

# Why GE, Boeing, Lowe's, and Walmart Are Directly Buying Health Care for Employees

by Jonathan R. Slotkin, MD, Olivia A. Ross, M. Ruth Coleman, and Jaewon Ryu, MD

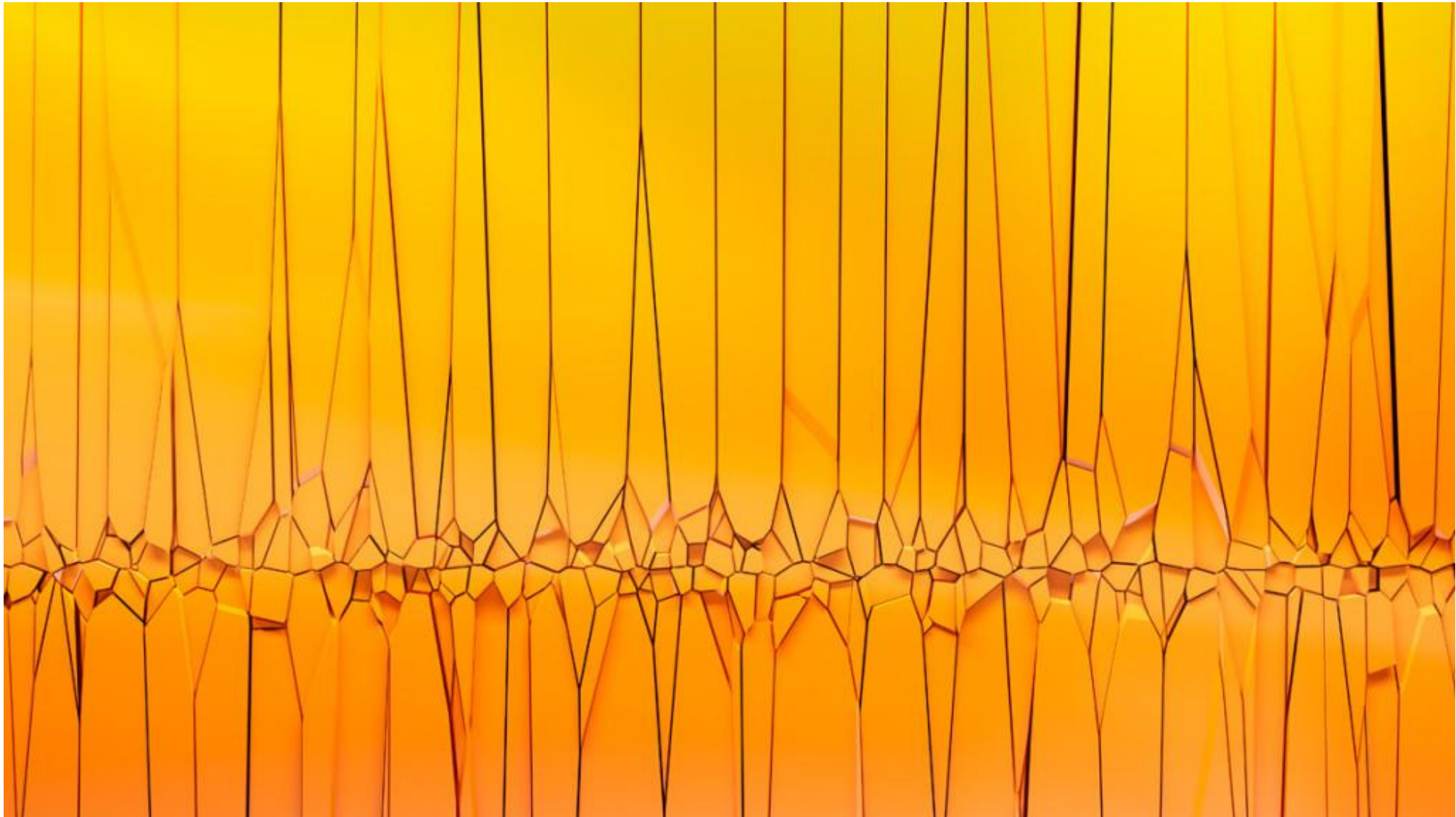
JUNE 08, 2017



## Reinventing Health Care

A newsletter bringing together good management and health care.

