



LESSONS LEARNED

Bullish on Business: Engaging Employers in Health Care

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Employers matter. Employers have great—if, to date, underutilized—market leverage in buying health care, and often can influence other stakeholder groups, even exercising a leadership role. If fully engaged, they can push hospitals and health plans in their communities to improve care for their employees at a manageable cost.

In short, employers can be a key change agent to improve health care quality—but only if motivated and mobilized.

Employers buy health care for their employees—lots of it. Private businesses are the second-largest purchaser of health care services in almost every community in the country, after the federal government. Yet, as the paying customer, employers typically have little control over—or even input into—the product they’re buying.

Negotiating on cost? It’s the health plan that usually boasts the upper hand. Negotiating on quality? Forget it—most employers profess not to know the first thing about how to judge it. The fact is, American businesses, typically so good at managing contracts with vendors and suppliers, have long found themselves adrift and overmatched in the vast, dysfunctional health care marketplace.

[Aligning Forces for Quality](#) (AF4Q), the [Robert Wood Johnson Foundation’s](#) signature effort to lift the quality of care in America, is working closely with employers to raise their profile in health quality. AF4Q, part of the Foundation’s \$300 million [Quality/Equality](#) portfolio that is seeking to improve the quality of care for all Americans, draws together health care stakeholders in 16 communities across the nation. AF4Q has since 2006 worked with these communities to collect and report health care quality information, with the goal of improving quality in targeted areas (e.g., hospital performance, diabetes care). Many of these key stakeholders come from the employer community.

Challenges in Motivating Employers

So far, many employers haven’t fully engaged. Despite decades of urging to “buy right” and the formation of health care-centric business groups like the Leapfrog Group, Business Roundtable, and several national and regional health care business groups, many businesses stay on the sidelines when it comes to health care quality.

AF4Q and its local alliances are seeking to change that. By encouraging the business community to take actionable, concrete steps to engage in health care quality and cost, AF4Q is seeking to leverage employers to spur quality

About Aligning Forces for Quality

Aligning Forces for Quality (AF4Q) is the Robert Wood Johnson Foundation’s signature effort to lift the overall quality of health care in targeted communities, as well as reduce racial and ethnic disparities and provide real models for national reform. The Foundation’s commitment to improve health care in 16 AF4Q communities is the largest effort of its kind ever undertaken by a U.S. philanthropy. AF4Q asks the people who get care, give care and pay for care to work together to improve the quality and value of care delivered locally. The Center for Health Care Quality in the Department of Health Policy at George Washington University School of Public Health and Health Services serves as the national program office. Learn more about AF4Q at www.forces4quality.org. Learn more about RWJF’s efforts to improve quality and equality of care at www.rwjf.org/qualityequality/af4q/.

improvement and lower costs. The goal: to apply market pressure where applicable, to support healthy behaviors, and to communicate directly with employees in order to improve care at a manageable cost.

It is, admittedly, a great challenge. One reason: Many employers and other purchasers find health care to be unfamiliar territory, and overly complex. “Employers have been overly respectful, I might even say timid, in asserting their role in the health care marketplace,” says Robert Graham, MD, Program Director of AF4Q’s National Program Office. “When they’re given the chance to tell hospitals and health plans how they, as customers, want to see things run, employers too often defer to the expertise of the people on the other side of the negotiating table. In no other vendor relationship would purchasers ever tolerate that, but in health care it happens all the time.”

Another reason why employers tend to be less assertive in pushing for health care quality is that doing so often demands putting aside parochial interests for a common good. Working together, employers can move the market. But working together is the key—and that makes many employers uncomfortable.

Christopher Queram, president and CEO of the Wisconsin Collaborative for Healthcare Quality, one of AF4Q’s community alliances, says employers have their own cultural barriers to overcome in order to push for change in health care. These include cooperating with competitors and taking organizational steps, both in modeling behavior and in supporting it (e.g., with incentives), to encourage healthy choices among employees.

“If you’ve got a market in which Company A competes directly with Company B for market share and workforce talent, it may not come naturally to the leadership of either company to come together for a common cause,” says Queram, who has experience in working with employers from his former position as CEO of the Employer Health Care Alliance Cooperative, Madison, WI. “It really takes imagination, almost a leap of faith sometimes, for those employer leaders to put aside their competitive instincts and realize that they have something to gain by working cooperatively.”

It often adds up to a missed opportunity—an opportunity for employers to spur quality improvement and lower costs in health care. But it doesn’t have to be that way. Today, AF4Q, partnering with alliances and employer coalitions, is helping employers embrace their role as change agents and market drivers.

The experiences of the AF4Q Alliances point to seven strategies for employers addressing health care quality and cost:

1. Join purchaser coalitions.
2. Rigorously analyze your benefit design.
3. Don’t be afraid of clinical knowledge.
4. Treat health business relationships as you would relationships with other vendors.
5. Demand constant improvement.
6. Communicate with employees about their role in quality and cost issues, define value for them, and make these issues meaningful for them.
7. Count quality and make quality count. Use comparative information to create meaningful incentives for employees and their families to choose providers offering value.

