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EDITORIAL

Obstructive Sleep Apnea and Health Benefits Purchasing: An Employer Perspective

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Employer purchasing of health benefits is undergoing a transformation. Benefits personnel are becoming more savvy healthcare consumers, broadening their long-standing focus on cost management to embrace a value-based approach that also incorporates quality and outcomes. This commentary provides insight into current employer healthcare purchasing practices from the perspective of a former sleep center co-director who is now a corporate medical director who supports employer health benefits purchasing strategy development. Sleep medicine physicians and sleep center management will benefit from a better understanding as to how employers are making decisions, and some potential future employer purchasing scenarios.

Current State of Sleep Disorders in Working Populations and Implications for Employers

Recent estimates of the prevalence of obstructive sleep apnea (OSA) have ranged from 3% to nearly 20% in adult populations.[1,2] Despite a general recognition that sleep disorders are common and are associated with significant health and productivity costs, the prevalence of undiagnosed OSA cases is substantial. Between 80% and 85% of individuals with OSA are estimated to be undiagnosed.[2] A range of national organizations have instituted awareness campaigns among employers as well as the population at large in an effort to overcome this barrier to effective management.

The cost to employers of OSA is considerable. OSA-associated healthcare costs include both the direct expenses of OSA diagnosis and treatment, as well as those from associated conditions, including diabetes, obesity, depression, and hypertension. Individuals with sleep problems are also less likely to be productive at work, averaging 7.9 more absence days and 7.5 more presenteeism days (lost productivity while at work due to fatigue or other health-related concerns) than those without sleeping problems.[3] Additionally, an increased incidence of occupational injuries among individuals with sleep apnea further compounds the employer cost of this condition.[4]

Implications of Effective Treatment: Sleep Disorders Management as a Strategic Business Investment

Research has demonstrated reductions in employer healthcare and disability costs following effective sleep apnea treatment.[5] This finding may, in part, be due to improved management of OSA-associated chronic conditions, including hypertension, diabetes, depression, and obesity. With the favorable impact of OSA treatment on these comorbid conditions, employer interest in effective OSA diagnosis and treatment is only likely to increase.

Further enhancing employer interest in sleep disorders management is the expanded recognition of the workplace safety risks of OSA. While initially a focus of regulatory compliance among drivers, increasing awareness of the general safety and lost productivity issues associated with sleep disorders is growing. Accordingly, employers are increasingly recognizing the substantial value potential for program offerings to identify and manage OSA.

Employer Costs of Diagnosis and Treatment as a Barrier to Promoting Diagnosis and Treatment

However, employers face a sizeable cost burden associated with diagnosis and treatment of OSA. With a near-term healthcare cost-containment focus, employer interest in expanded diagnosis and management of this condition is tempered by current up-front diagnosis costs, in addition to suboptimal adherence to therapy. Current employer interest appears most focused on health promotion and incentive strategies, where smaller investments may ultimately yield a potentially more substantial healthcare cost impact. Chronic condition management also remains an important focus, with recognition that improved disease control can result in lower healthcare costs.

Health System and Employer Health Benefits Innovations

Technological advances have yielded out-of-center polysomnography testing devices that appear comparable to traditional sleep center services for the diagnosis of sleep apnea for most patients.[6] While these home-use services are not yet widely disseminated, they have the potential to improve both access and convenience for selected patient populations. With increased awareness of this technology among high-deductible health plan enrollees and risk-bearing accountable care organizations, interest and demand for out-of-center testing is certain to rise.

At the same time, employers are becoming more knowledgeable healthcare purchasers, and are increasingly engaged in identification and incorporation of high-value healthcare services as part of comprehensive health benefits. Application of business supply chain management principles to healthcare purchasing has employers more effectively aligning their efforts with the Triple Aim goals of quality, efficiency, and cost. Examples of this include employer direct contracting for worksite clinics, Centers of Excellence for high-cost surgical procedures, and patient-centered medical homes, as well as narrow network development for high quality healthcare services. As an innovative payment strategy, bundled pricing is increasingly being used by employers to establish a fixed cost for the identified services. This payment approach has the effect of more closely aligning employer and healthcare provider interests, eliminating incentives for fee-for-service, as well as creating an incentive to optimize care delivery efficiency and minimize errors.

