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# Centers of Excellence for Spine Surgery Walmart Stores, Inc.

What did one self-funded purchaser do upon seeing how vastly quality of care varied for spine surgeries? They designed and implemented a successful Center of Excellence program. Learn the ropes for direct-contracting, benefit design, and what it means to collaborate effectively on a COE program from Walmart Stores, Inc. and its key partners.



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# Case Study

## Centers of Excellence for Spine Surgery



Walmart Stores, Inc. is a \$500 billion company with a large urban and rural footprint that operates a chain of stores selling a combination of grocery, retail, and electronics. Headquartered in Bentonville, Arkansas, Walmart employs roughly 1.5 million associates across the United States and around 2.4 million associates globally. The company is self-insured and provides benefits to around 1.1 million plan participants.

Due both to its size and its willingness to innovate when it comes to health care benefits, Walmart has been a leader in advancing health care payment and delivery reform programs. Catalyst for Payment Reform (CPR) sought to learn more about the company's Center of Excellence (COE) program for spine surgery, which is one of several initiatives in direct contracting with providers Walmart has underway to improve its associates' health care experience.

CPR interviewed representatives from Walmart and its program partners to learn how the company designed and implemented its COE. Interviewees included Lisa Woods, Senior Director of U.S. Health Care at Walmart; Tonya Galbavi, Senior Director of Benefits at Walmart; Lucy Houlihan, Senior Account Executive at Aetna; Ruth Coleman, Founder of Health Design Plus, Walmart's third party administrator for the program; and Sue Anderson, President of Virginia Mason Medical Center, which serves as one of Walmart's centers of excellence.

### The Problem & Background

Walmart looks critically at its health care offerings with an eye toward continuous improvement. In 2012, the company observed a problem – its data revealed several high-cost procedures where quality varied tremendously, despite the fact that there were clear, evidence-based guidelines for providers. This was particularly true for cardiac and spine surgeries. Walmart knew it needed to focus on addressing this variation to avoid exposing its associates to and paying for low-quality or inappropriate care.

The company began evaluating potential strategies to steer associates to higher quality providers in an attempt to increase appropriate diagnoses, eliminate unnecessary care, and reduce associates' health care costs. The company also sought to align the interests of payers, providers, and patients in the process. Walmart decided to pursue a COE strategy to address these goals.

## Designing the Strategy

When health care purchasers or payers launch a COE, they identify a procedure or service where there is variation in price and quality and designate a specific high-quality provider or providers to deliver the care for the members of the population who need it. By using benefit design to steer employees to the COE, employers reduce the risk that employees will receive subpar care. Additionally, the designated provider is often willing to negotiate on price or accept innovative payment arrangements because they are likely to receive an increase in the volume of patients. Many COEs require travel on the part of the patient and employers incorporate these costs into the model. Walmart decided the COE model would be appropriate for spine and cardiac procedures and set out to launch a COE program in 2012. To delve more deeply into the COE program design, CPR honed in on the spine program.

### Finding the Right Provider Partners

Walmart identified providers with a track record of delivering high-value spinal care to create a list of potential COE partners. Given Walmart's geographically dispersed population, the company decided to pursue multiple partners in various regions and approached its list of providers to determine who would be willing to contract directly with the company. Walmart knew a new program like this would encounter challenges and sought provider groups who would be willing to work in a "give and go partnership" based on direct and transparent communication. Ultimately, Walmart decided to contract directly with the following health systems: Geisinger Medical Center in Pennsylvania; Mayo Clinic facilities in Arizona, Florida, and Minnesota; Mercy Hospital in Springfield Missouri; Virginia Mason Medical Center in Washington; and, most recently, Memorial Hermann Medical Center in Texas.





## Dividing and conquering management with health plans and third-party administrators

Despite the fact that Walmart contracted directly with its provider partners, it needed its health plans to assist with identification and outreach to associates who would be candidates for the COE program, as well as care coordination for those in the program.

To understand the health plan's role, CPR interviewed Aetna, one of Walmart's major health plan partners. Aetna works on early identification of potential candidates using triggers, such as when a local provider makes a specific referral or calls about a spinal procedure, or when an associate contacts the plan's concierge line looking for an orthopedic surgeon. Members of both Aetna's concierge and clinical teams were trained to identify potentially eligible associates and provide them with general program information. Aetna then facilitates a warm handoff to Health Design Plus (HDP), the third-party administrator (TPA) that Walmart selected to manage the program.

If associates do not meet program requirements, HDP transitions them back to the health plan (e.g., Aetna) who offers ongoing care management support to the patient and helps them address any factors that prevented eligibility (i.e. helping them to enroll in a smoking cessation program) or help them seek other, more appropriate care.

