-site healthcare. Also today on the provider side, health systems are partnering with local businesses to become direct providers of a range of similar services.

For the employer, programs like these hold the potential to lower their overall healthcare costs, lessen employee absenteeism, enhance productivity and build employee morale. For the hospital, these programs can generate revenue on many fronts, including serving as feeders into their (vs. a competitor's) health system services, and creating the potential for significant downstream revenue.

What do hospital-to-employer services look like?

Many hospitals offer some form of wellness services to employers. With the support of private label or brand name wellness companies and ready-made web-based systems establishing a basic program comes without much difficulty. The challenge is in successfully launching, growing, and gaining sustained profitability; we address these issues in Part II of this paper. If the health system clears those early hurdles and employers are happy with results, more than likely they'll want to hear about other ways your services can support their employees.

Start with what you know

Of course, without the use outside resources a hospital can create hospital-to-employer services. For example, some model their programs after their existing community wellness programs, offering to employers health fairs for their staff or classes about prevention of common ailments or high-cost injuries.

"That's how we usually get our foot in the door," says Stuart May, director of CorpCare Occupational Health Services, the corporate health arm of Eastern Connecticut Health Network, a two-hospital health system based in Manchester, Conn.

A step beyond that might be an umbrella of employer services, such as new-employee screenings, workplace injury care, an EAP, employee physicals and prevention and early detection programs. Like other health systems we discuss here, CorpCare offers those services, and more. (*See case summary below.)*

Case Study: Connecticut's CorpCare Occupational Health

From annual worker physicals to customized injury prevention programs

A hospital in Connecticut rolled out an occupational health service for area employers in the late 1980s. Today, the services are still part of a growing hospital system and provide care to a client base of 35,000 workers in about 200 businesses and organizations.

"Our business philosophy is to manage the entire continuum of corporate health care for our clients' employees," says Stuart May, director of the service, called CorpCare (pronounced *Corp Care*) Occupational Health. "We offer many [occupational health] services in our freestanding facility. But any services that we don't offer here, we send to one of the hospitals in our health system."

CorpCare's clients range from manufacturing facilities to municipalities. Workers run the gamut, from those on factory floors, in firefighting units and in executive offices.

Building on a relationship

CorpCare traditionally begins working with a company by performing their employee physicals, hearing or eye tests and DOT random drug screens, Stuart says. Workplace injury care, rehabilitation and return-to-work readiness evaluations often follow.

Taking advantage of the resources of the hospitals in the system, CorpCare clients who have an employee with a second- or third-shift injury go to the health system's urgent and emergency care facilities.

The business model ensures that CorpCare can connect workers with a full range of healthcare within the health system. There's potential to care for those workers' family members, as well.

"We want to be a partner with our clients in the business community," Mr. Stuart says. "So we also approach them with injury trends that we're seeing and then offer pro-active, preventive training to their employees."

Adding value

Mr. Stuart reports that their clients appreciate the fact that CorpCare coordinates all steps of employees' care and billing for them. "Many also like the fact that we can track the total cost of managing a specific patient, all employees or a subset of injuries, too."

To broaden its reach, CorpCare has also joined a network of other hospitals that offer occupational health services. This increases the number of locations for care, which is a benefit that larger employers and those with multiple locations value.

CorpCare is a wholly owned subsidiary of Eastern Connecticut Health System, Manchester, Conn., and employs just fewer than 20 staff members, including a physician, nurses and other mid-level practitioners. http://bit.ly/pZr1sw

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Success with niche services

In Morristown, N.J., Atlantic Health System is an example of a health system that takes advantage of its metropolitan location. With 1,308 beds in the system, its Corporate Health Department coordinates health and wellness services for several hundred clients and a total of approximately 50,000 employees.

In addition, Atlantic Health System offers employers an Executive Health Program, a flat-fee medical evaluation for corporations' top executives. This service helps assure companies that their highest paid employees are going to stay healthy and productive.

"Atlantic's Executive Health Program is what we refer to as a 'smart physical,'" says Damion Martins, MD, the system's medical director for executive health and the orthopedics department, as well as director of internal medicine for the NY Jets. "Our unique program includes conducting genetic testing, lab work and a health history profile in advance of the patient visit. Every test and assessment we do is tailored to the individual's unique physical blue print and current health status. Each exam we conduct and each subspecialist seen is for a specific finding that emerged from our analysis of the client's pre-evaluation, a good deal of which we get from the client's genetics."