**Sign up now >**



## Reinventing Health Care

A newsletter bringing together good management and health care.

[Sign up now >](#)

While Medicare has led the development of bundles in the U.S., large employers are now directly purchasing bundled care for their employees through selected providers. It is little surprise that direct employer-purchasing of bundled care is a burgeoning area of healthcare payment innovation. Purchasers of healthcare services encounter widely disparate charges across different healthcare delivery systems for equivalent surgical procedures, varying by up to 40%. Boeing and General Electric have been among the leaders in adopting bundles, in part to address these disparities. Other companies including Lowe's, Walmart, McKesson and JetBlue Airways have recently partnered with the Pacific Business Group on Health (PBGH) and Health Design Plus (HDP) to launch the Employers Centers of Excellence Network (ECEN) which helps employers identify quality providers and negotiate bundled payments. PBGH is a non-profit, employer-led organization that represents public and employer healthcare purchasers, including numerous Fortune 100 companies. HDP is a third-party administrator with expertise in the development and management of travel surgery programs, providing strategic and operational management of this program.

ECEN began first with total joint replacement, then added spinal surgery, and recently has begun providing bariatric (weight loss) surgery at selected centers. ECEN provides employees of participating companies with 100% coverage for all travel and medical expenses at carefully selected healthcare systems; patients pay no out-of-pocket costs. Participating employers benefit from the quality assurance of the ECEN's rigorous center selection process and the financial savings from paying competitive, pre-set rates for bundled care negotiated between participating hospitals and HDP.

Geisinger Health System began partnering with Walmart around cardiac surgery in 2012, and joined ECEN for spinal surgery in 2015. Three key questions employers and providers commonly ask about arrangements like these are: "What is the process to be selected as a site?" "What does a healthcare system look like that earns one of these contracts?" and "Does the program actually lead



## Reinventing Health Care

A newsletter bringing together good management and health care.

[Sign up now >](#)

Hospitals and individual participating physicians undergo a thorough and iterative evaluation process. Fewer than 5% of healthcare systems initially identified for participation in ECEN meet all of the quality requirements for consideration. An invitation-only request for information from ECEN leads to an extensive review of the system's quality, outcomes, and patient satisfaction data.

After an assessment phone call that includes PBGH, HDP, as well as physicians and administrators from the health system under consideration, an extensive request for proposal is sent for completion. Candidate centers must provide information including detailed clinical protocols, surgical-patient selection criteria, clinical registry participation (more on that below), information on multidisciplinary shared decision-making, as well as institutional and physician-level performance metrics. These metrics include length of stay, return to surgery, infection rates, and procedure-specific outcomes such as joint dislocation after hip replacement and nerve covering tears occurring during spinal surgery.

For centers remaining in consideration after these initial steps, PBGH and HDP perform an in-depth site visit utilizing a patient tracer methodology. The patient experience is reviewed from arrival at the airport, throughout the care cycle, and to departing for home. A successful visit moves the process along to negotiation and contracting.

Negotiated prospective bundled rates cover all services rendered during the episode of care including facility fees, professional fees, ancillary care, implants, and durable medical equipment; the bundles created significantly exceed the services typically included in standard fee for service (FFS) care for the same procedures. These charges usually average 10% to 15% less than what would traditionally be paid in standard fee-for-service arrangements. HDP and the hospital systems negotiate the final terms of the contract, including provisions for outlier situations (such as catastrophic or unrelated complications) and ad hoc additional services.



## Reinventing Health Care

A newsletter bringing together good management and health care.

