Near-Site Clinics: A Case Study

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❤ Presentation Outline

- Why DVHT invested in a near-site clinic
- Stakeholder considerations
- RFP insights
- Planning and contracting considerations
- What DVHT built
- Expectations v. realities
Why DVHT Invested In A Near-Site Clinic

- Reduce medical and Rx claim costs without creating gaps in care or creating barriers to treatment
  - Shift care from fee-for-service model to lower cost provider setting
  - Cost savings on certain prescription drugs
  - Drive conversion to generic drugs
  - Ensure compliance with treatment regimen
- Mechanism to combat very rich benefit levels (low medical and Rx copays and minimal employee contributions) in a highly leveraged collective bargaining environment
- Improve employee engagement
  - Develop a trusted relationship with primary care provider

Why DVHT Invested In A Near-site Clinic

- Aging demographics due to high level of employee retention in public sector
  - Improve wellness through coaching
  - Identify and manage chronically ill population

<table>
<thead>
<tr>
<th>Top Chronic Diseases in 2017</th>
<th>2017 DVHT Prevalence</th>
<th>Aetna BOB Prevalence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension</td>
<td>15.4%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Hyperlipidemia</td>
<td>15.6%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Obesity</td>
<td>6.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Diabetes Mellitus</td>
<td>5.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Chronic Thyroid Disorders</td>
<td>6.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Asthma</td>
<td>6.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Ischemic Heart Disease</td>
<td>2.0%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
Stakeholder Considerations

- **Governing Body**
  - Significant financial investment
  - Proactive vs reactive in tackling health care trend
  - "If you build it, will they come?"
  - Located within largest concentration of membership but significant percentage of membership does not have the same level of access

- **Members (Covered Employees)**
  - Enough cost differential to change behavior?
  - What is reasonable access? Population density/travel times
  - Privacy - what is DVHT doing with the information?

- **Member Entities**
  - Are my employees within reasonable access?
  - Will my employees embrace the concept
  - What impact will the Center have on my premiums

RFP Considerations

- **Background**
  - Provide governing body with baseline knowledge on near-site clinic model before the RFP
  - Solicit input of key stakeholders and opinion leaders
  - Consider vendor alternatives
  - Allow time for the RFP, selection and implementation process (9-12 months)
  - Key points of comparison
    - Normalize data for comparison
    - Require detailed ROI justification
RFP Considerations

• Vendor Suitability Considerations
  – Ensure vendor is compatible with pool philosophy
  – Ensure vendor has experience in building, developing and administering what the pool wants to implement
  – Ensure vendor has adequate support staff to ensure the operation runs smoothly

• Financial Considerations
  – Understand the business model of your potential vendors
    o Set-up fee centric v. management fee centric
  – Ask for performance guarantees at this stage
    o Incorporate the PGs that are ultimate agreed-upon into the contract

Planning Stage Considerations

• Wants v. Needs
  – Clinic priorities
    o What do you want your clinic to be?
      • Wellness, preventive, acute, emergency, pediatric, radiology… or some combination of the above?
      • Will you be doing occupational medicine too?
      • Cost and savings considerations of these decisions
  – Size and configuration of facility
    o Do you want to plan for growth? If so, how much?
    o Number of exam rooms, bathrooms, waiting area, reception area
  – Staffing considerations
    o This can influence the build out and heavily influences ROI
    o More physicians = more costs to the pool
  – Location of facility
    o Can you leverage existing space?

• Opening Date
  – Hiring issues
    o Physician recruitment (can take a long time) and notice provisions in existing arrangements
  – Seasonality
Contracting Considerations

- Incorporate key parts of the RFP into the contract
  - Promises surrounding utilization, marketing, etc.
- Focus on termination provisions and how your clinic survives a transition if the “marriage” fails
  - Ensure you have an adequate notice provision (e.g., 120+ days)
  - Address continuity and transfer of medical records (EMR used and/or file format of information)
  - Negotiate rights to retain physicians and medical staff
    - If the operator owns these rights (which they likely do), you may want to negotiate a buy-out up front

Special Considerations

- Interaction with clinic personnel
  - HIPAA considerations
  - Joint employer considerations
- Integration with individuals who have a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA)
- Capitation issues for individuals that have a network-based plan (e.g., HMO)
- Ensure you have support from your third party administrator (TPA) and pharmacy benefit manager (PBM)
What DVHT Built – Our Near-Site Health Center

- Opened in December 2015
- Two full-time physicians and other support staff
  - DVHT selected a physician-focused staffing model
- Physician capacity – over 225 appointments a week
  - Flexible Hours (Nights and Saturdays)
  - 20 minute appointment with the doctor
- Appointments by schedule
  - Minimal wait
- $0 copay for medical services/$0 copay for the 200 generic medications dispensed on-site
- 3,000 covered employees from 18 member entities live or work within 10 miles of the Center
- Services include primary care, minor wounds, labs, pre-op testing, health coaching, Health Risk Assessment (HRA) etc.
- Avoided occupational health due to existence of Workers Compensation Pool and perceived concerns over firewall between health and workers compensation pools

DVHT Trust Center
Our Operating Model - Who Does What?

