

WHITEPAPER

Returning to Profitability

# Direct to Employer as a Revenue Replacement Strategy



## The Situation

# Hospitals and Health Systems

Applied Health Analytics understands the challenges that hospitals and health systems are facing as COVID-19 has caused operating margins to decline at an unprecedented rate. Data from more than 800 U.S. hospitals has shown that operating margins have dropped an average of 150%<sup>1</sup> year over year, resulting in a major disruption to the industry's financial health. While the return of elective procedures will surely help the bottom line, there remains a large revenue gap to be filled. Applied Health Analytics recognizes how the landscape is changing and sees an employer need that can be fulfilled by health systems, resulting in an impactful revenue opportunity.

## Employers

The COVID-19 pandemic has put employee health at the forefront for employers of all sizes. Employers must determine the best way to keep their employees healthy while at work and also monitor the health and wellbeing of employees who are working from home. Of equal concern is that benefit costs could increase significantly due to the pandemic. A survey of employers and costs related to COVID-19<sup>2</sup> predicts that employer healthcare costs could rise by as much as 7% in 2020. While milder cases of the virus could cost between \$250 and \$2,500, a severe case that requires treatment in an intensive care unit (ICU) could cost as much as \$100,000.

Employer focus on wellbeing has increased and will continue to rise as a result of the pandemic as it has been shown that those most vulnerable to the virus are those with chronic and underlying conditions. Data has shown<sup>3</sup> that approximately 29.2 million adults in the U.S. between the ages of 18-59 are at risk of contracting the coronavirus due to an underlying medical condition such as heart disease, COPD or diabetes. And, lifestyle factors are shown to have a significant impact on illness severity and mortality. Obesity is a major indicator of COVID-19 complications<sup>4</sup> and smoking has also been shown to significantly increase negative outcomes<sup>5</sup>. COVID-19 has intensified the focus on early detection for those with chronic conditions as these conditions have proved to cause serious complications for those who contracted the virus.

Even employees who don't become sick also face health difficulties. Many found that elective surgeries, such as knee and hip replacement or corrective procedures, were postponed as hospitals focused their resources on treating COVID-19 patients. The pent-up demand could result in a deluge of elective surgery requests before the end of the year. On average, employers can expect that 2.14% of their population will have elective surgery in a given year<sup>6</sup>, another large cost increase that can affect the bottom line. Additionally, employees who haven't been able to have surgical procedures may have health, pain and mobility issues that have resulted from delays in available care.

This presents a significant opportunity for hospitals and health systems to step in as a health management partner. By implementing a direct to employer strategy, health systems can assist employers in managing their employee health initiatives while also replacing revenue lost to COVID-19.

## The Situation

# Employer Health Management

As employers shift their focus to employee health and wellbeing, they will be seeking trusted partners who can help guide them in their health management strategies. Because hospitals and health systems have shown to be such critical allies in the fight against COVID-19 they are the obvious choice to turn to when navigating health decisions. A recent survey showed that 88% of consumers rate hospitals as the most trusted source of health information<sup>7</sup>.

There are immediate ways that health systems can address employers' immediate needs that have increased in importance as a result of the COVID-19 pandemic:



**Early  
Detection**



**Health  
Coaching**



**Behavior  
Modification**



**Incentive  
Programs**

**Hospitals and health systems stand as the best providers of employer health management programs given their resources and access to healthcare professionals.**

# Early Detection

There is a large percentage of the population who are considered high-risk which is why it's important to take the proper steps to improve their health status prior to a pandemic. These underlying health issues can be addressed at early stages to help prevent movement to the high-risk category. Two of the easiest ways to uncover underlying health conditions are through biometric screenings and health risk assessments (HRAs).

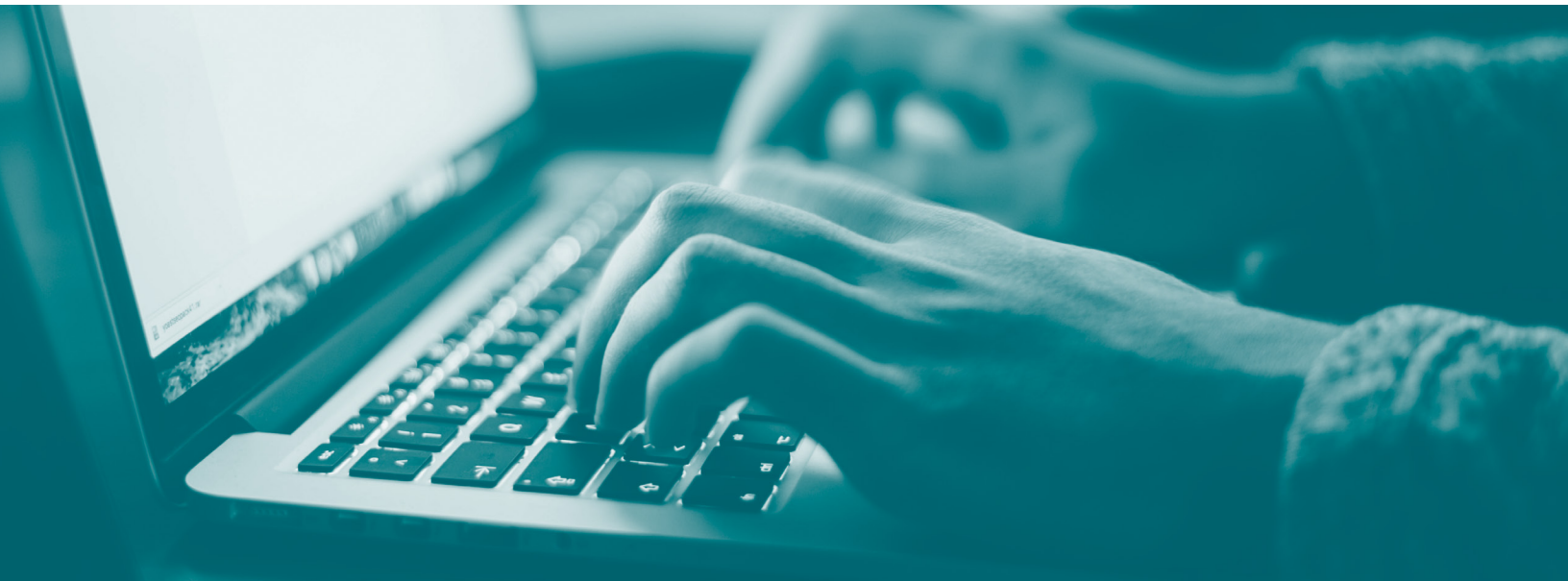
## 1. Health Risk Assessment (HRA):

