HOW
CLIENTS OF
ANY SIZE CAN
REDUCE COSTS & IMPROVE HEALTH
Executive Summary

Famed investor Warren Buffett crystallized the dilemma of most employers providing health care for their employees and dependents when he said,

“*The ballooning costs of health care act as a hungry tapeworm on the American economy.*”

He said this as he and two other business titans launched an expensive undertaking to form a new company, now called Haven, to figure out how to reduce those costs.

But solutions already exist that help solve these two vexing and seemingly intractable problems simultaneously: employer-sponsored, on-site and near-site health clinics. These clinics have already proven they can have a positive impact on the health issues that contribute most to high health costs: unmanaged chronic conditions.

The business model is proven to limit the upward trajectory of health care costs and improve employee and dependent health outcomes. Years of data legitimize its approach. Yet many small employers believe such clinics are impossible or at least impractical for their work force.

One third of U.S. companies with at least 5,000 employees now offer on-site or near-site clinics, but as this white paper demonstrates, much smaller organizations regularly achieve similar returns.

**Read this whitepaper to understand:**

- Why the current healthcare system delivers poor outcomes and perpetuates higher costs.
- How on-site and near-site clinics can reduce health costs by 10%-25% and improve outcomes simultaneously.
- How employers can remove barriers to health improvement.
- How smaller employers achieve the same results as employers with at least 5,000 employees.
- Three examples of small employers who have succeeded with this model, with a strong ROI.
- How near-site and on-site clinics “activate” the patient and achieve extraordinarily high patient satisfaction.
Workplace Health Clinics Reduce Costs, Improve Employee-Dependent Health

The truth is unpleasant. The current healthcare system contributes to poor health for employees and rising costs for employers. And both are feeling the financial pinch as healthcare prices have grown significantly faster than prices in the general economy.

From 2007-2017, annual private health insurance expenditures grew from $776 billion to almost $1.2 trillion. Employees are also bearing big cost increases. A Kaiser Family Foundation/Los Angeles Times survey found that between 2008 and 2018, premiums for employer-sponsored health care rose 55%, twice as fast as worker earnings (26%). Over the same time period, the average deductible for covered workers increased 212%.

Those statistics are a recipe for frustration. In recent years, many employers have implemented cost-sharing programs in an attempt to control expenditures. Indeed, increased cost sharing has led to 65% growth in the average worker contribution to the health care premium since 2008. But cost sharing without focusing on quality and coordination of care is a long-term losing proposition, not least because the practice can pit employers and employees against each other without improving employee health.
The Health Paradox

The most confounding issue for employers is that increasingly expensive health care that delivers poor outcomes perpetuates higher prices.

Here’s why: When employees are asked to pay a higher share of costs out of pocket, they tend to forego or delay needed care. A recent study linked the rise of high deductible health plans with delayed breast cancer care, and chronic condition management is often delayed or avoided altogether.

High out-of-pocket costs, coupled with the inconvenience of taking time out of the workday to visit a health professional, create a disincentive for seeking care. Because employees and their families see the physician infrequently, and only as a last resort, their care is often fragmented or nonexistent. Many individuals do not know they have a chronic condition until they have a serious, potentially life-threatening health care event. This leads to worsening of conditions that, if diagnosed earlier, could have been managed with relatively inexpensive interventions.

When employees or their family members have unmanaged conditions such as diabetes, hypertension or obesity, or a combination, they are more likely not to come to work (absenteeism) or perform at less than full capacity while at work (presenteeism). The Centers for Disease Control and Prevention estimated absenteeism and presenteeism cost businesses more than $225 billion annually.

Yet employers continue to utilize strategies that do not get results, such as high deductible plans and corporate wellness programs, which are offered to more than 50 million workers yet have a low participation rate. For example, the well-known Illinois Workplace Study found essentially no significant effect on outcomes after one year of participation in its workplace wellness program.
Perverse Incentives Drive Poor Chronic Care

According to the CDC, 90% of the nation’s nearly $3.3 trillion in health spending is for people with chronic and mental health conditions. Managing and preventing chronic conditions are best achieved only when primary care providers can take the time to understand patient’s health and challenges and can get to the underlying root cause issues. The typical health care environment an employee must navigate is not geared toward managing chronic conditions.

Health systems typically lose money on most primary care practices. As a result, they encourage providers to generate as much revenue as they can to limit losses (by seeing lots of patients for a short amount of time).

