

The expectation that employers provide their employees' health benefits has been around since World War II. Unfortunately, although today's employees expect employers to treat them as individuals, ease their experiences, prioritize their wellbeing, and control cost, far too many have failed to do so.

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Employees consider health care as their most important benefit, but only 21% of those surveyed are extremely satisfied with their current plan.¹ While 52% of surveyed respondents felt the pandemic had “made me question the purpose of my day to day job,” another found that only 29% of surveyed employees strongly agreed that they trusted their employer would take care of their emotional and mental wellbeing, and 27% disagreed.²

Most employees want policies with more personalized choices tailored to characteristics like age, preexisting conditions, and risk tolerance, and guidance in selecting their benefits. In the age of COVID and working from home, they also want smoother, more convenient communication with health plans and providers

Simultaneously, rising healthcare costs dramatically affected employees' income. The average family coverage premiums in all firms— \$22,463 in 2022—increased 22% over the last five years since 2021 (vs. 11% change in inflation) and 47% over the past ten years (vs. 19% rise in inflation).³ Contrast this to the yearly income for full-time U.S. wage or salary workers in the second quarter of 2022 of \$54,380.

Healthcare cost increases increased substantially yet again this year. Partially in response, employees have already decreased contributions to their retirement plan, delayed doctor visits, increased their credit card debt, etc.

Although most employers in a recent survey have increased wages and/or added rewards and benefits, 66% of their employees say they are considering changing jobs.⁴

It's Time to Change Corporate Management of Healthcare Benefits

Some of these healthcare shortcomings can be traced to a managerial mindset that avoids the innovative strategies that could overcome them.

Large, self-insured corporations typically rely on their Human Resources (HR) staff to manage health benefits. While appropriately lauded for knowing their job, coaching others, and building relationships, HR professionals generally are not applauded for their strategic vision and enthusiasm for stretch goals. HR was more likely to be rated as “prudent” than the general population and less likely to be rated as “adventurous.”⁵

Their risk-aversion makes sense: many HR professionals see their role as protecting the firm from entanglements with difficult employees. This important goal may, however, act against innovative, albeit difficult, ideas.⁶

Also, only a few HR professionals use the advanced analytical techniques that could respond to employees' demands for personalized, cost-controlled, convenient healthcare and 37 percent collect and use only very basic HR data. For example, to measure the effectiveness of their employee wellbeing efforts many merely use participation rates rather than measuring outcomes.⁷

HR often contracts with outside firms—brokers, health insurers, and consultants— to shape and manage their plans. Despite their deep industry expertise, the outsourcers' incentives may not align well with creating innovative strategies. Brokers, when paid a percentage of premiums as fees, are not well aligned with a cost-control strategy. Insurers typically

prefer as uniform a plan structure as possible across their clients; are leery of upsetting relationships with preferred providers by offering alternative care sites; and find the self-insured plans a relatively small profit sideline to their full-risk business.⁸ Consultants earning a flat fee are better aligned; but those that yield a considerable portion of their healthcare revenues from status quo providers may avoid strategies that threaten them.

While HR professionals do a great job in HR functions, their relatively low reliance on analysis and data and risk avoidant stance are not conducive to creating the innovative solutions employees demand.

CEOs, Abetted by CFOs, Need To Lead the Charge of Creating Innovative Benefits and Reorganizing Their Implementation

Why should busy CEOs take on this crucial but daunting challenge? For one, “innovative” heads the list of characteristics of leaders like CEOs. As for CFOs, they are unusually risk-tolerant, dominant, skeptical, and fast-paced.

Under its CEO’s leadership, Quest Diagnostics appears to have been successful in both improving its employees’ health status and satisfaction and controlling costs. It offers important lessons for other firms.

How Quest Diagnostics’ CEO Improved the Cost and Quality of Health Benefits

Even before COVID’s employment effects, as an employer of more than 50,000 people, Quest took action to quell the impact of rising healthcare costs on its employees and bottom line.

The leadership team, led by Steve Rusckowski, Chairman, CEO, and President, first moved responsibility of Quest's group health plan from HR to the Chief Medical Officer. They believed the medical team understood the system better and had the analytic skills to provide innovative, effective care and cost control. As he said, "We started to see real change when we shifted the responsibility of the group health plan to our medical team."

