TOOLS & SUPPORT

Pioneering a Near-Site Clinic
Aircraft Gear Corporation

Learn from Jim Knutson, Risk Manager at Aircraft Gear Corporation, about developing and implementing a near-site clinic in Rockford, Illinois to combat a lack of primary care access for an employee population. The accessible clinic helped reduce company health care spend by 20% through an innovative payment model, bold partnerships and appropriate incentives.

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Case Study
Near-Site Clinic

Aircraft Gear Corporation (AGC) is a small, family-owned manufacturing company based in Rockford, Illinois. Founded in 1947, AGC has been buying health care benefits for its member population - employees and their families - for over 60 years. At its peak, the company employed around 1,000 employees. Due to industry downsizing, the company now employs just over 100 employees.

Though small, the Aircraft Gear Corp team thinks big in terms of its health care strategy. Catalyst for Payment Reform interviewed Jim Knutson, Risk Manager at AGC, to learn how his company spearheaded the launch of a near-site clinic in Rockford with ambitions to address a significant gap in access to primary care.

The Problem & Background

A problem with primary care access

AGC knew that as the size of its population changed dramatically, so too would its health care benefit strategies. Prompted to innovate, the company pursued multiple strategies associated with the value-based payment movement (see right) with mixed results. In 2013, the company took a hard look at what was really happening with its population's health care and became alarmed at some of the findings.

- Annual health care costs were continuing to escalate at a double-digit percentage rate, but the company had little visibility into the prevalence of health conditions in its population or specific cost drivers.
- The AGC team conducted a survey of its workforce and found that many expressed difficulties in gaining access to primary care.
- More than half of employees indicated that they didn't have a relationship with a primary care physician at all. Employees reported low-levels of satisfaction with their primary care providers and low-levels of self-assessed health status.

A history of value-based payment

AGC has attempted various strategies to control health care costs over the years

1990s

- HMOs as gatekeepers to control utilization
- PPOs as broader network to control cost

Early 2000's

- First exposure to quality variation and value-based payment

2011 to present

- Became a CPR Member
- Experimented with direct contracting, reference pricing, and other value-based payment methods

- Others reported wait times of 3-4 months to visit their primary care providers.
- As a result, employees and their families were over-utilizing urgent or emergency care to address their health care needs, causing health care costs to spike and a less than satisfactory experience.
- The company faced challenges improving care coordination without a meaningful primary care connection.

This may sound like a familiar story for many employers or health care purchasers who struggle to steer patients away from the emergency department and toward more appropriate sites of care (e.g., primary care, telehealth, and outpatient clinics).

AGC set out to address the lack of primary care access by eliminating the barriers for its population to visit a primary care provider. Knutson and his team decided to help spearhead the design and roll-out of a near-site primary care clinic right in Rockford.

Designing the Strategy

An opportunity to innovate

One of the advantages of being small is flexibility. AGC could adjust the pace of the planning and design phases of the project. Knutson also acknowledged they wouldn't have gotten very far without the right partner to support the development of the model.

In 2013, Knutson began discussions with Guy Clifton, who had left a neurosurgery practice to work on health policy. Clifton felt there was opportunity to build a near-site clinic model that could be utilized by multiple local employers. He would finance the capital investment in the clinic, set up and operations, and AGC would be its first customer. They would work together to determine a strategy and design that would accommodate AGC's needs and, in exchange, AGC made a multi-year upfront commitment.

At launch, AGC would be the only customer utilizing the clinic. This was a calculated risk, as the ongoing operations of the clinic would not be sustainable if AGC remained the only employer customer. However, time was of the essence, and they preferred to start quickly and respond to unintended consequences. Together, Knutson and Clifton figured, "if we build it, they will come."

Initial priorities in setting up the clinic

AGC and Clifton started from scratch in designing their near-site clinic. They identified several characteristics as essential to the clinic's design:

An independent clinic. AGC felt it was critical that the clinic remain independent from other health systems or parent organizations to avoid internal pressure to steer patients and to assure appropriate utilization.

Preserving employee choice. The company wanted to harness lessons learned from the managed care backlash of the 1990's, where, as Knutson describes, benefit managers "got in the

habit of telling employees where they could and couldn't go and taking them out of the decision-making process." The company sought instead to build a model that helped members develop a skillset in making smarter health care choices.

Near-site & onsite clinics at-a-glance

Rise in prevalence

- 30% of large employers offer a near-site or onsite clinic
- The model is becoming more common among small-mid size employers like AGC

Expansion in services

- 50% of clinics now offer pharmacy services
- 35% offer telemedicine services

Source: Mercer, Employers Launch Worksite Clinics Despite ACA Uncertainty, 2015

The right providers, the right payment model

Knutson and Clifton started by evaluating their options for staffing the clinic and highlighted the following components as core to their operational strategy:

Providers working at the top of their game. Working as partners, AGC and Clifton experimented with how to staff the clinic, especially given the limited initial volume from AGC's population. Because it would've been challenging to keep a physician involved with limited volume, AGC opted instead to outsource primary care using nurse practitioners and physician assistants, who would be operating at or near the top of their skill level. AGC had also discovered through surveys that its member population had very high levels of satisfaction working with physician assistants and nurse practitioners, so they decided it was a win-win.