In addition, health systems encourage and often provide incentives to primary providers to make referrals to more expensive specialists that are profitable for the health system. Specialists often treat the symptoms of a chronic condition, but don't manage the condition or, more critically, don't address the root causes of the patient’s problem, which often can be attributed to poor lifestyle choices.

Because of these problems, providers don’t have the time to understand the patient’s underlying issues and root causes and find the best solutions.

The current healthcare and reimbursement system is not designed to either prevent or manage chronic conditions effectively, but instead is geared to optimize the bottom line for healthcare systems. It is not surprising then that health costs are rising while health is heading in the wrong direction.
Removing Barriers to Improvement

Employers need a solution that engages employees and their families in their health care by removing the cost and convenience barriers for preventive and primary care.

Such a model already exists — on-site and near-site workplace health clinics. On-site and near-site clinics improve health not only through close supervision and care coordination, but by simply eliminating the barriers that keep patients disengaged from their health.

On-site or near-site health clinics, by contrast, all offer variations of the same theme — a convenient at-work or close-to-work location for workers to access same-day care from a staff of physicians and other medical professionals. Organizations typically pay a fixed amount per worker or family member to fund the clinic, which does not file or process insurance claims. The employee and his or her family members typically have unlimited access to the clinic, its professionals and its services at no cost.

By changing the reimbursement system so that the provider is being paid directly by the employer (avoiding insurance-based fees for service care) a new and better kind of care is possible. The top goals of the on-site and near-site clinic are to help employees genuinely improve their health and to reduce costs by avoiding the need for hospitals and expensive medications. Providers can take the time they need with each patient to make a difference, while the typical primary care doctor can’t.

Services typically include office visits, disease management, health coaching, referral management, some prescription drugs and lab services. The on-site or near-site clinic provides medication management and referral management as well. The beauty of the model is its focus on coordinating care and managing chronic conditions. The on-site and near-site clinic model is designed to meet most worker health needs that don’t require specialist intervention or surgical or hospital care.
The concept is gaining momentum according to a new worksite health clinics survey conducted by Mercer LLC. One-third of U.S. employers with 5,000 or more workers now offer on-site and near-site health clinics to their employees and dependents, up from 24% in 2012 and 17% in 2007. Such clinics also are showing strong growth among employers with 500 to 4,999 employees, with 16% currently providing a medical clinic for employees and another 8% considering adding one in 2019. Even small employers with less than 500 members can now access clinics by joining with other employers to achieve a critical mass.

The modern on-site or near-site clinic has transformed from focusing primarily on work-related illnesses and injuries to providing a variety of primary care services to employees and their families. The model works because it transforms health care from a cost center to a strategic advantage for employers.

The survey shows workplace clinics produce positive returns, with more than half of employers that measured ROI showing a return of $1.50 for every dollar they invested in their clinic. Some clinics have reported as much as $1.60 in ROI.
Employer health clinics ultimately save money because they are a more effective and efficient way to manage health than the current episodic and uncoordinated health care system. Providers are empowered with the time and tools to practice medicine in a more personal way.

Savings can be expected because:

- Employees and their dependents are healthier and chronic diseases are prevented and/or more effectively managed.
- By identifying health risks sooner, and effectively managing patients with chronic conditions, the group experiences fewer serious health care events that require hospitalizations and expensive medications.
- When patients do need more specialized or hospital care, they are guided to the best and most cost-effective care in the community.
- The best clinic providers purchase drugs and labs at wholesale prices and pass low prices to employees, resulting in savings of 60-90% in drugs and labs provided at the clinic.

Employers who engage with a strong workplace clinic partner can expect to reduce health care expenditures by 10%-25%, with reduced costs in each of the following spending categories:

- Emergency room and urgent care use
- Primary care
- Inpatient care
- Outpatient care
- Prescription Drugs
- Laboratory Testing

Also, high-risk patients, the group that represents more than 70% of healthcare costs for employers, tend to be among the most active clinic users. That “activation” can lead to significant improvement in chronic, costly conditions such as high blood pressure, tobacco use, unhealthy body mass index and high cholesterol levels.

