

High-Performance Insights**Achieving High-Performance Employee Plans
With Onsite Health Centers****Executive Summary**

Employers today have compelling reasons to strive for higher performance in health plans they sponsor. Under pressure from slow economic growth, rising health care costs, the coming federal excise tax on high-cost plans in 2018, and the demand for a healthy and productive workforce to boost the top and bottom line, they need efficient, affordable plans that are aligned with business needs and engage employees to be active decision makers in their own health. To reach such high performance, employers are exploring the many options for how care is delivered in the new U.S. health care landscape. Increasingly, some are renewing their focus on onsite health services to lower costs and improve the well-being of their employees.

Towers Watson's 2015 survey of large U.S. employers that have established or are planning to establish onsite or near-site health centers provides us with current insights into the goals, operations and performance of these centers, and key actions organizations anticipate over the next few years. By comparing these findings to our last survey in 2012, we also identify new and continuing trends for these centers.

What's New?

Most of these employers are confident that their health centers help control costs while keeping their workers healthy, productive and on the job. As a result, they plan to add new centers and expand the services they offer over the next two years. Most already offer a broad range of primary care services, including immunizations, care for acute self-limited conditions (e.g., upper respiratory and urinary tract infections, sore throats) and drawing blood for diagnostic tests.

Encouraged by their experience, these employers believe providing convenient access to health services increases employee productivity by reducing time away from work, and many are ready to increase their investment.

A growing number have gone beyond primary care medical services to take a more active role in the management and coordination of employee wellness, including lifestyle coaching to promote and reinforce behavior changes that can improve health. It's an exciting trend we expect to continue.

Other services that have grown significantly due to their positive effect on productivity, medication adherence and cost include pharmacy (50%) and telemedicine (35%), up from 38% and 8% in 2012. Onsite pharmacy improves adherence by making filling prescriptions convenient and decreasing out-of-pocket costs, which in turn reduces both future costs and time away from work. Telehealth services complement the employer-sponsored health center (ESHC), expanding hours of employee and dependent access to care centers.

Less than a quarter of employers now directly operate their health centers themselves. Most outsource operations to vendors, and about 18% are operated by local or regional provider groups.

In another development, three quarters of employers now measure the return on their investment (ROI), up significantly from nearly half in 2012. However, most do not evaluate center performance independently, relying instead on vendors and internal staff to calculate ROI. Employers responded that they believe these health centers have achieved considerable reductions in overall health care spending, as well as indirect savings attributable to reduced absenteeism and enhanced productivity.

Key Survey Findings

Employers that responded to our survey find their onsite health centers to be a valuable component of their health program: More than half (56%) have had these center(s) for more than five years, 38% expect to open additional centers and 66% plan to expand their onsite services.

Objectives

- Employers invest in these centers in order to enhance productivity (75%), reduce health care costs (74%) and improve employee access to affordable health care (66%).

Service Offerings

- These centers offer a broad range of primary care services, including immunizations (99%), care for acute episodic conditions (99%), and lab draws and specimen collection for diagnostic tests (96%).
- Newer services include lifestyle and wellness programs (86%). Nearly two-thirds (63%) offer lifestyle coaching to promote and reinforce behavior changes that can improve health.
- Other services that have grown include pharmacy and telemedicine. Half of employers with onsite centers now offer pharmacy services — up from 38% in 2012 — and an additional 14% plan to add pharmacy by 2018. More than one-third offer telemedicine services (35%), with another 12% planning to in the next two years, up from 8% and 28% in 2012.
- 16% of these employers offer specialist consultations and another 7% are planning to offer them in the future.

Operations

- Less than a quarter (23%) of employers now directly operate their own health centers. The rest outsource the operation of onsite centers, either to commercial vendors (64%) or provider

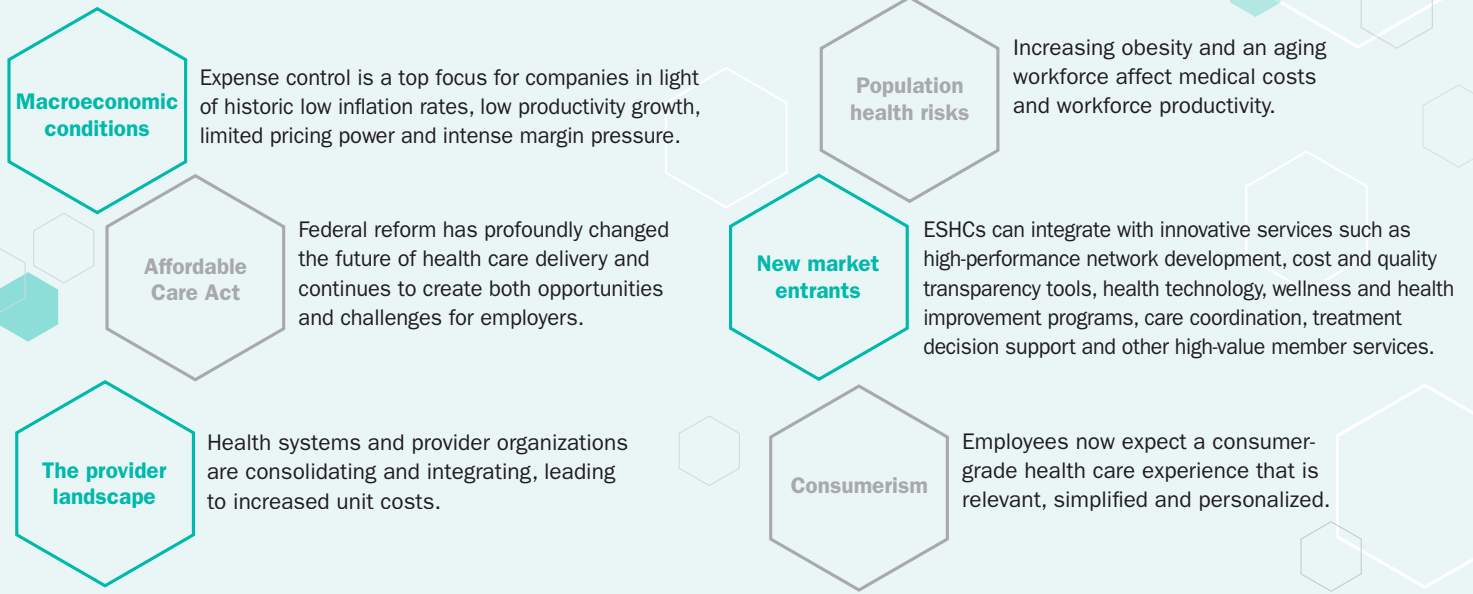
organizations (18%). The proportion of ESHCs operated by providers has more than tripled since 2012, when it was less than 5% (4.2%). We expect this trend to continue as more and more provider groups seek closer direct relationships with large self-funded employers.