Cumulatively, Quest saved an estimated \$40M over 4 years in healthcare costs; saw more than 80 percent of employees participate in employer-sponsored health programs; achieved measurable improvements in health (reduced diabetes and cardiovascular risk); improved preventative screening compliance; and maintained a positive member experience, according to a published study. As a result, Quest kept employee contributions to medical care flat between 2016-18.

The Biggest "Problem Areas" Employers Should Address...

Along with health insurance cost-control, for better work/life balance employees seek four primary improvements of their health benefits:

Undifferentiated patient care. Current "one-size-fits-all" policies generally fail to account for individual differences like gender preferences, ethnic/minority diversity, and chronic disease status. For example, in the typical "everything for everybody" health plan, too many people with chronic diseases/conditions receive fragmented care from many different uncoordinated providers.⁹ The average Medicare patient saw a median of two primary care physicians and five specialists over a two-year time period.¹⁰ Coordinated care could profoundly improve health status and help control the 90% of U.S. healthcare costs for which they account.¹¹ Point solutions, such as apps for care management, have all- too-little take up.

Employers agree that undifferentiated care is a problem: one survey found that only half believe their benefit programs address their workforces' individual needs, and even fewer, 39%, offer significant flexibility and choice in benefits.¹²

Difficult access to care delivery. Insurance that forces employees to jump through hoops to obtain access to narrow networks of bricks and mortar providers is disconnected from the new reality since early 2020 COVID lockdown normalized working from home. The resultant hybrid office/homework model is sticking. A 2021 National Bureau of Economic Research analysis of survey responses found that employers plan for workers to supply 21.3 percent of full workdays from home after the pandemic ends.¹³

Lack of reinforcement for self-care. Ensuring self-care, or patient adherence with the treatment prescribed, offers great promise for improved quality of care and cost control.

Patients with a chronic illness/disability could especially use self-management. Lower levels of self-care are generally associated with significantly higher total costs. The annual adjusted costs attributed to “all causes” of non-adherence ranged from \$5,271 to \$52,341.¹⁴

Plan administration. At times, health and accident insurance have received more consumer complaints than any other category of insurance. The categories of health insurance complaints tracked by New York State include prompt payment, the process for internal and external appeals, and getting quick or needed access to care. Yet, even with these inadequacies, the healthcare sector spends approximately \$42 billion each year conducting administrative transactions.¹⁵

In general, the healthcare benefits offered by companies are out of alignment with the massive number of innovations that have occurred since COVID that can help to respond to these needs. Let's explore a few below.

...And Four Innovation Categories That Can Help

Below are some innovations under categories corresponding with the four problem areas detailed above that help with work/life balance and fulfill employees' healthcare needs:

Undifferentiated Patient Care

Innovations that treat employees as individuals include:

- **Customer segmentation.** Prevent Senior, a Brazilian healthcare company, focuses on those age 49 and older. When its analytics discovered loneliness brought many to the Emergency Room, it organized social functions for them, lowering cost and improving satisfaction.
- **Demand management.** Indian cancer firm Healthcare Global has paired round-the-clock procedures with yield pricing. Employees can thus trade off cost versus convenience.

Lack of Self-Care Reinforcement

Analysis can identify innovative, effective self-care solutions like the following:

- **Avoiding diabetic amputations:** 34% of the 35 million patients with diabetes had a lifetime risk of developing a diabetic foot ulcer (DFU). The frequent inpatient admissions for a DFU often cost over \$100,000 per case. By measuring foot temperatures remotely in the home, a recent study suggested Podometrics reduced amputations by 71% and hospitalizations by over half (52%), likely resulting in marked cost savings.¹⁶
- **Medication self-care:** CVS Health, the pharmacy/health insurance company, analyzes patient-specific root causes of non-adherence and addresses them with solutions that ease self-care, like personalized packets of pills, synchronization of prescriptions, clinical and motivational counseling, and refill reminders. CVS estimates that plan sponsors could save as much as \$63 million per 100,000 members by focusing adherence efforts on patients with three or more co-morbidities.¹⁷

