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Correspondence Memorandum

Date: May 4, 2020

To: Group Insurance Board

From: Brian Stamm, Deputy Director
Renee Walk, Lead Policy Advisor
Office of Strategic Health Policy

Subject: Onsite Clinics Review and Discussion

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) not proceed with implementing onsite or near-site clinics at this time.

Background

At its August 22, 2018, meeting the Group Insurance Board (Board) requested the Department of Employee Trust Funds (ETF) research and provide a report on the practicality and potential impacts of providing access to onsite clinics for State of Wisconsin employees and their families. At the November 8, 2018, Board meeting, ETF reported a preliminary onsite clinic research review and offered a future investigation work plan. At the November 13, 2019, Board meeting, the Board requested that ETF continue its research into onsite clinics.

Executive Summary

This memo provides a brief literature review summarizing the recent history of and primary drivers for onsite/near-site clinic utilization by employers. This is followed by a review of interviews performed by ETF staff with both local employer groups and other states, discussing their experience with onsite/near-site clinic utilization. Next is a thorough discussion of the three elements of the Triple Aim, measuring both the strengths and weaknesses of onsite/near-site clinics. Multiple barriers are addressed, followed by a recommendation that the Board does not pursue the utilization of onsite or near-site clinics.

Literature Review

The number of large employers (i.e., those with more than 5,000 employees) nationwide who offer an onsite clinic increased significantly between 2012 and 2017, with more

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than 33% of large employers offering a program.[1] There are two primary drivers from an employer perspective that are causing the shift toward onsite clinics: 1) an urgency to control or lower the burden of rising healthcare costs, and 2) a need to meet the demands of a new generation of workers for recruitment and retention purposes.

Organizations that have successfully adopted the use of onsite clinics have traditionally been either large manufacturing firms (e.g., Toyota, Utz Quality Foods, Land-O-Lakes) or large tech companies (e.g., Apple or Amazon).[1, 2] These organizations capitalize on a centralized workforce and a commitment to employee wellness ingrained in their culture. These business models required a significant number of employees in one location to meet the clinic's utilization break-even point. However newer, more nimble clinic business models are now being offered that lower the number of employees needed to break even.

Newer business models have also expanded the scope of services offered within the onsite clinic setting; many now are integrated with wellness efforts such as health assessments and health coaching, vaccination programs, pre-employment physicals, disease management and care coordination, occupational health and workers' compensation, and services such as physical therapy, athletic training services, and chiropractic services on site. Other clinics have expanded by creating partnerships with low-cost MRI providers or making behavioral health an option via telehealth. These expanding services greatly increase the value to the employee and maximize the utilization of the clinic, which in turn may increase the likelihood of realizing a return on investment (ROI) to the employer.

Employers also view the expansion of health and wellness services available to employees either at or near work as a means to attract and retain new talent. Younger generations have different expectations from the healthcare system than their predecessors, which play to the hand of onsite/near-site clinics if designed properly.[3] Convenience, simplicity, and on-demand services are the hallmarks of the younger generations. Millennials are less loyal to primary care physicians (PCPs) than the generations before them and are far more likely to utilize more convenient services prior to scheduling an appointment with their doctor.[3] When Millennials do turn to a doctor, they expect low to no wait times and minimal effort needed to obtain services. Millennials are also far more likely than their predecessors to pursue cost estimates prior to obtaining services.[3]

Organizations that have implemented onsite/near-site clinics successfully do so with the expectations of their current and future employees in mind. These organizations have

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[1] Nick Otto. Employee care: More companies turning to onsite clinics. *Employee Benefit News*. 2018;32(6):11. https://search.proquest.com/docview/2131946123.
[2] Hronich C. Wellness: Why onsite clinics worked for Land O'Lakes: The dairy maker decided to revamp its wellness program to keep its 10,000 employees healthy. *Employee Benefit News.* 2019;33(4):N.PAG.
[3] Walker H. How millennials are disrupting healthcare – and how to change benefits because of it. *Ebd.benefitsnews.*com. November 2018:N.PAG.

seen improvement not only in the health of their employees, but also decreases in lost work time due to travel for appointments, increased employee retention, and an improvement in organizational culture.[4] If it is assumed that state and local government share similar concerns with recruiting a younger generation that school districts (who were interviewed in the course of investigation for this memo) have, then an onsite/near-site clinic may be one option that can be utilized to remain competitive in the employment market.

