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COMPANY CLINICS CUT HEALTH COSTS

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Frustrated by runaway health costs, the nation's largest employers are moving rapidly to open more primary care medical centers in their offices and factories as a way to offer convenient service and free or low-cost health care.

Within the last two years, companies including Toyota, Sprint Nextel, Florida Power and Light, Credit Suisse and Pepsi Bottling Group have opened or expanded on-site clinics. And many employers are adding or planning to add even more clinics, which were experimented with about 30 years ago but fell out of favor amid questions about their cost-effectiveness.

Today a new wave of clinics is opening, driven largely by a motive that was less of a factor in the past: employers' desires to reduce their health insurance premiums by taking care of workers before they need to see outside doctors. More than 100 of the nation's 1,000 largest employers now offer on-site primary

care or preventive health services -- a number forecast to exceed 250 by the end of the year, according to David Beech, a health benefits consultant.

Corporate America's new in-house medical offices go well beyond traditional occupational health clinics that hundreds of factories have long maintained for job-related injuries and worker's compensation cases. Employees can now stop by for check-ups, allergy and flu shots, pregnancy tests or routine monitoring for chronic diseases like diabetes and asthma.

When prescription drugs are required, some employers arrange for the pills to be delivered the next day at the office or plant, while others even maintain fully stocked pharmacies.

Even at the older-style clinics run by companies like General Motors, about 40 percent of the services now rendered "could be characterized as primary care or urgent care," said Dr. Joel Bender, corporate medical director of G.M.

Health Services. But at these more traditional clinics, employees are typically sent on to their family physician or an outside specialist.

At the newer corporate health centers, by contrast, the goal whenever possible is to help solve the employee's health problems without the need for additional outside care.

Such clinics have been attempted in the past, reaching a peak in the 1970s and then gradually being eliminated as redundant. In the last few years, though, as health insurance premiums have soared and many companies have run up big bills at emergency rooms and urgent care centers, the corporate clinic has made a comeback. For employees, on-site clinics can mean faster medical attention and lower out-of-pocket costs, since visits are usually free or carry only a small co-payment. Some workers may fret about the privacy of their medical records, but employers say they treat the information carefully and responsibly. Some companies hire outside providers to run the clinics, thus offering an additional privacy firewall.

For employers, on-site clinics can mean gains in worker productivity and lower health-insurance outlays. "A clinic serving a couple thousand employees can probably save \$1.5 million to \$2 million a year," said Mr. Beech, a health

care specialist at the Watson Wyatt benefits consulting firm. "Right away, it's easy to see reduced referrals to hospital emergency rooms and specialist physicians, and a shift away from hospital outpatient doctors to the clinic."

The biggest primary care clinic so far opened Jan. 2 in Texas, when Toyota workers and their families started using a \$9 million, 20,000-square-foot medical center alongside a new truck assembly plant in San Antonio.

Unlike most of the new medical offices -- which are staffed by nurse practitioners and in some cases a part-time doctor -- Toyota's San Antonio health center has two full time doctors, a part-time physician, a blood-test lab and an X-ray center.

It is "a clinic on steroids," Mr. Beech said.

And yet, even smaller operations, like the one with nurses, a physician's assistant and a part-time doctor at the midtown Manhattan offices of the investment firm Credit Suisse are drawing praise from many employees.

John Probert, a 42-year-old Credit Suisse foreign exchange trader, recently took a few minutes from his 10-and-a-half-hour work day to pick up a prescription for a throat remedy at the firm's clinic. He had it filled at a nearby pharmacy.

"My throat was just killing me," Mr. Probert said. The next day one of the clinic's two nurses,

Allison Ain, called to see how he was faring. "I told her I was feeling much better," he said. "It's nice to have a human on the other end of the phone that actually cares."

And he liked the fact that his medical care did not take much of his time. "Instead of doing it on a Saturday," Mr. Probert said, "you can just hop over next door and get back on the trading floor."

Pepsi Bottling, another sponsor of clinics, is trying to meet the basic health care needs of its 33,000 workers at 46 plants and 264 distribution centers around the country. The company currently has 15 clinics and plans to open 15 more over the next couple of years, according to David Kasiaz, the vice president for compensation and benefits.