Ongoing Management

- 75% of employers offering onsite centers have measured ROI, up significantly from 47% in 2012. However, only 12% used an independent third party to measure ROI, with 33% relying on vendors and 30% on internal staffs for the analysis. One-quarter reported they have not calculated ROI.
- To measure ROI, employers consider how much having an onsite health center saves them on acute care (77%), emergency room visits (70%), time away from work (61%) and specialists (54%).
- Just 42% have engaged an objective external party to perform an overall assessment of their health center operations in the last three years. Of these, most (68%) performed this assessment in the last calendar year.
- While these centers primarily serve active employees enrolled in health plans, 62% also offer services to benefits-eligible active employees who have waived coverage, 46% to both noneligible active employees (part-timers) and adult dependents of active employees, and 41% to dependent children.
- Nearly 40% of these employers do not charge for the use of their ESHCs. Of the respondents that offer an account-based health plan (ABHP) with a health savings account (HSA) (71%), 62% charge for nonpreventive services at their centers.

The High-Performance Health Care Imperative

ESHCs are just one strategy some employers are adopting to improve the performance of health care programs for active employees. Increasingly, they are renewing their focus on the convenience, efficiency and affordability of these centers to help lower costs and improve the well-being of their employees. Several forces are causing them to act:



Cost Control and Productivity Drive Popularity With Employers

Increasingly, employers invest in onsite employee health centers for two primary reasons, according to our survey of employers that either have centers — or are contemplating them. They aim to keep workers healthy, productive and on the job (75% versus 62% in 2012) while controlling health care costs (74% versus 56%) (Figure 1).

In addition, most employers today also want to improve their employees' access to care (66% compared to just 38% in 2012) at a time when many patients experience difficulty gaining timely access to quality care.

Employers that invest in these centers, despite the high multiyear cost of opening them, overwhelmingly say they are effective for a wide range of health and productivity reasons. Notably, employers report that

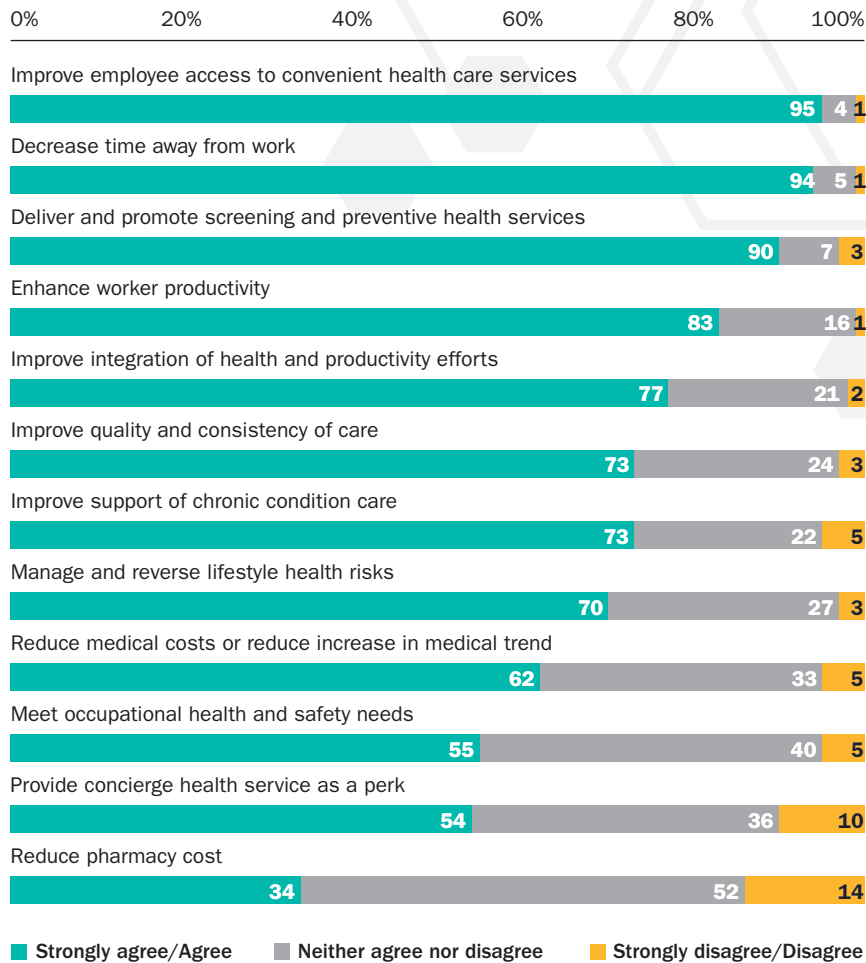
Figure 1. Enhancing productivity and reducing medical costs are the main reasons for investing in ESHCs
What were your initial primary objectives for implementing the center(s)?

