Bravura[SM] HEALTH

Why traditional, first-generation, employer-sponsored clinics are doomed to fail.

(And how Population Health Management can save them.)

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Introduction

The rise of employer-sponsored, on-site clinics

You know the story.

As health care costs continued to rise, companies scrambled for ways to reduce costs, while still providing quality care to their employees. All sorts of gimmicks were tried. Lots of bad ideas were tried. And some good ideas also arose.

One of those good ideas – the on-site, employer-sponsored health clinic.

The idea was simple – give employees access to quality, primary care on site. This would encourage more regular health visits, reduce down time from visiting off-site primary care physicians, and ultimately stem bigger, more expensive health issues by prompting the employees to live healthier lives. It was a win-win-win proposition.

But several years later, many employers are discovering that they are not realizing any of the benefits they were sold on. Their clinics are not reducing health care costs, and they are not making the employees any healthier.

So how did an idea as promising as on-site clinics, jump the track in such a short time?

Market Environment:

Employers have exhausted their options.

Let's start by going back to the companies scrambling for ways to curb their health care costs.

When these companies realized that their health care costs were continuing to rise, they explored new options and sought outside counsel. Health care consultants and brokers everywhere were summoned to the board room, and began advising their clients to try a variety of things:

- Restructuring their health benefits plans to reduce benefits and shift more of the cost to the employees
- Implementing high-deductible plans coupled with Health Savings Accounts (HSA) to soften the burden on employees dealing with higher deductibles, co-pays and out of pocket expenses
- Paying insurance carriers a fee to manage patients with chronic illnesses

Sometimes these things worked, most of the time they didn't. So employers explored more options and went even further to reduce costs by

- Hiring corporate wellness vendors to implement biometric screenings for employees. The idea being - to identify at-risk individuals and engage them in managing their own health conditions.
- Hiring consultants to analyze and model their employees' medical information to determine health conditions and wellness compliance

And finally, many companies began establishing on-site clinics, with independent and hospital owned managers to run them. These first-generation clinics were designed to offer, at very little or no cost to their employees and dependents, a variety of services:

- Primary care
- Lab services
- Pre-packaged generic drugs
- Wellness services (telephonic, online, on-site, etc.)

"In the current clinic model, employers will never see true, long-term success, because they are not addressing the real issues – which to do so, requires Population Health Management"

Market Environment:

Again, the on-site clinic concept was great… in theory. But in virtually every clinic that has been established, one crucial element has been missing:

A well-functioning clinic must include Population Health Management as part of its service offering.

Most first-generation clinic managers simply "threw in" a wellness component because it had become a popular buzzword. While wellness is a step in the right direction, it is not enough to create cost savings in either the short- or long-term. Nor will it EVER be. In fact, some research has shown that having a wellness component may even add more cost while delivering no identifiable benefit.

So today, many employer-sponsored clinics with first-generation managers are experiencing:

- No cost savings
- No improvement in employee health
- A clinic that is not fulfilling any of the promised benefits

As we will discuss shortly, the market is primed and ready for the second-generation clinic management company that will get it right, deliver on the unfulfilled promises of the first-generation clinic managers… and even guarantee performance and results.

But before we discuss the possibilities, let's look deeper into a few of the reasons that first-generation clinics are failing.

Analysis:

Why are first-generation clinics failing?

There was so much promise. A solution that would reduce costs and improve employee health. It's a great sales message. And it is easy to see why companies were eager to jump at that promise.

But, to use a health care analogy of sorts, everyone discovered that these clinics were not a "magic pill." Simply building a clinic and staffing it was never going to be enough to make a difference. First-generation managers probably hoped that costs would drop and health would improve as soon as the doors to the clinic opened. Because, in reality, they weren't really health care professionals… they were sales people. They never planned to MANAGE the clinic, but rather simply operate it.

"The ultimate reason that existing clinics are failing is because first-generation clinic managers are not doing the one thing they are supposed to do… MANAGING."

Without deep knowledge of health care and patient populations, a passive approach to clinic management was never going to work. And it didn't.

Let's look at a few of the other reasons these first-generation clinics were doomed to fail.

Reason 1:

A primary care-only model will NEVER reduce costs.

This is a basic and indisputable fact. Primary Care Only clinics will never reduce costs in the short- or long-term. Clinics that only provide primary care and wellness services were supposed to reduce costs in a number of ways. But how clinics perform on paper and how they perform in real life are often vastly different.

