![HPM INSTITUTE — HEALTHCARE PERFORMANCE MANAGEMENT]

SUCCESS STORY:
The Charlie Palmer Group Discovers Almost $1 Million in Undetected Healthcare Costs
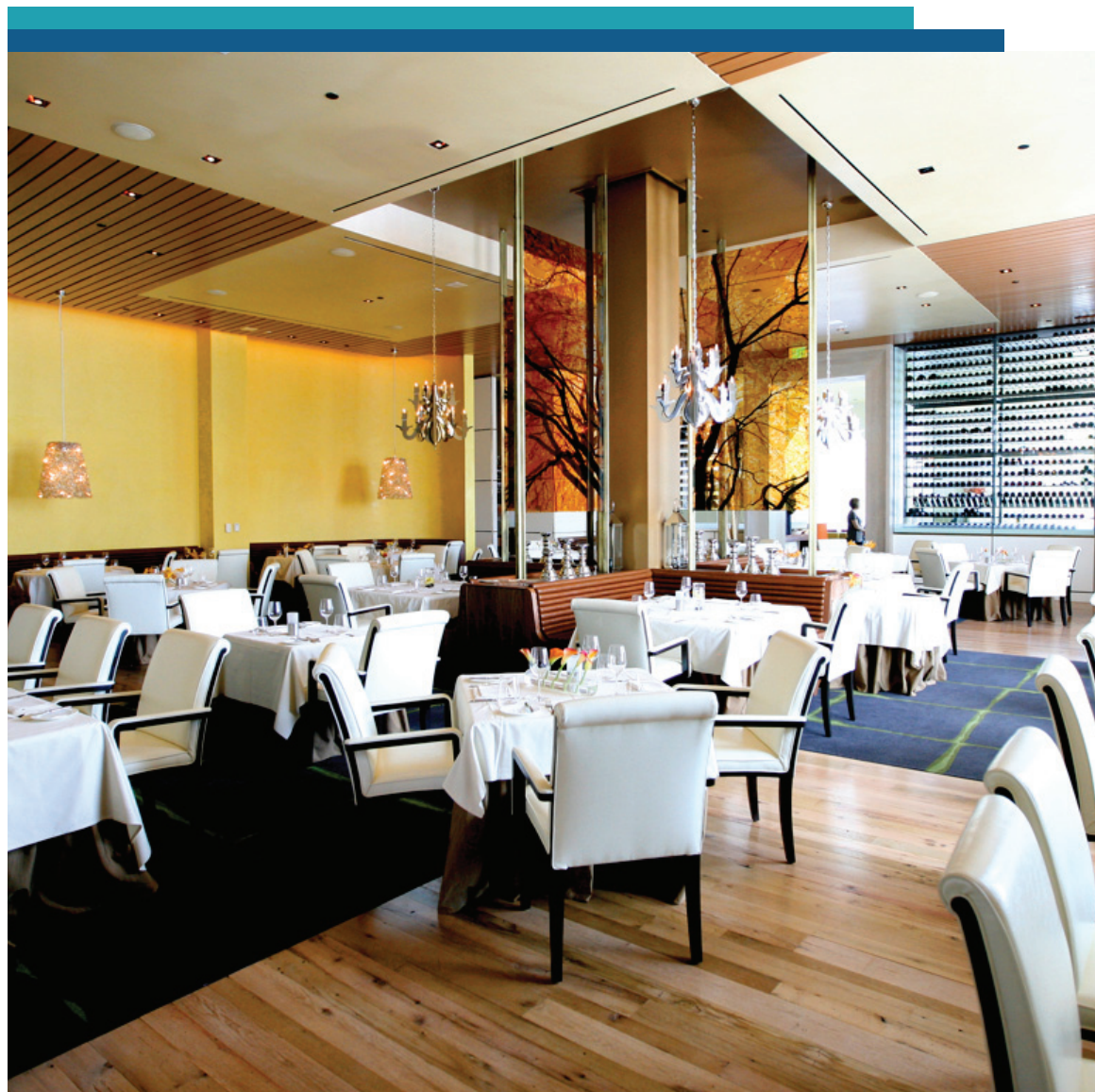### Laying Out a Proactive Strategy to Manage and Reduce

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Introduction

The Charlie Palmer Group is a multi-state restaurant company that grew out of the landmark New York City fine dining restaurant Aureole, created by Chef Charlie Palmer. Chef Palmer won the prestigious James Beard Award for Best Chef in 1997, and Aureole has been awarded a one-star rating in the world-renowned Michelin Guide each year from 2007 to 2012. Today, the Charlie Palmer Group has locations throughout North America, including thirteen award-winning restaurants as well as a variety of wine shops and boutique hotels.

In early 2011, the Charlie Palmer Group implemented a Healthcare Performance Management (HPM) strategy, a game-changing approach to rein in escalating healthcare costs and improve workforce health outcomes. The Charlie Palmer Group embarked on the first of four pillars of HPM:

Measure: Data-driven analytics such as aggregate risk stratification and predictive modeling allow organizations to assess the health of a health plan population and understand the key cost and risk drivers.

