

Employers, Value-Based Purchasing, and Racial/Ethnic Disparities in Health

Meredith B. Rosenthal, Ph.D.
Harvard School of Public Health

Employers' Role in the U.S. Health Care System

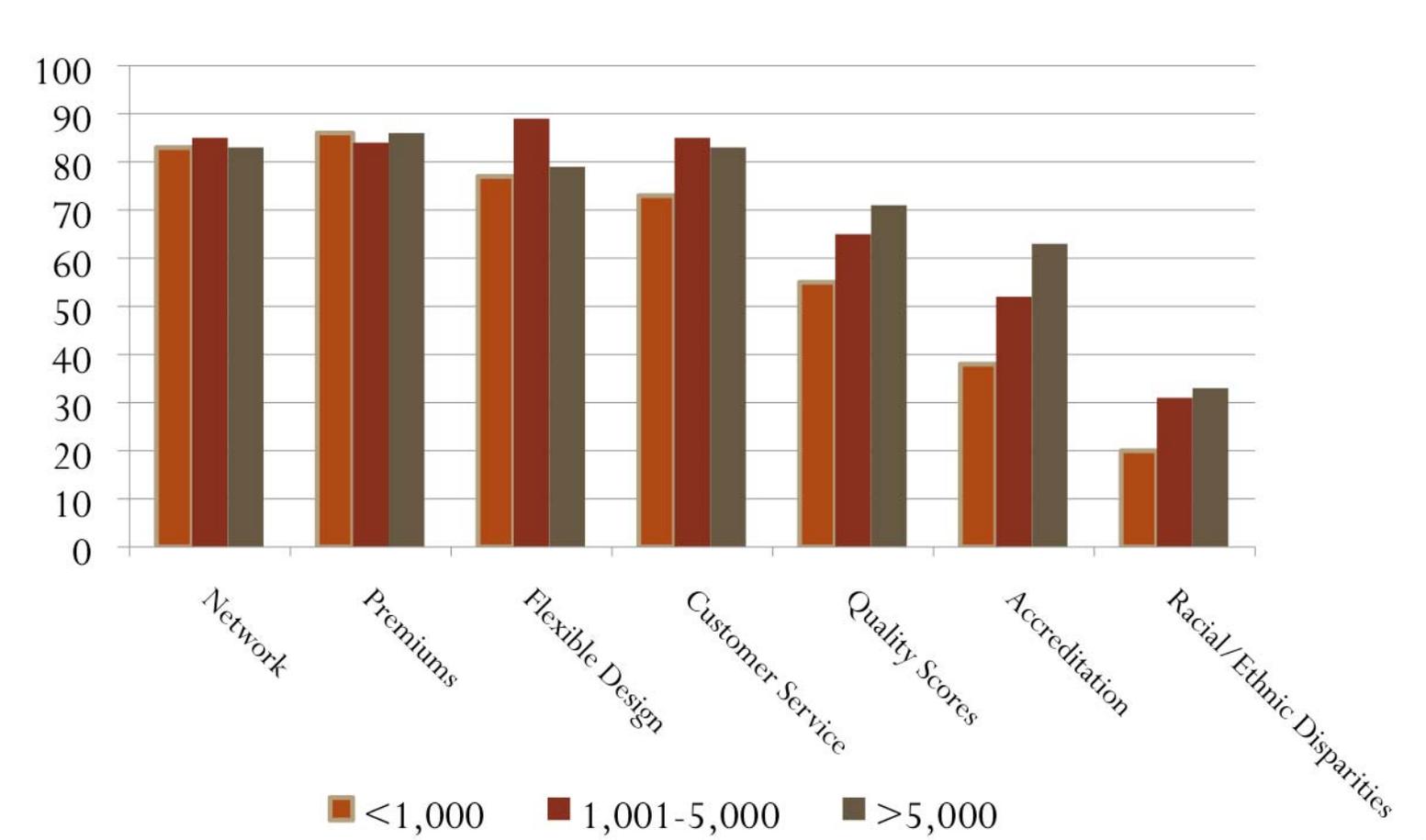
- For historical and other reasons, employers are involved with insuring roughly 60% of the non-elderly U.S. population
- Employers offer insurance as a valued part of compensation — employees give up cash wages to get these (and all) benefits
- Incentives are to spend this money wisely: more value (lower cost, better quality) means minimizing compensation for a given level of labor quality*
- Good examples of employers that demonstrate commitment to improving value in health care: e.g., the Leapfrog Group

*Productivity concerns may be part of the “business case” too; but these are likely to be small relative to labor market concerns.