Employees, in turn, save an average of more than $350 per year in co-pays and other costs while improving their health.
‘Activating’ the Patient

While offering a workplace health clinic is the first step to achieving better outcomes and lower costs, employers must also ensure patients use the clinic the way it’s intended. Employees must be activated, or engaged, in the effort toward improving their health. A seminal study in the journal *Health Affairs* proved that policies and interventions aimed at strengthening patients’ role in managing their health care—that is, their level of “activation”—can and should be used as an intermediate measure that is linked directly to improved outcomes.

A large part of the eventual success of the model is dependent upon patient engagement. Getting buy-in and cooperation from patients is a key aspect of the success or failure of on-site or near-site clinics. Improving patient engagement is made possible because:

- Patients have immediate, often same-day access to clinics.
- Providers can spend as much time with patients as they need, with most regular visits lasting 20-30 minutes (all with the provider) and annual physicals usually scheduled for an hour (or more, if needed).
- The providers are trained and have access to multiple support tools to help patients through the “stages of change” using “motivational interviewing” – best proven practices that help patients improve their health-related behaviors.
- Patients have access to the latest technology including smartphone apps that track behaviors and manage incentives. These tools enable patients to text providers with questions or arrange a telemedicine visit, for example.
- Clinics are available to the employees and their families, usually at no cost.
Sometimes these interventions can be mind-bogglingly simple as employees are often unaware of how harmful some seemingly innocuous behaviors can be. One diabetic patient returned to normal blood sugar levels after modifying his nearly everyday lunch habit—white rice—with more balanced fare.

Critically, patients must be motivated to change, but they also need help and encouragement. Many patients have trouble making such changes because for one reason or another, they don’t feel empowered to manage their care. Clinics can help by offering a variety of services that help educate patients on their health and help them improve. Health coaching, preventive screenings, lifestyle management, phone apps and group counseling—services offered at most on-site or near-site clinics—can help engage people in their health.

The better clinics also often offer dietician support and behavioral health services to give patients the tools they need to improve the odds of success.

Many of these services are not available to people without on-site or near-site clinic access because there is no incentive to offer them at a traditional medical clinic. On-site or near-site clinics differ in that they take a long-term perspective on managing health, with the first clinic visit beginning a longitudinal journey in which it makes both common and economic sense to provide this array of services that help activate the patient. Together, clinic provider and employee co-develop treatment and activity plans, track progress and partner to reach health and wellness goals.
Long-Lasting Benefits

These results demonstrate how the on-site and near-site clinic model is superior to the uncoordinated care most patients experience in the current healthcare environment. By putting employee health at the center, everyone benefits.

The model is friendlier to the patient. It’s easy to see why: no cost for most services, a huge offering of those services, and providers who are incented to improve a patient’s health, not to see as many patients as possible. In this model, patients and providers have essentially unlimited time to figure out problems that may directly have little to do with physical health, but nevertheless impact physical health significantly.

Engaging patients with their health also is simpler and more effective. Patients almost always secure same-day access and unlimited time with the primary care physician and the rest of the care team. The team-based care approach practiced at on-site and near-site clinics is a significant factor in “activating” employees and their families to care about managing their health. A more recent Health Affairs study found that such activated patients have substantially lower costs and better outcomes than non-activated patients.

Some benefits to on-site and near-site clinics are harder to quantify, yet they offer compelling additional support to the superiority of the model for employers and employees and their families. A 2017 National Business Group on Health survey found that reduced absenteeism and presenteeism were among the motivators for the more than two-thirds of employers who said they were considering adding an on-site or near-site health clinic by 2020. It’s easy to understand: healthier employees have better attendance and more focus at work.

Clients of on-site and near-site clinic provider Activate Healthcare testified to this benefit when they were interviewed by KLAS Research, a health care-focused insights company providing impartial research. Activate Healthcare was top-rated over its peers in the KLAS worksite health services category in 2019. One employer with an on-site clinic said:

“We have a huge number of success stories catching serious conditions early on. One patient went in for one particular thing, and Activate Healthcare found something completely different. The patient had absolutely no symptoms...I can't count the number of times I have heard similar stories... I have lost track of the number of prediabetic cases they have caught.”
South Bend Community School Corp. initiated their on-site and near-site clinic model in 2014, even though at first glance, their workforce measured as healthy overall. Some 72% of employees presented at or below average health risk levels. But the 28% of employees who were at high risk or very high risk represented 86% of the organization’s overall claims costs. Today, 74% of the high or very high-risk population is using the clinic, providing an excellent opportunity to address and manage the underlying conditions driving the organization’s health care costs. Overall, compared to the year before the clinic was introduced, the school system has reduced costs in inpatient hospital services (23% lower), professional (7%) and primary care (17%) services and lab services (42%).