Review of Local Activity

ETF staff conducted a review of utilization of onsite or near-site clinics within local government organizations, primarily school districts, and a few employers via phone interviews with representatives from multiple districts. ETF contacted Sun Prairie School District, La Crosse School District, Kettle Moraine School District, Elmbrook School District, Appleton Area School District, Oshkosh Area School District, Sheboygan School District, Madison College, and Seats Incorporated to review their programs. Appendix 1 provides a detailed review of each interview. Highlights of the interviews are as follows:

- All organizations interviewed listed their primary driver for seeking an onsite/near-site clinic as being a reaction to increasing healthcare costs;
- Most organizations stated ancillary benefits such as increased productivity, decreased absenteeism, and increased employee retention and recruitment due to the use of an onsite/near-site clinic, however none could provide quantitative data to support these notions;
- Kettle Moraine, Elmbrook and Appleton Area School Districts all specifically stated that their onsite/near-site clinics are utilized in employee recruitment and retention;
- Costs for construction and upfront costs vary greatly (e.g., $0 to $500,000) depending on the model and the ability to capitalize on opportunities as they arise;
- Service, labor, and overhead costs also vary greatly (e.g., $60,000 to $960,000 annually) depending on the model, however the average cost to the organizations interviewed was over $500,000 annually;
- Only La Crosse and Elmbrook School Districts have internally verified an overall health cost savings, while all other programs are either relying on value reports generated by their vendor or are too early into the program to generate a report;
- Most organizations interviewed designed their clinic's standard services to be at no cost to patients and only a few require a small co-pay;
- Seats Incorporated allows for all employees and family members to utilize services at no cost regardless of being a member of the organization's insurance plan or not.

[4] Seiko A. IT'S NOT A JOB, IT'S AN EMPLOYEE EXPERIENCE: To recruit and retain the best workers in the ir markets, Nvidia, Ingersoll Rand and Genetech have all adopted a more holistic approach to employee management. *Industry Week/IW*. 2018;267(6):20.

Review of Other States' Activity

In the review of literature, we also identified two states – Indiana and Kentucky -- that have utilized onsite clinics as part of their employee benefits programs and interviewed employee benefits representatives. Appendix 1 provides a detailed review of each interview. Highlights of the interviews are as follows:

- Indiana
  - Similar to Wisconsin, Indiana has a large portion of its membership (approximately one-third of members) working in a large city, while the remainder of its employees are spread throughout the state; however, network adequacy was not a factor in the decision to pursue an onsite clinic;
  - Indiana outright stated that "onsite and near-site clinics have not, and will not, save the state money, produce a positive ROI, or reduce the risk scores of the general population they serve";
  - Indiana noted the clinic's primary purpose is for employee convenience, and retention and recruitment; however, clinical services tend to be for treatment of colds, sore throats, flu symptoms, flu shots, and biometric screening, not treatment of chronic conditions.
- Kentucky
  - Kentucky utilizes five onsite clinics located in state government buildings that were selected as having the highest concentration of lower income employees. The clinics are an employment benefit (not directly tied to the insurance program), and therefore do not allow spouses, dependents or non-active employees to utilize the clinics;
  - In total, all five clinics combined for 13,664 visits in 2019 which included "sick" visits with a nurse practitioner, and flu shot or biometric screenings with a medical assistant;
  - Kentucky utilizes a full pass-through of the claim method of funding the services, which cost $1,580,491 in 2019, but according to the third-party provider organization that runs the clinic, this resulted in an ROI of 2.3. However, it should be noted these services had no impact on the overall health care premium, which continues to rise.

Third-Party Contractors

In addition to reviewing the activities of local government organizations in the use of onsite/near-site clinics, we also conducted phone interviews with Wisconsin-based onsite/near-site clinic providers to better understand their business models. ETF contacted Sensia Wellness, QuadMed, and Healics to review their programs. Appendix 2 provides a detailed review of each interview. Highlights of the interviews are as follows:

- Both QuadMed and Healics either refused to provide information or failed to respond to repeated attempts to gather additional information;

- Sensia Wellness caters toward smaller group sizes and offers an option with a lower up-front fee in comparison to other models identified in the review of the local market.

Triple Aim Review

Program Affordability
While business models for onsite/near-site clinics vary substantially, based on the details of the arrangement, there are common elements across all models that need to be fully investigated in order to evaluate the sensibility of pursuing these services.

Construction and Upfront Costs
Often, there is an upfront cost to either construct or renovate a space for the clinic to use, regardless of whether an onsite or near-site model is selected. Costs depend on the size of the clinic, the scope of services to be performed, the availability of current space, and the condition of the space selected. Models reviewed within Wisconsin varied between $0 to $500,000.

Service, Labor, and Overhead Costs
While there is variation in how vendors bill these costs, each business model has a method for passing along these costs to their client. Most models reviewed within Wisconsin offered a flat fee per hour of operation of the clinic which varied between $60,000 to $960,000 annually.