*An evidence-based health risk assessment, 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 a partnership with Vanderbilt University Medical Center, Applied Health Analytics has developed one of the most utilized and respected proprietary risk assessments providing important insight into individual health risks and overall wellbeing.*

## 2. Biometric Screenings:

*Biometric values collected through on-site health screenings fuel the risk-stratification engine and, when combined with health risk assessment data, provides a robust understanding of individual risks and defines appropriate health enhancement interventions. This information, coupled with health system services, initiates a successful population health strategy by aligning individual risks with appropriate intervention and resources.*

These methods provide test results, uncover family histories and identify behaviors that are indicative of a chronic condition. There are tools that can help in the assessment of this data, including bMetrix™, a screening application that allows for the seamless collection and recording of biometric data. Screenings can detect the presence and onset of chronic conditions such as diabetes, heart disease and other issues that have shown to accelerate the impact of viruses such as COVID-19.





## Behavior Modification

The significant impact of lifestyle factors such as obesity and smoking indicate the importance of identifying high-risk individuals and providing wellbeing programs that address behavior modification. By employing a risk stratification engine such as the bIQ™ Population Health Management platform, employers can identify employees with the highest health risks and provide tools and resources to assist with behavior modification. Once a health condition is identified, the individual should be provided with recommendations and resources for addressing the issue. This may include a weight loss program, referrals to smoking cessation programs or a recommendation to schedule an appointment with a physician. A health portal can be implemented as an easy way for an individual to establish health-related goals and track progress.

## Health Coaching

Many individuals don't know where to start when they've been diagnosed with a chronic condition. One-on-one coaching provided by a health professional can provide essential support to employees who are looking to improve their health. A health coach can help manage goals, report progress and direct employees to the proper professional resources. With bIQ, all interactions with a health coach can be documented and tracked in the employee's health record. bIQ also supports phone and virtual coaching sessions for when in-person meetings aren't an option. A health coach can provide the accountability needed by those who are looking to modify their behaviors, especially those who have issues with obesity and smoking.

## Incentive Programs

Incentive programs can be a useful tool to motivate individuals to participate in company-sponsored health initiatives. A survey<sup>8</sup> of employees with company-sponsored health plans showed that 71% wanted health management programs from their employers and more than 75% responded that an incentive would motivate them to take action to improve their health. Solid communication to employees about incentive programs is crucial as nearly two-thirds of employees underestimate employer-provided incentives<sup>9</sup>.

An employee incentive strategy that is tailored to a specific population is the key to garnering employee participation. Applied Health Analytics offers metrics-based incentive design that is customized for each employer. Tools available through bIQ include trended data and connectivity with coaching, wearable devices and payroll. With a properly designed incentive program, employers can provide the tools to help motivate behavior modification in high-risk.



# 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 its primary care strategy, clinically integrated network (CIN), accountable care organization (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 PCPs 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.
- Produces a targeted distribution channel for the development of narrow networks, on-site clinics, direct contracting and expansion of bundled payment initiatives.
- Drives increased revenue growth and enhanced reimbursement quality from commercially insured consumers.
- Delivers a vehicle for optimizing fee-for-service revenue while transitioning from volume-to-value.

# About Applied Health Analytics

Founded in 2009, Nashville-based Applied Health Analytics, LLC provides a range of 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, 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

- <sup>1</sup> Kaufman Hall, National Hospital Flash Report, April 2020
- <sup>2</sup> Willis Towers Watson, Best Practices in Health Care Employer Survey, March 2020
- <sup>3</sup> Kaiser Family Foundation, How Many Adults Are at Risk of Serious Illness If Infected with Coronavirus? Updated Data, April 2020
- <sup>4</sup> NYU Langone Health, Factors associated with hospitalization and critical illness among 4,103 patients with COVID-19 disease in New York City, April 2020
- <sup>5</sup> New England Journal of Medicine, Clinical Characteristics of Coronavirus Disease in 2019 in China, April 2020
- <sup>6</sup> ConsumerMedical, Managing Post-COVID Elective Surgery Demand, April 2020
- <sup>7</sup> Gallup Consumer Survey, Coronavirus Response: Hospitals Rated Best, News Media Worst, March 2020
- <sup>8</sup> HealthMine, Wellness Engagement Survey, January 2015
- <sup>9</sup> UnitedHealthcare, Wellness Checkup, June 2017