This approach allows the executive to complete the comprehensive exam in one-day, without the typical waiting time for results or return visits to specialists to discuss results. (*See case summary on this page.)*

Success for smaller markets

One assumption we sometimes hear regarding corporate health is that larger hospitals/health systems in metropolitan areas will be more successful when selling services like these to employers in their area. However, we see smaller hospitals in less populated areas succeeding in this arena, too.

For example, Indiana University Health Goshen in Goshen, Indiana, with about 125 beds, offers area employers its "Get Fit, Get Healthy" employee wellness program. It includes health risk appraisals such as standard blood tests and screenings at the employer worksite and also provides onsite wellness clinicians/health coaches to share the confidential results with the participants as well as summary reports (aggregated) to the employer showing changes and improvements. (S*ee case summary on this page).*

Case Study: New Jersey' Atlantic Health System - *Niche marketing of "executive health" services*

According to the University of Michigan Management Research Center, executives who undergo physical exams have 20 percent fewer health claims and lose 45 percent fewer workdays than those who do not.1 Statistics like these have led some top companies to seek healthcare providers to offer such exams. Atlantic Health System in Morristown, N.J. is one that has stepped up to fill the need.

Located in a metropolitan area with a large number of Fortune 500 companies and corporate headquarters, they offer a flat-fee medical evaluation of corporations' top executives. Known as an "executive health program," it and others like it are usually reserved for top company executives and paid for by the executive's employer.

The convenience of such programs is obviously a time-saving perk for the busy executive and they provide tangible health benefits. For example, Atlantic Health System's Executive Health Medical Director Damion Martins, MD, cites two situations where their health screenings found potentially life-threatening conditions among executives. Neither had symptoms, but both needed intervention —one for high risk for blood clots and another for the "widow-maker" blockage of a coronary artery having fatal consequences.

As for the employers, they want to assure the health and optimal performance of the highest paid employees who are often critical to the company's success. Executive health programs can also save companies money in the long-run by preventing serious illness, or at least detecting these illnesses early.

Programs like this executive health program require a very specific set of skills plus dedicated resources, including a medical director, subspecialists with availability several times a week, high-levels of nursing staff and administrative support. This kind of executive health program is resource intense, so profit margins are slim. But for hospitals like Atlantic, the investment in these resources are a way to keep their community healthier, save money for local companies and strengthen relationships.

Atlantic Health System, a non-profit organization serving Northern and Central New Jersey.

[1] Source: Forbes.com, "How the Wealthy Get Healthy (2006)

Case Study: Indiana's Indiana University Health Goshen Employees and Employers Succeeding Together

The *"Get Fit Get Healthy Wellness"* program of Indiana University Health Goshen has been up and running for close to four years. Although the learning curve brought challenges and frustration, a strong commitment by executive management, service providers and wellness consultant, Krista Thomas has kept the program moving ahead. In her role, she works directly with employers to review and address aggregated health outcomes for employee populations.

On the surface, Get Fit Get Healthy may look like other wellness programs —sign- up is voluntary, employees complete lifestyle questionnaires and undergo BMI tests, blood labs and waist circumference measurement. However, the GFGH team is deeply committed to "how" they run the program and to helping employees get healthy. So, in the beginning they took a "one-person-at-a-time" approach to creating healthy employees who would eventually become the in-house wellness coordinators.

GFGH develops individual wellness programs for each participant, provides quarterly educational programs and continually reinforces and when needed, revises wellness strategies for participants. In order to incentivize staff to participate, employees are often granted a reduction in health insurance premiums for joining and staying actively involved in the program.

After three years, the health system began creating healthcare clinics within the employer facilities for the employee and their family members.

As a result of these programs, employers have seen their healthcare cost reduced. Goshen provides a service and supports its financial stability through downstream revenue created by GFGH.

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A unique offering from Goshen is how they work with current employers under contract to take the next step in providing employees the most convenient access to care. After several years of impressive health-related behavior changes, along with improved health results, employers now contract with Goshen to provide them full-time onsite health clinics for employees and their family members.

According to Krista Thomas, wellness consultant and business development manager for GFGH, "the outcomes were so positive after a few years that employers approached me to see if there was more we could do to further the health of their employees. The on-site clinic has turned out to be just the right service, and we have many other progressive employer solutions coming in the future."

