



PRIMER/BRIEF

First Steps in Engaging Employers in Innovative Payment Strategies: Lessons from Wisconsin

January 2014

How can employers become partners in implementing payment strategies that promote high quality, cost effective health care?

Since 2010, The Wisconsin Collaborative for Healthcare Quality (WCHQ)—a multi-stakeholder alliance working to improve quality—and the Partnership for Healthcare Payment Reform (PHPR) have worked with other organizations in Wisconsin to support providers and health plans in experimenting with innovative payment models. As part of that work, PHPR created two pilot projects: a bundled payment for total knee replacement and a shared savings project for adults living with diabetes.

According to the participating health plans and health systems, the success of these pilots depends in part on demand, support, and commitment from employers. As the primary source of coverage for Americans under 65,ⁱ employers have the potential to be a formidable force in transforming the health care market. However, uptake of the new bundled payment pilot and shared savings projects has been slower than expected.

This slow uptake led to the following research questions:

- What keeps employers from participating in initiatives that are designed to deliver better value for their health care investments?
- What can multi-stakeholder organizations and their partners do to more effectively engage employers in considering and adopting innovations in health care purchasing?

This issue brief summarizes the research findings and their implications.

Key Takeaways for Multi-stakeholder Organizations

There is no one-size-fits-all solution for engaging employers in initiatives designed to derive greater value from the health care system. However, the research conducted in Wisconsin suggests that multi-stakeholder organizations can take several steps to communicate more effectively and reach receptive employers about these initiatives. This section outlines five key takeaways related to crafting effective messages and reaching receptive audiences (see Figure 1) and summarizes the supporting research findings.

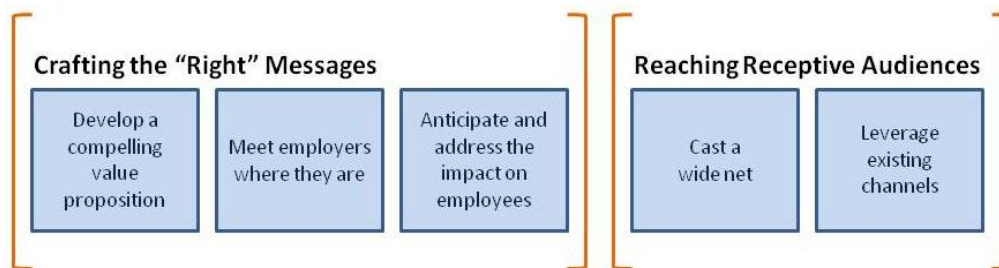
About Aligning Forces for Quality

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/goto/af4q/.

About the Author

American Institutes for Research (AIR) provides technical assistance for the Robert Wood Johnson Foundation's *Aligning Forces for Quality* initiative. AIR is working with Aligning Forces communities to support consumer engagement efforts to promote higher-quality health care at a lower cost.

Figure 1. Engaging Employers in Payment and Purchasing Reform Initiatives: Recommendations for Effective Communication



Develop a compelling value proposition for payment and purchasing reform initiatives.

For any change in the status quo—such as a new wellness program, tiered pricing, or bundled payments—convincing employers and their advisors (e.g., purchasing coalitions, brokers, consultants) to buy into that change requires a sufficiently compelling value proposition. These organizations will need to be clear on:

- Why employers should engage in the initiative
- Anticipated results
- The time frame for results
- The impact on employees

Examples of meaningful results include changes in smoking cessation rates or participation in weight management and exercise programs, improvements in clinical quality, or lower costs or cost growth as a result of reductions in unnecessary care, lower hospital readmission rates, or improved management of chronic conditions.

Multi-stakeholder organizations can help communicate the value proposition by developing a series of messages articulating not just the nature of the initiative but also the anticipated results for participants. They also can develop and share case studies that illustrate how the potential impact of an initiative (such as fewer hospital readmissions) translates into tangible benefits for employers, such as reductions in their health care claims (if self-funded) or premiums (if fully funded). The most compelling messages focus on the results or return on investment that matter most to local employers.ⁱⁱ

Overview of the Research Process

To answer their questions, WCHQ and PHPR teamed up with the American Institutes for Research (AIR). The three organizations conducted research with a mix of employers, including the smaller employers that dominate the Wisconsin marketplace, as well as brokers, consultants, and purchasing coalitions. Their goal was to uncover the facilitators and barriers for engaging employers in strategies for steering employees to high-value health care providers.

