



April 2006
Vol. 51, No. 4

The Doctor Is In-House

The company doctor is back, helping workers remain healthy and employers reduce health care costs.

By Susan J. Wells

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Large Numbers Are Also
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Tom Hopkins was at work when he felt the pain in his chest and abdomen. It seemed minor, but the health professionals at his company's on-site wellness center urged him to go to the hospital, where doctors found problems with his heart.

Two days later, Hopkins underwent coronary artery bypass surgery. Now enjoying a healthy recovery, he credits the worksite clinic with saving his life.

"If it wasn't for the clinic, I probably would not have gone to the doctor right away, and who knows what would have happened," says Hopkins, manager of the Central Florida Market Unit of the Pepsi Bottling Group, in Orlando, Fla.

Stories like Hopkins' are becoming more common as businesses increasingly adopt a new approach to the old model of employer-sponsored health benefits. Reminiscent of the "company doctor" of years past, today's trend of providing on-site medical care is building rapidly, experts say, spurred largely by the fact that these on-site facilities enable employers to better manage—and even scale back the growth rate of—their health care expenses.

"I think it's a modern model that is indeed proving to be cost-effective," says Sean Sullivan, president, CEO and co-founder of the Institute for Health and Productivity Management, a nonprofit corporation in Scottsdale, Ariz., that works to link employee health to corporate performance. "Not only does it pick up health issues earlier, but it doesn't require time away from work and at the same time creates a culture of caring."

While employers shouldn't expect on-site care to routinely save lives, as was the case with Hopkins, they can expect these facilities to provide other benefits—such as helping employers manage health care costs, reducing time spent on doctors' visits and recovery, and spurring employees to adopt healthier lifestyles that help both them and the company in the long term.

Figuring the Returns

Although there is little collective data quantifying the cost-effectiveness of corporate clinics, employers who have invested in them say the payoffs are tangible and significant.

By making on-site health services available—especially for treating minor illnesses and injuries and providing follow-up care—employers can reduce the number of visits employees make to more costly facilities, such as physicians' offices and hospital emergency rooms. In addition, on-site facilities can help employees manage chronic health conditions and maintain better overall health, while reducing the amount of time they spend away from the job visiting off-site providers.

And those benefits can add up to substantial savings.

For example, according to a study published in the December 2005 issue of the American Journal of Preventive Medicine, employers can see a return of \$3 to \$6 for each dollar spent over two to five years on workplace health program strategies, which include medical screenings, financial perks for participation in health programs, health education classes, healthier food in the cafeteria and on-site clinics.

A Larger Trend

While exact measures are hard to come by, there's evidence that organizations are turning to on-site clinics as a major strategy in their overall health benefits programs.

Raymond Fabius, president and chief medical officer of I-trax Inc., a workplace health and productivity consulting company in Chadds Ford, Pa., says on-site clinics normally produce health care savings in the range of 5 percent to 20 percent. To determine the return on investment of on-site facilities, Fabius' employer-clients look at health care costs and productivity increases.

Those are some of the metrics used by Pepsi Bottling to determine how, or if, a clinic is delivering results. So far, those metrics show that the company's 11 on-site health care facilities have benefited employees and have provided the company with a positive return.

For instance, during 2004 and the first half of 2005, employees made 865 visits and follow-up visits to the company's Baltimore wellness clinic for both occupational and non-occupational reasons. "We saved nearly \$100,000 by having them visit our clinic instead of a doctor's office," says David Kasiaz, vice president for compensation, benefits and risk management. "We also saved more than \$50,000 during that same time period in replacement labor expenses for those visits—and time employees took for other procedures, physical therapy appointments, DOT [Department of Transportation] certification and drug testing at our clinic."

A Wider Purpose

There are a number of reasons employers establish on-site facilities. In the past, for example, it was common for employers to use on-site facilities to tend to on-the-job injuries. While that is still a common function of such facilities, most employers now use on-site health care as a means of addressing employees' overall health issues, and for reducing health care costs.

For those goals, programs that counsel individual employees on their risk factors for disease and that work closely with high-risk employees seem to be the most successful, says Dyann Matson Koffman of the Centers for Disease Control and Prevention, who, along with colleagues, researched 19 studies of workplace health programs.

That type of program design also proved effective for Power Flame Inc., a 187-employee manufacturer of gas and oil burners in Parsons, Kan. Before adopting on-site care, Power Flame's health insurance costs were about double the national average and were rising at a double-digit rate annually, chiefly because of catastrophic claims.

"An analysis of these claims showed that each one was related to lifestyle choices and preceded by warning signs," says Walter Keener, SPHR, the company's director of human resources. "The only long-term, effective way of reducing health costs was healthier employees."