Manage: Powerful analytics allow guidance for designing targeted healthcare strategies to improve health outcomes and reduce cost.

Engage: Backed by corporate endorsement, targeted, risk-specific outreach and healthcare marketing campaigns can be introduced within a health plan to foster employee engagement and emphasize healthy lifestyles.

Automate: HIPAA-compliant, enabling technology supports the pillars of Measure, Manage and Engage by allowing for data integration across the first three pillars and repeatability that fosters the institutionalizing of healthy corporate culture strategies.

Situation

Like many companies today, the Charlie Palmer Group strived to find ways to deal with rising healthcare costs. In early 2011, the organization became interested in learning more about how to reduce overall healthcare costs in a turnkey manner.

To do that, the company first needed to learn more about its employees' and members' health in the aggregate to understand the current spending trends within their plan. This was a challenge as the company had very little knowledge about its workforce. "We have reservation systems and POS [point of sale] systems to take orders at our restaurants, and we know everything about our guests including what they like and where they prefer to sit," says Sabrina Orque, Vice President of Human Resources for the Charlie Palmer Group, "but we didn't know anything about the health of our member population."

A self-insured employer, the company had experienced many challenges related to supporting and managing healthcare for its associates around the country. The organization needed to find out why its healthcare costs were increasing, which areas were experiencing higher than normal costs and the reasons for those cost escalations.

For instance, one of the company's groups saw a 100 percent rise in claims. Initially, the firm thought this might be due to the 41 percent increase in its membership and assumed it might be specifically due to several large claims that were above its individual stop loss. "The truth is we weren't 100 percent sure why we were experiencing those issues, and the reason we didn't know was because we had very limited information," Orque states. "We didn't have enough data to target which medical conditions were costing the most, which of our properties were experiencing the

most challenges and how it would affect the cost of our claims in the future."

The primary reason for the lack of data was that the Charlie Palmer Group had been getting limited interpreted and actionable information from its insurance carrier. "We really couldn't take this information and slice it up in the manner that allowed us to get usable data on specific areas that needed fixing," Orque says.

The organization realized it needed to take the information it had and analyze it more effectively in order to implement measurable solutions for lowering costs. "We wanted to identify the unknown risks and expenses to see how our restaurant properties compare to each other, how our company compares to peers in the industry, learn the best ways to manage our plan and see how we could regularly review and measure strategies to improve the plan," Orque says.

Solution

The Charlie Palmer Group decided to implement a Healthcare Performance Management approach—using technology to manage and measure healthcare—as a way to learn more about the risks and future costs impacting its plan and then turn that data into insight and that insight into action to drive out waste and inefficiencies.

HPM is a technology-enabled business strategy that addresses the challenge of controlling costs,

using methods companies use to optimize customer relations, supply chain management and enterprise resource management. "As one of the nation's leading hospitality firms, we pride ourselves on best practices as we feel it's part of our responsibility—Healthcare Performance Management fits within these same parameters," remarks Orque.

The Charlie Palmer Group engaged Bethesda, Md.-based WellNet Healthcare Group, a

company that serves as an alternative to traditional health insurers, to implement an HPM solution that uses technology to manage and analyze healthcare in real time, much the same way it handles all other aspects of its business, including ordering food and analyzing reservations. Working closely with WellNet, the organization was able to use software to access real-time plan data, identifying high- and medium-risk areas that yielded spending within the plan.

Benefits

Using HPM, the Charlie Palmer Group now has access to software that enables the collection and analysis of key internal healthcare data that allows the company to be proactive in managing potential costs. The company has access to detailed, yet de-identified, information about subsets of its population and can pinpoint where potential problems are apparent.

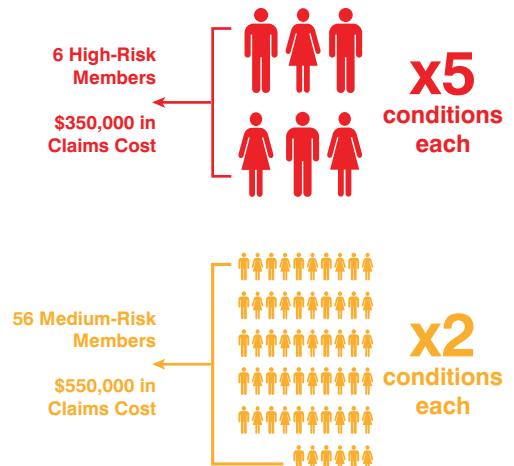"When I first heard about HPM, I didn't think there was any way to get access to data without knowing specific member names," says Orque. "We were concerned about compromising member information, which the system does not do. Knowing what we will spend and who will need proactive care is more useful than knowing what we did spend already and who already received care."

Identified $900,000 in Future Costs

The Charlie Palmer Group discovered that 20 percent of its members were on target to potentially cost the organization approximately $900,000 within the next 12 to 18 months. Of these members, six employees were in the high-risk group, with a total of five conditions per member, and accounted for $350,000 in future, previously undetected costs.