AIR’s research with the Wisconsin organizations involved three phases that built on each other:

- **An environmental scan** that explored how national and Wisconsin-based insurance brokers, consulting firms, purchaser organizations, and employer coalitions communicate with employers and brokers about payment and purchasing reform strategies.
- **Nine in-depth telephone interviews** with representatives of organizations that influence Wisconsin employers’ health care purchasing decisions. These included purchasing coalitions, brokers, consultants, and labor organizations.
- **Three small group, in-person discussions** with employers in Milwaukee and Appleton, Wisconsin. One group comprised purchasers identified as “pioneers” (i.e., they were already using innovative strategies to improve delivery and cost management). The second group included only benefit managers from a different set of employers, and the third group included only executive leadership (e.g., benefit directors, chief financial officers, and chief marketing officers) from a third set of employers. The participants represented the public and private sectors, a mix of industries, a range of covered lives (100 to 20,000), national and local businesses, and a mix of funding strategies (e.g., fully funded or self-insured).

What Employers Said

“Not everything is going to show savings year over year; we would be shortsighted if the only thing that we would consider was something that would provide ROI immediately.... Our leadership group is good at accepting the fact that there is a multiyear horizon on ROI. I think if it gets out much more than three, four, five years, I'm not sure that they'd be that interested, but usually we're shooting for something around three years.”

– Executive

“There isn't a set amount we have to change.... We just want to contain cost and keep our population healthy.”

– Pioneer Purchaser

Relevant finding: Employers do not limit their conception of return on investment (ROI) in health care initiatives to next year's savings. Improvements in health-related outcomes, neutral or slower cost growth (relative to local benchmarks), and changes in health-related employee behaviors are all meaningful.

Several brokers and consultants reported that employers care most about direct hits to their bottom lines. For an initiative to be appealing, employers would need to see immediate savings in either their monthly premiums (if fully insured) or claims utilization (if self-funded).

The interviewed employers, however, indicated that they did not need to see immediate cost savings in one or two years. Employers viewed ROI as adequate if slower or neutral cost growth (compared against like employers or geographies) occurred over a span of three to five years. They also noted that improvements in employee health behaviors or outcomes, such as participation in wellness programs and lower blood pressure rates, were all part of how they assessed ROI and determined the value of a new initiative. In addition,

employers indicated that direct savings do not necessarily need to be attributed to a single initiative.

Meet employers where they are.

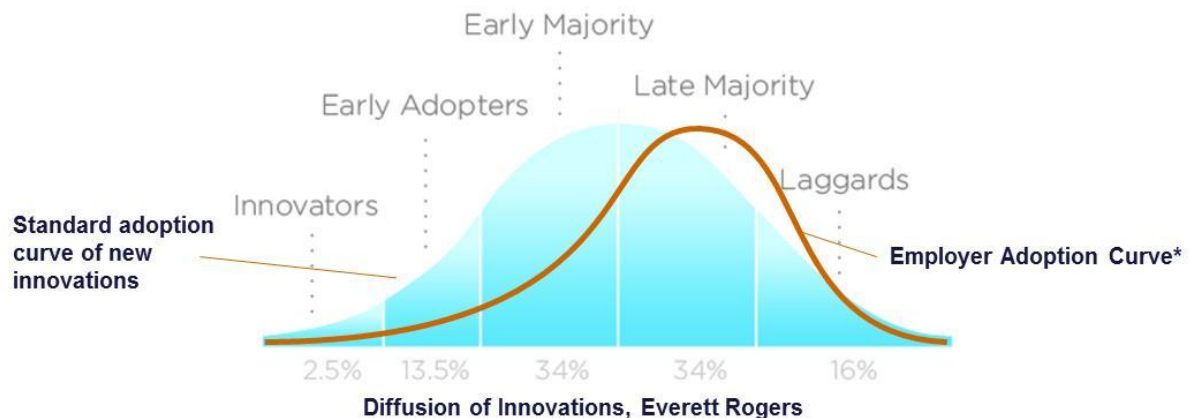
Expecting employers to embrace major changes in their purchasing strategies all at once is unrealistic. A health care initiative is more likely to get a warm reception from employers and their advisors if multi-stakeholder organizations can explain how the initiative fits with and builds on the strategies that employers are already implementing. This approach requires becoming familiar with what local employers are doing, how they are rolling out changes to employees, and what issues they are facing.