So Keener devised an approach that includes free access to an on-site physician, wellness profiles that measure current health indicators, monthly lunchtime information sessions and an insurance plan designed to encourage wellness care.

"The on-site physician is the most visible [aspect] of the entire approach," Keener says. Employees and their dependents can schedule free office visits one day a week at the worksite, and no insurance claims are filed. Power Flame arranged for the on-site doctor—Andrea Willhite, D.O., a family physician who has a thriving practice in the area—by initially contacting a hospital in Parsons. Power Flame pays a flat rate for services provided.

Employees are more likely to see the doctor on-site because it's convenient and they don't lose pay, Keener says, and the wellness profiles give a complete picture of health risks. "From this information the employee, along with the help of their family doctor or the physician on-site, can plan lifestyle changes to decrease the chance of catastrophic illnesses," he says, "and, over time, track their health progress."

Willhite notes that employee health profiles turned up three diabetics, including two who were not aware of their condition.

"Employees feel comfortable coming by just to informally check in if they have a health question or issue," Willhite says. "That's the most rewarding and positive part of the arrangement—people who don't normally see a doctor will come down the hall and see us. And that can enable us to catch things earlier and promote better care." She is also available to Power Flame employees by phone and pager for medical questions or concerns, just as she is available to

According to a study by Watson Wyatt Worldwide, an HR consulting firm based in Washington, D.C., 33 percent of 275 organizations that collectively employ more than 4.9 million workers have implemented on-site medical clinics or plan to add them this year.

The Pepsi Bottling Group is one company that has demonstrated a growing interest in on-site facilities. It operates 11 employee health clinics at facilities in the United States and plans to add 15 more across North America in the next few years.

Not all on-site facilities reside in large companies like Pepsi Bottling. Today, employers of all sizes and in a variety of industries are offering on-site medical care to employees.

And if a rise in the business of operators of corporate on-site health services is any guide, the trend is picking up steam.

Raymond Fabius, president and chief medical officer of I-trax Inc., a workplace health and productivity consulting company, says interest from employers remains strong. The number of on-site facilities operated by an affiliated company—CHD Meridian Healthcare LLC, one of the largest providers of on-site health clinic management services—grew from 168 to 185 between 2004 and 2005.

her regular patients.

Since implementing the multifaceted approach in 2004, Keener says, annual health care costs have dropped by \$4,587 per employee.

Making It Work

David Beech, a health care consultant in the Los Angeles office of Washington, D.C.-based Watson Wyatt Worldwide, an HR consulting firm, works with employers to evaluate the feasibility of on-site clinics. He says most companies that pursue this option are self-insured and have at least 700 employees—an informal threshold of size for supporting a basic clinic.

A comprehensive, full-scale clinic—one that offers acute care, preventive exams and additional specialization, such as physical therapy or basic radiology—would require at least 2,500 to 3,000 employees to justify a front-end investment of roughly \$3 million to \$4 million, Beech estimates.

No matter what level of service employers opt for, setting up and maintaining an on-site clinic requires a degree of specialized skill that most companies lack internally. Thus, employers generally have three options:

- Enlist a third-party vendor who provides and manages all the services and staff.
- Contract directly with outside health care professionals to staff and manage the facility.
- Hire health care professionals as employees to staff the on-site facility.

Enlisting a Third Party

Drivers of On-Site Care

There are several reasons that employers decide to pursue on-site health care, says Raymond Fabius, president and chief medical officer of I-trax Inc., a workplace health and productivity consulting company.

- Cost reduction is the main attraction for many companies. These companies are concerned with the bottom line and maximizing workforce productivity. In that case, “the health center is heavily attuned to reducing absenteeism through preventive screenings and wellness programs, as well as delivering primary health care to employees and their dependents and local retirees,” he says. In some cases, employers will pair a primary care health center with a pharmacy for added cost savings.
- Risk management is the primary goal when employers are focused on workplace safety and on-the-job treatment of injuries and illnesses or compliance with federal Occupational Safety and Health Administration regulations, he says.
- Being an employer of choice is often the driver when employers want to attract and retain highly skilled, highly paid workers. “The health center in that setting tends to provide convenient, concierge-like, acute-care corporate health services to keep the employee happy, well—and working,” he says.
- Last, quality care is simply a growing interest for many employers, Fabius says. “Providing a primary care workplace health center can help employees navigate the complex health care system,” increasing the likelihood that they’ll be referred to appropriate specialists if need be. In addition, building a relationship with a trusted clinician at the worksite

Beech says most companies use an outsourcer to handle administration of the facility.