Services Below Market Price
For the onsite/near-site clinic model to be effective from a financial perspective, the services rendered at the clinic must be provided at a lower cost than can be captured within the in-network charges for the same services through a standard PCP-to-health plan arrangement. The cost must be low enough to leave room for savings even after accounting for ongoing service, labor and overhead costs in addition to construction and upfront costs.

Market Share Capture
In addition to services being provided at a cost below market price, the services also must be rendered to a specific proportion of the overall market share in order to realize savings. If the targeted market share percentage is not captured, then the savings on services will not achieve a large enough impact to offset the cost of the clinic. The market share that must be captured is dependent on the percent discount for services and the costs associated with running the clinic (both upfront and continuous).

Capacity Utilization
Because most business models charge a flat rate per hour that the clinic is open, regardless of whether employees are being treated, it is essential to have the clinic at maximum capacity as much as possible. Any time left unutilized is waste the employer must pay for. Likewise, it is equally important to ensure the number of appointments

needed to meet the market share capture breakeven point is within the capability of the clinic's design and staffing model.

Return on Investment (ROI)

To breakeven (i.e., a zero-dollar net cost) or to achieve an ROI, the onsite/near-site clinic would be subject to the following equation:

$$Breakeven\ (or\ \$0) = S - ((S * MS\%_0) + ((S * MS\%_1)(1 - DS\%)) + (BC + OC))$$

Where:
S: Cost of services prior to implementation of the onsite/near-site clinic model
$MS\%_0$: Market Share percentage not captured by onsite/near-site clinic model
$MS\%_1$: Market Share percentage captured by onsite/near-site clinic model
DS%: Discount percentage
BC: Building Costs
OC: Operational Cost

This equation is the key to the financial review. If a model is proposed that is not projected to meet the breakeven threshold, then it will fail the Program Affordability portion of the Triple Aim. An example of how this equation would interact in both Dane County and the greater Madison area is included in Appendix 3.

Workers' Compensation
While worker's compensation claims are outside of the scope of the review of onsite/near-site clinics from ETF's perspective, this should, however, be a topic of discussion with the Department of Administration. If onsite/near-site clinics were to be utilized in some capacity by ETF, then it may make sense to maximize the potential cost savings for the state by utilizing the onsite/near-site clinics for management of workers' compensation situations. However, there is also a strong argument against utilizing onsite/near-site clinics for workers' compensation because it would put the treating provider in a "Jekyll and Hyde" situation. That is, employees may avoid seeking preventative services at the clinic due to a lack of trust with the provider's role within the larger "system."

Downtime Reduction
Downtime due to travel back and forth from doctor's appointments is a cost that is difficult to quantify, due to variability, but certainly needs to be accounted for when determining the possible value of an onsite/near-site clinic. Reducing the amount of time an employee is away from their job by offering faster, more convenient services will reduce downtime, and therefore improve productivity.

Quality of Life
The more involvement a patient has with routine and preventive care with their doctor, the more likely that patient will experience better health outcomes. With that theory in

mind, we identified a study that examined the utilization of preventive services with the introduction of an onsite clinic to draw comparisons from. The large study (n=23,635) looked at the utilization of preventative services at a large public university one year and three years after the implementation of an onsite clinic for staff. The study identified significant increases in utilization of services of some cohorts of individuals.[5]

The study found the number of preventive claims for employees increased by 21.8% from the first to the third year of operations of the clinic; however, spouses and children of employees were found to either have insignificant increases in utilization or slight decreases.[5] The Odds Ratios (OR) found in the study showed significantly lower utilization in: salaried employees versus hourly (OR = 0.89), diabetic versus non-diabetic (OR = 0.84), hypertensive versus non-hypertensive (OR = .72), and low deductible versus high deductible insurance coverage (OR = .80).[5] What this means is that the introduction of an onsite clinic in this study is associated with an increase in preventive services obtained by employees, however services were under-utilized by employees with chronic diseases and employees with low deductible insurance. These are important aspects to consider when deciding on pursuing an onsite clinic as it provides insight into anticipated utilization of services.

While eliminating barriers to care may result in overall improvement in health, the act of providing access is not a perfect solution by itself. An onsite/near-site clinic is one method for providing healthcare that must be interwoven with other methods within an overarching culture of health and wellness. For an onsite/near-site clinic to provide a maximum impact on an employee's health, the clinic should serve as the central hub of the employer-based health and wellness program. The providers at the clinic should provide standard preventive care services supplemented by disease management programs, health assessment administration, biometric screening, behavioral health services, weight management and occupational health. The commitment to health from the employer to the employee should be reciprocated by a commitment to participate in health and wellness activities. If a culture of health and wellness is adopted, then the quality of life will improve with the creation of onsite/near-site clinics.

