

# PUBLIC EMPLOYERS ARE CHANGING THE HEALTHCARE GAME WITH ON-SITE CLINICS

Pay Wholesale, Flatten Costs, Improve Health

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In 1961, President Kennedy challenged the nation to put a man on the moon. Many said it couldn't be done, but we succeeded. In 2013, Jim Lopez, Director of Human Resources and Performance Management at the City of Kirkland, WA, presented our consulting team with his own "Moon Project":

1. Hold our health costs flat...
2. without raising deductibles or copays, and...
3. without increasing employee contributions.

*"We'd like to shift the paradigm around work as a place where you can go to get well."*

Jim Lopez, City of Kirkland

Holding costs flat without plan takeaways would be a win-win for both labor and management. Months of weekly "Moon Meetings" resulted in a two-pronged strategy:

**1. Account Based, High-Deductible Health Plan:** A rich HSA or HRA contribution provides employees with a potential retiree health benefit. Unspent cash balances accumulate for future retirement health costs. Employees care more about their health and health costs when they keep the savings.

**2. Employer-Sponsored On-site Clinic (Wholesale vs. Retail):** Employees enjoy unlimited access to primary and preventive care at no cost. Meanwhile, the employer pays only the actual cost of services, without margins. That is a major win-win. Healthcare budgets flatten, employee out-of-pockets costs are reduced, and individuals get healthier.

**The Clinic is Optional to Employees.** The regular health plan remains in effect, so employees control their care. They still have access to their previous specialists with the regular deductibles and cost sharing. However, unlimited access to free primary care at the clinic is a very appealing time and money saver.

The City of Mesquite, Texas realized substantial ROI with this approach. Their 2013 health costs were only 3% higher than in 2007 when they opened their own clinic.

The City of Kirkland, Washington has completely reengineered their medical benefits program around their clinic. Their "Moon Strategy" combines the clinic with a High Deductible Health Plan, rich contributions to an

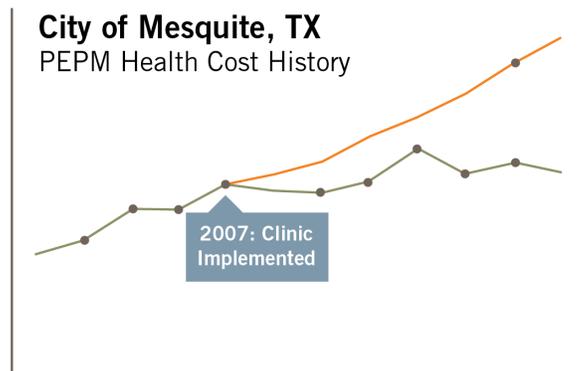
HRA/VEBA, and a robust wellness program. "Nearly everything we do is guided by a commitment to employee health and wellness," says Jim Lopez. "We are dedicated to finding ways to enhance employee wellness, while staying within our budgets."

The City of Yakima, Washington opened its on-site clinic in 2012. "Our goal was to make healthcare convenient, affordable, and accessible," said City of Yakima's Cheryl Ann Mattia, Human Resource director. "We've reduced overall costs as well as the out-of-pocket costs to employees."

Deschutes County, Oregon has seen their annual medical trend fall from 8-12%, to 1% in 2014.

Seattle Children's Hospital's clinic has been a popular success with its employees and has significantly impacted the hospital's health costs.

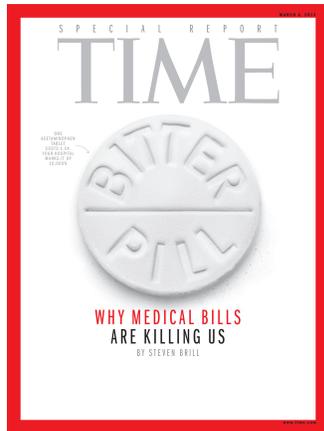
## City of Mesquite, TX PEPM Health Cost History



2013 PEPM costs were 3% higher than in 2007 when the clinic opened.

## Managing an Out of Control Referral System

In April 2013, *Time Magazine* rocked the medical industry with its “Bitter Pill” issue, exposing highly inconsistent and inflated healthcare pricing. A knee replacement can cost \$20,000 in one hospital and \$120,000 in one down the street. The City of Kirkland will offer employees a phone app called the Ben-IQ Referral Support Tool to help with referral decision-making.



## Retiree Medical Account

Kirkland’s plan includes a health retirement account (HRA/VEBA), allowing employees to accumulate unused health dollars. “This is a critical part of a longer-term plan for our employees to help manage the interaction between their money and care,” said Jim Lopez. “We think this will offer our staff more sustainable healthcare solutions.”

## A Win-Win Model: Better Care and Lower Costs

Nationally, momentum is building for employer-sponsored clinics. Every situation is unique and requires custom solutions, but one thing is clear: It’s about being proactive and preventive.

*“A workplace clinic elevates an employer wellness program by creating a model for care where a care team can really take care of you.”*

Neal Sofian, *Premera Blue Cross*



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