

WHITEPAPER

How the Commercial Market Will Replace Revenue for Hospitals

The Challenge

The pandemic has taken a significant toll on the U.S. economy and led to record levels of unemployment. The April 2020 unemployment rate was 15% and that number only improved marginally to 13% in May 2020.¹ The unemployment rates represent 40.8 million in the U.S. who lost their source of income due to COVID-19, and of that number, 20 million lost their employer-sponsored health insurance.² This is a decrease of 20% in the commercially insured market. And, as 10% of privately insured patients move to Medicaid, this could result in a 3.2% loss of revenue for hospitals. The shift from private to public insurance could cost hospitals and health systems up to \$95 billion annually. These numbers make it evident that the commercial market is more crucial for hospital revenue than ever before.

Changes in Patient Demand

Patient demand for services has decreased as many consumers delayed elective procedures or wellness visits due to stay at home orders and the fear of contracting COVID-19 from a healthcare setting. And while healthcare visits were impacted for those who lost their income or no longer had insurance, the decision to seek medical care also affected those who maintained their employer-sponsored insurance plans.

Thirty-five percent of employed consumers surveyed said they would decrease healthcare spending including 9% who said they would stop taking prescribed medications to save money.² The implications of these delays in healthcare visits and spending could have negative long-term impacts on health. Those with chronic conditions and medication management could experience adverse effects from delaying care including the worsening of their conditions.





The Opportunity

As more people feel comfortable leaving their homes and seeking medical care, the largest increase will come from the commercial market. Those with commercial insurance will start to visit their primary care physicians and specialists, as well as reschedule elective procedures. Monitoring and management of chronic conditions will also start to increase as those with commercial insurance will return for physician visits, lab work and medication management.

Another important component is that employers will place more attention on employee health as they seek to return staff safely to the workplace and become better aware of their at-risk population. Employers will want to ensure that employees have the tools and resources to keep them healthy as well as better manage chronic conditions that put them at a higher risk of having COVID-19 complications.

With almost 66%³ of employees now working remotely at least one day per week, it becomes necessary for employers to connect with staff to ensure they continue to monitor and maintain their health. Employers will be focused on the health and safety of their employees while also keeping a watchful eye on the cost of care as employees begin to seek medical treatment again.

The Solution

Hospitals and health systems can actively engage local employers to develop employee health management strategies. Because hospitals and health systems have shown to be such trusted allies in the fight against COVID-19, they are the obvious choice to turn to when navigating health decisions. Hospitals and health systems stand as the best providers of employer health management programs given their resources and access to healthcare professionals.

This opens the door for hospitals and health systems to enter the employer marketplace and leverage their community presence, strategy expertise and service alignment to provide a higher level of intervention and achieve better outcomes.

Employers who work directly with a hospital or health system will better understand their employee populations through the use of technology and resources that can help identify high-risk populations. Employers will be able to utilize analytics to determine which employees are delaying care and not taking medications, allowing them to deploy health system interventions earlier.

Hospitals and health systems choosing to compete for employer-centric population health initiatives must carefully assess their ability to deliver on the promise of enhanced employee and workforce health. System resources should be aligned and deployed to provide a total health initiative that addresses the needs of the "demand side" while increasing commercial market share for the sponsoring provider.



Strategy Development: Proven Tactics for Success

Applied Health Analytics understands the population health needs of the commercial market. Experience with over 3,700 employers and one million employees across the United States establishes Applied Health Analytics' expertise in optimizing the reach and impact of commercial market health initiatives.

Experience has shown that successful commercial market strategies will include an alignment of the following components:

Health Risk Assessment

An evidence-based health risk assessment (HRA), sensitive to the cultural needs of an employer, is an important data collection tool that returns valuable personal, demographic, health history, behavioral, screening and examination information unique to the individual. Through its partnership with Vanderbilt University Medical Center, Applied Health Analytics has developed one of the most utilized and respected, proprietary risk assessments available which provides valuable insight into individual health risks and overall wellbeing.

Biometric Screenings

Biometric values collected through on-site health screenings fuel Applied Health Analytics' risk-stratification engine and, when combined with health risk assessment data, provides an accurate understanding of individual risks and defines appropriate health enhancement interventions. This information, coupled with health system services, initiates the successful population health strategy by aligning individual risks with appropriate health system originated interventions, services and resources.

A Risk-Stratification Engine

Purposefully designed algorithms, HRA, biometric and claims data work together to provide a prescriptive view of individual and overall population wellbeing. The data engine offers accurate access to analytics and analysis that is easy-to-use and query to empower change and measure impact.

Driving Market Share: Making Health Data Actionable

The risk-stratification engine identifies individuals by health risks, behavior change needs, health history or gaps in care and targets these individuals to promote health system services, products, partnerships or primary care physicians. Key to any successful strategy is the ability to mitigate health risk by aligning such risk with the resources of community-based physicians and hospitals.

Metrics-Based Incentive Design

Employers commonly use incentives to motivate individuals to participate and succeed in company-sponsored health initiatives. The technology needed to manage these programs includes trended data, alternative standards, connectivity with coaching, wearable devices and payroll services which are all provided within Applied Health Analytics' bIQ™ Population Health Management platform.

Health Professional Engagement

One-on-one interaction between a participating employee and a health system representative has proven to drive member engagement and promote positive outcomes. These health coaches intervene to manage goals, report progress, record patient-history and encourage incentive attainment, allowing hospitals and health systems advance the impact of employer-sponsored health initiatives by aligning professional resources with the needs of an individual. All this is accomplished within the bIQ Population Health Management platform, further promoting the interests of the employer and sponsoring health system.

Strategy Accountability

The measurement of performance defines success. Individual and at-risk cohort health enhancement must be measured, trended and accountable to identify ROI. All prospective interventions are well-intended, but success is achieved with enhanced health and measured by financial return to the health system. Applied Health Analytics' technology provides the tools, reporting and management of ROI to align the interests of the employer and health system.

Conclusion

Employers are key to health system profitability. Increasing share of the commercial market enhances payer mix and optimizes operating income. A thoughtfully designed and properly deployed employer initiative provides health systems with support for their primary care strategy, CIN, ACO expansion and service line growth initiatives. Applied Health Analytics provides the strategy, technology and execution to achieve optimal revenue outcomes:

- Increase referrals to the system's employed physician enterprise, including both primary care physicians and specialists.
- Positions the health system to satisfy increasing employer demand for population health services, particularly among those choosing a self-funded health plan design.
- Drives increased revenue growth and enhanced reimbursement quality from commercially insured consumers.

About Applied Health Analytics

Founded in 2009, Nashville-based Applied Health Analytics, LLC provides a range of a analytics, technology and services to hospitals and health systems that support population health, value-based care arrangements, employer-centric strategies and risk-based contracting. Applied Health Analytics, a joint-venture partner with Vanderbilt University Medical Center and Charlotte and North Carolina-based Atrium Health, empowers hospitals and health systems to administer programs that influence a positive payer mix, reduce health benefit costs, improve quality outcomes and manage patient health.

References

- ¹ Ben Teasdale, Kevin Shulman, *Are U.S. Hospitals Still "recession-proof?"* New England Journal of Medicine, July 1, 2020
- ² PwC Health Research Institute, *The Covid-19 pandemic is influencing consumer health behavior. What does this mean for employers?*, June 2020
- ³ Clutch, *Working from Home During the Coronavirus Pandemic: The State of Remote Work*, April 16, 2020

