

Employers increasingly cutting insurers out of health system contracts

The continued rise of health care costs for employers, despite increasing efforts to shift some of the expenses to employees—and the fact that employees are paying more yet using health care less—are leading to some unconventional efforts to solve the cost problem.

According to a Modern Healthcare report, that solution is cutting out the middle man—the insurance company. Whole Foods in Southern California has done it, making arrangements directly with the Adventist Health hospital system for a plan that is tailored specifically for Whole Foods' employees.

And the skills the hospital chain gained in accommodating the supermarket's needs will be useful as Adventist pivots to scale its new care navigation expertise to its whole Medicare-accountable care organization.

The report points out that provider direct contracting “can give employers more control over the health benefit design and potentially lower the cost of care.” Of course, there aren't yet all that many hospital systems involved in direct-to-employer contracts. At the moment, according to the National Business Group on Health, just 3 percent of large self-insured employers contract directly with an accountable care organization for healthcare services. But some of the names are big, such as Boeing Co., Wal-Mart Stores and Lowe's Cos.—and they've eliminated insurance companies from their health care equations.

But upsets within the health care industry—such as insurers buying providers and pharmacy chains getting into insurance—could stimulate greater interest on both sides, both employer and health care provider, in eliminating the insurer from the equation, as well as helping health systems “to remain competitive in an evolving market.”

According to the report, not only can such arrangements cut costs, but health outcomes can be better as well. Unconstrained by insurance company gatekeepers, doctors can order appropriate tests or treatment without having to wait for approval—or worse, denial. And ACOs can reap some of the savings benefits, if by leveraging their existing infrastructure they can provide better, cheaper care to clients and come in under the employer's budget.

Such an arrangement isn't easy—nor is it always successful—but it offers health care providers ways to leverage existing assets, stretch their capabilities and learn new and more flexible and efficient ways of providing care, improving customer experiences and analyzing patient data.

It could end up being a sign of things to come.

By Marlene Y. Slater