

## QUADMED

### BUSINESS DESCRIPTION:

QuadMed was created in 1990 as a subsidiary of leading printer Quad/Graphics as a progressive solution to provide affordable, high-quality health care for Quad/Graphics' 11,000 employees, while controlling escalating health care expenditures. Starting with a small worksite health care clinic at Quad/Graphics' plant in Pewaukee, Wisconsin, QuadMed took the bold, new approach of bringing nearly all primary health care services in-house, eliminating costly middlemen and burdensome paperwork. The results have been extraordinary. Today Quad/Graphics, through its subsidiary QuadMed, employs its own medical staff, operates its own laboratory, pharmacy, fitness and rehabilitation centers, and contracts with local hospitals for specialized and advanced care. Employees more actively participate in preventive health care and spend fewer days in the hospital. This is all at a cost per employee that is 30% less than the average Wisconsin company.<sup>12</sup>

### INITIATION OF VALUE-BASED APPROACH:

The QuadMed program embraces a value-based, holistic approach to health and wellness. QuadMed operates 11 workplace clinics in four states, employing 42 full-time-equivalent providers. These primary care providers actively manage the overall health profile of the employee, serving as the "medical home" for employees and their dependents. QuadMed is also an accountable care organization (ACO), and in some ways is very much like a staff model HMO. Employees are encouraged to select a primary care provider (PCP), and there is open access scheduling with an average of 30 minutes per patient visit. QuadMed acts as its own third party administrator in administering the health plan and has arranged for easy access to level-1 specialists. Level-1 is the preferred level of care and includes primary care at QuadMed's on-site clinics and specialty care, including hospitalization, through a network of providers and facilities. According to QuadMed, Level-1 providers offer the member the best level of coverage.

### PROGRAM OBJECTIVES:

The three main components to the program include:

1. Patient-centered primary care
2. Incentivized wellness programs
3. Proactive management of chronic conditions (along the lines of the Asheville, NC program, with a focus today on diabetes, and a focus on hypertension and asthma to come).<sup>14</sup>

### PROGRAM COMPONENTS:

There are three tiers in the QuadMed plan which is a pure "point-of-service" plan. The weekly premiums (\$24 per single employee; \$37 per couple; \$52 per family) do not vary by tier. Plan participants can receive an \$11 total per-week reduction in their premium if they remain tobacco free (\$9) and have an annual preventive physical (\$2). Incentives are oriented toward use of primary care over self-referral to specialists; therefore, copayments and the percentage of costs covered are different for each of the three tiers. If employees utilize the first tier, which includes the QuadMed on-site clinics and contracted specialists, they pay a \$7 copay per on-site visit. Not surprisingly, about 85% of participants who have geographic proximity use this first tier benefit. Employees can also use a second tier of approved providers at a higher out-of-pocket price, much like a PPO, and a deductible comes into play. For the third tier, the "universe" of all providers, the out-of-pocket expenses are even higher.

Incentives are directed both at members (employees, spouses and dependents) and providers. Salaried providers can earn bonuses based on clinical quality outcomes and customer satisfaction, among other outcomes. Members participating in QuadMed's "Lean You!" wellness program can earn a cash award up to \$400, or a contribution to their flexible spending plan, and pay lower weekly premiums as mentioned above. Copayments for diabetes medications and supplies are waived in order to improve compliance.

An on-site Employee Assistance Program (EAP) works in concert with primary care providers to meet beneficiaries' counseling needs and identify and treat chronic conditions such as depression. Ongoing claims analysis also identifies patient-population needs for preventive screenings, and opportunities to improve compliance with medical and pharmacy treatment. QuadMed has maintained electronic health records for almost 12 years. QuadMed will begin conducting predictive modeling with its new data warehouse partner, Thomson Reuters.

#### PROGRAM RESULTS:

Actuarial analysis has shown that the aggregate spend is one third less than would be expected. This result is due to a mixed bag of price reductions, declines in unnecessary care, use of less expensive drugs and healthier habits.

#### PROGRAM CHALLENGES:

A major acquisition (Quad/Graphics acquired Worldcolor in July 2010) will increase the proportion of employees who lack geographic access to on-site treatment, and therefore the need for more means of engaging individuals in their health "at-a-distance" via the Internet. Instead of the single plan that Quad/Graphics currently has, the Worldcolor group has multiple plans which will eventually be rolled into the single QuadMed program.