When an on-site health facility is outsourced, the vendor pays the clinic staff, handles liability and malpractice insurance, and ensures privacy of health information. This method eases administration and reduces risk. It also can give a company a more customized approach for meeting the needs of its particular workforce.

Lowe’s Companies Inc., a home improvement retailer based in Mooresville, N.C., recently arranged with CHD Meridian Healthcare LLC, an I-trax firm that is one of the largest providers of on-site health clinic management services, to open on-site health centers at two distribution centers and will open three more on-site clinics by mid-year, says spokesperson Chris Ahearn. Each clinic is staffed with a nurse practitioner and provides acute care, primary care and wellness services as a complement to the company’s health care plan.

Ahearn says the ability of each clinic to set its own schedule and choose its own staff was an important advantage at the distribution centers, where employees work various shifts.

Direct Contracting

For some employers, it makes business sense to contract directly with health providers, says Howard “A.J.” Lester, president of A.J. Lester & Associates, a health care benefits consulting firm in Houston. The firm specializes in negotiating and managing direct contracts with doctors and hospitals for employers.

Lester maintains that employers using the direct contracting method have less exposure to liability for medical negligence and malpractice than do companies that hire staff or use third-party providers. Direct contracting is best suited for self-insured employers whose plans are governed by ERISA—the Employee Retirement Income Security Act of 1974. The law’s filing and disclosure requirements apply to, among other things, pension and welfare benefit plans, including

encourages them to access the services they need.

health plans.

ERISA pre-empts state tort laws and limits employees' ability to hold an ERISA plan liable for malpractice under state laws (which govern malpractice). Even if a lawsuit were to reach the federal level, ERISA would

limit remedies to only the benefits denied; no compensatory or punitive damages could be awarded.

In addition, direct-provider pacts "clearly state that the doctor is independent of the employer and that the doctor, not the employer, is directing and providing the medical care," Lester says. This "arm's-length relationship" is reinforced with a clause stating that the employer won't interfere in the delivery of medical care.

Direct contracting can work well for companies of different sizes. For example, both large Pepsi Bottling and 187-employee Power Flame use direct contracts to provide on-site health care services.

Direct contracting also gave Pepsi Bottling the chance to select the source of its medical professionals. The company chose to operate its clinics in cooperation with The Johns Hopkins Hospital and Health System in Baltimore. The company has a contract with Johns Hopkins for each wellness center. Johns Hopkins recruits local nurse practitioners and physician assistants in each location to staff the clinics, and the hospital manages the clinics' operations.

The clinics' physician assistants and nurse practitioners help employees with everything from the flu to diabetes to smoking cessation. The clinics treat both occupational and non-occupational injuries, and they provide referrals and prescriptions.

Direct contracting can be useful also for businesses that operate in remote locations. For example, it has worked well for Perdue Farms, the 20,000-employee poultry processing company based in Salisbury, Md. In the small Eastern states communities where Perdue has its plants—as in remote small towns elsewhere—access to health care is often an issue, and the company tends to be a big player in those communities.

Perdue operates 15 wellness centers within or adjacent to its facilities. The centers are staffed with providers such as primary care physicians and specialists under contract with Perdue. They offer free preventive screenings and allow employees to schedule appointments during their regular work shift and without loss of pay.

The company establishes fees, service levels and quality-of-care measures, says Dr. Roger Merrill, chief medical officer. "In essence, we want to build relationships in our communities and reimburse our doctors better," he says. In some instances, the doctors under contract with Perdue earn more than they would otherwise. "We think that translates into our patients getting better care," Merrill says, "because the doctors want to take care of our folks."

And that results in healthier employees. Merrill notes that Perdue's medical inflation rate over the past four years has remained flat and its annual health cost per employee is about half the current national average of \$6,900.

Less physician attrition, simpler contract terms and fewer employee complaints mean that "direct networks can run quietly and smoothly for years with less day-to-day involvement necessary from the employer's benefits staff," says consultant Lester. As a result, he continues, "these tend to be 'evergreen' agreements—'set it and forget it' contracts." >

Employees also have access to Perdue's privately owned preferred-provider networks, which provide the bulk of physician and hospital care to employees in their communities.

Putting Them on the Payroll

Some companies prefer to hire their own practitioners, which means they accept more responsibility for the providers they pick.

SRA International Inc., an information technology services company based in Fairfax, Va., started providing on-site medical services in 1993 when it hired a part-time nurse. The aim was to help employees with catastrophic illnesses and the resulting insurance claims, says Kay Curling, director of work/life solutions at the 4,800-employee company.

