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Optimizing Value in Employer-Sponsored Healthcare

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THE FIRST TIME IN HISTORY!!

In 2018, American households spent more than

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on healthcare[4].

Nearly half of all Americans receive health insurance through an employer– a number significantly higher than the 35 percent of Americans who have Medicare and Medicaid[1]. This has left employers to bear a larger share of overall healthcare costs as those costs continue to rise. Private business footed nearly $727 billion healthcare bill in 201 and more than 75 percent of that spending was on employer contributions to insurance premiums[2]. Walmart alone spends billions of dollars a year on healthcare for its 1.1 million covered employees and their families[3].

It is not just employers that are feeling the brunt of these rising expenses. Many employees have seen their insurance deductibles triple since 2008 and, last year, for the first time in history, American households spent more than $1 trillion on healthcare. This number is up by 4.4 percent from 2017 and includes out-of-pocket expenses for medical services as well as premium contributions toward employer-purchased coverage.[4]

These new and unfortunate milestones come without many noticeable improvements in healthcare value. Research recently published in JAMA found that roughly one-quarter of total healthcare spending in the U.S. is waste, with a price tag ranging from $760 billion to $935 billion[5]. A 2018 analysis found that employers overwhelmingly perceive waste to be a problem, but 60 percent are not actively managing the issue[6].

Costs for equivalent procedures can vary from center to center by up to 130 percent[7]. At the same time, in many cases, more care is being delivered that is not consistent with published guidelines, and less care is being delivered that is consistent with those guidelines[8]. Savvy employers are interested in partnerships that address unwarranted variability in care delivery and that can scale standardized approaches more broadly. This is especially true as employers recognize, just as health systems do, that the important cost to understand is total cost of care, across entire episodes or periods of care, as opposed to the unit cost for individual services.

Likewise, employers have found that simply moving employees to high-deductible and high-employee cost share plans delivered through the fee-for-service healthcare payment model does not work. For instance, traditional plans have provided little room for customization, and they often exacerbate issues with care coordination, which can lead to more waste and suboptimal health outcomes[9]. In today's healthcare environment, payers (including employers) and providers must work together to resourcefully and effectively manage wellness

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and overall healthcare costs. This calls for a new type of payment and delivery model, and the data, technology and partnerships to back it up.

With this backdrop of uneven care quality, rising costs and increased accountability for overall health, some employers have been taking a much more active role in the healthcare of their employees. A growing number of employers are directly negotiating and contracting with healthcare providers to deliver better, more reliable healthcare services to their employees at a more predictable rate of spend.

Paths forward

According to a 2019 survey conducted by the National Business Group on Health, 11 percent of large employers now have some form of direct-to-provider arrangement in place, up from 3 percent a year ago[10]. These arrangements can take many forms including centers of excellence (COE) models, on-site clinics and direct primary care options, ACOs, and other forms of focused or narrow networks.

As employers transition into these new care delivery models and design employee benefits around them, the question becomes how to scale the tremendous successes to date, and make them work in geographically diverse areas[11]. Doing so will require a distributed national network of providers with differentiated cost and quality outcomes, as well as a centralized contracting mechanism to reach across geographies[12].

A recent Willis Towers Watson survey suggests that employer/provider contracting is an area of innovation that is ripe for growth[13]. Nearly two thirds of employers plan to navigate to a differentiated COE for high-volume, preference-sensitive conditions, and another 22 percent plan to establish direct-to-provider contracting by the end of 2020[14].

The most innovative and successful models will include a hybrid of network care, distributed to where people live and work for many conditions and procedures. While COE care is important for selected critical procedures, especially those that are invasive and complex, they would ideally complement a larger network approach to ensure a strong and scalable strategy.

In a value-based payment world, these new models are benefitting the providers working with employers as well. Direct-to-provider contracts signal a new business opportunity in the form of a core expansion strategy that not only puts providers into a more sustainable reimbursement model (since the overarching goal is to create healthier employees/patients), but also draws volume towards those top-quality systems that are prepared to join high-value networks of providers.

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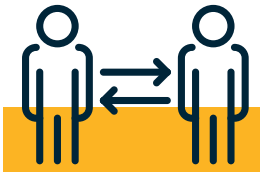

DIRECT-TO-PROVIDER
models will yield
the most success
FOR ALL INVOLVED

Creating an unparalleled employer-provider model

Employers that are taking on direct-to-provider arrangements are finding them to be necessary efforts that can be hard to get right. A desire to evolve, a sense of urgency and a commitment to learning are essential to success.

Direct-to-provider models will yield the most success for all involved – employees, health systems and employers – when providers have access to the right technology and data. A full picture of both clinical and claims data can be a powerful toolkit to analyze and pinpoint variation, benchmark performance across episodes of care, drive performance improvement initiatives, and generate evidence-based guidelines for specific conditions and procedures. The best point-of-care clinical decision support solutions armed with provider-created clinical content can decrease unwarranted variation in care delivery while standardizing and sustaining improvements.

When health systems commit to sharing data and insights, they tend to get results. Provider collaboration around leading and lagging practices – and joint development of approaches – can help to drive and accelerate innovation and the growth of a network. All of this supports the delivery of more prompt and appropriate care.

While this work is great for the employees and employers, health systems can benefit just as much. The best employers want to work with thriving provider systems. As providers increasingly take on downside risk, participation in these types of innovations allow them to take better care of patients both within and beyond these programs. This "halo effect" can improve care across all the patients a provider sees[15]. As such, the innovative programs that providers have or create to participate successfully in arrangements like these can serve as an expansion strategy towards sustainable and growing reimbursement models.

Employers and health systems working together are best positioned to improve U.S. healthcare.

For more information:
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