

The Growth of Integrated Corporate Employee Health

In this paper we have assembled publicly available information about other companies in addition to Quad/Graphics (discussed in Chapter 6 of *The Innovator's Prescription*) that have launched integrated employee health in one form or another. Our purpose is simply to show that QuadMed isn't an off-the-deep-end outlier, inspired by an irrational and reactionary management team. Rather, we sense that Quad and the firms cited below are leaders in what is becoming a significant trend: Corporate executives who, in the tradition of Henry Ford, Gustavus Swift, and Jack Welch, have integrated to solve a problem that independent suppliers of a critical input could not address.

Perdue Farms (Salisbury, Maryland)

A major supplier of chicken and chicken-based products to restaurants and retail grocery stores, privately-held Perdue, with revenues in excess of \$2 billion, runs its own medical center with primary care physicians and specialists in fields such as podiatry and neurology and a pharmacy stocked heavily with generic drugs. In 2004, Perdue's health-care cost per employee was about 40% of the national average (\$3,000 versus \$8,000. Medical costs per employee rose just 1% that year, after *falling* 0.75% in 2003. The chicken giant contracts directly with outside doctors and hospitals instead of using a health insurer's provider network.

Perdue asks each employee to take a 19-point test and then uses a proprietary algorithm to identify the five top risk factors – everything from eating habits to seat belt usage. Its clinics are in-house, and employees who are at risk for complications of chronic disease visit their doctors during work time, every six weeks, to see if treatment protocols are working. If patients don't show up for an appointment, the medical staff finds them in the factory and reminds them. If one approach to bringing a risk factor under control doesn't work, they try another approach. "The U.S. health-care delivery system is neither a system nor does it deliver health," said Roger Merrill, Chief Medical Officer at Perdue.¹

Toyota Motor Corporation (San Antonio, Texas)

Toyota's North American manufacturing division has long dealt with escalating health-care costs by opening its own pharmacies at plants in the United States. In January 2007, however, it opened a \$9 million comprehensive health-care facility at its new plant in San Antonio, Texas for its 2,000 employees and their dependents, as well as the 2,100 employees of its parts suppliers. Contributing to the decision was the fact that the company's health-care costs had doubled between 2001 and 2006, to about \$11,000 annually per employee.²

"The way we ... improve cost [at Toyota] is to improve quality," said spokesman Daniel Sieger. "We're looking at health care the same way."

The health-care center, operated by CHD Meridian Health Care, integrates preventive and primary care services, family practitioners, internists, pediatricians, dentists, optometrists, physical therapy, and radiology, pharmacy, and laboratory services, in addition to occupational

health services typically provided at large manufacturing plants to manage work-related injuries. The health center will especially help Toyota manage and prevent chronic diseases, which represent a disproportionately large chunk of health care spending, according to R. Dixon Thayer, CEO of I-Trax, which owns CHD Meridian Health Care. As a standard, doctors will spend 20 minutes with each patient during each visit.

Performance Food Group (Richmond, Virginia)

Performance Food Group, which has operated an on-site clinic for its 6,000 employees for the past two years, offers a Healthy Awards Account. "Employees understand that the only way to control their health costs is to see that they stay healthy," said Charlotte Perkins, chief human resource officer. Employees who visit the gym three times a week, for example, receive cash rewards. "It's very much like a flexible spending account," she says. It rolls over every year, so "it grows in value."³

Pitney Bowes (Stamford, Connecticut)

This maker of mail handling equipment has seven on-site medical clinics. They are used by about 73 percent of employees at the sites, resulting in 35,000 annual encounters.⁴

University of Vermont (Burlington, Vermont)

Efforts to keep workers committed and interested in their health is also working at the University of Vermont, in Burlington, which opened an on-site clinic to service its nearly 4,000 employees five years ago. There, the incentive-based program, featuring a menu of options, offers employees points that are earned on the basis of choices from that menu, such as completing a health risk assessment, beginning an exercise program, or enrolling in a smoking cessation program. Those points, worth up to \$100 a year, can be used to purchase things on or off campus.⁵

Scott's Miracle-Gro (Marysville, Ohio)

Scott's, a leading maker of lawn care products, is in the vanguard of companies seeking to monitor and change employee health behavior.⁶ Its program reflects the born-again zeal of its CEO, Horace Hagedorn, who had smoked two packs a day for 20 years—until his mother, also a heavy smoker, died of lung cancer. Hagedorn quit the same day. In the early 2000s, Hagedorn watched Scott's health-care costs explode. It seemed that employees were bingeing on care, and he saw no viable solutions emerging from the government or the health-insurance industry. In February 2003, Scott's doubled what workers had to pay for health insurance. Morale plummeted. But in a quarterly talk to employees, the CEO got right to the point: Scott's' annual health-care bill had soared 42% since 1999 to \$20 million—20% of the company's net profits in 2003. Costs were projected to surge another 20% the following year and would keep climbing at a double-digit rate. Half of his 6,000 employees were overweight or morbidly obese; a quarter of them smoked.

