

## D CEO Healthcare

### How Award-Winning Dean Foods Flipped Its Healthcare Spend

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One might not expect a dairy company to be a top innovator when it comes to providing healthcare to its employees, but Dallas' Dean Foods has an award-winning benefits plan that is keeping quality high while flipping eight percent annual increases to outright annual reductions.

Dean Foods began attracting attention when it won the Texas Star Award from the Texas Business Group on Health and Health Value Award from the Validation Institute, both for healthcare innovation. Behind milk and payroll, healthcare is one of the top spends for Dean Foods and its 15,500 employees, and several years ago they found themselves in an unsustainable situation for their healthcare spending, with eight percent annual increases.

Vice President for Benefits and HR systems Mike Adams was brought in to help right the ship and transform how Dean was paying for healthcare. Adams has been in the benefit space for 38 years, including 28 years on the plan sponsor side of benefits. With healthcare spending on the rise and the implications of the Affordable Healthcare Act complicating the benefits world, Adams had his work cut out for him.

He knew they needed an entire benefits transformation. He looked at the data for the self-insured company as well as the employees risk profile, and knew they needed to make a shift to increased transparency, a move toward consumerism, and more evidence-based medicine.

Prior to 2014, there were 28,000 members on the health plan offered through Dean, but only 3,200 had done their annual physicals. That means there were thousands of ill plan members who were not getting health interventions until something more catastrophic, and expensive, forced them to get treatment. Adams knew they needed to catch these issues earlier and try and prevent them if they wanted to save on their healthcare spending in the long run.

The company wanted to increase preventative care, and said that if employees and dependents wanted to keep benefitting from their subsidized healthcare from Dean, they needed to get an annual physical, meaning their healthcare costs would nearly double. Partnering with Quest Diagnostics for biometric data, they learned a great deal about their employees from the physicals. That year, the number of annual physicals went from 3,200 to 27,000.

Almost 20,000 received a biometric screening, and the data was sent to the insurance carrier, who could intervene, set up services, or provide health coaching to avoid risk factors before health issues became

more expensive. The health coaching would address gaps in care, manage diabetes, weight, or high blood pressure among other things for plan members.

Another problem was that plan holders weren't shopping around for better-priced services, especially radiology and imaging. In the 75204 ZIP code, MRIs for a shoulder without contrast ranged from \$392 to \$3500, Adams said. Dean Foods installed a concierge that would help members find the best-priced MRI or CAT scan using reference-based pricing connected to Medicare prices. If the member went to a low cost imaging center, the company would pay for it, but if not, the bill was the on the member. "Employees got the memo," Adams says. "There were very few instances of going over the reference-based price."

In 2015, as part of a benefits rebrand, Dean Foods enhanced the health savings account and added a high deductible health plan, which would add incentive for employees to shop around when looking to spend on healthcare. The used a plan advisor tool that allowed members to put in their information and how they spend money on healthcare, and it helped them select the plan that best fit their use of the healthcare system in an attempt to improve use of the in-network providers.

Even with increased shopping, the huge uptick in annual physicals meant that costs went up initially. Interventions were needed, and more people were using the healthcare system, but the thinking was that catching these issues early would benefit the bottom line in the long run. By 2016, costs were leveling off as plan holders and their dependents addressed their health issues and spending came under control.

In addition to improved costs, absenteeism due to hospital stays and missed work benefitted the company, customers, employees and their families.

But by 2018, Dean Foods' five-year trend for healthcare spending was negative, Adams said, even with the spike in 2014-2015 after the increased physicals. Healthcare spending was down 4.5 percent over the period, with 6-7 percent and 12 percent reductions for medical and prescription spending respectively. Prior to changes, the company was experiencing eight percent annual increases.

Reducing the plan members' risk, increasing awareness, and giving employees a number of solutions had made a significant impact, but another way to cut spending down was to remove individuals who were no longer eligible for the plan, such as divorced spouses or children who had aged out. An independent audit helped the company remove those individuals from the plan.

Another strategy was addressing the musculoskeletal spend, always near the top of large companies healthcare costs. With the help of providers, the company installed an evidence-based care pathway that would guide members away from surgery unless it was absolutely necessary, as many MSK surgeries are worthless and can even make things worse. According to a [study](#) of local MSK claims by

DFWBGH with the help of Aetna, Cigna, and Blue Cross Blue Shield of Texas, the standard care pathway will result in \$624 worth of treatment per episode, while not following it will nearly triple the cost at \$1,836.

Via an app, employees are guided to walk through the care pathways with a practitioner. It guided patients toward physical therapy, pain management, chiropractors, and stem cell treatment before surgery. If surgery was necessary, Dean incentivized employees to use one of the centers of excellence, which bundled the costs of the operation and kept it in the network. For some scheduled operations like back fusion or bariatric surgeries, the centers of excellence were mandatory. For others, employees had travel reimbursed to go to one of the centers. The plan avoided insurance altogether and was paid for by Dean and the employee.

Last year, Dean Foods implemented a centralized service through Quantum Health to receive every call from employees around healthcare, whether it is to schedule a surgery or find a doctor. Funneling patients through one number allows them to intervene and avoid unnecessary care, or point families toward low cost and high quality providers and services. Quantum fielded 100,000 calls from employees in 2018.

“The environment has changed in the healthcare market,” Adams says. “We have to find a way to make employees more engaged in the healthcare system – give them data and the way to do something about it.”

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