Difficult Access to Plan Administration/Care

Today's workforce is increasingly comfortable accessing healthcare in a retail environment, and of course technology already permeates every area of their lives...which is why these innovations are a natural fit:

- ***Alternate sites of care.*** Many alternate, convenient sites for care sprang up during COVID. Analysis can direct employees to them: retail medical centers, such as those run by CVS, Walmart and Amazon; hospital to home programs; neighborhood centers for urgent care and ambulatory surgery; and laptops and smart phones that offer telemedicine.¹⁸
- ***Technology.*** Employers can leverage an array of digital technology to simplify access to care, such as the SWORD sensors for physical therapy, or early diagnosis, such as smart sensors that measure heart rate, blood oxygen saturation, glucose levels, falls etc.¹⁹
- ***Appointment intake.*** Digital health company, Phreesia, claims that physicians can influence outcomes by linking check-in activity with other data (e.g., clinical gaps in care, patient adherence/compliance, etc.), opening up significant opportunities for cost and quality of care improvement.
- ***No surprise law.*** A 2022 law prohibits surprise billing from doctors and other healthcare workers in emergency rooms, as well as out-of-network hospital providers like anesthesiologists and radiologists who work at an in-network hospital or facility without the patient's prior authorization.

Despite all these innovations, many employers passively accept yearly cost increases and pass them on to employees. However, if healthcare decisions were driven by CEOs and CFOs, we would likely see a far greater willingness to test them.

How to Make It Happen

Many CEOs and CFOs likely know that their analytic and risk-tolerant perspective makes them best equipped to devise the innovative strategies that could meet their employees' goals and control costs. They can also set bold example for other likeminded leaders.

Yet many hesitated to venture forth, and for good reason, considering some highly visible organizational failures. For example, Haven—the highly-publicized intended disruptor formed by the powerful business triumvirate of the CEOs of Amazon, Berkshire Hathaway, and JP Morgan—shut down in 2021 after only three years.²⁰

Even so, a robust and workable healthcare strategy is a “must have.” On the heels of its Haven failure, an undaunted Amazon bought One Medical, with nearly 200 convenient, high- technology healthcare centers and JP Morgan funded Morgan Health.

Here are a few suggestions for how to implement innovative healthcare strategies:

- ***Set up innovation areas designed to address the four strategic imperatives.*** These “think tank” units should be overseen by an analytic leader, like the CFO, and linked together by IT.
- ***Incentivize those in charge of these four areas to control costs and maximize benefits.*** While Boards often incentivize executives like CFOs and CEOs to create profitability and efficiency, most do not do the same for people in charge of health benefits.
- ***Form an internal analytic healthcare oversight function to fold the right innovations into the firm’s healthcare strategy.*** This unit carefully analyzes the outcomes achieved by innovative vendors.

How Quest Diagnostics Made It Happen

How did Quest do it?

To improve *depersonalization*, they analyzed the most significant health-related problems and cost drivers and design personalized solutions for them.

To ease *plan administration*, Quest moved from annual analysis of their healthcare expenses and causative and outcome-oriented measures to monthly and even weekly reviews and took rapid appropriate action.

Quest levered *self-care* by encouraging employees, soliciting expectations for cost, access, and quality of care, defining benchmarks and methods to achieve them, and, once implemented, communicating the results.

Finally, Quest helped ease *difficult access to care* by engaging innovative third-party providers to execute specific elements—for example, helping employees acquire second opinions and physician referrals; assisting them with drug regimens and compliance; and enabling diabetes prevention and tobacco cessation programs.

Making these changes is no simple task. They will require a substantial investment in time, bandwidth, and human capital, but the payoff may help you not only control massive health insurance costs but also create the kind of culture that attracts and retains high-performing employees, maximizes engagement, and increases productivity long term. It is hard to think of better incentives for shifting to a CEO/CFO led healthcare strategy.

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Regina Herzlinger is the Nancy R. McPherson professor of Business Administration at the Harvard Business School and has been named the 'Godmother of consumer-driven health care' because of her groundbreaking scholarly books and articles on the subject.