Full service, mature market

At the highest level of employer involvement with employer-direct offerings from the health system are the services of a fully managed health plan. An example of this is a subsidiary of four-hospital, 786-bed CoxHealth in Springfield, Mo. Cox HealthPlans offers employers of every size fully insured products —HMO/ POS and several options for PPO — and complete administrative services for the self-insured.

"It's important to realize that having your own health plan is not a guaranteed money maker," says Jeff Bond, CEO of the health plan developed by CoxHealth. "But if it's done right, everybody wins — patients, businesses, hospitals and the health plan". *(Case summary below)*

Potential and pitfalls of hospital-to-employer sales

As the examples above illustrate some hospitals sell health services to employers as a way to create a new revenue stream. Others are motivated by the potential for "feeders" to other hospital services and, of course, some achieve both of these goals.

A common denominator for many successful health systems has been "starting with a way in" and building upon those initial services over time. With this strategy you'd first consider the greatest need in the community of businesses. For example, if your business community is industrial/manufacturing you might first consider health conditions related to workman's comp, occupational therapy, and EAP. If you are located in a community of technology start-ups, you may be thinking ergonomics, on-site fitness Classes and trainers, and nutritional counseling to get started.

At this point in time if you have not initiated an employee-direct program and are planning to, consider a more comprehensive service offering – one which will provide cost savings right from the start. The soon-to-be new costs associated with healthcare reform employer mandates, e.g. adult child coverage of up to age 26, the removal of lifetime limits on essential health benefits, and the removal of subscriber co-pays on preventative services, among others, are greatly enhancing interest in the cost-cutting value of employee wellness programs. So it behooves the health system to establish employer-direct services you are comfortable will meet this expectation.

Words to the wise

Once the health system / hospital has made programmatic decisions, including if/how outside wellness and data system resources are needed, be sure to take a hard look at sales projections.

Case Study: Missouri's Cox HealthPlans

A big (ad) venture

When it comes to selling health services to employers, none is more unique nor perhaps, more challenging than the health system selling a health plan. Though it's a complex service to create and to sell, Cox HealthPlans, part of CoxHealth in Springfield, Mo., has been succeeding for well over a decade.

Jeff Bond, president and CEO of Cox HealthPlans, says that a key to success has been the commitment of the parent organization. "They committed research, resources and a long range plan," he says. "We're now in our sixteenth year in business."

Cox HealthPlans provides companies in the region its expertise as a full-service medical insurance carrier, providing medical management, claims processing, underwriting, member services and a provider network. With approximately 45,000 lives under contract in both fully insured and self-insured agreements, Cox HealthPlans offers employers of every size a competitive line of products — HMO/POS and several options for PPO — to meet every employer need.

As part of CoxHealth's on-going commitment and planning to this endeavor, the leadership team met recently with Dr. Glenn Steele, president and CEO of Geisinger Health System in Danville, Pa., which has several health plan products. "In a meeting just last year, he told us that the most important thing we did was not to sell our health plan," says Mr. Bond. "The result is that today, Cox HealthPlans, like Geisinger's successful plan, is better positioned to navigate and benefit from current changes in the healthcare industry.

CoxHealth is a three-hospital organization with more than 60 physician clinics in the Springfield, Mo. region. http://bit.ly/nv67Ue}

Getting off to a great start

As with any venture where a hospital is providing services to businesses, success comes with commitment and careful planning. Mr. Bond says the plan has enjoyed unwavering support and commitment from the system's senior management, through good times and struggles, However, CoxHealth placed a substantial administrative "firewall" between itself and the health plan, which has allowed the health plan to contract with hospitals and other providers outside of CoxHealth. Additionally, to minimize expenses, the plan calls on consultants with specific areas of expertise, rather than hire full-time staff (for example, for actuarial review and legal counsel).

Another key to the plan's success, according to Mr. Bond, is the fact that the health system and the health plan work as partners, not in the adversarial way that many providers and insurance companies operate. The plan and the hospital share key statistics about quality and costs, giving each an opportunity to improve patient care and to cut costs.

Looking ahead

Because Cox HealthPlans is not a publicly held company with extensive overhead and shareholders to please, they are able to hold the administration expenses to employers to a rate substantially below the larger carriers in their market. Looking ahead, Mr. Bond says the plans should readily meet medical loss ratio requirements set by the healthcare reform law.

For CoxHealth, the strategic decision to stay in the health plan business should pay off more than ever in the years ahead. The same factors that have helped the plan thrive 15 years in the rocky healthcare industry will surely help them navigate the current and coming changes the industry is experiencing.