1	Enhance employee productivity, and reduce lost time and absence from work	75%
2	Reduce medical costs or moderate health benefit spending	74%
3	Improve employee access to convenient health care services	66%
4	Deliver and promote screening and preventive health services	48%
5	Manage and reverse lifestyle health risks	39%
6	Improve quality and consistency of care	37%
7	Improve integration of all health and productivity efforts	33%
8	Improve support of chronic condition care	26%
9	Provide concierge health service as a perk	13%
10	Improve coordination of care	13%

Note: Includes responses from respondents who are planning to have ESHCs.

Figure 2. Organizations rate health centers highly on convenience and decreasing time away from work

To what extent do you agree that your health center(s) has/have been effective in meeting the following objectives?



ESHCs are convenient (95%), decrease time away from work (94%), deliver and promote health screening and other preventive services (90%), and enhance worker productivity (83%) (Figure 2).

A few years ago, ESHCs only addressed employee acute and urgent care needs, but employers are now broadening the goals of ESHCs to include improving overall employee well-being and leveraging the centers to channel higher-risk employees to appropriate resources. Employers give their centers high marks for

integrating their health and productivity efforts (77%), and for managing and reversing lifestyle risks (70%).

Nearly all these employers that offer some type of pharmacy services — about half our sample — say they improve the convenience of and access to care (96%). About seven out of 10 believe their employees use their onsite pharmacy rather than drug stores (71%) and use generic drugs more than they would if they were receiving their medications elsewhere (69%). Most of these employers say their onsite pharmacies

reduce their pharmacy costs (55%). Even more (65%) believe having an onsite pharmacy lowers overall medical costs and increases the likelihood employees will take drugs as prescribed (Figure 3).

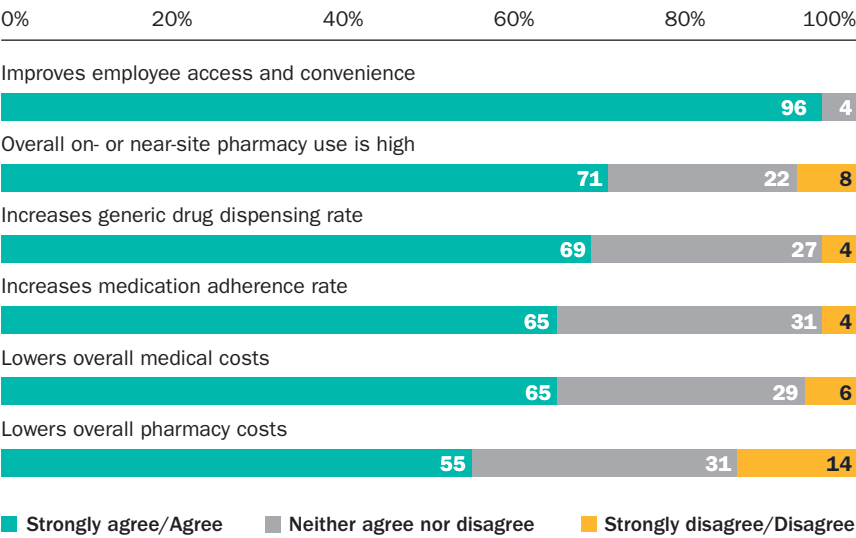
Employers Expanding Onsite Centers and Services

Employers are more likely to invest in an onsite health center where they have a significant number of employees at a single site, and the largest employers often have more than one location with high employee counts. Of our respondents, 40% have two to five centers and 23% have more than six. Most employers have extended their hours beyond the workday, with 98% opening before 9 a.m. (55% before 8 a.m.) and a third staying open after 5 p.m. Some even offer weekend hours of operation (16%).

Nearly four out of 10 of our respondents (38%) plan to add more centers — and employers that have at least three are even more enthusiastic (44%). Moreover, very few (2%) plan to reduce the number they already have (Figure 4).