### A closer look at benefit design

Because Walmart's COE program is voluntary, the company needed to craft a benefit design that would encourage associates to participate. To provide substantial financial incentive to choose the COE over a local provider, Walmart covers 100% of the costs for the evaluation and the surgery at the COE, as opposed to standard cost-sharing if the associate opts to see a non-COE provider. Additionally, knowing that the need to travel may be a barrier to participation for some associates, Walmart covers all expenses for travel, lodging, and food for the associate and one care companion. Patients in the program are required to have a care companion that accompanies the associate to clinical visits to make sure the associate understands what's being discussed and any follow up instructions from the provider. This approach ensures associates have the ongoing support they need outside of the health care system. As of January 2017, Walmart strengthened its incentive and removed the standard benefit that covered associates who sought surgery from non-COE providers, making such surgeries out-of-network and exposing the associate to 50% co-insurance. In addition, due to IRS regulations, associates with a high-deductible health plan (HDHP) and a health savings account (HSA) must meet their deductible prior to gaining full coverage.

### A closer look at the payment model

Walmart knew that determining how to pay the COE would be equally important. It decided to pursue a prospective bundled payment arrangement in which it would pay each COE a flat rate at the onset of treatment to cover all the care associated with the episode. This model places financial risk on the provider, as it needs to deliver care efficiently and within the allotted budget. In designing the payment arrangement, Walmart went to great lengths to ensure that the COEs would be motivated to deliver only appropriate care and cut out waste. To this end, Walmart's

program consists of two separate pre-negotiated prospective bundled payments – the evaluation bundle and the surgical bundle – with no additional financial incentives or payments for providers; however, there are exceptions for outlier cases. By paying providers separately for the evaluation and the surgery, Walmart mitigated some of the financial incentive to perform unnecessary surgeries for candidates who should seek alternative treatments.

To determine the bundled prices, the participating health systems projected costs, while Walmart analyzed its average past spending on spine procedures. The parties then negotiated a price that would give Walmart a competitive rate and ensure the provider could achieve a margin. Both parties emphasized that cost discussions were always framed by quality. Instead of looking solely at getting the lowest rate, they focused on covering the services needed to achieve the highest quality care for associates. Walmart and its providers agreed to be true partners and work with each other over the course of this journey, to be transparent and willing to come back to the table and make adjustments if necessary.

### Providers working together to innovate

Walmart's participating providers have taken it upon themselves to host an annual summit where they convene to share best practices and identify solutions to common challenges. Providers consult on difficult cases and refer patients to each other. One of the main benefits of this convening for Walmart was the enhanced likelihood that associates seeking care from any of the COEs would have similar, high-quality experiences.

## Rolling out the model

Walmart launched its spine COE program during open enrollment in fall of 2012. The program became effective January 1, 2013. It took nine months from conception to implementation. Walmart had one staff member devoted full time to implementing the program.

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### Fundamental clinical processes should be the same

"We don't want physicians thinking 'this patient is this type and therefore I do this kind of care' – we want the care to be the same for all."

-Sue Anderson, President of Virginia Mason Medical Center

On the provider side, Virginia Mason worked with Walmart and HDP to map out program workflows. Virginia Mason uses the "Virginia Mason production system" – a variant of the Toyota production system – to standardize quality of care. While Virginia Mason did not hire additional staff, it noted that the program required additional administrative processes. Its team regularly assesses the care provided by the COE program to determine how it can improve processes for its broader patient population and vice versa. Virginia Mason's goal is to provide consistent clinical processes for all patients whether they are in the COE program or not.

From the health plan perspective, Aetna has seen a recent uptick in program utilization due to increased awareness of the benefit. As a result, the health plan needs to devote more time to

providing support, such as coordinating care with local doctors for when associates return home. Aetna has added three additional nurse case managers to Walmart's dedicated clinical team to handle the increased work volume. Before this addition, the team consisted of 12 nurses.

## A heavy focus on communications

Walmart executed a multi-pronged communications strategy with the goal of getting the right information about the program to associates at the right time – when they are making a decision about surgery. The company managed most of its communications campaigns internally, launching both digital and traditional marketing and communications with a specific focus on open enrollment (see right). Additionally, in learning that 70% of associates have mobile devices, Walmart increased its focus on digital communications. In September 2017, Walmart launched an app for associates to use when seeking care and hopes it will become a primary source of information, reducing the need to push out communications. Walmart also works with Liquid Agency, a communications and marketing vendor, to create marketing materials that use plain language easily understood by associates.

Walmart notes it has taken four years for associates to understand the offering fully, including the range of procedures included in its COE programs. The company says that it is now at a tipping point with program recognition. In the last 6 months, information about the program and its benefits have spread through word of mouth as associates share their positive experiences. Walmart feels the program has produced the ancillary benefit of educating associates about variation in care and what great care can look like.

## Modifications during implementation

Walmart worked to identify gaps, areas for improvement, and to make modifications to the program as needed. Some modifications that Walmart and its partners made included:

- 1) *Finding creative solutions for caregivers.* Walmart and its partners learned that it can be challenging for some associates to find a caregiver to accompany them. Some of the COEs provide caregivers to associates in need, who will even fly back home with the associate when necessary.
- 2) *Broadening program participation.* Walmart determined that some of its accountable care organizations (ACOs) met the standards to serve as a spine COE so that Accountable Care Plan (ACP) enrollees could participate in the program as well.