Operator

• Recruitment of Physicians
• Management of the Center and staff
• Actual payment of staff salaries and provision of employee benefits
• Training
• Purchase of supplies and medications (pre packed)
• Maintain Electronic Medical Records
• Reporting
• Health coaching

DVHT

• Construction of Facility
• Monthly payment of management fees
• Monthly payment of pass-through operating costs
  – Staff
  – Supplies
  – Medications
  – Etc.
• Marketing
• Coordination of internal wellness programming and activities

Years One/Two: What Worked…

• Facility build-out was completed ahead of schedule
• Member feedback overwhelmingly positive
  – Quality of the providers
  – Facility
  – No wait/no cost
  – Convenience
• HRAs identified significant number of chronic conditions or risk factors that can lead to a chronic condition
• Savings on generic drugs and lab services
• Member copay savings
Years One/Two: …And What Didn’t

• Unmet Expectations
  - Delayed opening due to provider recruitment and turnover
  - Utilization (visits to Center) were significantly below targets established by vendor (50%)
  - Cost per visit was significantly higher than expected
    - Low visits to amortize fixed costs
    - Management fee level
  - Savings vs. “market costs” did not materialize
    - Low visits
    - High fixed costs
    - Flawed methodology of calculating market costs
• Significant time investment by pool staff to market Center
• Lackluster marketing materials and slow turnaround time

A Microcosm of Years One and Two

Health Risk Assessments (HRAs) at the Center

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
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<tbody>
<tr>
<td>Vendor Target</td>
<td>Actual</td>
</tr>
<tr>
<td>2,393</td>
<td>428</td>
</tr>
<tr>
<td>610</td>
<td>654</td>
</tr>
</tbody>
</table>

• DVHT provides $150 incentive for members to get an annual HRA
  - The pool can not impose a penalty on members for non-compliance
  - Individual entities can impose a penalty subject to political will and collective bargaining process
• Clinic manager based HRA assumptions as a standard percentage of overall visits. As a result, low on visits=low on HRAs
• The number of HRAs performed was part of a financial performance guarantee negotiated for Year 2
• Reported ROI results inflated based on oversimplified calculations
• The unmet expectations and significant performance penalty became a source of friction between DVHT and the clinic manager
Course Correction & Recalibrated Expectations

- Redoubled marketing efforts to increase utilization
  - Employee meetings
  - Union leadership
  - Direct communications
  - Health fairs and on-site HRA events
- Targeted key underperforming entities for greater management buy-in/potential impact on renewal
- Renegotiated contract - significant reduction in management fees
- Engaged professional practice manager to evaluate feasibility of self-operation
- Detailed data analysis to identify performance and shift priorities
Year 3 Results

- Visits have increased significantly
  - 20% per year for years 2 and 3
- Clinic now operating at 80% capacity
- HRAs tracking positive “risk movement”
  - 52% of members improved risk factors
- Fee reduction resulted in a significant reduction in management fees and better ROI
- Reallocation assets
  - Emphasizing PCMH primary care model
  - Clinic no longer the priority location for HRAs
- Member satisfaction remains very high
- Clinic is a differentiator for DVHT

Lessons Learned

1. Listen to and educate your stakeholders…rinse…and repeat.
   - Understanding the objectives early is critical
2. Select the appropriate vendor
   - It’s not just about cost
3. Let your goals inform the construction and build-out
4. Focus on the contract
   - Plan for the “divorce” prior to the “marriage”
5. Member communications require constant focus
   - Significant commitment of staff time (road show)
   - Customizing communications for your audience
   - Cutting through the “noise”
   - Have to manage expectations of those members outside of clinic access area
6. Limited “levers” to drive utilization b/c they’re not your employees
   - Incentives/penalties to drive utilization
   - Allowing time off to visit clinic during work day
Lessons Learned

7. Return on investment is a long term proposition
   - Staffing/service choices impact costs
   - Visits are driven by many factors and a realistic appraisal of your pool membership is required during the feasibility analysis
     - Distance/travel time
     - Benefit levels/copay differential
     - Engagement
     - Penalty/incentive
   - Not all “visits” are created equal
     - Blood draw and other ancillary visits vs. visit with physician
     - Not all visits are replacing a fee-for-service visit
   - Short term savings likely to be overstated

Thank you.
ABOUT THE DELAWARE VALLEY HEALTH TRUST

• Formed in 1999
• Self-insured risk pool serving Municipalities, School Districts, Counties, and Authorities in Pennsylvania and Delaware
• Covers over 160 public entities and 8,900 employee lives (over 23,000 member lives)
• Over $180 million in billed premium projected for 2019