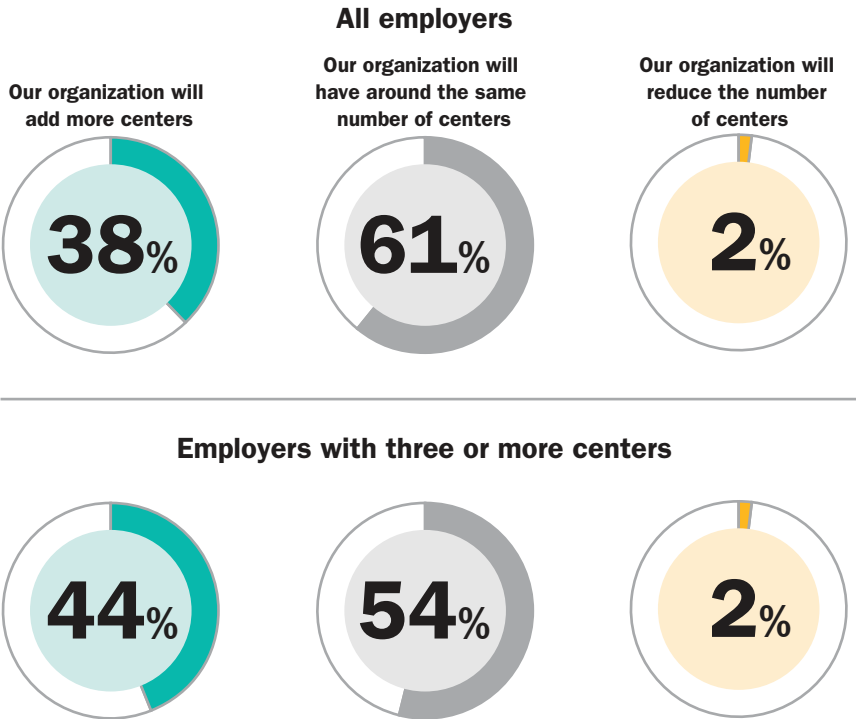


Figure 3. Onsite pharmacy is perceived to be convenient, and 55% believe that it helps lower overall pharmacy costs
To what extent do you agree with the following descriptions of your onsite pharmacy program(s)?



Note: Based on organizations that offer pharmacy services. (n = 52)

Figure 4. A substantial number of employers that have centers plan to add more
What do you expect regarding on- or near-site employer-sponsored health centers in the next two years?



These employers expect to expand services with 35% committed for 2016 and an additional 31% considering expanding for 2017 or 2018 (Figure 5). And their belief is based on experience — more than half have had onsite centers for more than five years. Most (84%) house their centers within an existing facility at their organization, with 24% placed in a stand-alone building dedicated to health care. A small number (14%) house their facility within a mile of their business and only a handful have ESHCs more than a mile away (5%), or in a facility owned by another organization (2%).

Third Parties Run Most Centers

While employers may be able to hire their own staff and operate their ESHCs, many are deterred by the operational burdens, professional liability, regulatory compliance needs and employee privacy concerns. Less than a quarter (23%) of the employers responding to our survey manage onsite centers on their own. Most (64%) still hire commercial vendors to run them, although that is down somewhat from 70% in 2012. Local or regional provider groups operate 18% of the ESHCs represented in our survey, up from 4% in 2012. Another 7% use a health insurance company or specialty carve-out vendor (Figure 6).

Regardless of who manages these centers, staffing is critical to their success. Two-thirds have a physician onsite 20 or more hours per week. Nearly nine out of 10 (88%) have a nurse practitioner or physician assistant full time. Other staff members include nurses (88%), medical assistants (79%), office managers or administrators (73%), health coaches (64%), physical therapists (54%), behavioral health counselors (44%), registered dieticians or nutritionists (40%), and pharmacists (34%). A small number of ESHCs offer the services of optometrists (12%) and dentists (12%).

Figure 5. Two-thirds plan to expand their services
Does your organization plan to expand or enhance the types of services offered?

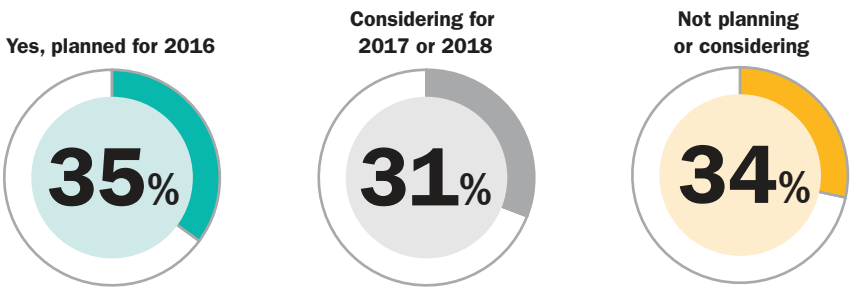
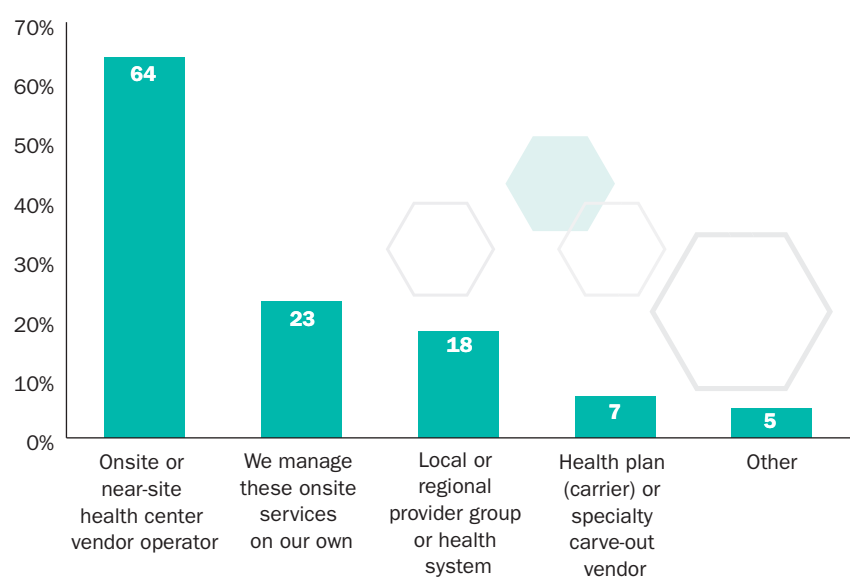


Figure 6. Employers rely on vendors to manage their health centers; less than a quarter are self-managed
Who provides management services for your onsite or near-site employer-sponsored health center(s)?