Six years later, SRA opened an on-site medical clinic at its headquarters, staffed it with three nurses and gave them the support of two doctors who serve as medical

Health Care on the Shopping List

Employers—including their HR leaders—have a new option in consumer-driven health care: retail-based health clinics, which are cropping up throughout the country.

These mini-clinics are located within major retail stores such as Wal-Mart and Target and in pharmacy chains such as CVS and Rite-Aid. They offer a walk-in policy, night and weekend hours, and low cost.

Such clinics typically offer limited, routine care by nurse practitioners for common ailments such as allergies, rashes, sinus infections, bronchitis, flu and strep throat. They may also offer vaccinations and diagnostic screenings for conditions such as high blood pressure, high cholesterol and diabetes.

Among the biggest players in this fast-growing, retail-based health market are MinuteClinic Inc. in Minneapolis, Take Care Health Systems in Conshohocken, Pa., and RediClinic, a division of InterFit Health in Houston.

All say they're including employers and insurers in

directors.

The clinic and the nurse program are available to employees both at headquarters and, via e-mail and phone, at its more than 100 offices nationwide. SRA will open a second clinic in July at an office in Arlington, Va., Curling says.

"The largest investment for us is the salaries we pay," Curling says. "Incidental expenses to that are liability insurance and equipment." Results have enabled SRA to offer lower insurance premiums and to reduce the number of workdays lost to illness and doctors' appointments.

SRA's employees are mainly white-collar knowledge workers, Curling says, and they are generally well-informed on health issues, so they need on-site help only in a limited number of areas, such as minor medical treatments, preventive shots, wellness counseling and disease-management help.

SRA's on-site program also helps the company identify opportunities for health cost savings. A careful review of the company's medical claims three years ago, for example, showed that employees who were new mothers were going to hospital emergency rooms at an unexpectedly high rate.

Curling discovered that first-time mothers simply were unsure about when they should take their newborns to the ER and when it wasn't necessary.

So the company started a program in which on-site nurses called first-time parents, both male and female, to share information and answer questions. "It's a casual conversation, but it's also looking for potential problems, encouraging prevention and routing them to the best care," Curling says.

Within six months, Curling says, the number of ER visits returned to expected levels. The savings can add up, she notes: 170 employees became parents last year.

Do Your Research

No matter which method you choose, Watson Wyatt's Beech says, you should thoroughly vet the medical professionals you intend to use before inking an agreement.

Clinic practitioners should be interviewed by HR and medical or occupational health staff to assess personality and fit with the company culture and with rank-and-file employees—even if you're outsourcing to a clinic manager, Beech says.

Beyond that, he says, employers should ensure that the clinicians are board-certified in their fields, have a clean history of complaints and malpractice litigation, and have appropriate experience in an acute-care clinic setting.

And keep your employees in mind, Beech adds. Some may start using an on-site center for their primary health needs, especially if it's a full-scale facility—such as many at large corporations—and if the workplaces are in remote areas with few other health care options available. Perdue employees, for example, may use the company's on-site wellness centers for primary care if they choose.

While most on-site health facilities are not meant to take the place of employees' regular doctors—and smaller facilities typically say so—some employees are likely to shift at least some of their care, such as that for routine matters, from their regular physicians to the clinics where they work.

"Remember, you're potentially asking them to change an existing medical relationship, and that's often—and rightly so—a big decision," Beech says. "Perhaps the most important glue that holds the whole strategy together is to staff your clinic with people who are highly competent and with whom employees are going to be comfortable."

their marketing efforts as they take their concepts nationwide. "It's part of helping HR realize there are affordable and convenient alternatives in their market," says Lauren Tierney, manager of marketing strategy and communication at Take Care Health. The company's goal is to open about 1,400 centers in 70 markets by the end of 2008 with pharmacy retail chains Rite Aid, Osco Drug and Brooks Eckerd.

Michael Howe, CEO of MinuteClinic, says he's seen "a very high level of interest among employers" as the company pushes a rapid national expansion plan—nearly 100 locations in 10 markets during the first quarter of this year.

In addition to its retail locations, MinuteClinic also focuses on corporate office sites, office parks and downtown malls.

"Employers understand that the best way is to integrate accessible care into the lifestyle of employees—where they live, work and play," says Howe.

Some insurance companies have added the clinics to their approved lists of network providers, and several employers now offer employees reduced co-pays if they use the services.

Workers may have reservations about these clinics, however. In October, a Wall Street Journal Online/Harris Interactive poll found that of 2,245 adults surveyed, 71 percent had concerns about the qualifications of the staff at such clinics, and 75 percent feared these staffers might not accurately diagnose serious medical issues.

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