To that end, multi-stakeholder organizations can play a useful—and credible—role by hosting “listening opportunities.” These opportunities could be virtual or in-person sessions in which the organizations developing reform initiatives and stakeholders in the delivery system can hear the perspective and concerns of employers and their intermediaries (e.g., brokers, coalitions). Multi-stakeholder organizations can also share information on how participating employers have phased in changes over time so that neither the employers nor their employees are overwhelmed.

Relevant finding: Employers report being slow to adopt and implement new strategies. Moreover, because of their concerns about attracting and retaining employees, most employers do not want to be the “first out of the gate” with a disruptive innovation.

Employers that perceive their current health benefit offerings as necessary for maintaining competitive appeal in the employee marketplace appear to be less likely to lead or participate in an innovative health care purchasing strategy. Based on reports from employers, their innovation adoption curve tends to be much slower than the one portrayed in the standard model of the diffusion of innovations as depicted in Figure 2. Many employers are reluctant to take on a new initiative until a majority of other employers are also on board or unless they are adopting the initiative along with other employers through a purchasing coalition.

Figure 2. Employer Adoption Curve Compared to Standard Adoption Curve



For many employers, decisions about health care initiatives seem to evolve over time rather than as part of an established long-term strategy. Even some of the most innovative employers do not flesh out the details of their strategy in a way that is consistent with the organization's priorities before moving ahead with implementation. Instead, they may sign on to a new initiative based on perceived ease of implementation and the support of senior leadership. Once the new initiative is in place, they go back and make changes to refine the program. For example, when one employer implemented a high-deductible health plan, the management team considered too late which preventive services and chronic disease management drugs to exclude from the deductible. After rolling out the plan, they realized an employee would have to pay out-of-pocket for maintenance drugs and preventive services, such as colonoscopies and mammograms, and that employees were forgoing or delaying care and treatment in the face of such high out-of-pocket costs. The management team

What an Employer Said

"It would have to be a pretty broad bundled payment strategy, as opposed to 'we're going to do bundled payments on three surgeries and that's the differentiation between my two choices.' Probably not compelling, but if there was an organization that did it on a pretty broad group of services and said this was the strategy going forward, so down the road this health plan with these bundled payments is going to have much lower trend, be much more effective, you'll have much fewer readmissions, your patients will get better care because they're doing a better job, I mean that would seem reasonable...."

– Executive

What an Employer Said

"We do look to what is typical in the marketplace; we are not slaves to that, we look at what would fit with our employees, just our culture, and what our employees would be able to accept and manage....We wouldn't probably just pick something and put everyone in it and see how it goes. We'd probably move people over time."

– Executive

had to go back to the health plan to revise the benefit structure so preventive services and maintenance drugs did not apply toward the deductible.

Employers also reported that they typically introduce new initiatives slowly to employees, for example, by first making a program voluntary, then adding an incentive, and finally moving toward a penalty or cost-sharing mechanism.

Relevant finding: Health care initiatives that center around only one condition and/or only one provider organization may be too limited to appeal to many employers.

While the interviewed employers were intrigued by bundled payments, they were more interested in comprehensive approaches, such as reference pricing or shared savings initiatives, that cross procedures/conditions and delivery systems and can be more easily understood as a potential benefit to their bottom line. One cited issue with negotiated contracts for a single condition or procedure is that they do not necessarily have much value to those employers that do not have large numbers of covered lives. The Wisconsin employers pointed out they may not have a sufficient volume of patients for a change in the costs of condition-specific care to make a

difference in their overall health care costs. For example, a few employers noted they have a younger population of employees who do not need knee replacements.

For some employers, this type of initiative also raises concerns about compromising access to care for employees and their families. Employers with employees who span multiple geographic areas expressed concern that negotiated contracts with a single health system or provider group could place inconvenient restrictions on access to care. This finding highlights the importance of understanding which employers are likely to be more or less receptive to a given initiative (such as bundled payments) given the characteristics of their covered lives and the sources of care to which they are accustomed.

Relevant finding: Current conversations with employers about participating in payment reform strategies are occurring at the same time that “the ground is shifting underneath them,” as one broker described it. The changes resulting from the federal health care reform law are making it difficult for employers to focus on implementing payment reform strategies.