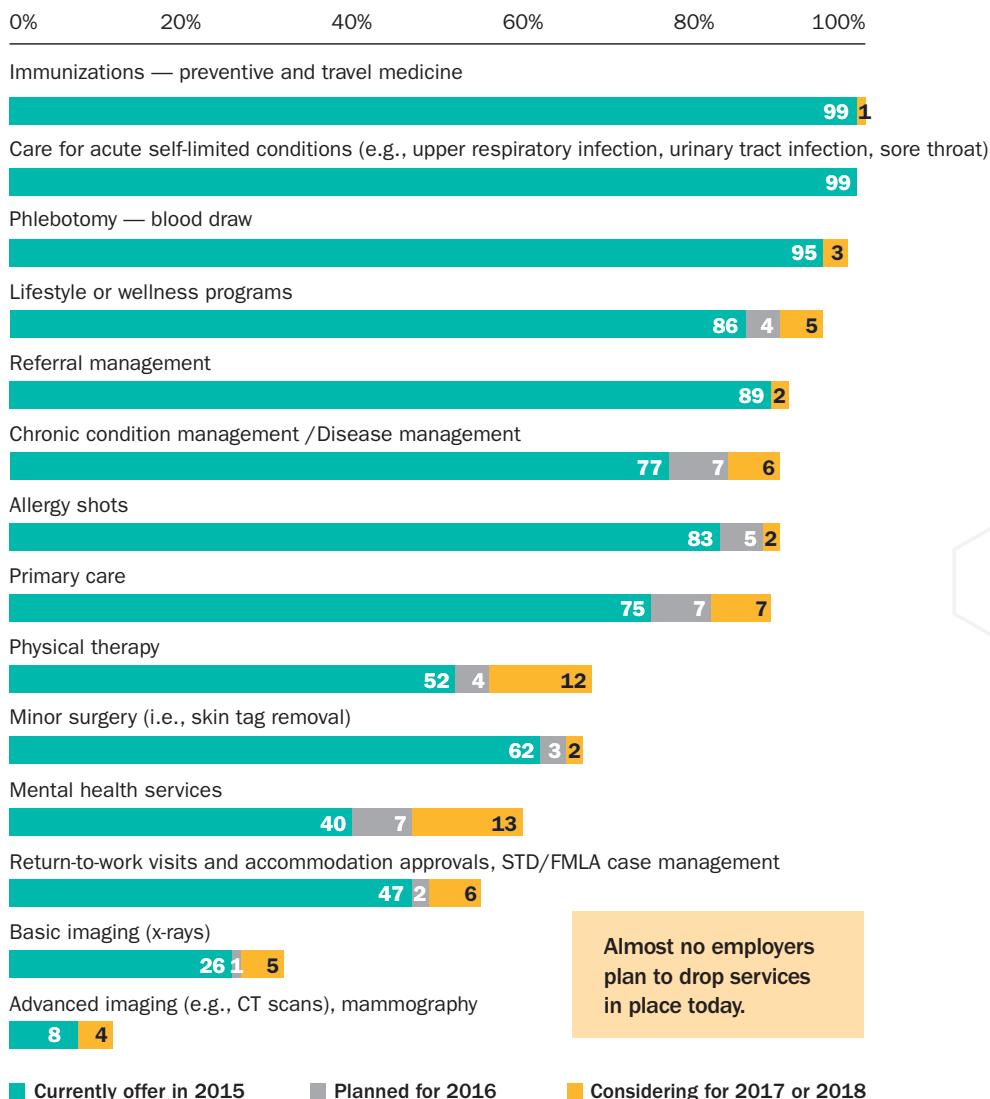
Note: Respondents could select all answers that apply.

66% have a physician onsite 20 or more hours per week.

88% have a nurse practitioner or physician assistant full time.

Figure 7. Most centers offer a broad range of services, although imaging is less prevalent

What services do you currently provide at your center(s)? Please respond based on services provided at any of your facilities.



Almost no employers plan to drop services in place today.

New Services Beyond Primary Care Are Growing

Three-quarters (75%) of these centers offer traditional primary care services, a major focus of the Affordable Care Act, in an effort to improve the health of workers and to avoid unnecessary and more expensive visits to specialists.

Most already offer a broad range of services and the majority plan to expand services in the next few years. Nearly all offer immunizations and treatment for acute conditions (from upper respiratory and urinary tract infections to sore throats). Just about all draw blood for diagnostic tests (95%) and manage referrals to specialists (89%). Many give allergy shots (83%) and perform minor surgery, e.g., skin tag removal (62%) (Figure 7).