Throwing out the time sheet. Rather than contract with their primary care providers on a fee-for-service basis, the clinic purchased the services of two practitioners to start as salaried employees. Knutson reported that they "didn't design a time sheet in advance" for their providers. Whether it was 15 minutes or 2 hours, the employed providers were encouraged to spend as much time as needed to treat each patient.

Building the best network of specialists, not the cheapest. AGC knew that addressing the gap in primary care was the first step to building a front-line defense, but that AGC's member population would need access to specialists too. AGC decided to pair its near-site primary care model with a narrow network of high-quality specialists who would receive direct referrals. In asking Clifton to research providers for inclusion in the network, Knutson identified quality and patient safety as the leading criteria, *not price*. Clifton used informal research from Consumer Reports, Leapfrog Group, and proprietary data from other sources to define a customized narrow network.

Transitioning to value-based payment. In addition, AGC felt that the fee-for-service payment construct needed to be rebuilt. As a CPR member since 2011, AGC was aware of the payment reform efforts underway nationally and was convinced of the need for change. Bundled payments, severity-adjusted capitation, and other alternatives were attractive, but AGC knew that it was unrealistic to expect a response to such a small population overnight. In the short term, AGC focused on using Medicare's fee schedule as the basis of its payment arrangements to help

anchor prices and control costs. In the long run, AGC knew they would need to do more to tie payments to quality and outcomes.

Contracting with a health plan carrier

AGC needed a responsive third-party to administer the benefits in a fashion that would complement the model design. AGC approached Group Plan Solutions (GPS), a small, independent third-party administrator (TPA) based near Peoria, Illinois, to collaborate. Knutson wanted to avoid a complicated plan design that increased friction and penalized lower-income employees, or would risk alienating members who may only use the health care system once or twice a year. GPS proved to be the right partner for the job.

As its TPA, GPS would handle all administration and claims processing for AGC. They agreed to administer all specialty claims and to administer primary care as a per member per month (PMPM) fixed charge, which created the right incentive for the providers to deliver appropriate care to employees.

A benefit design to get members through the door

With the provider network and TPA in place, the last piece of the puzzle for AGC was defining a benefit design for its employees that would help attract its members to the clinic. Knutson removed all financial barriers to encourage members to try the program. Members using the clinic would not face any co-pays, deductibles, or employee contributions.

Knutson anticipated that the cost of primary care would increase as members who previously had underused the health care system now sought care. However, he was optimistic that eventually the model would result in more appropriate utilization and improved care coordination, instead of the overuse in urgent care they had experienced in recent years. He hoped this would lead to improved health status for AGC's member population.

Rolling Out the Model

After only nine months of planning and implementation, in 2014 AGC and Clifton, now incorporated as Actin Care Groups, rolled out their near-site clinic model to AGC's population. "We didn't want perfect to be the enemy of the good. We knew there would be a feedback loop for improvements," said Knutson about their philosophy. Knutson also admitted, "We would've loved to have ten other companies on the second day, but we knew we needed a proof of concept." Knutson recounted important components of its implementation.

Employee communications with a personal touch

In rolling out its new benefit package, AGC pursued a multifaceted communications approach, including group meetings and paper handouts. But communicating health benefit changes to a member population is immensely challenging, even for small companies like AGC. Knutson admitted, "I would give us an A for good intentions, and a more average grade for performance on the communications front."

As many employers with similar experience in change management know, no amount of advance communications could prevent the issues that were bound to crop up. In Knutson's view, the key to the success of their roll-out was in the prompt and personal nature of their customer service and resolution of any issues that arose.

For other employers of comparable size, Knutson recommends "Don't send employees to a 1-800 number or a robo-operator. Personal touch early on was very important, even if the answer wasn't very good. Go face to face if that's required.

Initial near-site clinic usage and employee feedback

The company's communication and roll-out efforts paid off. Within the first year, 75-80% of plan participants had visited the near-site clinic at least once. Fewer than 5% of members maintained pre-existing relationships with other primary care providers.

Members expressed overwhelmingly positive feedback, indicating initial acceptance. Many members reported that for the first time, they felt they were being heard and felt engaged in their own health again. Knutson attributes much of this to the amount of time the primary care providers spent with each member during initial visits, making up for lost time in care management.

Other employers join the model

Fortunately, the risk Knutson and Actin Care Groups took in opening the clinic paid off. Other local employers heard about the clinic through word-of-mouth and referrals. In 2016, three other employers joined the clinic. Today, five employers utilize the near-site clinic for their employee populations. The growth in volume enabled Actin Care Groups to grow its personnel, spread costs across the larger pool of employers, and expand clinic hours, thereby improving service.