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### Spotlight on Walmart's Communications

Walmart experimented with the following communications to promote the COE program to associates:

- YouTube testimonial videos
- Internal website banners
- Targeted outreach using Castlight
- On-site annual enrollment trainings at 5,000 locations
- Benefit magazines and brochures
- Training for regional market leaders

- 3) *Making benefits information available to the public.* The Walmart communications team gives dependents and caregivers online access to the same information associates have to support better care decision-making.

## Challenges encountered during implementation

All parties cited certain upfront administrative hurdles. Walmart needed its health plans and HDP to be on the same page regarding eligibility, exclusions, and workflows to deliver proper steerage and management of associates. This wasn't easy in the beginning, and partners faced initial challenges with filtering cases and completing smooth handoffs. It took six months to outline the optimal process. HDP also pointed to the importance of incorporating evidence-based care into each step of the program. All providers participating in the program need to deliver care within certain clinical parameters, and those parameters may change as the evidence changes over time. When it came to its associates, Walmart found program awareness to be the biggest uphill battle. Associates also did not initially like the idea traveling for care. However, this issue seemed to resolve itself as associates experienced the benefits of the program.

## Results

Walmart used a variety of metrics to assess results and measure the success of its program (see right) but noted that the reduction of unnecessary surgeries is its central metric for judging success.

Thus far, in evaluating associates seeking spine surgery, Walmart has found surgery to be medically unnecessary in around 50% of the cases. Furthermore, there is a high-level of adherence to the program -- fewer than 2% of associates told by COEs that they did not need surgery returned home and received surgery anyway. Walmart also expected to see downstream savings as a result of the high-quality of care the COE program provides. The program has saved Walmart money, though mostly in the form of a reduction in medically unnecessary surgeries.

### How did Walmart measure success?

- The number of unneeded surgeries avoided or delayed
- Length of stay
- Readmissions rate
- Complications rate
- Out of network utilization
- Adherence to COE recommendations

## Insights and Recommendations for Other Employers

By compiling insights from Walmart, Aetna, HDP, and Virginia Mason, CPR identified the following recommendations for other employers implementing a COE.

*Choose your provider partner carefully:* When Walmart started, it was hard to come by sufficient data to identify the right COE partners. Today, there is much more price, quality, and outcomes data available. Walmart encourages other companies to analyze available data carefully when identifying potential partners. They also recommend interviewing providers onsite to see their care processes first hand. Virginia Mason noted how Walmart's laser focus on quality and associate health made them eager to be involved in the program. The two parties talk regularly, identify issues, and figure out ways to make the program better.

*Invest time in developing the right clinical model:* Walmart recommends employers hire a clinical advisor to help design and implement their program. While the employer has in-depth knowledge of benefit design and their population's needs, the clinical expertise needed for program-specific contracting was fundamental.

*Comprehensive clinical evaluations encourage program adherence by associates:* Virginia Mason, one of Walmart's COE providers, emphasized the importance of a multi-disciplinary evaluation process, which consisted of much more than a "yes" or "no" for surgery. Patients that receive a "no" leave with a care plan to help them manage their condition or pain. This extra step helps patients adhere to the COE's recommendations and, along with the benefit design, discourages them from seeking surgery elsewhere upon returning home. HDP noted that that evaluations require significant patient engagement and shared decision-making so patients understand why they are being turned down for surgery and the risks of having unnecessary surgery.

*Effective care coordination across stakeholders is key:* The unique design of the program -- from its use of prospective bundled payments, to direct contracting, to going beyond traditional care management -- requires true partnerships with providers and a significant amount of management by health plans. Making sure transitions and wraparound services are smooth is vital for associates' experience, which is why Walmart worked so hard with Aetna and HDP to develop a robust workflow for managing the program.

*Comprehensive care navigation support is central to success:* To support traveling associates, care navigators at the health systems assist with all program logistics including travel, lodging, and booking appointments, going so far as to pick up the associate from the airport, provide transport to and from appointments, or provide care packages, including an iPad or other useful items. Walmart encourages each health system to determine on its own how they will best meet associates' needs.

*Keeping employees at the center of it all:* HDP gives Walmart a lot of credit for the risks they take to improve the care its associates receive. Virginia Mason similarly noted this was a vital factor in getting them on board – others have come to them asking for discounts, but weren't focused on quality and best outcomes for patients and commented that "not everyone approaches these programs as Walmart does." HDP emphasized that employers should keep innovating – instead of designing a COE program, plunking it down, and leaving it alone, employers should always be looking to improve the model.



## What's Next?

Walmart continues to expand its COE for spine surgery program. In June 2017, the company added a new spine center of excellence, Memorial Hermann Texas Medical Center in Houston, Texas. In addition, as of January 1, 2018, Walmart has structured its COE program for hip and knee replacements to mirror the design of its spine surgery program.