“Understanding health care quality and cost is hard, and negotiating on these is hard too—but that’s no excuse not to do it,” Graham says. “Successful businesses negotiate hard to drive a fair deal in every other setting. The American health care system is counting on them to do so in this setting too.”

The Importance of Coalitions

Employers buy health care in the first place because of a historical commitment to improved workforce health and productivity. While there is some question as to whether employers' role in providing health coverage for their employees will persist following passage of the Patient Protection and Affordable Care Act of 2010, it is generally thought that almost all large employers and many smaller employers will continue to provide health care coverage to their employees as a way to attract and retain talented workers.

Employers often engage in health care not by themselves but through coalitions. One example is Tennessee's Memphis Business Group on Health (MBGH), a coalition of 15 employer/purchaser members. The Memphis Business Group, which accounts for approximately 350,000 covered lives in Tennessee, brings together employers to share solutions and provide tools to manage cost and quality in health benefits.

"Cost matters, and employers shouldn't be embarrassed to say so," says MBGH CEO Cristie Upshaw Travis. "But health results also matter. We as employers need to feel strong enough to go out to the market and say to health plans and health providers, 'We want to provide our employees the best care possible at the lowest possible cost, and we want you to prove you're doing that in measurable ways.'"

MBGH's approach has been to look closely at its members' health benefits design, selection, and implementation. In one recent project, the alliance helped employers collect and analyze data on the care that patients with diabetes were receiving to identify opportunities where benefit design changes could motivate use of high-value services. For instance, MBGH worked with the State of Tennessee, which insures 279,000 covered lives, to revise its benefit design to reduce co-pays for diabetes medications and supplies in order to mitigate the financial barrier to receiving evidence-based care.

The alliance is also teaching its members how to ask the right questions. This involves connecting members' human resources and health benefits professionals with national and local experts, mentors, and peers.

Along the way, the Memphis group has learned three critical lessons for engaging employers:

1. Frame the Results

When employers are asked to engage more fully in health care, they want to know what's in it for them. Employers want to know—in quantifiable, measurable terms—how engaging in health care can:

- Increase cost efficiency;
- Improve quality of care;
- Improve the health of their employees; and
- Improve the health of their community.

This is partly, but not entirely, a financial/return on investment question. Employers want to know what their up-front costs are; a timetable for return on their investment; and what form these returns will take.

2. Present a Clear "Ask"

What do alliances want from employers? Ask directly, and be specific. How exactly should employers to engage in health care? What would be their role and responsibilities? Speak the language of business by providing a work plan, including deadlines and deliverables.

3. Engage Employers in Their Natural Roles

Keep it close to home for employers by keeping them on comfortable turf. Work with them on their benefits and benefit design, because that's something they've come to understand—from a strict dollars-and-cents point of view if no other way. For instance, consider worksite health programs that bring health to the workplace rather than forcing employees to leave work for routine health visits; these can be attractive to employers despite potentially high implementation costs because the return on investment becomes clear when lost productivity is taken into account.

Employees as Partners

Memphis-area businesses also have been encouraged to consider their employees as full partners in improving health and health care. “We’re breaking down this old model of employer vs. employee. We just don’t think it serves either side very well,” Travis says.

For instance, incentives—employers offering their employees a reward for engaging in desired health behavior—are growing in popularity. Memphis-based FedEx is offering cash rewards to employees for engaging in certain healthy behaviors; and Methodist Healthcare is offering premium contribution reductions. The financial services company First Horizon National Corp. has introduced a tobacco-free campus, and Shelby County Schools is offering on-site clinics for its employees.

Engaging employees on a variety of levels may be the greatest employer challenge, but also may be the area of greatest potential return on investment, says Roxanne Wolfe, health benefits administrator for Paramount Agricultural Companies in California’s San Joaquin Valley. Paramount, a conglomeration of four farming companies, offers a self-insured health plan to approximately 5,000 members, a population that resides in rural areas and is geographically dispersed. Its members struggle with literacy—both English-language and health—and come from a traditionally medically underserved population.

“It isn’t easy to get health care to our members,” Wolfe says. Challenges include major chronic health issues such as diabetes and asthma; gaps in services including few doctors, clinics that offer limited services and inconvenient hours; and communication barriers. Thus, Paramount has aggressively worked on plan design and case management. Additionally, Paramount developed targeted [communication materials](#) to educate its employees about how to access health care and appropriate use of services at the appropriate time including emergency department use.