Program Desirability

Employee Perspective

While there are certain benefits to having access to immediate, affordable health care for employees, it isn't practical to have an onsite clinic in every state facility. For many members, the costs and time commitment associated with traveling to an onsite/near-site clinic would outweigh any benefit the clinic could offer compared to utilizing local clinic services. Therefore, the use of an onsite/near-site clinic as a benefit is not practical for all members and is not a Uniform Benefit. If the Board were to move ahead with implementing onsite/near-site clinics, then deciding the priority of locations where the clinics should be placed and how the costs for those clinics would be distributed,

[5] Ostovari M, Yu D, Yih Y, Steele-Morris C. Impact of an onsite clinic on utilization of preventive services. *Journal of Occupational and Environmental Medicine*. 2017;59(7):615-623. doi: 10.1097/JOM.0000000000001034.

considering that all eligible employees would not be able to utilize the services, would be significant challenges.

The Appleton Area School District, Sheboygan School District and Elmbrook School District all stated they received feedback from employees that onsite clinics improved health and wellbeing by coordinating service and improving access – but they could not provide hard evidence of a reduction in risk scores or disease prevalence. All employers but the Sun Prairie School District discussed the preference for a near-site clinic as opposed to an onsite clinic for privacy reasons. The feedback they received from employees through survey results was that employees are more comfortable seeking services and divulging personal health information outside of the walls of their employer.

A question included in the 2019 Well Wisconsin Health Assessment asked "If I or a family member had a health care situation that could be addressed in any of the following ways, my top two preferences would be:" to which 26% of respondents answered "Seeing a health care professional onsite at my employer's location" as one of their two possible options. While not predictive of how employees would react to having the option of an onsite/near-site clinic, this data does provide context for the current level of interest in such a program.

Employer Perspective

The primary concern for most employers interviewed stated that increasing health costs was the catalyst for starting an onsite/near-site clinic. A few of the employers were able to provide hard evidence of cost savings since opening their clinics, while others either did not have enough data at this time or could not state if savings had been achieved. An additional benefit reported by multiple employers is the increased ability to recruit and retain talented employees. They found that the ability to quickly, cheaply, and easily obtain PCP services at or near a job site is an expectation of potential recruits that must be met to be competitive with other employers.

Additionally, employers reported an increase in productivity due to the reduction in time away from work needed to complete routine medical appointments. While this was not quantified by any of the employers, this finding is in alignment with reports in published journals.[5] Finally, those who did utilize the clinic for workers' compensation needs have found both convenience and cost savings in comparison to previous processes. The one factor that was emphasized by all organizations that had successful clinics noted that the shift to embracing an onsite/near-site clinic demands a culture of wellness and health promotion throughout the organization for the clinic to succeed.

Barriers

Onsite Services and Health Savings Accounts (HSAs)

Employees who elect the Board's high deductible health plan (HDHP) and HSA would need to pay for services they seek at an onsite clinic until their deductibles are met, due to IRS rules that limit pre-deductible care for qualified HDHPs. The Board's HDHP enrollment accounts for 7.21% of membership and has seen steady increases in

enrollment annually since the initial offering in 2015. This is important because an increasing percentage of the ETF membership would not receive a benefit financially (i.e., there would be no cost savings) from the addition of an onsite/near-site clinic for their healthcare.

Uniform Benefits and Location of Clinic(s)

Each of the local government organizations that were interviewed as part of this review have the benefit of a centralized workforce within proximity to their onsite/near-site clinic. This proximity ensures all participating members have convenient access to the services provided at the clinic. Members who participate in the Group Health Insurance Plan (GHIP) are located not only across the state, but also across the country. Outside of setting up an exceptional number of clinics, the services provided at an onsite/near-site clinic would not be functionally accessible to a large portion of members due to the geographic distribution of members. Therefore, members may end up subsidizing care at an onsite clinic that they are not able to access because it is not at their worksite.

If a clinic or clinics were implemented, the Board would have to decide where to put them. Ideally, clinics would be in locations with the highest concentration of employees who show the greatest need. Currently, the DAISI data warehouse does not contain the necessary information to perform this analysis. For example, an individual who works for the Department of Corrections (DOC) will be identified as a DOC employee, but the warehouse does not know which location that individual works at. Therefore, until a new data file that contains all State and Local employee work locations is absorbed by DAISI, a proper analysis of ideal location(s) cannot be performed.

Insurance Benefit or Employment Benefit

Tying onsite/near-site clinics to the GHIP may not be the best approach to implementing this service, due to complications with providing uniform insurance benefits. While if administered properly the utilization of onsite/near-site clinics has the potential to reduce costs on the insurance program, it does raise the question of what is considered in the scope of insurance operations. Engaging an onsite/near-site clinic is more in keeping with direct-to-provider contracting than standard insurance administration. Incorporating onsite/near-site clinics into the portfolio of benefits available to employees may be better explored by the Division of Personnel Management in close collaboration with ETF.

