Workforce Health-Management Programs Bring Bottom-Line Benefits

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EMPLOYER-DIRECTED INITIATIVE LEADS TO A HEALTHIER BOTTOM LINE

In an era of declining corporate earnings, decreased consumer buying power and the uncertainty of the nation's financial infrastructure, finding and retaining the "right" customers has never been more important for businesses of all shapes and sizes. Healthcare organizations are not immune to this angst and in today's tough environment must identify new, creative ways to shore up the bottom line and demonstrate sound financial stewardship. For hospitals, that means identifying consumers whose reimbursement profile will enhance its payer mix and provide a meaningful contribution to its fiscal performance. Some target markets are simply more profitable than others.

Because of this simple truth, an increasing number of resourceful hospitals and their CEOs are looking at strategies that target the one key market segment that remains most desirable: Employers and their commercially insured employees. The best way to do this is through the implementation of a proven-effective employer-directed business development strategy that CEOs, CFOs and heads of marketing can all embrace with equal enthusiasm.

EMPLOYER-DIRECTED BUSINESS DEVELOPMENT

An employer-directed business strategy creates a value exchange between purchasers of commercial healthcare (employers) and the providers of needed healthcare services and products (the hospital and its medical staff). It is a focused and disciplined approach to driving commercially insured consumers to hospitals and other professional services based not only on their ability to pay but on an assessment of an individual's unique health-risk profile so as to match the right services with the consumers most in need. And it provides a measurable return on investment (ROI) that has been road tested through two decades of trial, refinement and precision.

This strategy is effective because it fulfills the basic wants and needs of all three participants in the equation. Employers want lower healthcare costs and higher productivity. Employees want better health. Hospitals and their affiliated physicians want enhanced margins and profitability, increased market share and the ability to influence healthcare purchasing decisions. By working together under a collaborative model that for the first time truly makes everyone partners in health management, all three objectives can be met.

Current industry statistics support the viability of this concept from the employer's perspective. Highmark Inc., the Pittsburgh-based insurer, found that for every dollar spent on wellness-related programs, employers saved $1.65 in healthcare expenses. At Johnson & Johnson, a four-year wellness program involving more than 18,000 workers saved the corporation $8.5 million a year in reduced healthcare costs. Citibank saw a return of $4.56 for every dollar spent on a health-management program. And the Towers Perrin 2008 Healthcare Cost Survey found that companies with aggressive strategies in place to drive improvements in employees' overall health had a 16 percent lower cost than companies without such programs – $8,532 vs. $10,200 per active employee.

A GROWING TREND

The word is getting out. CNN reported that one-third of companies offering health insurance also provide wellness programs. Hewitt Associates recently surveyed 500 companies and found that 88 percent plan to invest in solutions for improving the health of their workforce, up from 63 percent in 2007. PricewaterhouseCoopers surveyed 561 companies and learned 69 percent already offer some sort of health-management program.

With employers increasingly willing to make investments in the health of their workforce, hospitals have a decision to make. They can continue to defer this activity to health plans or any assortment of entrepreneurial enterprises, or they can see this as a stellar opportunity to provide true leadership in creating a healthier community. In truth, no organization or industry is better positioned than the local hospital to play this role and assume this responsibility. After all, it is the hospital that is there for the community 24 hours a day and whose very mission is centered around being recognized as the local "expert" in health and healthcare. Yet surprisingly, for too long hospitals have been timid about working directly with local employers to positively affect the health and health habits of employee populations. The difference now is that the awareness of the power of such programs has never been greater, and the employer's motivation to act has never been more obvious. If hospitals don't step up and seize this opportunity, someone else will.

HEALTH ASSESSMENT AND MANAGEMENT

The first step to establishing a rewarding health-management program is to perform a thorough market analysis. This identifies appropriate employers in the hospital's catchment area, based on size of workforce, insurance profile and other factors proven to be most desirable. Aegis Health Group, the nation's leading provider of healthcare business development strategies and the company that pioneered the concept 20 years ago, offers its client hospitals a trained Employer Relations Specialist (ERS) to work within the hospital to seek out and manage these relationships with area employers. Historically, hospitals have allowed health plans to represent their interests with employers, but the time has come for hospitals to position themselves as dominant players in the health-management arena.

