

## SPECIAL REPORT: HEALTH CARE

# Employers embrace medical travel

ALL EMPLOYEE COSTS COVERED FOR BIG-TICKET PROCEDURES AT SELECT HOSPITALS

JENNIFER THOMAS

jenniferthomas@bizjournals.com

Lowe's Cos. Inc. is offering its employees no-cost hip and knee replacements.

The catch? Employees must be willing to travel for their surgeries to one of four designated health-care centers of excellence, which are in Baltimore, Seattle, Springfield, Mo., and Irvine, Calif.

The Mooresville-based home-improvement retailer began offering the option this month after joining the Pacific Business Group on Health's Negotiating Alliance.

The San Francisco nonprofit focuses on ways to improve health-care quality and affordability.

Traveling for health care is voluntary for Lowe's employees, and seeking care from a local provider is still an option. But those who choose local care will incur routine costs. Those who travel will have 100% of costs covered, including medical, travel and lodging.

The goal is to provide access to high-quality health care, while reducing out-of-pocket costs for employees and their families. The model also uses a bundled payment, in which all aspects of a procedure are covered for one price.

"By encouraging employees to utilize carefully selected, high-quality surgeons and hospitals, these programs can reduce variation in care quality and improve the likelihood of good treatment outcomes," says Amanda Manna, Lowe's spokeswoman.

Lowe's has more than 245,000 employees at 1,825 locations across North America.

The company declined to share specifics around costs and savings. Manna says the long-term value is realized by providing the highest quality of care possible.

The retailer developed a similar program with the Cleveland Clinic tied to heart surgery in 2010.

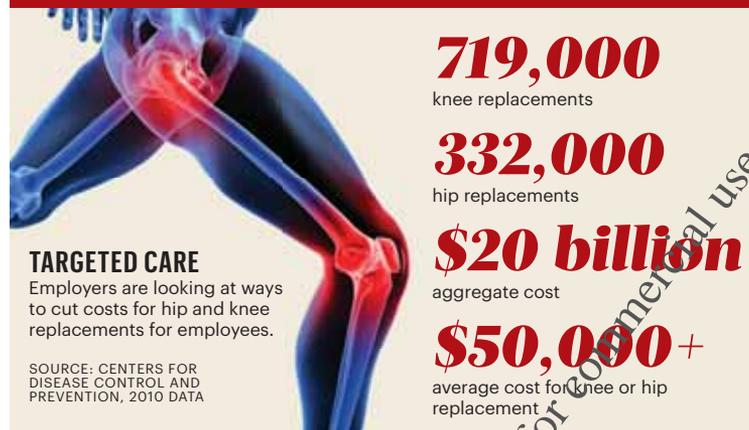
No details were available on the success of that program.

Hip and knee replacements are among the most common surgical procedures in the country, and the number performed annually continues to climb as the population ages, obesity increases and people lead more active lives.

There were 719,000 knee replacements and 332,000 hip replacements in the United States in 2010, according to the Centers for Disease Control and Prevention.

The aggregate cost for those procedures was roughly \$20 billion. The average cost is a little more than \$50,000 for those surgeries, according to NerdWallet Health, an organization that provides health information to consumers.

### ► BY THE NUMBERS



But that's an average figure. "There's such a wide variation of costs among providers," says David Contorno, chief executive of Lake Norman Benefits.

More employers are considering a narrower network of medical providers in exchange for lower out-of-pocket costs. That means hospitals will need to become more competitive and transparent in the future. "Higher-quality health care does cost less money," Contorno says.

For large, self-insured employers such as Lowe's and Wal-Mart Stores Inc., the negotiating alliance provides a way to control costs and boost quality, says Olivia Ross, senior manager for Pacific Business Group.

The nonprofit is working with a half dozen other employers to design programs.

All pay a fee to join the negotiating alliance. The price varies according to a number of factors, and specifics were not available.

Contracts are administered by Health Design Plus, a third-party health-care-management company.

The goal is to provide employers with a network that focuses on high clinical quality and weighs factors such as patient volume, infections and readmissions, Ross says.