Some employers interviewed in the background for this memo also stated the primary benefit of the onsite/near-site clinic was not cost savings to the health insurance plan, but the ability to broadly offer the benefit regardless of insurance status. For example, in the interview with Seats Incorporated the benefit of having an onsite clinic was specifically stated as an employment benefit that was open to all employees and family members, regardless of being a member of Seats Incorporated’s insurance program. Similarly, the State of Indiana and Commonwealth of Kentucky market their onsite clinics as employment benefits, not as insurance benefits; however, unlike Seats

Incorporated, both states are more restrictive with who can utilize the services of the onsite clinics.

Recommendation
The results from the interviews performed showed positive, yet not definitive, results. Those seeing the best results appear to be taking advantage of unique contracting situations that may not be reproduceable on a large scale. Many of the organizations interviewed are too early in their program for the calculation of reduced risk scores, improved health outcomes, or increased retention, however there is a general sense of optimism. Another element at the core of determining success is a mass commitment to a culture of health and wellness which the onsite/near-site clinic supplements. While this is certainly a goal to strive for, it is not the current state of the culture for many GHIP members.

The review of other states' programs offered a sobering and more realistic view of what the results of operating an onsite or near-site clinic would look like if incorporated by the Board. Both states appear to utilize onsite clinics out of convenience rather than clinical necessity. Neither have shown progress in reducing the risk scores of their membership, nor have they been able to curb their increasing healthcare premiums.

The three elements within the Triple Aim also produced mixed results within the analysis. The first element in the Triple Aim, Program Affordability, is the start of the argument for utilizing onsite/near-site clinics but returns with a questionable prognosis. If a clinic can be constructed for low or no cost, operate at a lower cost in comparison to competition, and capture a significant percentage of services to be provided to members, then it may not only be financially feasible, but has the potential to create cost savings. However, if any of these variables falls through, there will be a financial loss.

The second element in the Triple Aim, Quality of Life, may have an overall positive impact on health through the increased availability and access to care that an onsite/near-site clinic would provide.

The final element of the Triple Aim, Program Desirability, also shows mixed results. From an employer's perspective, a clinic should help reduce downtime, improve overall employee health, and assist as a recruitment tool. However, due to our regional demographics, all GHIP employers could not feasibly have an onsite/near-site clinic within a reasonable distance, and the benefit would not fall within our uniform program design since everyone would not have access to a comparable service. From an employee perspective, the convenience is a clear benefit, but ETF's experience with GHIP members indicates that privacy concerns will be an issue and would need to be addressed.

Questions for the Board:

- Is the Board comfortable with a benefit that would not be uniform?

- Is the Board comfortable with direct-to-provider contracting for health services for our membership?
- Does the Board believe that a non-insurance benefit belongs under the oversight of the Group Insurance Board?

Based on the answers to the above questions, if the Board states “No” to any of the three questions, then ETF should not pursue the utilization of onsite/near-site clinics and recommends the Board to close ETF’s investigation in the matter. If the Board states “Yes” to all three questions, then ETF should consider the information provided within this memo prior to deciding on pursuing the utilization of onsite/near-site clinics as an expansion of services.

Overall, the recommendation from ETF staff to the Board is to not proceed with utilizing onsite or near-site clinics within the GHIP at this time. While there would be potential benefits associated with the introduction of onsite or near-site clinics, there is not strong evidence that cost savings would be realized in a state model. In addition, there are a variety of barriers that would make implementation difficult. Implementation would be further complicated considering the increasing fiscal pressures state government is facing due to the recent pandemic.

Staff will be at the Board meeting to answer any questions.

Appendix 1: Review of Local Activity
Appendix 2: Third-Party Contractor Review
Appendix 3: Financial Feasibility Example

Appendix 1: Review of Local Activity

Sun Prairie School District and City of Sun Prairie

The Sun Prairie School District and City of Sun Prairie recently (October of 2019) approved the implementation of a near-site clinic in partnership with Dean Health Plan. The clinic will be open 44 hours per week, offering services similar to those within the scope of care seen in a Family Medicine clinic provided by a Primary Care Provider (PCP), and operated by a Nurse Practitioner (NP) or Physician Assistant (PA). The services will be available to all employees, spouses and dependent children at no cost to those receiving services. The cost of construction and annual cost thereafter will be split between the Sun Prairie School District and City of Sun Prairie 80/20 respectively. The estimated annual cost combined for both the school district and the City will be $423,482. In 2022, the clinic is scheduled to transition to become an onsite clinic located in the Cardinal Heights Upper Middle School with an estimated annual cost of $462,542.