A few months later Hagedorn heard a doctor argue on CNN that employers should get serious about obesity, smoking, and diabetes. Companies were paying the bills, he said, so they could do something. The CNN program prompted an epiphany. Hagedorn wanted to ban

smoking and go after obesity. To achieve these aims, he proposed launching the kind of companywide intervention that families use to help an addicted relative. The legal department at Scott's worried that the plan might violate federal laws, but they determined that in 21 states, including home-base Ohio, it wasn't illegal to hire and fire people based on their smoking habits.

Scott's also realized it needed to create an arm's-length relationship with the wellness program. No one wanted to give managers an opportunity to discriminate against employees based on their health. That meant bringing in a third party to run the thing. In 2005, the company hired Cleveland-based Whole Health Management, which manages on-site primary care and fitness centers for dozens of corporations. Whole Health aggregated health and insurance claim data so Scott's could measure trends, but it kept individual data strictly confidential. On-site doctors assured employees that they would never betray their confidentiality.

During one of Hagedorn's straight-talk sessions, workers told him a company gym would make wellness easier to swallow. "Done," Hagedorn said. He built a soup-to-nuts medical and fitness center across the street from headquarters. Operated by Whole Health, the 24,000-square-foot facility cost \$5 million. The clinic employs two full-time doctors, five nurses, a dietician, two physical therapists, and a team of fitness coaches who provide personal training sessions for \$30 an hour. The complex can meet most health-related needs an employee might have, including a drive-through for free prescription drugs.

Scott's employees are now urged to take exhaustive health-risk assessments, which ask things like: Do you smoke? Drink? What did your parents die of? Do you feel down, sad, hopeless? Burned out? How is your relationship with your spouse? Your kids? Are you pregnant, diabetic, suffering from high cholesterol? Those who refuse to take the assessment pay \$40 more in premiums each month. Using data-mining software, Whole Health analysts scour the physical, mental, and family health histories of nearly every employee and cross-reference that information with insurance-claims data. Health coaches identify which employees are at moderate to high risk. All of them are assigned a health coach who draws up an action plan. Those who don't comply with the plan pay \$67 a month on top of the \$40. "We tried carrots," says Benefits Chief Pam Kuryla. "Carrots didn't work."

Gym rats earn special pins they display on ID badge lanyards; these have become a coveted status object. Competition is fierce for trips to Hawaii, free massages and facials, and other cash and prizes that are given to employees who make progress on their health action plans. So far, more than 70% of headquarters staff belongs to the fitness center. The smoking-cessation program has already had a 30% success rate. The wellness program, which costs \$4 million a year to run, is a financial drain. But the company expects it to pay for itself in three to four years. Other large companies have seen a 3-to-1 return on investment in their wellness programs.

Hagedorn's tobacco ban was controversial – especially at the manufacturing plants, where Skoal chewers are common. He wasn't unsympathetic. After all, it took his wife three years to quit smoking. But “Smoking is suicidal, and we can't encourage suicidal behavior,” he said. The Scott's' employees can get all the help they will accept.

Other Employers

Cerner Corp. and Sprint Nextel Corp. in the Kansas City area are adding workplace clinics in an effort to increase productivity and cut the time employees spend off the job. Working with Whole Health Management, Qualcomm is developing a comprehensive on-site medical clinic for its 7,000 employees in San Diego. Caterpillar is implementing an integrated employee health program. General Mills operates an employee clinic at its Minneapolis headquarters. IBM, Microsoft, Harrah's Entertainment, Kohler Inc. and Miller Brewing Co. are considering offering integrated employee health programs.⁷ A 2008 survey by Watson Wyatt and the National Business Group on Health found that 30 percent of employers plan to operate on-site clinics in 2009.⁸

¹ Roger Merrill, Chief Medical Officer of Perdue Farms, interviewed by Brad Gambill, August 1 2007, Salisbury Maryland.

² "Toyota Truck Plant and Health Care Center Ready to Roll ," *Workforce Management*, November 15, 2006.

³ Worthington, Barbara, "Onsite Savings," *Human Resource Executive*, February 2007.

⁴ "Pitney Bowes Wellness Program Leads the Way," *Managed Care*, July 2006.

⁵ Worthington, op. cit.

⁶ Adapted from Conlin, Michelle, "Get Healthy—Or Else," *BusinessWeek*, February 26, 2007.

⁷ "More Companies Opening In-House Clinics for Employees to Help Reduce Health Costs," *Medical News Today*, September 8, 2006.

⁸ "Watson Wyatt Identifies Trends for Benefits Open Enrollment Season," Watson Wyatt press release, September 29, 2008. Accessed at <http://www.watsonwyatt.com/news/press.asp?ID=19805> on October 1, 2008.