Shifting encounters from the "retail domain" into the "clinic domain" was supposed to deliver a "transactional" or "transfer cost" savings, but in reality:

Retail Domain	Clinic Domain
Doctors see 6-10 patients each hour.	Doctors see max of 3 patients per hour. PLUS, only 70-80% of all appointment times are used, reducing true volume to between 2.1 – 2.4 patients per hour.
Higher volume, lower cost per visit.	Lower volume, higher cost per visit.
Overhead and profit built into claims expense.	Overhead and profit into the cost by way of management fees, mark-up on actual costs incurred, or fixed PEPM/PMPM fees.
Retail staff receives standard market wages.	Clinic staffs earn wages as good as or better than retail staff.
	Employer must still pay for insurance company or TPA to process claims based on the number of members being managed, regardless of the presence of a clinic – no savings for not having claims filed.
	Docs will order "wellness" labs to test for all sorts of conditions because it's "cheap" to do it since the clinic manager has a direct relationship with a national lab company (i.e. LabCorp or Quest). Without an objective clinic manager overseeing lab requests, employers often end up paying for tests that aren't even needed.

So this illustrates why those claims made by the salesperson (that employer would realize 2x, 3x or even 50x savings) were never possible. But they sure do sound good, and it's easy to provide a list of excuses later as to why the clinic didn't reach those numbers.

Reason 2:

They don't understand utilization patterns of employees.

Another function that the first-generation clinic managers SHOULD HAVE been doing, but probably weren't.

When first-generation companies sold their clinics, they did so under the false assumption that nearly every employee will utilize a clinic exactly how it was meant to be, resulting in AMAZING COST SAVINGS. Get real, people. People are real different. And their behavior can dramatically affect an employer's health care costs.

Here are some of the categories for clinic users, and why they cost employers more than they should:

Newbies:

Employees who didn't have a PCP prior to the opening of the clinic, but have now decided to avail themselves of this incredible opportunity. Now the employer is paying for visits they were not paying for before.

Getting people to the doctor who otherwise would not have gone is a good thing, but it obviously doesn't lead to savings for the employer. The proactive and preemptive care from a clinic may very well reduce costs in the long-term, by hopefully avoiding larger future claims. Many first-generation managers like to make grandiose claims about how future savings… but ask them to prove it with actual data, actual cases, etc. ...and they cant

Double Dippers:

These employees love the convenience and free stuff at the new clinic… but they also still love their PCP. So they continue to see both, and actually consume more services than they otherwise would have without a clinic.

This is very common, and a big reason why short-term cost savings aren't delivered as promised. Double Dippers are people who a) don't fully trust the clinic staff, but like the convenience, or b) don't want to hurt their family doctor's feelings by admitting they are "cheating on them" at the clinic at work.

Converters:

There will always be a group of employees who immediately drop their PCP and start going to the clinic as their sole provider of family care. Since it's free to them, they typically utilize it more, seeking care when they ordinarily wouldn't go to see a doctor.

Often, this group of people thinks they are "sticking it to the man." They know that while it's free to them, it costs their employer money, and it's their way of getting even for increases in insurance premiums and reduced benefits.

High-cost, high-riskers:

Some employees will never go to the clinic and never go to the doctor, but the employer still has to pay the clinic manager a fee to manage them… even if they never utilize the clinic services. And often, down the road, these employees are stricken with more acute illnesses which might have been prevented or managed.

Reason 3:

First-generation managers' promises/numbers don't add up

The true costs of operating an on-site clinic are complicated, and far more numerous than most managers like to admit. The reason that most first-generation clinics are perceived as failing is because clinic managers use one set of numbers as the basis to claim success… while the employers are using a much simpler set of numbers – the total out-of-pocket costs. Many first-generation managers will report a savings expressed as ROI (Return on Investment), but often omit very real numbers when claiming to be saving the employer money.

To truly and objectively determine the ROI for an employer, there are many numbers that must be considered, but cannot be simply by looking at claims data, including:

- The initial investment for the construction of the clinic, amortized over a reasonable amount of time
- Monthly operating expenses of the clinic, rent (owned or leased), utilities, maintenance, janitorial, etc.
- Encounter costs for primary care visits (average cost to see one patient)
- Actual drug and lab costs

Most first-generation clinic managers have no idea what these numbers actually are. Which begs the question – how can they possibly know the TRUE ROI for their client? Instead, they fabricate numbers that cannot be disproven, and then claim they are saving the employer money when compared to "their estimated retail value of the services they provided at their cost to you."