La Crosse School District

Despite having what appears to be a near-site clinic arrangement on the surface, the La Crosse School District does not, instead they take advantage of a unique opportunity specific to their market. The Neighborhood Family Clinic is a low-cost Family Practice clinic that offers PCP services for $50 total. Due to the extremely low cost of services provided, La Crosse School District and its insurance provider developed an arrangement where the $50 charge would be paid by the school district without applying to that member's deductible, essentially leaving the member with no cost for the services provided. The school district estimates total costs to be roughly $500,000 annually, however, this offsets an estimated $2 million in potential costs if the members had obtained the same services elsewhere. The generosity of this provider group has allowed the La Crosse School District to realize a net-neutral insurance premium rate for the last five years.

Kettle Moraine School District

The Kettle Moraine School District turned to Aurora Health Care when it began looking for an onsite or near-site clinic partner due to an unrelated pre-existing partnership between the school district and Aurora. Aurora happened to have a vacant location within a two-minute walk from the school district administrative building, high school, middle, and elementary schools. Aurora was able to open the location for seeing patients within 24 hours of signing the contract. The near-site clinic arrangement the school district has with Aurora calls for the clinic to be open 12 hours per week year-round for services similar to those within the scope of a Family Medicine PCP. The clinic is open to all employees, spouses, and dependents over the age of two, and is also utilized in the summer for all new staff pre-employment physicals. The district had no up-front costs for construction or renovation and only pays a flat rate of $95 per hour of operation, which equates to roughly $60,000 annually. Patients are required to pay a $30 co-pay for services. A portion of the co-pay collected by Aurora is then applied to the rental costs the district has for the clinic, which lowers its annual cost. While the hope is that the reduced cost services will make an impact on the health insurance rates seen by the district, there has not yet been evidence of this to date.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 5/4/20

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Elmbrook School District

The Elmbrook School District originally opened a near-site clinic in partnership with QuadMed in 2015 but switched to MedStat in 2017 due to performance issues. The primary driver for prompting the district to open a near-site clinic was increasing costs of medical care driving insurance premiums higher. The clinic was specifically designed to be near-site rather than onsite in an effort to encourage more staff to utilize the services, while maintaining a high level of confidentiality. The clinic's services are open to employees, spouses, and dependents over the age of 2, which equates to roughly 2,300 covered lives. Approximately 65% of eligible adults use the clinic annually, which is partially due to the requirement to be seen at the clinic at least once per year in order to earn the district's wellness incentive. The clinic currently consists of a single NP and MA; however, it is in the process of expanding services and will soon be adding a half-time NP and a receptionist. Services provided by the clinic are similar to those that would be provided by a standard PCP, including labs, immunizations, and physicals. The clinic can also be used for cases involving workers' compensation. The cost of the facility, staff time, supplies used, and an administrative fee is billed to the district at a rate of roughly $80,000 per month ($960,000 annually). Contractually, MedStat was required to, and successfully did, meet an 18-month ROI target. The overall cost of healthcare for the district has seen roughly a one-third reduction compared to five years prior, which has resulted in decreases in the health insurance premium. This savings was achieved in part by the introduction of the clinic, but more so because of a cultural shift within the district to focus on health through multiple avenues.

Appleton Area School District and City of Appleton

The Appleton Area School District and the City of Appleton opened a dedicated location for a near-site clinic within an existing clinic building operated by ThedaCare in 2016. The arrangement between the school district and city is a 70/30 split (respectively) based on the number of members participating in their respective health plans. The clinic will accept anyone who is a health plan member, spouse, or dependent over the age of two who participates in either the district or city's health plan, which equates to roughly 5,000 members. The clinic originally started with a small staff, but has now grown to have a PA, NP, RN, three MAs, two Physical Therapists, and a Wellness Coach. The clinic is open Monday through Friday from 5:30 a.m. to 5:30 p.m. There are more than 40 hours of physical therapy coverage each week at the clinic. The clinic charges an hourly rate plus lease, which equates to approximately $600,000-$700,000 per year. The district could not say at this time if the use of the clinic has had a direct impact on annual rate increases, but ThedaCare has provided the district with an ROI of $625,000. To date in 2019, there have been more than 4,100 visits and an additional 2000 physical therapy visits. The district estimates that roughly 60% of employees and family members have utilized the clinic.

Oshkosh School District, City of Oshkosh, and Winnebago County

The Oshkosh School District, in combination with the City of Oshkosh and Winnebago County, opened a near-site clinic in 2015. The clinic is run by an independent third-party organization, Healics. Healics was chosen from a field of three potential candidates

after review within a request for proposals process. The decision to place the location near-site rather than onsite was made to maintain a "neutral" service location, considering the clinic can be utilized by a wide scope of employers. The clinic is open to any members of the district's, the city's, or the county's health plans, including spouses and dependents over the age of two. No additional information was provided.