Additionally, they identified 56 moderate-risk members with two conditions per member, representing $550,000 in future costs. Using this data, the company also learned that it needed to manage its moderate-risk group so that none of the members became part of the high-risk group.

6 High-Risk Members

$350,000 in Claims Cost

x5 conditions each

56 Medium-Risk Members

$550,000 in Claims Cost

x2 conditions each

Gained New Analytic Capabilities

With its new HPM strategy, the Charlie Palmer Group gained access to better health plan data, which can be analyzed in a dashboard format. This gives the organization the ability to "slice and dice" that data based on subsets, eligibility and location. "Having access to a platform to obtain clinical predictive modeling data, understand where the gaps in care are and analyze it is invaluable to us," Orque says. "It allows us to be proactive and manage potential costs."

The Charlie Palmer Group also learned that its overall group healthcare costs are lower than the national average and that different locations represented stark plan usage trends. For instance, among its locations throughout the country, the company's members in Washington, D.C. and Virginia have the highest risk, though still relatively low compared to the national average. Another finding: The group's populations in California and Nevada came in second, with higher incidents of cardiovascular and gastrointestinal diseases. Using HPM data, the Charlie Palmer Group also found that most of its healthcare costs were from union members versus non-union members, which the company was not aware of before.

What Else the Charlie Palmer Group Learned

HPM data analysis tools helped the Charlie Palmer Group paint an accurate, detailed picture of what was happening at each of its locations, which in turn led to more questions above and beyond simply managing healthcare costs.

For example, the company learned that the health of its group correlates to productivity, and the organization found this to be true in locations where there were increases in health risks. As a result, the company is able to manage potential health costs. "Not only that, but we have the opportunity to make those changes and manage changes in other areas," says Orque.

Second, Third and Fourth Pillars of HPM: Manage and Engage to Discover Potential for Cost Savings and Positive Change

The Charlie Palmer Group gained a new ability to use data to take actionable steps, such as targeting and segmenting its population, to save money in regards to their member outreach. "It's great that our costs are lower, but there is still a potential for savings that we didn't realize before we had this platform. Evaluating the effectiveness of intervention strategies is our future," Orque states. "With this approach, I learned that there is a lot we don't know about our population, and this analysis has assisted in the design of our future health plan road map so that better decisions are able to be made. As a result, we are now going to implement the second, third and fourth pillars of HPM: manage, engage and automate."

With the plan's potentially expensive cost drivers identified, the Charlie Palmer Group now has the ability to implement campaigns to engage at-risk members leading to successful management. Changing behavior requires both motivation and understanding of an existing culture. The key is to be able to track success and adjust items that may not be working in real-time, all on an automated basis.

Measure · Manage · Engage · Automate

Healthcare Performance Management

What Others Can Learn

Using an HPM strategy also gave the Charlie Palmer Group new information and ideas that it can share with others. "Businesses should take this approach seriously," says Orque. "I'm near certain that few understand how to merge successful analytics technology with the integration of financial and clinical data, as we didn't at one point. With this analysis and actionable information, businesses can really make a change to take control of their plans."

The company also learned that healthcare cost trends, such as union versus non-union, were culture-specific in certain locations and beyond the company's control. "This information can be so useful for business leaders, and I'm sure there are many who would value better insight on the make-up of their populations," Orque remarks.

Orque also feels that this type of insight is useful for companies both inside and outside the hospitality industry. "It makes no difference at all what industry you're in, in terms of using an HPM strategy to get a detailed, inside look at healthcare costs," she says. "Having that information about your group transcends simply learning about your health population."

Moving From the First Pillar of HPM to the Fourth Pillar

The fourth pillar in HPM, automation, is what drives the holistic approach to health plan management and plan-spend reduction. Automation connects the dots between the analysis and actual member touch and behaviour change. After data analysis is complete, campaigns consisting of care management, health coaching and wellness programs deliver the actual savings through targeted member outreach via various forms of communication including Web, mobile, email, etc.

Affected change and success are able to be measured in an automated fashion by comparing projected savings with actual savings. For the Charlie Palmer Group, the end result is the confidence that the company's proactive HPM approach will result in a 30 to 40 percent reduction in the $900,000 in future undetected costs.

These results are expected to be obtainable as the company now has much deeper insight into their health data. "Having all that information at our fingertips is really the way to go about achieving our goals," states Orque. "More than just reducing costs, we are leveraging technology in a manner that wasn't available two to three years ago in the health plan arena."

About the HPM Institute

The Healthcare Performance Management Institute (HPM Institute) is a research and education organization dedicated to promoting the use of business technology and management principles that deliver better and more cost-effective healthcare benefits for employers who cover their employees.

The Institute's mission is to introduce and develop a new corporate discipline called Healthcare Performance Management (HPM)—a technology-enabled business strategy that tackles the challenge of controlling healthcare cost and quality in much the same way that enterprises have optimized customer relations, supply chain management and enterprise resource management. Supported by its four key pillars—Measure, Manage, Engage and Automate—HPM provides organizations with visibility and control over their healthcare benefits spending trends and risk management postures, while protecting individual employee privacy.

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