Modern Healthcare

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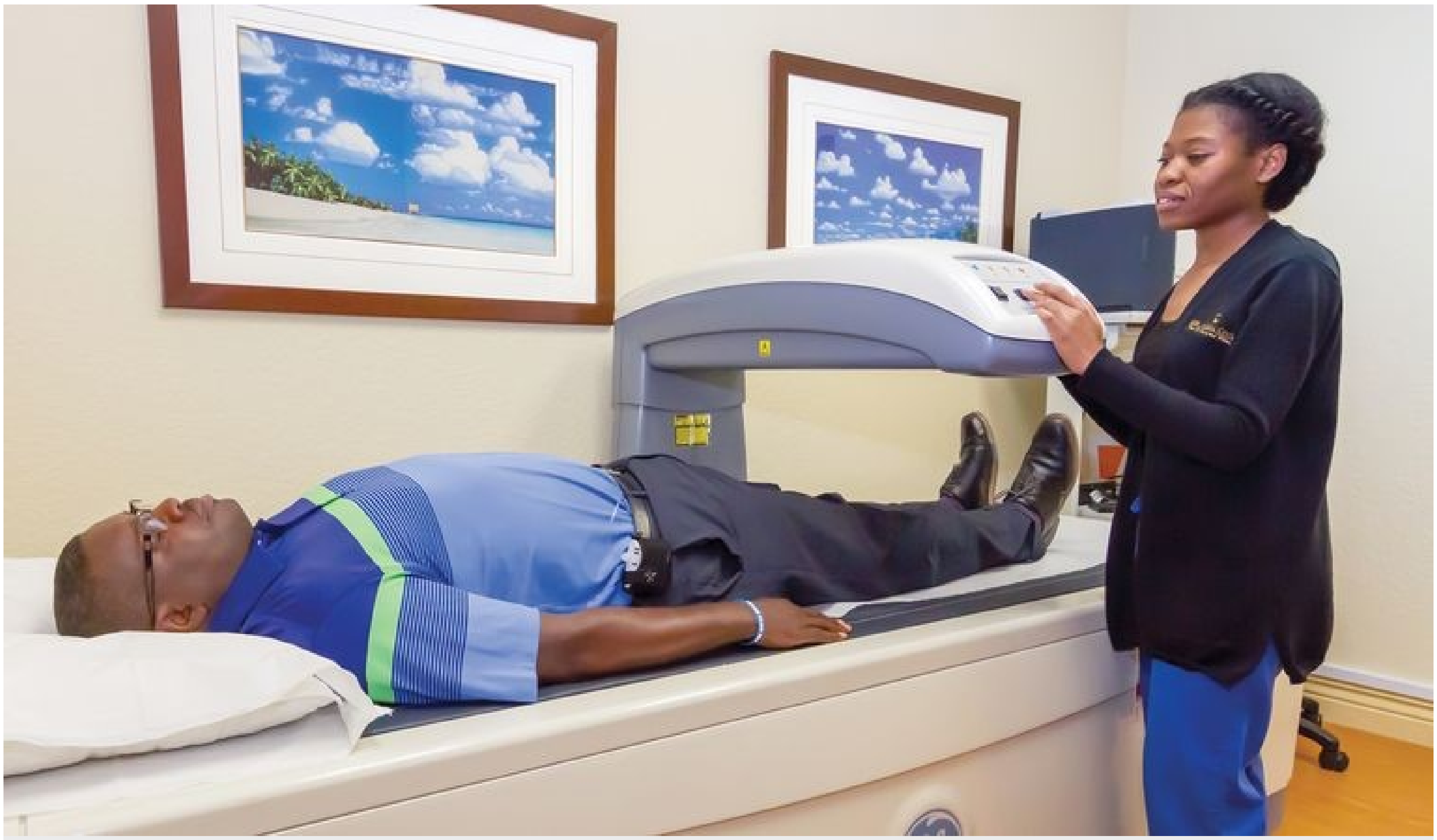
Startups will build the worksite clinic of your company's dreams. But is the cost-impact of these clinics an illusion?