Sheboygan School District, City of Sheboygan and Sheboygan County

The Sheboygan School District, City of Sheboygan and Sheboygan County entered a partnership with Healics, a third party onsite/near-site clinic provider, in 2012. This was in response to rising medical costs and an ACA Cadillac tax estimated to cost $1.6 million. The near-site clinic, which is a short drive from the district's administration office, is utilized by all health plan members, spouses, and dependents over the age of two for the district, city, and county, which equates to roughly 3,100 insured members (including 1,100 employees).

The arrangement calls for the district to pay Healics a fixed amount each month to cover rent, salaries, and other overhead. There are additional costs for items such as bloodwork, labs, and immunizations. The clinic is open Monday through Thursday from 7:00 A.M. to 6:00 P.M., Tuesday and Wednesday from 8:30 A.M. to 6:00 P.M., and Friday from 7:00 A.M. to 4:00 P.M. Members who utilize the services have no co-pay and no charges to their deducible unless they utilize the chiropractic services that are offered, in which case there is a $10 co-pay. The annual cost for the rent, salaries and overhead is roughly $488,000. Healics provides a quarterly report on utilization and estimate ROI for the services provided. The most recent quarterly report showed that 55% of employees on the medical plan utilized the clinic at least once during that quarter in addition to 26% of spouses and 20% of dependents. The estimated ROI provided by Healics for the quarter was $159,000. With that said, the district has not seen a decrease in premium renewal rates, however they have seen a lower overall increase in premium compared to previous trends.

Madison College

Madison College began a relationship with Group Health Cooperative of South-Central Wisconsin (GHC-SCW) six years ago, with the intention of utilizing the services of its clinic (located immediately adjacent to Madison College) as a near-site clinic for staff and students. The arrangement that Madison College had with GHC-SCW slowly eroded over time and as of the start of 2019, there is no formal relationship between the two organizations. The clinic operates openly to the public and just happens to be directly next to the Madison College campus.

Seats Incorporated

Jerry Ward, executive vice president, presented at the February meeting of the Governor's Task Force for Reducing Prescription Drug Prices. In doing so, he mentioned that one of the primary ways his organization has been able to reduce the cost of healthcare is by utilizing an onsite clinic. Following his presentation, ETF staff had the opportunity to interview him to capture additional information about the clinic's

structure and results. Seats Incorporated brought on its first nurse to work at an onsite clinic in 2006 and has since expanded its services to include three nurses, a nurse practitioner, three chiropractors, and a medical doctor, all of which have variable schedules throughout the week. The organization initially began these services to help control the cost of healthcare, but as the services grew, they began finding additional benefits including methods for reducing prescription drug costs, increased presenteeism at work, increased productivity, and stronger recruitment and employee retention. Seats Incorporated is fully insured, does not carry re-insurance, and does not offer an HDHP. All employees and family members, regardless of carrying the organization's insurance, can utilize services at the clinic for no cost (except Chiropractic visits which cost $10). The annual cost of operations is roughly $700,000 annually, but the organization believes they are diverting over $1 million in costs.

State of Indiana

The State of Indiana, which utilizes a self-insured plan design, incorporated an onsite clinic at a state office in downtown Indianapolis. Approximately one-third of all state employees work within Indianapolis, but not necessarily within the building where the clinic is located. The primary driver behind the decision to build and continue to operate the clinic is that the clinic is seen as an employee benefit for convenience. There was not a healthcare access problem nor does the clinic save the state money on healthcare expenses. The officials interviewed bluntly stated that an onsite clinic "will not save the state money" and that cost savings should not drive the decision.

When the clinic was implemented, the location of the clinic required extensive renovation to meet medical facility requirements and cost more than $1 million to complete. Unlike the contractual agreements seen in the review of the Wisconsin local market, Indiana utilizes a 100% claim pass-through model with a small additional per member per month (PMPM) administrative fee. Unlike Wisconsin, 99% of all employees of Indiana are HDHP members, therefore fair-market pricing rules apply to the majority of services performed at the clinic. While these services are discounted in comparison to standard primary care fee schedules, they are not free (e.g., "sick" visits cost members $49). Because all data on insurance claims are collected, Indiana has been able to verify that there has not been a reduction in risk scores and that the majority of services provided are for coughs, colds, flu symptoms, flu shots, and biometric screening appointments, rather than chronic condition management.

