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Private Sector's Innovative Approaches to Rising Healthcare Costs

As the federal government stalls on making meaningful improvements to the healthcare industry, the private sector is stepping up to the task. Employers are increasingly seeking ways to cut healthcare costs for practical profit purposes. The *Centers for Disease Control and Prevention* (CDC) reports that productivity losses linked to absenteeism cost U.S. employers $225.8 billion annually.[1] Employees fatigued at work due to illness causes errors and puts an additional financial burden on employers. Additionally, employers do not want to pay for unnecessary medical care, and approximately 30% of healthcare spending is wasted on unnecessary services.[2] There is also an increased risk of medical error from unnecessary services, including subsequent complications from those unnecessary services.[3] Employees with health conditions, and/or at a high risk for health problems, can cause significant productivity losses for employers.[4] Going forward, these losses may grow, driven by the increased population of Americans choosing to work past the age of 65.[5] In response to these factors, employers have resorted to implementing their own innovative ideas to lower healthcare costs.

Walmart, for example, has begun a new program to decrease the cost of employee healthcare by motivating their employees to use higher quality, lower cost physicians. Employees that obtain healthcare services from "*featured providers*" will ultimately pay less out of pocket for the use of those services compared to utilizing a non-featured provider.[6] Walmart is working with Embold Health, a healthcare analytics company, to use data to analyze whether physicians are providing appropriate, effective, and cost-efficient care.[7] The provider analysis will be given to employees seeking care to help steer them in the direction of those "*featured providers*."[8] The quality metrics used by Embold Health will also be shared with providers, so the providers know which areas they need to improve to achieve the quality distinction, with the ultimate goals of improving quality and reducing unnecessary services and procedures.[9] The ultimate savings achieved by Walmart and by their employees is unknown, but Walmart estimates that the amount could be "*material*."[10] The new approach mirrors a similar approach Walmart currently uses with regard to hospital care.[11] Walmart has directed all of their U.S. employees and dependents on their health plan to utilize better-performing hospitals for high-cost services.[12] The strategy may sometimes cost more for the procedure than using a local alternative, but may save money by averting complications and unnecessary care.[13] Walmart also directs its employees to diagnostic imaging facilities found to provide more accurate care.[14]

Amazon has taken an alternative approach to tackling high healthcare costs by directly providing medical care to their employees through *Amazon Care*, a pilot employee benefit program.[15] The service is a combination of virtual and in-person care, offering home health services, telehealth appointments, and prescription delivery.[16] Employees are encouraged to use the Amazon-created telehealth smartphone application for non-urgent issues like colds and minor injuries; preventative health consults and vaccines; sexual health services; and, general health questions.[17] *Amazon Care* is currently exclusive to Amazon health insurance plan members who live and work within the Seattle service area.[18] Of note, Amazon is ensuring that it will not have knowledge of employees' health conditions by utilizing the separate legal subsidiary *Oasis Medical*.[19] *Amazon Care* follows last year's announced plan to open, and hire physicians to staff, primary care clinics at Amazon's Seattle headquarters, which clinics have not yet opened.[20] For Amazon, the *Amazon Care* program provides a way to hopefully lower healthcare costs for the company while also testing new healthcare products in an internal research and development laboratory. Presumably, *Amazon Care* also provides a new market opportunity for Amazon in areas such as population health management and health technology.

Amazon Care follows Amazon's previous announcement that it was teaming up with Berkshire Hathaway and JPMorgan Chase to form *Haven*, a joint venture whose goal is "*to transform health care to create better outcomes and overall experience*."[21] *Haven* hired prominent surgeon and Harvard professor Atul Gawande to lead up the organization as its CEO.[22] While specific details regarding the joint venture are currently limited, *Haven* is being touted generally as a push for the organizations to figure out ways to create better outcomes, greater satisfaction, and lower costs for U.S. employees.[23] *Haven* is expected to utilize the power of data and technology to drive better incentives and create a better patient experience.[24]

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As the employers' share of healthcare costs are set to rise six percent in 2020,[25] employers are under increased pressure to directly address healthcare cost concerns. These recent employer moves to contain healthcare costs highlight corporate America's willingness to tackle rising healthcare costs in new and innovative ways while focusing on quality. Further, many of these corporate moves allow the companies to position themselves to launch healthcare services and products to a larger audience of other employers or even directly to patients, should the employee pilot program succeed. With no progress on healthcare reform appearing imminent on Capitol Hill, large corporations are leading the way in an attempt to find the "silver bullet" in lowering costs while increasing quality.

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