In establishing relationships with each new employer-partner, the ERS encourages every employee to complete a Personal Health Profile. This survey collects demographics and such information as health plan participation, family history, physician relationships and selected health metrics including blood pressure and glucose readings. The questions also help identify any existing or potential health issues, such as an employee who is diabetic, has hypertension or smokes.

Personal Health Reports can be prepared for each respondent along with specific recommendations for health maintenance or improvement. The reports are provided confidentially to participating employees in an easy-to-understand format. It also provides good information for employees to discuss with their personal physicians. Many employers also encourage employees' spouses to complete a Personal Health Profile. There are two reasons for this: First, family members are often covered under the employer-sponsored benefit package, so keeping spouses and children healthy is simply in the best financial interest of the employer. Second, and as seen with growing frequency, an employee's role as caregiver to ill family members affects the employer through productivity decline, absenteeism or changing health risk factors of the employees themselves.

Using specialized software designed expressly for this purpose, Aegis aggregates the data collected in the surveys into an overall workforce profile that provides an employer a snapshot of the health issues existing within that specific workforce. Their information is used to predict an employer's expected health-related costs if the health risks are left unmitigated.

As examples...

an employer may have a particularly high incidence of back problems, smoking or obesity within their employee population. Any trends identified through the report become actionable opportunities to provide early detection, prevention and education initiatives to the employer at the worksite. Programs such as screenings for diabetes, colorectal cancer, high cholesterol and hypertension help identify health concerns before they become costly chronic conditions. Smoking cessation classes, stress management, weight reduction and nutrition education have all been proven to help people develop healthier lifestyles. Back mechanics and ergonomic worksite assessments can ward off problems before they occur. All these programs have a very real effect on an employer's healthcare cost outlay while bettering the health of the employees and providing a double "win." And at a time when benefits are being trimmed and employees are being asked to carry a larger part of the burden, this is something the employer can provide at little or no expense, yet has a high degree of perceived value by employees.

Another important part of the program involves Health Information Centers, worksite-based displays that are permanently mounted to the walls of break rooms, cafeterias or employee lounges. These centers serve as a highly visible focal point for the distribution of health-related information and educational materials. Located within each display is a large, monthly poster-style publication that features topical and informational articles on good health and a series of four quarterly *Personal Health Guides* designed as handy take-homes covering important health topics. These Health Information Centers are still another way that participating employers can visibly demonstrate to their workforce the company's commitment to good health and wellness promotion. For the hospital, this provides a 52-week-a-year "billboard" being seen by potential patients they wish to attract.

By bringing proactive measures to the worksite aimed at linking at-risk employees to appropriate hospital-based programs, employer partners are saving real-time dollars in employee health costs, lowered absenteeism, healthcare premiums, workers' compensation and other healthcare-related expenditures. Another bonus is the enhanced productivity businesses are enjoying due to decreased absenteeism.

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AN IMPORTANT STRATEGY IN THE MARKETING MIX

While advertising and outreach have been healthcare marketing mainstays for years, employer-directed collaboration takes the concept several steps further by developing a direct and trusted relationship between the hospital and the purchasers of healthcare (who often are leaders of the local business community). It repositions the hospital as a provider of solutions to the issue of employee health costs, rather than just another contributor to the problem. And it links at-risk employees to the healthcare services they need while creating loyalty between the hospital and its physicians.

This program also provides a perfect complement to the traditional “mass media” approach to marketing by focusing a portion of a hospital’s efforts and dollars directly on its most profitable customers. Hospital marketers who have continued to rely on high-cost mass media (newspaper and television advertising, for example) to get their messages out are more and more discovering two shortcomings of that strategy. First, many recipients of the message may not be eligible to utilize the facility because of the managed care plan (and provider network) offered by their employers. Second, mass media advertising puts equal weight on attracting those with an ability to pay and those who require uncompensated care or who routinely use the emergency department in place of a primary care physician. In short, mass media by its very nature is encumbered with waste. In this environment where margins are tight and waste is simply unacceptable, the two things mass media does best – drive volume and build broad name recognition – are no longer enough.