It's dishonest and it has given the first generation of employer sponsored clinics a bad name.

Reason 4:

Hospitals try to implement clinics – but have ulterior motives

It only makes sense that hospitals would try to capitalize on the growing trend of on-site clinics. But there's one problem with hospitals getting into the clinic business…

Hospitals depend on people being sick!

Sick people is how hospitals make their money. They have no incentive to improve the health of a clinic's patient population. The only reason they want to run clinics is to provide primary care to as many people as possible.

Another reason hospitals got into the clinic business is to generate doctor referrals. Analysis of the health care industry over the recent past shows the trend of hospitals buying as many primary care practices as possible, putting the doctors under contract, and forcing them to sign non-compete agreements. Why? Because doctors generate hospital referrals. LOTS OF HOSPITAL REFERRALS. In fact, it is estimated that each primary care physician generates an average of $1.4 million in referrals to hospitals each year.

With such an incredible value placed on each doctor, hospitals do whatever they can to get an employer's clinic business. They undercut independent clinic managers' administrative fees and offer other incentives that sound great to employers. So they throw substantial resources into "landing" employer clinics, because they know that their investment will pay off – by insisting all clinic referrals are directed to their hospital and requiring all labs and pharmacy business go through their hospital. They claim they are selling services to the clinics "at cost" but often, it is really at their normal retail rates.

So is it any wonder that employers are rarely happy with the first-generation, hospital-managed clinics? Of course not. The savings they were promised when the clinic was sold never materialize, their employees end up with no choice of doctors, specialists, or hospitals (the hospital requires all referrals go to them), and worst of all, their employees see no improvement in health.

A hospital running an on-site clinic is truly a fox in a hen house.

Reason 5:

BIGGEST REASON FOR FAILURE -

Lack of POPULATION HEALTH MANAGEMENT included in the model

Most first-generation clinic managers do not implement true Population Health Management into their model for a variety of reasons:

- It's hard to get employers to understand the value of PHM and even harder to get them to pay for it
- They don't see themselves as the Patient Centered Medical Home (see inset), but rather as just another primary care option for their employees
- It requires significant investment in technology and staff to effectively use the information generated by the PHM processes
- They struggle with going back to their clients and proposing a significant change to the model, especially if they need more revenue to implement it
- The culture of first generation clinics does not lend itself to the "team approach" without major organizational change, which is always difficult for companies
- Clinic managers don't see themselves as able to "reach out to the population" and some clients do not allow them to use less traditional means to engage the population

What is a Patient Centered Medical Home (PCMH)?

It's a term and a concept concocted by the government, but it actually makes some sense. The Agency for Healthcare Research and Quality (AHRQ) defines a PCMH as a model for the organization and delivery of the core functions of primary care.

The PCMH concept encompasses five functions and attributes:

1. Comprehensive Care
2. Patient-Centered
3. Coordinated Care
4. Accessible Services
5. Quality and Safety

In other words, for an employer-sponsored clinic to be truly successful, both the employer and the clinic manager must recognize that the clinic is much more than just a "place" for primary care… it is a unique process and philosophy for delivering that care to the benefit of everyone involved.

Understanding Population Health Management is crucial to understanding its importance, and understanding why first-generation clinics that don't implement it are failing.

So what exactly is Population Health Management and how does it create a successful clinic environment?

Let's explore further.

Definition:

What is Population Health Management?

The American Journal of Public Health defines population health as "the health outcomes of a group of individuals, including the distribution of such outcomes within the group." In addition to primary medical care, a variety of factors influence these health outcomes, including:

- Public health interventions
- Aspects of the social environment (income, education, employment, social support, and culture)
- Aspects of the physical environment (urban design, clean air and water)
- Genetics
- Individual behavior[1]

"Population health management is fundamental to the transformation of healthcare delivery. For every provider, this means knowing what's going on with all your patients and taking action automatically to proactively achieve the best outcomes."

In other words, Population Health Management is the integrated and systematic management of the health of a defined group of people. In the case of clinics – the employee members and their families.

There are proven methods of improving the overall health of a specific population, which in turn, lowers long term health care costs for both employers and employees. Some of these methods include:

- Supply consistent, proactive preventive and chronic care to all members
- Maintain regular contact with patients throughout the year
- Support member efforts to manage their own health
- Manage high-risk patients
- Use evidence-based protocols to diagnose and treat patients[2]

SOURCE: Institute for Health Technology Transformation, "Population Health Management: A Roadmap for Provider-Based Automation in a New Era of Healthcare." iHealthTran.com, 1 October 2014. <http://ihealthtran.com/pdf/PHMReport.pdf >.