Commonwealth of Kentucky

The Commonwealth of Kentucky began with a single pilot clinic in a government building in 2011 and then expanded to have an additional three clinics placed in government buildings throughout the state capital in 2014, along with a fifth clinic in Louisville. Kentucky utilizes a similar uniform benefit structure as Wisconsin but did not gear the use of onsite clinics as an insurance benefit, rather as an employment benefit. The locations were selected due to housing the highest concentration of low-income employees. The clinics are available only to employees, not spouses or dependents. Kentucky faces a similar problem that Wisconsin does in that there is a large

concentration of employees in the capital city, but also a fair number of employees spread throughout the state. Of the approximately 160,000 employees, a total of only 13,664 visits were logged among all five clinics combined in 2019, which includes visits for flu shots and biometric screenings. Kentucky's contract utilizes a 100% claim pass-through methodology similar to Indiana, rather than a per-hour administration fee commonly seen in Wisconsin. The state could not provide information relating to the renovation costs to build the clinics but did provide the total claim pass-through amount for 2019, which was $1,580,491. The vendor that runs the clinics provides utilization and cost analysis reporting to the state, in which they claim the $1.5 million spent translates to an ROI of 2.3. However, this has had no impact on healthcare premiums, which have continued to rise.

Appendix 2: Third Party Contractor Review

Sensia Wellness

Sensia Wellness is an onsite clinic provider organization based in the greater Milwaukee area. The business model offers two options: 1) A comprehensive approach where providers act as the employee's PCP, or 2) A supportive approach where providers supplement the care of the employee's PCP. The higher-level approach offers a broader scope of services, but also includes higher costs to the employer. Typically, an organization will start with the smaller scope and build up services over time, as utilization increases. Set-up costs are roughly $10,000, after which there is a flat hourly rate billed to the employer for all services provided. There are no co-pays or bills paid by the employee and no third-party reimbursement. The clinic does utilize an electronic medical records (EMR) system and it does utilize billing codes in the background, which allows for data analytics and integration with other health systems as needed. Due to the scalability of the clinic's available hours, Sensia Wellness has a much broader range for its target market membership count in comparison to their competition who traditionally services only large-scale operations with thousands of employees. Sensia Wellness' target market are employers with 100 to 2,000 employees. In addition to providing PCP services for employers, Sensia Wellness has also had success from a workers' compensation perspective and stated that the employers who utilize their injury management and investigation process has seen "drastic reductions" in costs associated with worker's compensation claims.

Healics

Healics declined to provide any information related to its business model, citing a lack of time and resources for a conversation on the topic.

QuadMed

Despite multiple emails and phone calls attempting to connect with QuadMed to discuss its business model and how that might fit with ETF, none of the contacts were answered.

Appendix 3: Financial Feasibility Example

Utilizing a list of more than 300 diagnostic and laboratory codes identified as services that could be performed at an onsite/near-site clinic, ETF was able to identify the total non-HDHP Allowed Amount and Patient Visits for onsite/near-site clinic qualifying claims in 2018 in both Dane County and the greater Madison area utilizing the DAISI data warehouse. Rather than utilizing the member's home address zip code as the population basis, our data analytics team focused on Place of Service zip code to best match the location of where an onsite/near-site clinic would be.

The total non-HDHP Allowed Amount was then utilized with the breakeven formula to help identify the total percent of market share that would need to be converted to the onsite/near-site clinic in order to meet the breakeven threshold with the given assumptions.

$$Breakeven\ (or\ \$0) = S - ((S * MS\%_0) + ((S *\ MS\%_1)(1 - DS\%)) + (BC + OC))$$

Where:
S: Cost of services prior to implementation of the onsite/near-site clinic model
$MS\%_0$: Market Share percentage not captured by onsite/near-site clinic model
$MS\%_1$: Market Share percentage captured by onsite/near-site clinic model
DS%: Discount percentage
BC: Building Costs
OC: Operational Cost

Assumptions (which are strictly theoretical):

- Building Costs (BC) = $1,000,000
- Operational Costs (OC) = $1,000,000
- Discount Percentage (DS%) = 100% (no cost to patients)

<u>Dane County Results</u>

Utilizing $37,539,444 in total non-HDHP Allowed Amount for office visits matching the billing codes, the total Market Share needed to be captured by the onsite/near-site clinic to breakeven is 5.33%, or 9,667 patient visits. Using the assumption that a provider would work 260 days per year and handle 20 patients per day, that equates to approximately 1.86 FTEs.

<u>Greater Madison Area Results</u>

Utilizing $33,178,849 in total non-HDHP Allowed Amount for office visits matching the billing codes, the total Market Share needed to be captured by the onsite/near-site clinic to breakeven is 6.03%, or 9,456 patient visits. Using the assumption that a provider would work 260 days per year and handle 20 patients per day, that equates to aproximately 1.81 FTEs.