The key to financial success and long-term sustainability (including making sure that the hospital has the financial resources to serve the underinsured) lies instead in strategically and meticulously attracting those patients that will enhance bottom-line profitability for the institution and its medical staff. This program does that.

In essence, health-management collaboration is customer relationship management at its most personal level. And it provides the opportunity to arrive at a measurable ROI. Such partnerships create a “win-win-win” scenario among the hospital, employers and their commercially insured workforce by:

- Driving profitable consumers toward the sponsoring hospital and its medical staff.
- Aligning hospitals’ revenue objectives with employers’ workforce health issues.
- Linking employees with programs and services that can make—and keep—them healthy and productive.
- Targeting marketing efforts in a way that quantifies results.

In addition, health-management collaboration influences four key decisions made in the healthcare marketplace:

- The employer’s choice when contracting for group health benefits for the workforce.
- The employer’s choice of workers’ compensation and occupational medicine providers.
- The employee’s choice of physician, particularly primary care.
- The employee’s choice of hospital facility, service lines and ancillary services.

CALCULATING ROI

The program's revenue generation is measured by tracking and trending revenue growth over the life of the program. Because the focus of employer-directed marketing is purely on the commercially insured segment of the hospital's payer mix, the analysis should be limited to those transactions.

Data collected through the Personal Health Profiles is entered into the hospital's database. The database compares discharge information with the profile data to determine the number of encounters and the financial impact overall and by service line. Utilization could include inpatient, outpatient, emergency department or workers' compensation visits. To be both accurate and conservative in compilation, revenue analysis should take into consideration growth that would have happened despite any employer-directed marketing efforts.

In order to determine which patients should be considered for the revenue analysis, transaction records should include the following:

✓ **Employer name.** The employer for the guarantor or responsible person is preferred. If this is not possible, the employer name for the patient is acceptable.

✓ **Date.** This is typically the date of service for outpatient charges or discharge date for inpatient admissions. The encounters, charges and deductions for each record are applied to the month (or quarter) of this date.

✓ **Type of visit.** This will include inpatient, outpatient and emergency visits.

✓ **Total charges.** Figures reflecting the total charge for the encounter (or group of encounters, if summing or rolling up of data is performed).

✓ **Total deductions.** The total amount of deductions (including all allocations, contractual adjustments, etc.) made from the charges. Total charges minus total deductions should equal the expected net revenue for rendered services.

Armed with this data, the method to calculate ROI is as follows (see the sidebar for an example):

1 Separate local employers into two groups: Those participating in the hospital's workforce health initiative (the "test group") and those who are not (the "control group").

2 Determine the revenues generated by each group in a 12-month period before beginning the employer-directed marketing program. This is usually the 12-month period immediately preceding the launch of the initiative and is referred to as the "base period."

3 Determine the revenues generated by each group for the period to be measured, typically a year at a time (the "test period").

4 Calculate the revenue (or encounter) growth rates for each group from the base period to the test period.

5 Apply the control group's rate of growth between the two periods to the test group to calculate the "expected result," or the growth that would have occurred in the absence of employer-directed marketing.

6 Subtract the expected result from the test group's actual result. A positive difference (the actual result exceeds the expected result) represents a net contribution from employer-directed marketing.

To be successful, the program must demonstrate a revenue growth rate higher than that of the control group in an amount that meets the hospital's hurdle rate of return.

During the first year, an employer-directed health-management initiative will typically earn, at minimum, an even return on the initial investment but can be much higher. Each subsequent year of the initiative, the hospital should expect an increasingly positive ROI.