A snapshot of improvement:

- Of the 413 patients with high blood pressure, 292, or 71%, lowered their blood pressure to normal levels or by a notable amount.*
- Of the 274 patients initially diagnosed with high cholesterol, 127, or 46%, achieved normal levels or reduced cholesterol by a notable amount.**
- Of the 762 patients with an initial BMI of more than 30, 277, or 36%, lowered their BMI by more than 1%.
- Of the 56 patients with an initial A1C measure of 7 or greater, a measure of diabetes, 24, or 43%, lowered their A1c measure below 7 or lowered their A1c by at least 1%.
- Anecdotal information that shows the clinic supports teacher recruitment and retention.
- Cumulative ROI of 160% through year five since clinic inception.

* Improved blood pressure defined as a reduction of 12mm/hg for systolic and 5 mm/hg for diastolic between first and last measurement in time period.

** Improved cholesterol defined as a reduction of at least 20% between first and last measurement in time period.
Workplace Clinics in Action: Defiance Metal Products

Defiance Metal Products has three clinics in Ohio and recorded 94% employee participation by year two of clinic operation. That level of participation resulted in cumulative savings of more than $2.6 million by year three. It’s also a huge satisfier for employees, who rate the clinic a 4.7 out of 5 in patient satisfaction. Employees and dependents have saved more than $690,000 out-of-pocket.

A snapshot of improvement:

- Of the 90 employees with high blood pressure, 62, or 69%, lowered their blood pressure below 140/90 or by a notable amount.*
- Of the 99 employees with high cholesterol, 45, or 46%, had lowered their cholesterol below 200 or by a notable amount.**
- Of the 277 individuals with obese BMI levels in year two, 95, or 34%, improved their BMI by at least 1%.
- Cumulative ROI of 64.3% through year three since clinic inception.

* Improved blood pressure defined as a reduction of 12mm/hg for systolic and 5 mm/hg for diastolic between first and last measurement in time period.

** Improved cholesterol defined as a reduction of at least 20% between first and last measurement in time period.
Workplace Clinics in Action: Utz Quality Foods

Utz Quality Foods, a large snack food brand based in Hanover, Pa., initiated its on-site clinic in 2016. Utz achieved a 99.8% ROI in its first year as claims spend for inpatient hospital services, outside primary care visits, labs and emergency room visits decreased markedly. Some 87% of employees visited the clinic operated by Activate Healthcare in the first year, with patient satisfaction scores of 4.9 out of a possible 5 over five general areas of measurement.

A snapshot of improvement:

- Of the 136 patients with an initial blood pressure equal to or greater than 140/90, 86, or 63%, lowered their blood pressure to below 140/90 or by a notable amount.*
- Of the 57 patients with initial cholesterol measurements of more than 200, 29, or 51%, lowered their measurements below 200 or by a notable amount.**
- Of the 314 patients with initial body mass index of greater than 30, a measure of obesity, 133, or 42%, lowered their BMI by at least 1%.
- Of the 15 patients with an initial A1C measure of 7 or greater, a measure of diabetes, 9, or 60%, lowered their A1c measure below 7 or lowered their A1c by at least 1%.
- Cumulative net savings of almost $900,000 in the first year of clinic operation.
- ROI of 99.8% through year one since clinic inception.

* Improved blood pressure defined as a reduction of 12mm/hg for systolic and 5 mm/hg for diastolic between first and last measurement in time period.

** Improved cholesterol defined as a reduction of at least 20% between first and last measurement in time period.
Conclusion

Rising health care costs and poor health outcomes are elevating employee and dependent healthcare to a top strategic issue for businesses. Rightly, many are realizing they need to take charge by offering on-site or near-site health clinics to build a healthy and engaged workforce.

The best on-site and near-site clinics provide a solution that reduces total healthcare costs by 10-25%, with a strong ROI (often more than $1.60 for every $1.00 invested) and also provide an exceptional benefit for employees and their family members that also enhances employee retention.*** They are a creative solution that not only solves the health care coordination and affordability problem for a large percentage of healthcare services, but will, over time, improve employee health and significantly and systematically reduce costs.
Sources

1 Peterson-Kaiser Health System Tracker