NONA TEPPER



ROSEN HOTELS & RESORTS

More employers are opening on-site primary care clinics to help control healthcare costs, and an increasing number of digital health startups have popped up to help companies manage these clinics.

Thirty years ago, Harris Rosen hung up on his insurance agent, but not before first canceling his contract.

He didn't understand why Rosen Hotels & Resorts' insurance prices were going up, even as his workers' healthcare spend actually went down. Without a plan, and with no experience in healthcare, Rosen figured he'd start his own insurance company and build his own primary-care clinic. Today, he credits the moves with saving his Orlando, Fla.-based hospitality company $460 million over the course of 30 years. The hotel chain's average cost for its 6,000 covered lives is half of the national average, he said.

"We found the magic formula—get off your tush, take a chance, do it yourself and control your own destiny," said Rosen, who serves as president and chief operating officer of Rosen Hotels. "The (national) annual savings would be about $1 trillion if everyone did what we were doing. So it is a bit frustrating and mystifying to us that others haven't hopped on board."

His message seems to be reverberating, with more employers opening on-site or near-site primary-care clinics in a desperate attempt to rein in their healthcare spend. These companies are done waiting for the healthcare industry to reform from within—as proof, analysts need look no further than JPMorgan and Amazon launching new ventures aimed at cutting employee care costs just months after the closure of Haven, their joint venture with Berkshire Hathaway. Both companies are focused, at least in part, on increasing their workers' access to primary care, through both physical clinics and virtual tools. They're not alone in their ambition. Nearly 9 in 10 business leaders expect the cost of providing worker health benefits to become unsustainable in the next five to 10 years, according to a recent survey from the Purchaser Business Group on Health and the Kaiser Family Foundation.

Looking for partners

For companies, on-site primary-care clinics promise to control healthcare costs, as well as attract and retain talented workers. But many companies don't want to go the lonely route of Harris Rosen, and are partnering with health systems and digital health startups to manage these clinics.

Despite the mass shift to remote work, COVID-19 has accelerated interest in these third-party operators, with the pandemic underscoring the need for companies to care for their workforce.

The growth and efficacy of these clinics, and adoption of new, venture-backed operators, has direct implications for 157 million people, or the nearly half the U.S. population who get health coverage through at work. And if they are the panacea that many of the start-up operators claim they are, traditional providers could be left scrambling to not only make up lost volume, but to find qualified staff.

"This is the chapter not yet written," said healthcare analyst Paul Keckley. "Anytime you get venture capital involved it's the execution risk that becomes the problem, not the concept. Does the management team have the ability to execute, and do they spend money in the right places?"

Employer-sponsored primary-care clinics are certainly not a new concept. Decades ago, during the manufacturing boom, companies saw these as a need to help injured workers, but more recently the strategy has shifted to costs. In the 1990s, concerns that the price of healthcare for workers was rising faster than inflation led businesses to try a number of initiatives, including offering employees the option of a closed-network, lower-cost HMO.

"Employers discovered that employees really didn't want to give up their choice of doctors and hospitals," Keckley said. "But what they also discovered is that was more true for hospitals and specialists than it was primary care."

Companies married this finding with the idea that offering preventive, primary care could offset specialist treatment costs in the long run, and that locating care on-site could reduce absenteeism and increase retention. The Affordable Care Act's requirement that companies with at least 50 employees provide affordable health insurance for their workers kick-started construction of clinics, as the national debate inspired further focus on employers' healthcare spend and, at the same time, increased demand for primary-care services thanks to the increased number of individuals with insurance. Staffing experts said this made it harder for patients to book an appointment at traditional providers.

To ensure access, companies owned their own clinics. The crunch for tech talent has added more urgency to these sites, with Silicon Valley startups aiming to attract talented software engineers, developers, product managers and more through comprehensive benefits structures. In 2021, more than 60% of large companies offered general medical worksite clinics, up from 47% in 2016, according to the most recent survey conducted by the Business Group on Health. By 2023, the group expects that number to rise to 72%. Since many of these companies are not in the healthcare industry, and have no desire to take a stab at it like Rosen, the market has opened for health systems and startups that manage the clinics for employers.