Results

With three years of performance data collected, Knutson and the Aircraft Gear Corps team have declared the near-site model a success for multiple reasons:

A healthier utilization of health care services

Knutson was correct in his prediction that the clinic's roll-out would result in an increase in primary care costs to the company. However, it is clear that this investment has paid off (see spotlight box).

As a greater number of members sought out and received primary care on a regular basis, fewer members required advanced specialty care from more expensive physicians and facilities.

Meaningful Cost Reduction

In the years following the implementation of the near-site clinic, AGC was not only able to curb the growth in health care spending but reverse it. The company reduced health care costs by around 20% within one year of rolling out the clinic, which provided a new baseline for the company moving forward. AGC's costs held steady between year 2 and year 3. Additionally, the company witnessed a drop in the volume of care required by members from outpatient physicians and facilities due to the effectiveness of the onsite clinic.

Knutson pointed out that in a small member population like AGC's, a few high-cost claims can impact overall health care spending dramatically. As a result, he can't attribute the entire reduction to the launch of the new approach - AGC may just have been lucky in the years since its launch. However, he admits that the numbers make a compelling case in favor of the investment in improved care coordination and primary care. Even as primary care costs increased in the first year, the company's overall health care spending went down by about around 20%.

The numbers tell a story

After Year 1

- Costs of overall health care spending: Dropped by 20%

Between 2013 and 2016

- Physician outpatient encounters dropped from average of 4.6 to 1.6 visits/member
- Facility outpatient encounters dropped from average of 1.3 to .3 visits/member
- Members demonstrating improved health status:

Visibility into population health needs

When Knutson needed to diagnose the reasons for aggressive growth in health care spending, he had almost no visibility into the disease state of AGC's member population. In addressing the need for better access to primary care services for AGC's population, AGC also gained insights into the health of the members of its population.

By taking greater ownership over care coordination for its population, AGC started receiving

historical claims data that shed light on the prevalence of diabetes, hypertension, heart disease, and chronic conditions, where benefits managers had previously been in the dark. At a group, or population basis, the company could now focus on tracking metrics and providing appropriate support. More importantly, the enhanced primary care coordination empowered individuals to understand their own conditions.

Insights Gained Along the Way

By any measure, AGC considers its model a success, delivering value to its own organization and paving the way for four other employers to join the near-site model in the Rockford area. What can other employers interested in the near-site model learn from AGC's experience? Knutson shared the lessons he has learned along the way.

Get away from the pressure for a quick turnaround

When it comes to cost savings and financial performance, many organizations put pressure on programs and strategies to deliver within an unrealistic period (e.g., 12-month performance). This mindset plagues benefit managers as well. Knutson advises employers or other health care purchasers considering an innovative strategy like his near-site clinic model "Expand your time horizon to something more flexible. Of course, you can't do something unsustainable forever, but to expect a meaningful change in an unfair timeframe sends programs to the scrap bin."

Refine the model along the way

It's hard to design the perfect program on your first try, especially when you're operating at an accelerated pace the way that AGC and Clifton did when they designed and implemented their new approach. Because of this, Knutson admits that he has had to be open to continuing to refine and improve the operations of the clinic for it to continue to deliver the degree of service he is striving for on behalf of AGC's population.

For example, he learned after launching that pediatric providers were equally important as internists, so AGC expanded its definition of primary care to include pediatricians. Obstetrician-gynecologists are next on the list. He also observed that members did not seem to require the convenience of the clinic pharmacy and instead continued relying on retail or mail-order pharmacy providers, so AGC has closed its near-site pharmacy and returned to the pharmacy benefit manager it used previously.

What's Next?

If there is one thing Knutson is sure of after a long career, it's that health care is "the mother of complex adaptive systems," which means that AGC will need to view its health care strategy as an ongoing project. Knutson feels "it's a living thing that needs to evolve on a regular basis." So, with the near-site clinic up and running, what's next for Knutson and Clifton?

Clifton will continue to expand and scale Actin Care Group's near-site clinic to help small employers bypass the initial capital barriers of an onsite clinic and allow them to take advantage of the model's benefits.

Knutson has started thinking about the other challenges he'd like to tackle in health care on behalf of small employers. Next on his list is finding ways to improve the availability and affordability of stop-loss insurance. This coverage protects a plan against loss from unusually large unexpected claims. Knutson is starting to think about how to join with like-minded employers in a captive insurance arrangement to pool risk, improve flexibility in terms, and reduce administrative expense.

He's also interested in continuing to push for quality improvement and feels that we won't be able to shift to rewarding for value instead of volume until the payment a provider receives is aligned with what is best for the purchaser and the patient. By paying the provider for a better outcome (i.e. improved health status and improved functionality), everyone wins.

Admirably, even as Knutson prepares for retirement, he is fixated on medium to long term approaches that can improve the value of health care AGC employees and in the health care market place.