[1] David Kindig and Greg Stoddart, "What Is Population Health?" Am J Public Health. 2003;93:380–383.
[2] Care Continuum Alliance, "Advancing the Population Health Improvement Model," http://www.fiercehealthit.com/story/hennepin-health-project-looks-build-countywide-ehr-program-national-implica/2012-01-10.

Solution:

How Population Health Management can deliver on the promise

The value of Population Health Management will be recognized and utilized by second-generation clinic managers to deliver the short- and long-term savings and healthy populations that first generation clinics promised, but have failed to deliver.

To save these doomed first-generation clinics, new managers will need to revise their operational structures and models to center them around Population Health Management. New clinics will need to incorporate it from day one.

According to a research briefing by the Health Care Advisory Board Care Transformation Center, there are three key elements required to create an environment for successful population health management:

1. Information-powered clinical decision-making
2. Primary care-led clinical workforce
3. Patient engagement and community integration

We will now take a brief look at each of these elements.

SOURCE: The Advisory Board Company, "Three Key Elements for Successful Population Health Management." 1 October 2014. <http://www.advisory.com/research/health-care-advisory-board/studies/2013/three-elements-for-successful-population-health-management >.

Population Health Management:

Information-powered clinical decision-making

In today's world, information is king. And the clinical world is no different.

To successfully manage a patient population – regardless of its size – robust patient data is needed to fuel effective clinical decisions and to support proactive, comprehensive care. The more information a leader has on the health of all individuals within the population, the better that manager can create customized health plans to match their needs.

This use of data has been proven time and again to improve health as well as the bottom line – by connecting employees to their PCPs, maintaining accurate health statuses of every individual, and instituting proactive, comprehensive care will always cut costs.

ACTION: Operate within an integrated data network.

It all works better together. The next generation of clinic managers will insist on receiving and utilizing all plan data (claims, pharmacy, etc.) to maintain comprehensive and ongoing knowledge of what is going on with the population – from clinic visits to outside services to real-time, ongoing biological screening and self-management support (wellness).

ACTION: Use predictive modeling.

Having the data isn't enough. The next generation of clinic manager will know how to use it. Employers should expect a clinic manager to analyze all medical information – claims, pharmacy, clinic encounter, biometrics – using a nationally recognized and accredited modeling application. These applications will help clinic managers identify trends, predict future costs, identify risk categories, and assess the entire employee population…not just those who come to the clinic

ACTION: Use forecast modeling.

Where predictive modeling is based entirely on what is already known, forecast modeling uses "machine learning" algorithms to analyze the same large sets of data and "learn" what the future may hold for a patient population. Kind of like artificial intelligence.

ACTION: Position a leader to merge data analytics with clinical care.

Effectively managing any health population requires a knowledgeable leader (or leadership group like an outside clinic manager) responsible for applying the data collected to the clinical services being offered. These leadership efforts should constantly adapt and maximize the clinical care for every member who comes to the clinic requesting care, as well as reaching out to those who are not utilizing the clinic.

SOURCE: The Advisory Board Company, "Three Key Elements for Successful Population Health Management." 1 October 2014. <http://www.advisory.com/research/health-care-advisory-board/studies/2013/three-elements-for-successful-population-health-management >.

Population Health Management:

Primary care-led clinical workforce

The structure and composition of a clinic "care team" is important to its success. First generation clinic managers often thought "we'll put a physician and a nurse in the clinic and everything will work perfectly." Obviously, that is not the case.

ACTION: Elevate PCP to "CEO" of care team.

When managing the health of an entire group of people, the most critical skills of the workforce are those that directly relate to the "laying on of hands" and motivating patients to achieve better outcomes. For this reason, the PCP logically becomes the centerpiece of the next generation clinic model.

ACTION: Leverage technology.

Technology allows providers to extend the reach of the workforce, and provide extensive support to the care team. A next generation clinic manager should have a complete command of technological applications that not only collect and analyze data, but also maintain care quality standards that are used to create open and empowering communications with employee populations.

ACTION: Set goals and measure progress.

Clinic managers need to be comfortable managing a team of clinicians and an understanding of how to set and achieve group health goals. And just as important as the patient population reaching goals, the next generation clinic manager should be held to pre-established goals. The best way to do this is by establishing performance criteria and fee guarantees based on specific employer goals.