Pepsi Bottling employees are not charged for the services, which include not only allergy shots and prescriptions, but advice on weight loss and smoking cessation.

"We think health affects business performance," Mr. Kasiaz said. "Our drivers and sales people define how customers look at Pepsi Bottling. We need to keep them on the street; we need to keep them well and happy." The nurses and physician's assistants who run the Pepsi Bottling clinics are employed by a unit of Johns Hopkins University. "It is important that this is considered independent," Mr. Kasiaz said.

Although many companies still run their own clinics, a growing number have been hiring independent vendors. CHD Meridian, a unit of I-Trax, is the largest clinic-outsourcing company; others include Whole Health Management, Comprehensive Health Services and IMC HealthCare. All say they have pending orders from employers for new clinics that will offer primary care and other services.

"There has been an evolution in this industry," said Stuart Clark, executive vice president of Comprehensive Health Services, which operates dozens of traditional on-site clinics. "As the workplace becomes safer through training and safety engineering, our customers have opened access to their clinics for nonwork-related issues like flu shots, chronic disease, weight management and smoking."

Andrew Scibelli, health benefits manager at Florida Power and Light, said his company estimated that it got back \$1.50 for every \$1 spent at its three on-site health centers, which are run by Whole Health. That estimate, he said, is based on what the services would cost if provided by doctors under the company's health insurance, along with a calculation of the value of an employee's time spent visiting an outside doctor.

General Motors, despite continuing its traditional clinics, has put its emphasis on working with local doctors and hospitals to improve the quality of health care in communities like Flint, Mich., where G.M. retirees and their families vastly outnumber the company's active work force.

Other companies have eliminated primary-care clinics, either because they did not consider them cost-effective or for other reasons. Ford Motor, which used to offer basic health care in the 1950s at its

big Rouge plant in Dearborn, Mich., now says it believes that most employees prefer to go to their own doctor for primary care.

But the foreign-based auto makers in this country, including Nissan and BMW, which do not have union-negotiated benefits or large numbers of retirees, are embracing the on-site health trend for their work forces. Comprehensive Health Services recently announced plans to provide clinic services at three existing Nissan plants and the company's new North American headquarters in Franklin, Tenn.

Toyota currently has on-site pharmacies or prescription drug services at 11 plants in the United States. The new San Antonio clinic is meant to serve the 2,000 Toyota employees and 2,100 people working for suppliers as well as their families. The doctors, who will be employees of the contractor CHD Meridian, will emphasize preventive care, said Dan Sieger, a Toyota spokesman. "We are really excited about this," he said.

Big health insurers say they are closely watching the proliferating clinics, which could potentially pose a competitive threat. A vendor company that runs on-site clinics, for example, could steer patients to its own programs for disease management, say, or smoking cessation,

instead of equivalent ones offered by the patient's health insurer.

Cigna, which runs clinics for its own employees in Bloomfield, Conn., Philadelphia and Phoenix, sees its role as a "partner with both the employer and the clinic provider" to make sure an employee's doctor is fully aware of the patient's medical history and health needs, said Tom Richards, a Cigna senior vice president.

Brad Fluegel, an Aetna vice president, said the company was talking to its large customers about ways to dovetail its own "wellness" and chronic disease management programs with the companies' expanding on-site programs.

"There might be even greater savings if a clinic can steer people to lower-cost places for treatment -- efficient, high-quality providers -- and generic drugs" Mr. Fluegel said.

A pharmacy is one of the new features planned by Qualcomm, the wireless technology company based in San Diego. The company, which has operated a heavily used free clinic for its 8,000 workers in San Diego since 1998, is now nearly tripling the space to 4,000 square feet, extending visiting hours and hiring Whole Health.

Qualcomm says it sees the clinics and related health services as a way to retain the loyalty of employees -- particularly its thousands of engineers.

But of course, for Qualcomm and other big companies, cost considerations are always a primary concern.

"Employers are so frustrated with health costs that they are looking for any solution," said Dee W. Edington, director of the Health Management Research Center at the University of Michigan. "One option is to find ways to take care of people before they get sick."