Paramount’s goal, Wolfe says, is not just to buy high quality care, but to buy the *right* care. Thus, the employer’s medical plan offers a \$0 co-pay for preventive services, knowing that preventive care for chronic conditions saves money and preserves health later. By making these plan design changes—coupled with effective communication materials to encourage behavior changes—Paramount is already seeing results. On the health side of the ledger, Paramount has seen reduced emergency department visits and increased usage of rural health clinics. The financial equation, Wolfe acknowledges, is harder to justify. “Initially our costs increased because of we were paying more for preventive care—but we do expect that that will decrease over the long term,” she says.

Riding the Wave

Yet it’s more than just a hope that financial return on investment will show up soon that drives employers—it’s the hard numbers behind medical inflation, says Mark Saiz, manager of insurance and benefit for the City of Albuquerque (NM) Department of Human Resources. Saiz points to American Institute of Preventive Medicine figures demonstrating that if food had risen at medical inflation rates since 1930, a dozen eggs would cost nearly \$88 today. “We just can’t, as payers, sustain these rates,” he says.

In Albuquerque, a Business Health Advisory coalition has convened to tackle health care cost and quality questions. Unlike some cities, Albuquerque does not boast large corporate entities, so the largest employers—including the city

and county governments, the public school system, and the University of New Mexico—are joining together to lead the coalition. “Our larger employers have some leverage, but not enough,” he says. “We have to work together with our smaller employers so that they can ‘ride the wave’ of the larger groups, and hopefully improvement will benefit the entire community.”

As in central California, the employee population in Albuquerque faces many issues related to chronic disease, health and language literacy, and access. Thus, like Wolfe, Saiz emphasizes a rigorous attention to designing the right benefits package. His rules for employer engagement:

1. Emphasize Wellness

To target an employee population that is traditionally underserved, concentrate on health rather than health care—that is, encourage behaviors so patients can stay healthy rather than treating them once they’re sick. “We’re trying to develop a smarter consumer who makes healthy choices as a matter of habit,” Saiz says. These wellness strategies should be multi-component, hitting employees where they live rather than in health care settings; and serve the “whole” patient by addressing needs that may be outside what is traditionally considered the realm of health care. Examples of successful wellness programs include those that target weight control, physical fitness, smoking cessation, and stress management.

2. Maximize Employee Participation

Some employees are healthier than others, and some are more engaged with their health than others. But resources should be directed to all elements, Saiz says, rather than simply targeting heavy health care users. “We’re managing the continuum by trying to get the sick ones healthy and keep the healthy ones where they are—going after both high-risk and low-risk employees,” he says. The result: a culture of health across the board.

3. Involve the Whole Family

The City of Albuquerque found that health communications to many of its male employees fell on deaf ears. The reason? The men had the job, but it was their wives who were paying attention to health. “We found that women make about 80 percent of health care decisions among our covered lives population,” Saiz says. Thus, the city sought to tailor health care communication so that the family, rather than the individual, was receiving health communication.

4. Negotiate Hard on Price

Ultimately, price does matter—so make sure your benefit design includes discounts for preferred networks, generic drug utilization, mail-order drugs, and other proven money-savers.

Conclusion: Engaging on Quality

Employers may find health care quality mystifying, but they know numbers. Health care quality can be quantified—such as hospital mortality or readmission rates, or measuring the number of children who were given reliever medication when hospitalized for asthma.

Perhaps the greatest challenge is getting started. Joining employer coalitions and leveraging existing relationships in the business and health care communities are good first steps. In addition, Graham encourages employers to learn the basics of health care quality. “Clinical quality metrics can seem intimidating, but they are knowable, and you don’t need a medical degree to understand them,” he says.

Yet the AF4Q experience demonstrates that no two markets are the same—that what works in Albuquerque may not be appropriate for Memphis. Factors that could affect how employers could engage include whether a local market has one dominant health plan or a more competitive health plan marketplace; the relative market power of health care providers

(especially, but not exclusively, large hospital systems); and the makeup and traditional nature of employers (e.g., whether a few large employers in a particular marketplace are accustomed to working together).

“There are no one-size-fits-all strategies,” says Anne F. Weiss, MPP, team director and senior program officer for the Robert Wood Johnson Foundation. “Employers, in partnership with other stakeholders, can and must play a critical role in driving health care transformation. Clearly they have a huge stake in the outcome.” Weiss advises that employers take stock of their local landscape as they identify opportunities to engage and create strategies to pursue them.

The multi-level nature of health care benefits points to a four-part foundation for the engaged employer:

- Knowledge of clinical quality measures—and how clinical quality impacts value;
- Financially sound benefit design;
- The ability to collaborate, both with other employers and with non-employer health care stakeholders; and
- The ability to communicate effectively with employees and align incentives to encourage healthy behavior.

Each of these is critically important, because without them employers will struggle to be equal partners in health care quality. But while acknowledging the difficulty, Queram says it’s worth the struggle. “We know from experience that employers can spark change in their communities,” he says. “It’s a terrific challenge—but a doable one.”

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