Both employers and their advisors noted that much of their attention at this time is directed at understanding the implications of the Affordable Care Act (ACA) and complying with its requirements. Brokers and consultants noted that many of their clients in Wisconsin are concerned about potential hikes in premiums as a result of the law’s limit on age rating bands (the ratio of premiums for older individuals to those of younger individuals can no longer exceed 3:1) and other rules for community rating. The brokers and consultants anticipate that rate hikes will force some employers to shift costs to employees further through higher premiums and deductibles. They also are expecting some small employer groups (fewer than 50 full-time equivalents) to shift to the self-insured market or stop offering health benefits and move employees into the insurance marketplaces coming out of the ACA.

In addition, several of the interviewed employers noted they are focused on avoiding the ACA’s Cadillac Taxⁱⁱⁱ and managing the burden of reporting and calculating full-time equivalents.

Anticipate and address the impact on employees.

Multi-stakeholder organizations can help to address employers’ concerns about the impact of payment reform initiatives on employee relations by anticipating and forestalling the issues likely to arise and supporting employers in developing an effective strategy for employee communications. First, as a neutral voice in the community, multi-stakeholder organizations can champion employee involvement in developing payment and purchasing initiatives. Engaging employee representatives (such as labor leaders) in designing and implementing an initiative ensures that the strategy addresses diverse perspectives and concerns. Being able to point to that involvement can help to assuage the concerns of employers and their employees.

Second, multi-stakeholder organizations can offer to support the efforts of brokers, consultants, coalitions, and employers to prepare and educate employees about an

What an Employer Said

“We also have the issue of we’ve got part-time people...we don’t have a ton of them, but the way the rules are set up, do we start counting the hours that they’re working and offer them coverage under the rules, do we offer everyone coverage, do we take that group and make them [Contract] employees and let [Contractor] figure it out? So there’s all of that kind of discussion....”

– Executive

What Employers Said

“[It’s] a real challenge knowing who our employees are, how we can engage them...but a key part of that was having the labor committee, so you had the labor people go back and say, ‘This is the one we selected. It’s a good plan, we need to get involved in it, [and] we need to believe in it.’ So the people who were sitting at the table were the ones who asked the most questions. It might take us a little bit longer, but we think it’s going to be real value having those labor leaders involved.”

– Pioneer Purchaser

“I worry a little bit about this making the employee a pawn in this game. That somebody that goes to the expensive provider just because they’re not a student of this—they’re not me, they don’t spend eight hours a day working on this—that they just get sucked into this system and they get directed to this place that means that they’re now paying \$12,000 whether they can afford it or not whether or not they even understand they have a decision....I know we’d get calls from people saying, ‘I had no idea what was going on and now I’m stuck with a \$12,000 bill.’”

– Executive

adopted initiative and mitigate the potential for negative reactions. In particular, they may need help developing messages and materials that address likely questions:

- How will the initiative affect employees?
- What will employees need to do differently once a reform has been implemented?
- How will employees benefit from the change?

(Organizations can begin by sharing materials from the Communication Toolkit, which offers free, customizable content designed to educate employees about getting high-value care: <http://www.helpyouremployeeshealth.com/>.)

In addition to helping develop employee communications, multi-stakeholder organizations could conduct testing with employees, such as focus groups or surveys, to gauge their attitudes toward change and assess their perspectives after the changes are implemented.

Relevant finding: When considering new initiatives, the employee perspective is part of the overall value proposition for employers and can be as important as ROI.

Across the board, employers emphasize the importance of educating and supporting employees as new initiatives are tried and adopted. Employee recruitment and retention is a top priority for employers. Employers tend to weigh heavily the potential burden of health care initiatives on employees; they anticipate the possibility of negative reactions and the likely opposition from employees if unexpected problems occur.

Cast a wide net.

Because the target audience of employers likely to be receptive to payment and purchasing initiatives is not easily defined, Alliances and their partners need to think creatively about reaching a wide range of employers in their communities through a variety of venues and channels. Given the relatively early stage of innovation in payment and purchasing, the key to engaging employers in a new initiative may lie in first focusing on those who have already demonstrated an interest in being early adopters (e.g., through their active participation in employer coalitions).

Relevant finding: Deciding which employers to target for engagement in initiatives has more to do with the employers' resources, decision makers, and current offerings than their size, industry, sector, or approach to funding health care coverage.

In Wisconsin, traditional approaches to segmenting employers based on their size and their use of self-funding (versus being fully insured) did not accurately predict which employer groups would express more or less interest in strategies that address health care costs and quality. Whether this initial finding can be applied to other markets is a research question for future investigation.