1 Calculate net revenues ($ in millions)

	Base Period	Test Period	% Change
Control Group Employers not involved in the employer-directed marketing program	$22.46	$22.94	2.14%
Test Group Employers participating in the employer-directed program	$7.48	$8.52	13.91%

2 Apply the control group's 2.14% rate of growth to determine expected results:

$7,480,000
x 2.14%
$7,640,072 This is the amount of growth that the hospital would expect in the absence of the employer-directed marketing program.

3 Subtract the expected result from the actual result for the test group:

$8,520,000 Actual revenues from test group during 12-month test period.
- $7,640,072 Expected result based on control group's performance.
$ 879,928 **ROI**

EXAMPLES OF ROI (BY MARKET) *

Eastern Missouri: A 440-bed not-for-profit facility in a highly competitive market wanted to add value to an existing employer outreach effort, streamline that department's offerings and practices, and extend the reach of the initiative to other service lines and physicians. This facility is a Thomson Healthcare Top 100 hospital. Financial data for this client was not formally analyzed until the end of program's 24th month. That analysis indicated a 7.49:1 ROI specific to the 68 employers participating in the outreach.

Southeast Texas: A 220-bed for-profit facility within a highly competitive market sought to differentiate itself and garner a larger share of the commercially insured marketplace using Aegis' employer-directed initiative. After 12 months of building relationships with local employers, it had realized a 2.8:1 ROI, 4.8:1 at the end of year two, and an impressive 12.4:1 ROI in the third year. The hospital has averaged a 6.8:1 ROI since beginning a formal employer-directed marketing program.

Southern Arizona: A 300-bed not-for-profit medical center partnered with Aegis to develop it's first branded, employer-specific outreach effort. This facility is a Thomson Healthcare Top 100 hospital and has a reputation for service excellence. At the end of the program's first full year in existence, 51 engaged employers were participating in the initiative. Financial data supplied to Aegis was analyzed to determine that this client realized a 9.67:1 ROI at the end of 12 months.

These analyses exclude revenue gains from the medical centers' physician organizations.

Southern California:

A large, academic medical center located near Los Angeles has been using Aegis' employer-directed business development strategy for more than a decade. Through this program the hospital has:

- Established relationships with nearly 400 local businesses.
- Gained access to 137,000 commercially insured employees.
- Collected 24,000 completed health profiles.
- Generated $2.6 million in net revenue from the employees of employer partners in 2006 (the most recent year calculated), a return well in excess of ten times the investment.

THE BOTTOM LINE

Health-management collaborations offer a win-win for employers, employees and healthcare organizations alike. These partnerships combine targeted cost-containment strategies, customer relationship management, wellness programming, health at-risk intervention, and strategic marketing principles to deliver on a triumvirate of cherished goals: Lower costs and enhanced productivity for employers, better health for employees, and an enhanced bottom line for healthcare organizations. And these collaborations do so by reinforcing the relationships between all three partners in the healthcare mix. Given today's tough economic climate and the growing willingness of employers to find solutions to their mounting challenges, worksite health-management collaboration is clearly a concept whose time has come.

For 20 years Aegis has helped hospitals across the country form lasting and profitable relationships with area employers by pioneering the concept of employer-directed health-management partnerships. Today, Aegis' program can be found in many of the most progressive-thinking for-profit, non-profit and academic medical centers across the country. No other company has been able to match the breadth of services, track record and bottom-line proven performance of Aegis' reimbursement-sensitive business-development strategies.

To create a win-win-win relationship for hospitals, employers and employees, Aegis utilizes proprietary software, Internet applications, educational initiatives and the skills of a talented team of associates. Hospitals win by driving profitable marketshare into their facility and enhancing their standing in the community. Employers win by reducing their health-related costs. Employees win through increased health improvement and access to hospital services and programs geared specifically to them. No wonder Aegis has been chronicled in many of the nation's leading healthcare publications, is a member of the Nashville Chamber of Commerce "Hall of Fame" and is frequently turned to when revenue growth is fundamental to success.

The Power of Relationships.℠

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8 Cadillac Drive | Suite 450 | Brentwood, Tennessee | 37027 | P: 615.665.4200 | F: 615.665.4500 | www.aegisgroup.com