**Sign up now >**

reimbursement is likely lower than FFS models would pay, the potential customer base is huge given the national geographic draw of this travel medicine program. Moreover, participating health care systems, including Geisinger, have found that the care delivery reengineering needed to earn and maintain this type of payment model has led to improved processes and efficiencies beyond the program. For example, the ECEN spine program requires that all patients be evaluated by pain psychology, internal medicine, physiatry, and spinal surgery providers; At Geisinger, this “idealized” care – which is not routine for patients at any hospital – has become the aspirational model for the creation of the system’s integrated practice units.

### **What does a healthcare system look like that earns one of these contracts?**

In 2012 when Geisinger Health System was finalizing a destination-care agreement for cardiac surgery, the leadership team determined that we were not ready to pursue similar initiatives in spinal surgery; the necessary care-delivery systems were not yet sufficiently in place in that clinical area. Why was cardiac surgery ready and spinal surgery not? In 2006 Geisinger embarked on a broad care delivery reengineering initiative around cardiac surgery called ProvenCare. This process-improvement methodology includes workflow redesign, error proofing, best-practice implementation, cost bundling, financial risk sharing, and outcomes measurement. The elements of ProvenCare bear a notable resemblance to current payment innovations such as certain Medicare bundles and employer-purchased bundles. Implementing and expanding these prescient efforts created routine operational processes and a contagious mindset: that quality improvement is part of everyday work, and that we keep score.

In late 2012 Geisinger initiated ProvenCare Lumbar Spine. This work, which spanned most of a year, engaged all parties to agree on best practices and to minimize unwarranted variation in care delivery. The electronic health record was used to “hardwire” the



## **Reinventing Health Care**

A newsletter bringing together good management and health care.

**Sign up now >**

Having systems to measure specialty-specific patient reported outcomes (PROs) provided an important element that made Geisinger and other systems attractive partners for employer-purchasers. Nearly all modern hospitals retrospectively follow general quality measures such as length of stay, infection rate, return to surgery, and readmission. But these passive measures are not the outcomes that really matter to patients such as their ability to return to work and play and whether the surgery achieved the patient's goal.

Specialty-specific registries are not a new concept (the Society of Thoracic Surgeons National Database was formed in 1989) but some medical specialties have been slow to adopt this approach, and many healthcare institutions do not have the necessary infrastructure or human capital to participate. We have found that participation in neurosurgery's prospective clinical registry, the Quality Outcomes Database (QOD), mobilizes our providers and creates a culture where we continuously examine how our activities will impact our patients' outcomes. Registry participation is labor intensive and worth it.

Support from the highest levels of an organization's leadership provides "air cover" for building the necessary systems and cultural change necessary for this high-touch style of care. One hospital's contracting team believed it could not improve upon its offer of bundled rate charges 50% higher than those seen at already participating centers. Six months later the system's CEO approached ECEN to reopen discussions matching the other centers' pricing – only to find that the hospital could no longer be accommodated. Administrative leaders experienced with their hospital's operational network are needed when the necessary new care pathways and processes are disruptive. Business development, contracting, and finance personnel are also required. Dedicated nurse navigators and program coordinators greatly assist with the logistical complexity encountered and the concierge-type approach needed for destination care. Frequent thank you letters from satisfied patients in this program often highlight the importance of our nurse and program coordinator.



## Reinventing Health Care

A newsletter bringing together good management and health care.

[Sign up now >](#)

Programs of this type are not worth the investment if they do not increase value for patients, purchasers, and hospitals by improving patient outcomes and satisfaction and decreasing costs. Since 2014, 5,355 people have inquired about participating with the ECEN program, and 3,450 were referred to a center for clinical evaluation. 1,700 patients have undergone joint replacement surgery. While nearly all of the 450 spine patients who presented to one of the participating centers had been recommended for surgery by providers in their home markets, only 62% of the patients were found to be suitable candidates for surgery by the COE sites. Instead of unnecessary surgery, activity-based therapies, pain injections, physical therapy, or weight loss were recommended by our providers. 16% of patients recommended for total joint replacement by a home provider were recommended not to have surgery by COE centers. Avoiding unnecessary surgery is a significant driver of the program's long-term benefits.