Across the board, regardless of business type or funding structure, employers were more willing to explore new initiatives if:

- The executive leadership was at the table.
- They were already employing strategies aimed at managing health care costs and increasing employee engagement.
- They were involved in an employer coalition or purchasing group.

Leverage existing channels.

To communicate more effectively with employers about payment and purchasing initiatives, Alliances and their partners may want to get to know and work through channels with established and trusted relationships with employers—especially brokers, consultants, and employer coalitions. These channels can:

- Help employers understand how they can harness their purchasing power to get better results for themselves and employees.

- Play an important role in developing initiatives by voicing the employers' perspectives and helping to ensure that the initiatives address employers' concerns and can be integrated into benefit designs.

Relevant finding: Employers do not view their individual activities as having a significant role in payment reform. When it comes to driving the market, they regard coalitions, brokers, and consultants as a critical part of the equation.

In general, the interviewed employers do not view themselves as the leaders in driving behavior change among providers or delivery system reform. They see their key leverage through plan offerings, benefit designs, and support services (e.g., programs that encourage employees to participate in wellness and chronic condition management programs).

This finding is consistent with survey results in the *18th Annual Towers Watson/Business Group Employer Survey on Purchasing Value in Health Care*, which found that the employers who were most likely to engage in cost and quality management strategies tended to focus more on demand-driven initiatives, such as changes in contribution strategies and benefit design, than provider payment and delivery system reform initiatives.^{iv}

For employers to engage in implementing payment strategies that promote high-quality, cost-effective health care, the impetus will have to come from the channels they already depend on to set priorities, negotiate contracts, design benefit offerings, deliver support services, and provide up-to-date market information. In addition to serving as effective information conduits to employer groups, brokers, consultants, and coalitions provide purchasing power—that is, they bring together a large enough number of covered lives to have an impact on contracting and shape product offerings. They also can promote alignment among existing and new initiatives.

What Employers Said

"I think employers do understand that our goals are not aligned with how we are paying providers. We completely get that, we're paying them to do all the stuff that we don't want them to do, doing more volume than necessary. We see these interesting ideas [shared savings, bundled payment], but [it's] frustrating because there are a lot of obstacles to removing or changing fee-for-service."

– Executive

"...Just because we are smaller scale compared to a lot of other companies...we're not going to have the manpower or the negotiating power to be able to work directly with a [health system] or someone like that because we just don't have enough lives."

– Pioneer Purchaser

"I think it's our role and responsibility to ask questions and participate in the discussion. There are a lot of complicating factors that would make any of these challenging for the coalition to execute and they need to tell us what is doable and what's not doable....I don't see our role as demanding that they do any one of these [initiatives], because if they can't administer it or if they can't contract providers for it, that ends the story right there."

– Executive

Conclusion

This research in Wisconsin helps to shed light on the challenges facing Alliances and their partners as they work toward engaging employers in innovative payment and purchasing initiatives. The findings suggest the majority of employers will approach these changes with caution and there is not an easy way to identify those employers likely to be receptive to new approaches. The findings also point to the importance of cultivating relationships with organizations in the market that have earned employers' trust, such as brokers, consultants, and purchasing coalitions, and working with those organizations to both represent the employers' perspective and carry key messages to the employers. Further research is needed to understand better how well the findings apply to other markets and to flesh out the messages and strategies that succeed in overcoming common barriers to employer engagement.

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- ⁱ In 2011, 59.5 percent of nonelderly people had employer-sponsored coverage. See: State Health Access Data Assistance Center. 2013. State-Level Trends in Employer-Sponsored Health Insurance. SHADAC Report. Minneapolis, MN: University of Minnesota, 2013, <http://shadac.org/publications/state-level-trends-in-employer-sponsored-insurance> (Accessed October 2013).
- ⁱⁱ *Payment Matters: The ROI for Payment Reform*. Prepared by Bailit Health Purchasing, LLC for the Robert Wood Johnson Foundation, 2013, http://rwjf.org/content/dam/farm/reports/issue_briefs/2013/rwjf404563 (Accessed October 2013).
- ⁱⁱⁱ The “Cadillac Tax” is an annual excise tax on plans exceeding \$10,200 for individuals and \$25,000 for a family (excluding vision and dental benefits) starting in 2018.
- ^{iv} *2013 Employer Survey on Purchasing Value in Health Care*. Rep. Towers Watson/National Business Group on Health, 2013, <http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2013/03/Towers-Watson-NBGH-Employer-Survey-on-Value-in-Purchasing-Health-Care> (Accessed 2013).

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