Words to the wise (cont'd)

Whether worked through in-house or suggested by your contracted wellness vendor, be sure the sales objectives are truly achievable by the team assigned to meet those objectives. A key risk we see is when inexperience in sales forecasting drives expectations far beyond what is achievable. Equally disruptive is the sales person(s) who are unclear of the timelines to meet expectations or the consequences of not meeting the ramp-up objectives. The other problems we see are inexperience in this specific type of selling, and in sales management to assure ongoing direction and to create real solution course corrections, when needed. As a result programs either close or sputter along with low sales volume, not ever truly getting off the ground. However, these situations are avoidable.

What do hospital-to-employer sales look like?

In terms of business development and sales approach, the health system to employer interaction requires a business-to-business sales model. This model is very different from what hospitals may be more familiar with, which is hospital liaison staff calling on physicians. Because we find "the sale" is a key Achilles' heel to success, it is important to consider the differences and understand what makes the employer sale successful.

Selling to many

Selling to employers typically involve several people and not one individual. In smaller companies the decision-maker may be the owner, but in larger companies, the chief of human resources with key stakeholders will make the decisions. The CFO will probably be involved, and the employer will likely seek comparable proposals from other providers or vendors. The key in any team-buying situation is to try to meet with each or at least some of the individuals separately to win champions for your proposal. There are variables to consider that can change the decision-maker, and "proposed costs" can often cause the final decision to be made further up the chain of command.

Decision-maker and stakeholder expectations will vary depending on the role of the individual. For example, the company chief executive and the finance chief want to talk dollars and results — cost savings, revenue and productivity. The HR people want to hear about how the program will help the employees. They may consider whether the program is meaningful enough to serve as a value-added perk in recruiting prospective employees, and how your program aligns with other health benefits. And, they too will always be interested in productivity.

Longer buying process

The "buying process" for this contracted sale is typically longer and the larger the company, in many cases the longer the process. We use the term "buying process" to suggest that the seller align the "sales process" with the employer's internal process for buying or contracting. Other factors that affect buying process have to do with the employer's familiarity of the service you are selling. If they are completely unfamiliar, then you probably have to plan for a longer sell cycle.

Generally you can expect more meetings in this type of sale than other "simple sales." This is not a one or even two-call sale, so you can't expect to close the sale after the first couple of meetings. There are different acceptable protocols in different selling situations, for example, you would obviously always want this sales person, to make an appointment with a potential prospect as opposed to "stopping in", which is more acceptable in other selling situations.

The meeting preparation time is also greater for the high-level business sell. The seller knowing details of the corporation, any existing wellness or healthcare services being offered, who and the position of each meeting attendee and each person's purpose for being in the meeting is a good place to start.

With sales there is not just one set of skills or one selling process; this is a common misconception. There are many methods and a wide range of skills .Experience in one does not necessarily transfer to another. For example, as we have shown, the employer-direct sale is very different from that of the physician liaison and additional knowledge, skills and training are required for what is a more complex level of selling.

What type of business development is right for your health system?

Hospitals and health systems that successfully sell employer-direct services start with a well-conceived plan and realistic goals. They give the program the attention and commitment greater than a new service line launch because of the unknown factors associated with development and expansion.

If you would like additional information on successfully building and growing an employer-direct program or would like to learn more about selling these and other services, there are additional materials available on our website: www.harkinsassociates.com

Kathleen Harkins, Principal of Harkins Associates, draws upon twenty years of experience in product development, marketing, sales, training and executive management in working with healthcare organizations to build new service offerings, market share and revenue.

Prior to establishing a consulting practice in 1999, Ms. Harkins was employed as Chief Marketing Officer for Internet Healthcare d/b/a Progressions Health System, a managed care and provider organization, where she was responsible for new service development and launch, marketing and sales, and system contracting with regional employers. She also held executive responsibility for the managed care arm of the health system. Ms. Harkins has served as Vice President of Sales and Marketing for Westmeade HealthCare, Inc. In this capacities, she was responsible for the sales organization, contracting, new product launch and market strategy.

From 1983 to 1988, Ms. Harkins served as Director of Marketing & Sales for MEDIQ Consulting Group and as Director of Corporate Brand Identity for the parent, MEDIQ Incorporated, which held 15 subsidiary companies serving the healthcare industry. Ms. Harkins worked in the pharmaceutical industry for a number of years in sales, sales training and marketing.

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