By promising primary care that is more accessible, technologically-enabled and patient-friendly than traditional health systems' care, analysts note there is room to disrupt the $260 billion U.S. primary care market. A 2018 report from the National Association of Worksite Health Centers and Mercer noted that the majority of companies contract out with a third-party clinic operator.

SCALING, LOCALLY: BEST PRACTICES FOR ON-SITE CLINIC OPERATORS

On-site clinic operators are often faced with a unique challenge: create a personalized health strategy that a company can scale across the many markets where its thousands of individual employees are located. Below are three best practices third-party operators can use for keeping large-scale plans focused on local needs.

Dive into data. Survey workers to identify their health needs and desires. Analyze claims to discover where, and for what conditions, employees visited emergency departments, as opposed to urgent care, and where low usage of generic drugs occurred. Use these insights to identify high-cost areas that the clinics can target, develop a staffing strategy and serve as the foundation for services offered.

Communicate in a culturally appropriate way. After an organization has crafted a strategy, learn how news is relayed to employees. Should new health initiatives go through HR, or would companies prefer that clinic operators communicate directly with employees, out of privacy concerns? Understanding the workforce culture can also help clinic operators identify company-specific population health initiatives.

Be flexible. For evidence that employees’ healthcare needs are constantly changing, clinic operators need look no further than the COVID-19 pandemic. Clinic operators should think of how care can be delivered for distributed workforces, employing local office pop-ups, home health and telehealth/teletherapy programs in response to shifting workplace needs.

A larger menu of services

Because the economics of simply offering primary care are not attractive, venture capitalists have looked at what ancillary services they can add to these models, including behavioral health, nutrition, financial security and much more. That way, they can charge self-insured employers more for the service and share more of the savings when their employees' healthcare spend drops, Keckley said. For the employee, these clinics are generally free of charge.

"That's the one-two punch," Keckley said. "That's the way you raise revenue and you participate in savings, and that's what venture money is doing. They're going into settings where they can build out this whole person care model."

Eden Health, for example, calls itself a "collaborative care company" because it integrates primary care, mental health, physical therapy, insurance navigation and more for employers both in-person and virtually, said co-founder and CEO Matt McCambridge. By offering private, on-site clinics for employers, pop-up services for businesses and virtual care consultations, the company said it helps lower companies' annual healthcare costs by up to $801 per employee. It claims its merging of physical and digital spaces has helped digitize 60% of its clinical interactions, resulting in lower-cost care. More than 90% of Eden patients' digital interactions do not require any further, in-person encounters, the company said. Recently, Eden has even entered into partnerships with real estate companies to open in-person clinics as a shared amenity for their business tenants.

"When you practice a model that is really urgent care oriented, but urgent care over the phone, that's going to create higher costs," McCambridge said. "When you're practicing a longitudinal model that focuses on coordination of care, that's going to create lower costs. All care is not really created equal."

Since the start of 2020, Eden said its annual recurring revenue has grown 800%. In February, the company announced a $60 million Series C round, bringing total investment in the New York-based startup to $99 million.

While impressive, interest in the digital health company is far from unique. Venture investment in digital health tools reached record levels in 2020, with the financial challenges caused by the COVID-19 pandemic propelling even more senior leaders to take a more active role in benefit designs, said Dr. Jeff Wells, CEO of Marathon Health. The startup offers on-site, near-site and virtual care for nearly 200 companies across the U.S., including insurer Anthem. By partnering with employers in risk-based relationships, Wells said Marathon Health cuts healthcare costs by $2,000 per employee.

"COVID highlighted that employers have an obligation and a strategic imperative to focus on the safety, the health and the well-being of their teams, just for their own business success," Wells said.