We also see signs that employers are increasingly confident about going beyond their original mission of primary and acute care. A growing number of centers are taking a more active role in the management and coordination of employee wellness — 86% are managing lifestyle and wellness programs (compared to 73% in 2012), and 77% are managing chronic conditions and diseases, such as diabetes (compared to 48% in 2012). Less prevalent but noteworthy services include mental health (40%), physical therapy (52%) and disability-related services, such as return-to-work management, accommodation approvals, and case management for short-term disability (STD) and Family and Medical Leave Act (FMLA) absence (47%).

Basic radiology imaging services (standard x-rays) are offered in 26% of centers, while 8% perform mammograms, CT scans or other advanced imaging.

To improve the integration of their health and productivity efforts, responding employers have added these newer services in conjunction with their health centers:

- Lifestyle coaching for such things as smoking cessation and obesity/weight management to promote and reinforce behavior change that can reduce risk and improve health (63%)
- Telehealth (35%, with more than half using a commercial telehealth company, such as Teladoc or MDLive)
- Assessment of claims to identify gaps in care (22%)

Some expect to increase their use of these three services by 2018: 16%, 36% and 31%, respectively. Most centers also refer patients needing lifestyle coaching (62%) and disease management (69%) to their health plans or carved-out third parties. They also use other provider strategies, including referring directly to identified high-performing providers, including specialists and centers of excellence (60%), and partnering with local community medical practices to provide physician oversight or collaboration (38%).

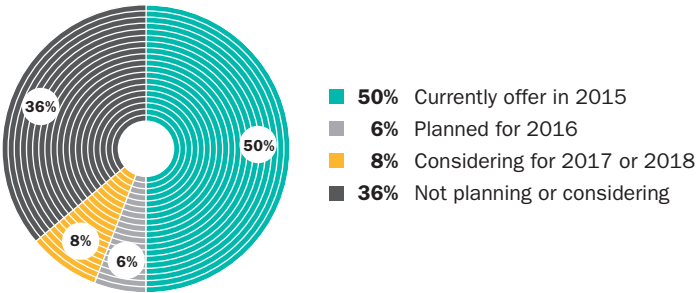
Half of all respondents, up from 38%, also provide pharmacy services at their main health center, and 14% more are considering adding it by 2018. These pharmacies run the design gamut, from mini-dispensaries limited to a few dozen prepackaged medications (65%) to more comprehensive outlets carrying nearly as many medications as a retail pharmacy (33%). Some (17%) offer concierge services that deliver medications to the onsite health center for a convenient patient pick-up at the patient's home or workstation (Figure 8). The concierge and mini-dispensary models do not require the investment, space or professional staff that a comprehensive onsite pharmacy does, which helps explain their rise in popularity.

Specialist consultations are less prevalent than most services. Less than a fifth (16%) of employers offer specialty services and 7% plan to add them. Those that do offer specialists tend to have dermatologists (47%) and orthopedists (29%). Far fewer (18%) have obstetricians or cardiologists.

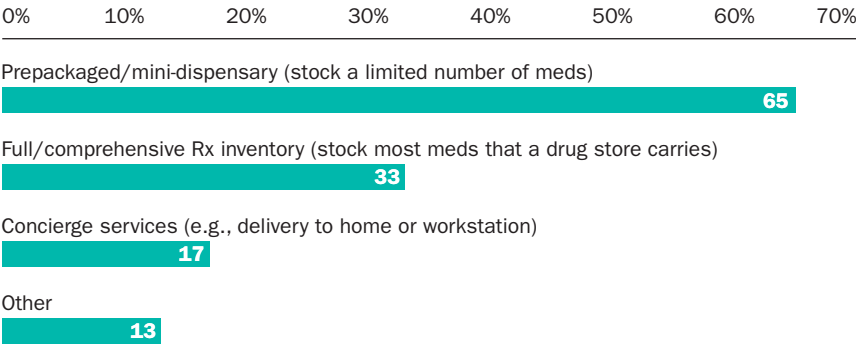
Who Can Use These ESHCs?

The primary target patient of ESHCs continues to be active employees enrolled in the employer's health plan (98%). However, most employers have also expanded eligibility to other sub-populations, including active benefits-eligible employees who have waived employer-sponsored coverage (62%), active employees who are not benefits-eligible (46%), dependent adults of active employees (46%), dependent children under age 18 of active employees (41%) and former employees on COBRA

Figure 8. Half of respondents with onsite centers provide pharmacy services
Does your most comprehensive center provide pharmacy services?

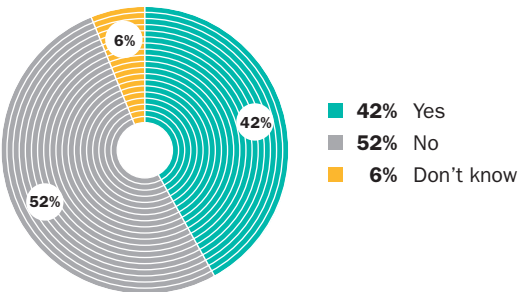


Which best describes your onsite pharmacy program?



Note: Based on organizations that offer pharmacy services (n = 52). Respondents could select all answers that apply.

Figure 9. Less than half of companies have performed an external review of their health center operations
Have you engaged an external party to review or assess your health center operations in the past three years or since establishment?