SOURCE: The Advisory Board Company, "Three Key Elements for Successful Population Health Management." 1 October 2014. <http://www.advisory.com/research/health-care-advisory-board/studies/2013/three-elements-for-successful-population-health-management >.

Population Health Management:

Patient engagement and community integration

The final aspect of Population Health Management shifts the focus outward - how does the next generation clinic manager (as an agent of the employer) become patient-centered and relate to the members and the outside community.

It's important for clinic managers to understand several things about the populations they are trying to manage. First, people do not want to be patients – clinic staff will always be viewed as outside the sphere of their day-to-day activities. And if clinic mangers are going to partner with patients in managing their health – and especially if they are going to be at financial risk for the health of those patients – they must integrate into patients' daily lives.

ACTION: Match service options to population need.

Offering the right services to a population will improve clinic utilization patterns and better serve members and the community. Clinic managers must build connections across the entire care continuum and effectively match service offerings to the community needs – i.e. integrating with outpatient medical services, dental care, social and community services, etc. In essence, they are creating a "one-stop" experience for all of the patient's health-related needs. Other services, that extend the reach of primary care, should also be strongly considered – i.e. physical therapy, behavioral health, wellness coaching, corporate wellness program management, biometric screenings, occupational health, concierge referrals, etc.

ACTION: Overcome non-clinical barriers.

As a rule, a small percentage of patients drives a disproportionate share of health care spending. For many of these patients, the greatest barrier to improving their health is not a clinical issue, but rather a social or financial barrier. Next generation clinic managers should be expected to recognize and address these non-clinical challenges to improve clinical outcomes, especially for the highest-risk patients.

ACTION: Integrate patient's values into the care plan.

The best decisions made at the clinic level are team decisions. When faced with difficult medical decisions, a successful management team will involve clinical and non-clinical people with complimentary and wide-range skill sets such as nurses, social workers, and behaviorists. Clinic managers should also seek input from the patient, and in some cases family members, to best understand and help set care plan goals.

ACTION: Maximize community involvement.

Just like politics, all health care is local. Next generation clinic managers should utilize community stakeholders to connect patients with high-value resources. Ideally, a clinic management team should be local, so that they are able to build these face-to-face relationships within the community. The clinic management team must think beyond the patients who are in the clinic or receiving care from other providers in the community. They must identify those who are at risk and bring them into the health care continuum so they can begin to manage their underlying problems before they become acute, more expensive and in some cases fatal.

SOURCE: The Advisory Board Company, "Three Key Elements for Successful Population Health Management." 1 October 2014. <http://www.advisory.com/research/health-care-advisory-board/studies/2013/three-elements-for-successful-population-health-management >.

Conclusion

The current clinic model is not working. Employers are not seeing fulfillment of the original promise of savings and healthier populations.

If nothing changes, employer-sponsored clinics will go the way of the dinosaur.

But the truth is, clinics can work if clinic managers are willing to change their philosophy and their operational model. Clinics can work if clinic managers utilize Population Health Management to manage each clinic's population. It is unlikely that many first-generation clinic managers will go to the time, trouble or expense of learning how Population Health Management can deliver on the promises they made when they first established their clinics.

"The most significant opportunity for employers to truly control costs and have positive prospective impacts for the long-term, directly impacting the health care cost drivers, is for an employer to implement a full-featured health and wellness clinic to complete the "hands on" cycle of care by offering an employer-sponsored clinic that engages the member population with Population Health Management programs."

Second generation clinic managers have the advantage of learning from the mistakes of the first generation. They will be able to leverage the experiences, good and bad, of first generation clinic managers and overcome the "cost of learning" and the "developmental aspect" of building a more advanced clinic management company.

This next generation of clinic managers must do three things to prevent the demise of employer-sponsored clinics:

1. Build a cost effective model that is decentralized, community oriented, and efficient
2. Be flexible – adapt to the expectations and needs of employers and their employees
3. Guarantee their performance and results

The first-generation employer-sponsored clinic is certainly doomed to fail.

But savvy, second-generation clinic managers can restructure and refocus them through Population Health Management, and bring them back to life.

Bravura Health is a second generation clinic management company with experienced leadership and a network of exclusive health care vendor partners. They convert existing clinics and build new on-site and near-site clinics around the concept of Population Health Management, for clients of all sizes in a wide range of industries including the public sector.

For more information, visit www.BravuraHealth.com