Participating health-care centers must be willing to provide data, work collaboratively, share best practices and learn from others in the industry.

"No one wants to travel for a surgery, even for a great clinical outcome, if it's not going to be a good experience," she says.

Pacific Business Group continues to evaluate health-care providers across the country to potentially expand its network. The closest to Charlotte is Johns Hopkins Bayview Medical Center in Bal-

timore, which specializes in joint-replacement procedures.

Whether this approach to care has much affect on employers' approach to health plans is not known.

"I think it's going to have a place. I don't think it's going to become the predominant payment model," says Bob Seehausen, senior vice president of business development and sales at Novant Health.

Novant is pursuing a similar arrangement for cardiovascular care. The Winston-Salem-based provider is working with the Cleveland Clinic to develop a bundled-payment program and become part of a national network for heart procedures.

Details of that program are still being finalized.

Seehausen says the success of bundled payments is tied to overall quality of care,

eliminating readmissions and complications, and building volume. The attraction of such a program is its level of certainty for the cost of treatment.

"It's much easier to do for some sort of a surgical intervention where there's a pretty clearly defined beginning and end," Seehausen says.

There's not one clear group driving these efforts to cut costs and improve quality. Employers, health insurers and health-care systems are testing different ways to make care more affordable, says Ira Bedenbaugh, health-care consultant at Elliott Davis in Greenville, S.C.

"I think everyone is just trying to get their arms around how the market is changing," he says.

Health-care providers must understand the economics of care and find ways to increase quality. "There's only so much savings to go around,"

Bedenbaugh says. "The concern is what type of quality care will you get."



Edited by Steve Cranford  
 scanford@bizjournals.com  
 704-973-1122

**EXPERT OPINION**

# Network of preferred providers expected to grow

JENNIFER THOMAS  
 jenniferthomas@bizjournals.com

No-cost hip and knee replacement surgeries are just the start for the Pacific Business Group on Health. The San Francisco-based business coalition is working with employers nationwide to provide options to improve medical care while reducing out-of-pocket costs, says Olivia Ross, senior manager.



Olivia Ross

Participating employers include

Lowe's Cos. Inc and Wal-Mart Stores Inc.

Employees who choose to travel to one of four hospitals for surgery will have 100% of their medical care, travel and lodging covered.

Ross recently spoke with the *Charlotte Business Journal* about the program. Following are edited excerpts:

**Why develop a network?**

People should be paying for value. Employers should have an opportunity to decide if (a procedure) is worth the price. Instead right now there's a lack of transparency. This was an opportunity for us to send the message of what we really care about, which is paying for value, encouraging transparency and improving overall quality of care.

**What are the biggest advantages for employers to join this kind of alliance?**

For most employers, the biggest thing is to be able to achieve something they couldn't do independently. A lot of employers don't have the internal resources to develop a network like this. They don't have the staff time, the expertise or it's economically prohibitive to work with a large consulting firm to help them move forward and design a program. By working with us, together, it can become feasible from an economic perspective. A lot of what we do is thinking about how employers together can move the market and exert their influence as purchasers of health care.

**How important are these options to lower costs and improve quality?**

Everyone is looking for opportunities to save. But the biggest thing for them is saying, "We refuse to accept that our employees can't get to a good center. Whatever it takes, we want to make sure that we improve access."

They believe the savings will come from the long-term reduction in complications, readmissions, revisions, etc. But what they want to know is how to get their people to the best facility.

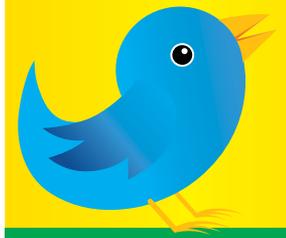
**Is the goal to expand the program?**

There's a huge number of employers with a toe in the water. They're saying, "What does our overall health-care strategy look like? Does this fit into our 2015 plan?"

Right now, these are the employers that are trying to be a little bit more aggressive in sending this market message as well as prioritizing access to quality for their employees.

I do see it growing. It would be fantastic to find centers in nearly every region so we can minimize the travel time for patients.

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