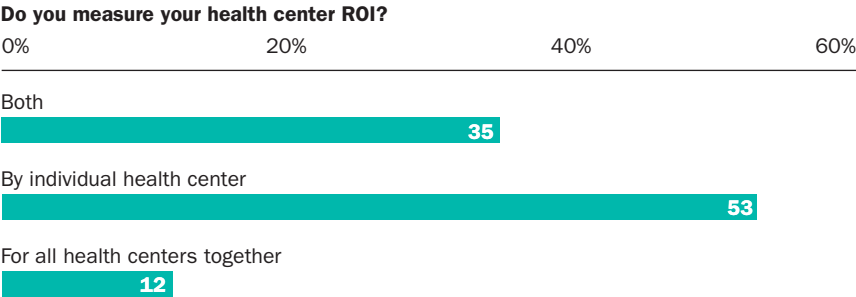
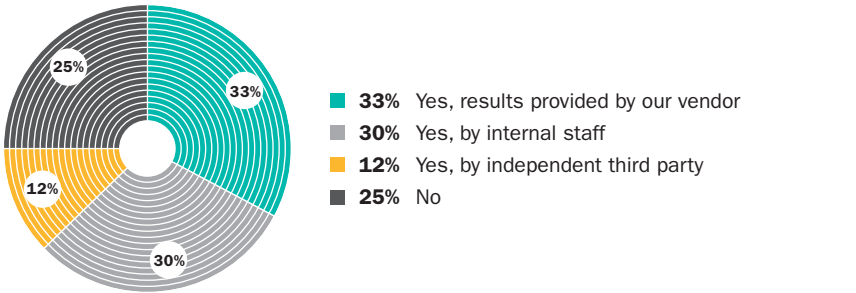
(41%). Less prevalent is access for retirees, contractor employees, employees of other neighboring organizations, customers or clients, and the community at large.

Measuring Performance and ROI

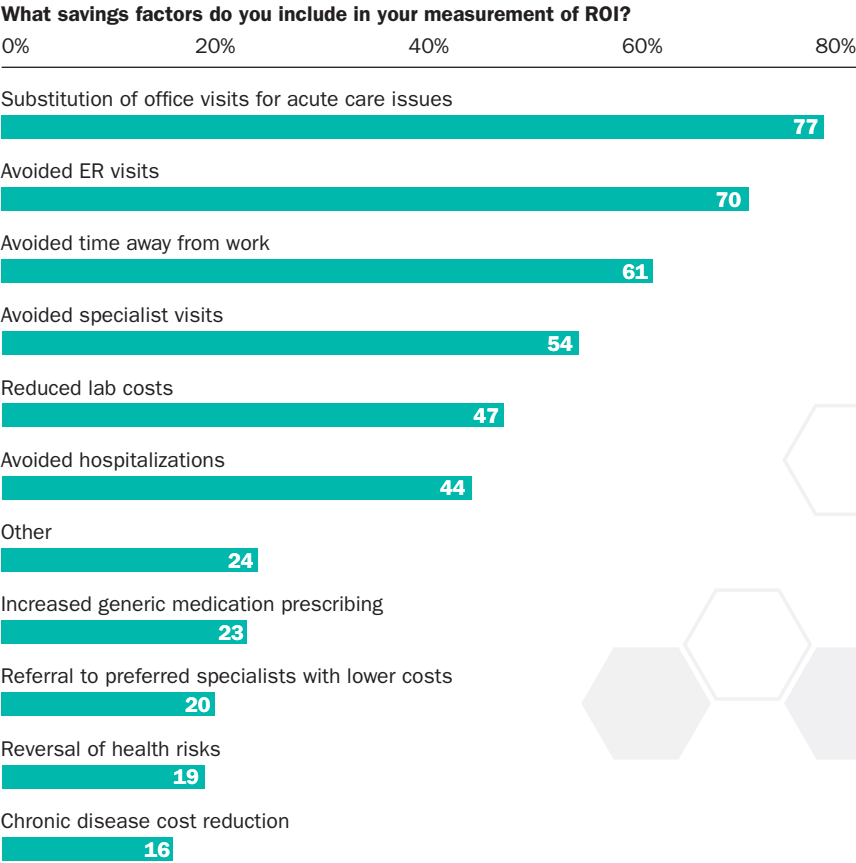
Once employers have invested in a health center for employees, they continue to offer this service. Only 42% hire outside experts to assess the overall performance of their operations, and most of those (68%) did so in just the last year (Figure 9).

Figure 10. Three-quarters of organizations have calculated ROI for their health centers

Have you calculated your health center(s) ROI?



Note: Based on respondents who measure ROI and have multiple centers.



Note: Based on respondents who measure ROI.

However, with the pressure on employers to improve the performance of their health care investments, three-quarters (75%) of employers are now calculating the ROI of their onsite health centers. Despite employers' commitment to onsite health centers and their confidence in the value they provide, few (12%) use an independent third party to measure ROI objectively. In fact, most rely on results provided by their vendors (33%) or internal staff (30%).

Most determine ROI by individual health center (53%), and 35% calculate it by both individual center and all centers together. They calculate ROI primarily by money saved by avoiding acute care visits to doctors (77%), ER visits (70%), time away from work (61%), specialist visits (54%), outside lab work (47%) and hospitalizations (44%) (Figure 10).

Who Pays the Doctor's Bill?

The majority of respondents consider ESHC revenue, medical claims savings, and start-up and operational expenses when calculating ROI. However, nearly 40% of our respondents don't charge for use of their centers. Two out of 10 (20%) charge a flat fee, and 32% charge a tiered fee based on type of service and/or service intensity, e.g., a more expensive initial office visit versus a less expensive follow-up visit. Most of those that charge develop their fair market fee structure based on information from at least one of three sources: Medicare and usual and customary rates for services (48%), actual claim experience (38%) or retail clinic prices (31%).