The program has led to lower patient out-of-pocket costs and excellent patient satisfaction scores. The average Lowe's associate who has joint replacement surgery performed by one of the ECEN centers personally saves approximately \$3,300 in copayments and other fees as compared to those patients who get the same care under traditional insurance. In an analysis of 12 month's experience, 100% of Lowe's ECEN joint surgery patients reported that they would refer co-workers or family to the program for a similar surgery. Data from The Boeing Company's experience has shown similarly high employee satisfaction.

Twelve-months claims data comparing Lowe's associates who have surgery with local providers under traditional insurance as compared to those who have surgery as part of ECEN demonstrated striking findings. 9.1% of patients having joint surgery with local providers needed discharge to a skilled nursing facility after surgery, compared to 0% of those getting care with ECEN. 5.9 % of those having lumbar spine surgery with local providers needed skilled nursing care after surgery, while 0% of ECEN patients needed that care. In addition, standard health plan participants had a 6.6% chance of being readmitted to the hospital within 30 days after



## Reinventing Health Care

A newsletter bringing together good management and health care.

[Sign up now >](#)

Employer purchased bundled payment innovations continue to expand. Prepared healthcare systems are pursuing these relationships, while others caught behind feel trepidation. Rigorous system- and physician-specific vetting, common care protocols, and strictly enforced treatment appropriateness criteria mitigate concerns that bundled payments do not prevent unnecessary care and can in fact incentivize providers to perform more episodes of care. Current areas of development include the need for creative solutions for patients who are not recommended to have surgery (“If I recommend weight loss, mindfulness meditation, and Tai Chi to a patient who has limited resources back home, was the program really a success?”). Health Transformation Alliance is developing a scaled concept of delivering bundled, high-quality care in the metropolitan areas where patients live, while attempting to underpin the effort with robust analytics. There is a growing need for healthcare delivery systems prepared to participate in these initiatives. Given the value to patients, providers, and care purchasers, systems would be well served to recognize the value of capitalizing on these opportunities.

*We are grateful to Eric Foster of Lowe’s Companies, Inc. for valuable support and data for this article.*

---

Jonathan R. Slotkin, MD, is director of spinal surgery in the neurosciences institute and medical director of Geisinger in Motion at Geisinger Health System. He is co-chair of Health Transformation Alliance’s expert clinical advisory committee for back pain.

---

Olivia A. ROSS is the associate director of the Employers Centers of Excellence Network at the Pacific Business Group on Health.

---



## Reinventing Health Care

A newsletter bringing together good management and health care.

**Sign up now >**



**This article is about LEADERSHIP & MANAGING PEOPLE**

 FOLLOW THIS TOPIC

Related Topics: COSTS | HEALTHCARE

## Comments

Leave a Comment

POST

4 COMMENTS

'Mabatho Thatho 6 months ago

Cost effective disruptive innovations like bundled payments in health care have been seen operational and put to good use by employers of large companies. Such companies include medical aid among employee benefits. The selected organizations that provide high tech style of care promote screening for health conditions on annual basis. In other words this can be seen as monitoring mechanism that detects anything that is not right early health wise and provide preventive measures. When need arises for major surgery, it is performed under high tech style of care. Surely this approach



## Reinventing Health Care

A newsletter bringing together good management and health care.

**Sign up now >**

## **POSTING GUIDELINES**

We hope the conversations that take place on HBR.org will be energetic, constructive, and thought-provoking. To comment, readers must sign in or register. And to ensure the quality of the discussion, our moderating team will review all comments and may edit them for clarity, length, and relevance. Comments that are overly promotional, mean-spirited, or off-topic may be deleted per the moderators' judgment. All postings become the property of Harvard Business Publishing.



## **Reinventing Health Care**

A newsletter bringing together good management and health care.

**Sign up now >**