87%
Employers that believe the cost of providing health benefits will become unsustainable in the next five to 10 years

85%
Employers that believe there will be a need for greater government role in coverage and costs in the next five to 10 years

83%
Employers that believe a greater government role in containing costs and providing coverage would be better for their business

Source: "How Corporate Executives View Rising Health Care Costs and the Role of Government," Kaiser Family Foundation and Purchaser Business Group on Health, April 2021

Competing for talent

As interest in on-site clinics has ramped up, so has competition for physician talent, with new healthcare companies competing with traditional providers stretching the market to a breaking point, said Tom Florence, executive vice president of staffing firm Merritt Hawkins. By 2032, the nation could face a shortage of up to 55,200 primary-care doctors. As a way to bridge this gap, startups have increasingly been turning to nurse practitioners and physician assistants to work at these clinics, Florence said, particularly those in the virtual care space. Last summer, for example, Merritt Hawkins helped insurtech startup Oscar Health hire clinicians for its virtual-first care division and "it was interesting, because what they were looking for was nurse practitioners and physicians assistants," Florence said.

The New York City-based company credits these digital advanced practice providers with driving members to fill 80% of their prescription medications and complete more than 60% of labs ordered. The company said members with chronic conditions have higher adoption rates of its virtual-first plan, compared with healthy members. Additionally, 85% of Oscar Medical Group patients said they plan to only use virtual care when issues arise.

"If we didn't have (advanced practice providers), we would be in a really, really significant primary-care shortage," Florence said. "It has impacted that demand and it's really stretched the market. Some of the bigger cities even have challenges finding physicians."

A decade ago, the majority of Merritt Hawkins' physician searches were for communities of 100,000 people or fewer, Florence said. Today, 60% of the company's searches are for physicians to work in cities of that size or greater. The primary-care startup boom has exacerbated staffing shortages at traditional hospitals, with companies new and old looking to nurse practitioners and physician assistants as a lower-cost point of access. A 2021 survey by the National Association of Worksite Health Centers found that 20% of on-site clinics were staffed solely by registered nurses, or by other caregivers who did not identify as a doctor, nurse practitioner or physicians assistant. While skilled, these individuals are no substitute for a doctor, said Dr. Andrea DeSantis, a North Carolina-based family physician.

"The trend in medicine is to employ the cheapest possible staff and advertise it as if it's the same as going to see a doctor and it just isn't," she said. "You don't know what you're going to get when you're dealing with somebody who has not gone through the training a physician has gone through."

The quality of training programs for nurse practitioners and physician assistants can vary wildly, DeSantis said, with some graduating from comprehensive programs and others coming from "very flimsy online training programs where they are guaranteed to graduate and they have almost little to no experience with patient care," which can lead to increased costs for companies over the long term, she said.

Some reports have shown that advanced practice practitioners are more likely to refer patients to sub-specialists than primary-care physicians, and may have more expensive prescribing habits. A recent study from the University of Michigan also found that telehealth visits can increase downstream care.

"I just worry about how employer clinics are being staffed, who is profiting off of that, and is it the quality that the patient and employer is expecting?" DeSantis said.

Rosen knows that there is a tricky balance to finding the right staff and services. After getting burned by a large pharmacy benefit manager, Rosen also opened an in-house pharmacy in its medical center, where today employees can receive 90% of their medications for free. The company also employs a nutritionist, podiatrist, provides radiology services and offers Zumba and Tai Chi courses. Rosen also prohibits smoking among his 6,000 employees, and schedules frequent, and random, drug tests.

"Does it take a little courage? Yes. Why? Because it's doing something radically different," Rosen said. "People don't like to change. But if they look at the potential results, it's worth giving it a try. Everything else is skyrocketing out of control. This saves money and offers our associates a healthcare plan that they really love."

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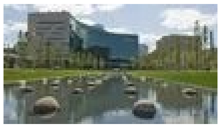

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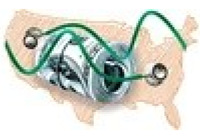

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