Seven out of 10 (71%) employers in our survey offer an ABHP with an HSA and 62% charge their employees with HSAs for all nonpreventive services — 32% cover both preventive and nonpreventive care with no charge.

Conclusion

Employers have considerable influence on new health care models that are evolving in concert with provider contracting and payment arrangements.

The transformation of the health care industry has given rise to a variety of new options for redefining organizational health care strategy. Most companies want a high-performing program benefitting both employer and employee that drives value and sustainability, and fosters employee health and wellness. Many employers with an ESHC are considering taking their current model to the next level, adding services ranging from onsite health coaching and limited medical services to full-service centers with pharmacy capabilities and wellness programs.

ESHCs are an attractive solution for employers seeking to manage health care costs in response to the challenges created by federal health care reform. ESHCs can enable convenient access to primary care for employees and their families, making it easier to obtain quality health care and improve productivity, while decreasing the amount of time employees spend away from work.

Regulation and Compliance Considerations

HSA

The IRS outlines the conditions under which employees eligible for HSA participation are permitted to use onsite centers. Members with an ABHP should pay a fair market value for nonpreventive services obtained at the ESHC. Plan sponsors should be sure that they comply with this regulatory requirement to avoid adverse tax consequences including disqualification for those in the HSA.

Excise tax (Cadillac tax)

The IRS and the Treasury Department indicated (February 2015) that the cost of most ESHCs will be included in the plan cost that determines excise tax liability. There will be exemptions for some onsite centers that provide only free de minimis care to current active employees for a health condition, illness or injury that occurs during work hours. More definitive guidance is expected.

Take Action

Is an ESHC right for my organization?

- Do you have locations with a large concentration of employees?
- Do your employees have difficulty conveniently accessing the health system?
- Do your employees utilize the ER and urgent care too often, and preventive services infrequently?
- Do your employees lack trusted primary care and high-quality providers?
- Are you self insured?
- Are the costs per service in your community high?

Other than an ESHC, what worksite health services can I offer my employees?

- Biometric screening
- Health fairs
- Weight control programs
- Wellness coaching
- Immunization programs
- Kiosk-based telemedicine services
- Near-site health center services (access to a shared facility)
- Health advocacy, with navigation to transparency services, narrow networks, benefits and employee assistance programs

If I am thinking of starting an ESHC, where do I begin?

- Assess goals, geographic employee concentration, demographics and current performance to determine feasibility
- Quantify the business case with a feasibility study
- Consider synergies or conflicts with other vendors and programs
- Evaluate different potential care delivery models

If I already have an ESHC, how do I optimize it for the future?

- Determine current and project future population needs
- Identify gaps, and design a plan to change scope to address gaps
- Consider these interventions:
 - Convert occupational clinics to urgent or primary care centers
 - Redesign to improve efficiency and access
 - Expand eligibility, when appropriate
 - Replace under-performing vendors
 - Integrate onsite center with other initiatives

How do I pick a vendor? Or change the one I have?

- Identify vendors that are likely to be an operational and cultural fit
- Conduct request for proposal
- Negotiate contracts, including meaningful performance guarantees
- Ensure effective implementations and smooth transitions
- Measure the results and drive continual improvement

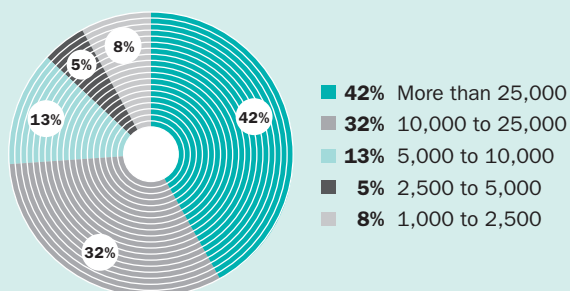
How do I know my ESHC is working?

- Conduct independent clinical process reviews (performance audits) every two to three years
- Do an independent measurement of financial impact (ROI)
- Identify or confirm areas of underperformance
- Make operational improvement recommendations
- Ensure regulatory compliance

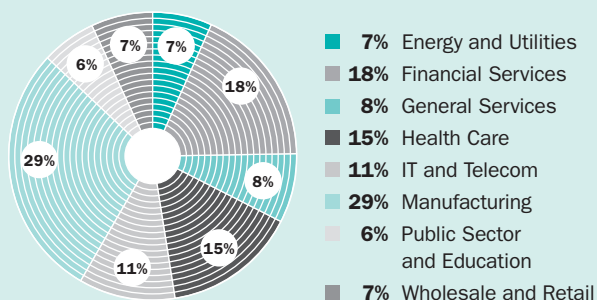
About the Survey

The Towers Watson 2015 Employer-Sponsored Health Care Centers Survey surveyed mid- to senior-level benefit professionals from 137 U.S. employers from February to March 2015. Out of the respondents, 105 currently offer ESHCs and 15 are planning to offer by 2018. Collectively, the respondents offering ESHCs represent 4.6 million employees. The survey provides a snapshot of 2015 to gain insight into the goals, operations and performance of onsite and near-site health centers, and the key actions organizations anticipate taking over the next few years.

Employee populations



Industry groups



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