Complementing employer supply chain management are innovative employer benefit design strategies that incentivize health plan beneficiaries to direct individuals toward the use of these high-value services. For example, employers may implement a reduced or waived co-pay for selected high-value services, such as the Wal-Mart Centers of Excellence program, where eligible beneficiaries have no out of pocket costs for their surgical care.[7]

Alternatively, some employers are incorporating a so-called reference-based pricing strategy, where a financial coverage maximum is established for a series of specific procedures, typically ones that can reasonably be commoditized, such as CT and MRI scans. Health plan enrollees can choose any provider for these services, but if the negotiated cost with the health plan exceeds the employer-established maximum, the patient is then responsible for the difference in cost. This strategy is intended to help individuals recognize variability in cost among different local service providers, using a financial incentive to steer individuals toward comparable quality, lower cost options.

These employer considerations highlight the fact that employers are becoming more discerning purchasers of healthcare services. The days when health plans dictated utilization and purchasing decisions are waning, as employers appreciate that they alone are best positioned to manage their investments in health and productivity. Not surprisingly, employers face a steep learning curve to understand the comparative value of the healthcare offerings included in their benefits offering. This scenario therefore represents an excellent opportunity for sleep center experts to articulate the value of sleep disorders diagnosis and management to interested benefits personnel.

Implications for Sleep Disorders Diagnostic Testing

Employers are facing a growing confluence of awareness of the health and productivity costs of sleep disorders (the problem), together with growing involvement in healthcare supply chain management and innovative benefit design as a means to identify and promote use of cost-effective, high-value services (the solution). The demonstration that out-of-center polysomnography can serve as a reasonable and cost-effective substitute for traditional sleep center-based testing[8] is likely to garner increasing employer interest.

As employers assume a more active role in their healthcare purchasing, how might this scenario play out? One possibility is that employers create a tiered benefit design where sleep studies for eligible individuals are performed by out-of-center testing services as a lower patient cost alternative to traditional sleep center evaluation. This is particularly important for employers with substantial benefits enrollment in high-deductible and consumer-based health plans, where individuals have greater responsibility for managing their costs. Another possibility is that employers contract directly with portable testing companies for both diagnosis and management, using a "carved-out" bundled pricing approach. A third scenario is that employers may choose to incorporate a reference-based pricing approach to steer patients toward lower cost, comparable value services such as home polysomnography. It is also possible that in the near future, employers may choose to contract with an accountable care organization (ACO), with the expectation that the ACO will assume responsibility for maximizing the use of out-of-center polysomnography testing as a means to maximize shared savings potential.

Sleep center directors need to understand that transformation in both healthcare supply chain management and benefit design is occurring rapidly. No longer are health plans the sole decision-makers regarding specific coverage and benefit design recommendations. Employers are rapidly becoming knowledgeable purchasers of healthcare. With the prevalence and total costs of sleep disorders in the workforce, it is likely only a matter of time before employers begin to implement innovative and aggressive cost management strategies. Once the value of these innovative models becomes more widely known (as with the previously described Centers of Excellence program), implementation can be expected to accelerate rapidly. The direct contracting precedent has already been established for diagnostic sleep studies in the transportation industry.

Looking ahead, employers will continue to expand their value-based approach to healthcare purchasing. Employers can be expected to demand more from healthcare providers, with progressively greater focus on efficiency, outcomes, and cost. Benefits strategies will be used by employers to create a financial incentive to direct individuals to use those services yielding the greatest demonstrable value. Sleep center personnel that fail to respond to these market changes may well be in for a rude awakening.

CITATION

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