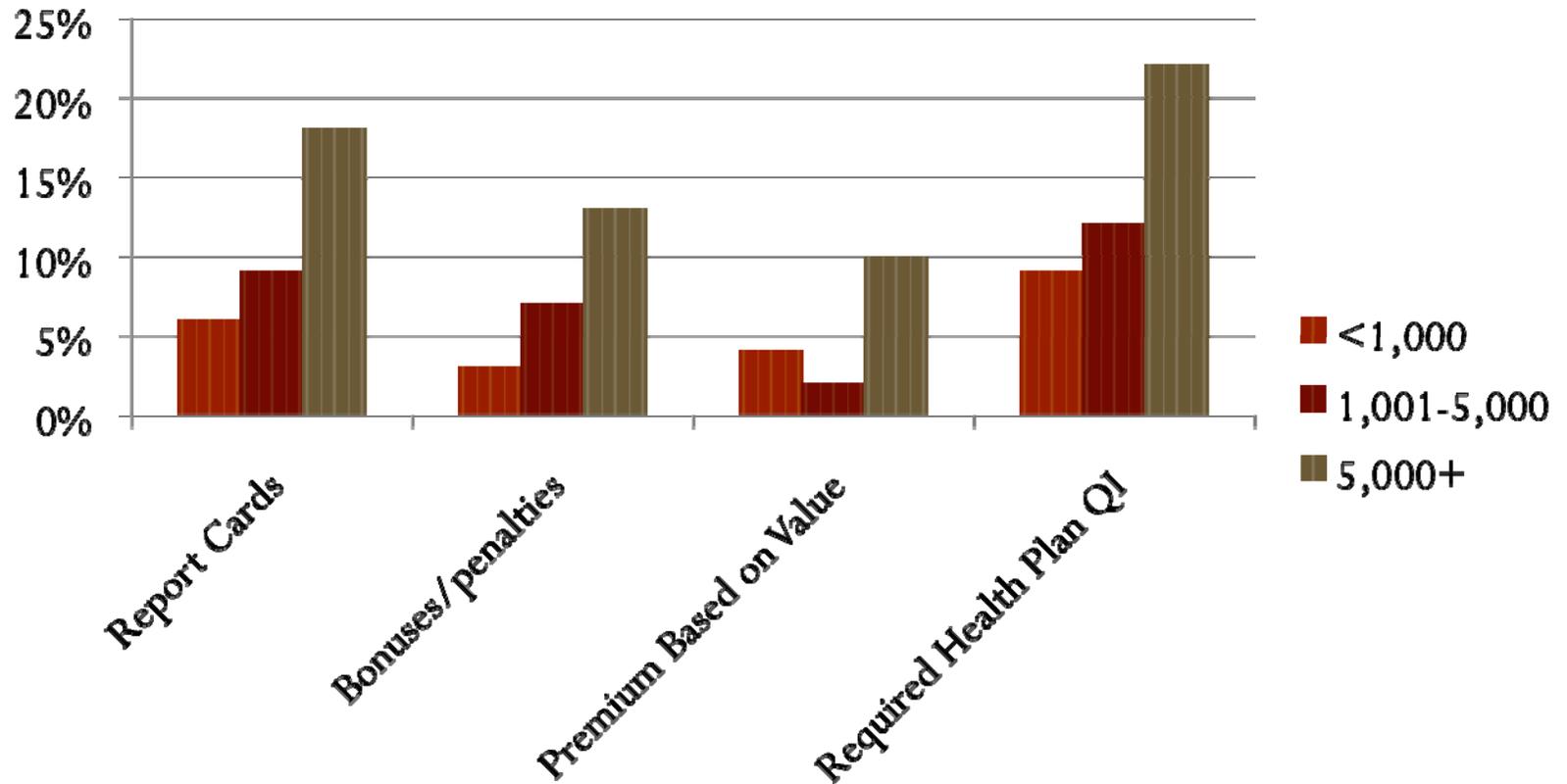
Value-based Purchasing (VBP)

- Explicit efforts by employers and other benefit sponsors to improve quality and cost-efficiency of care
 - Selective contracting and incentives for health plans
 - Provider-centered approaches
 - Quality, cost-efficiency measurement, reporting
 - Pay for performance
 - Employee-centered interventions
 - Incentives for health behavior
 - Health coaching
 - Disease management
- VBP is the logical framework for thinking about employers role in reducing disparities

Employers' Ratings of Health Plan Characteristics as Moderately/Very Important



Percentage of Employers Using Specific VBP Tactics



Employer Views on Disparities

Viewpoint	Percentage responding “a lot” or “a moderate amount”
How much do racial and ethnic disparities in health care exist in society?	58%
How much opportunity do you have to reduce racial and ethnic disparities in health care?	49%
How much impact do you have on health plan efforts to reduce disparities?	47%
How much do health plans vary in their effectiveness at reducing disparities?	20%

Employer Efforts to Assess/Address Disparities

- Based on initial interviews/pre-tests, we asked only about two activities:
 - Assessing disparities among employees either directly or through health plan partnership (3%)
 - Using VBP tactics (e.g., selective contracting, incentives) to encourage health plans to address racial and ethnic disparities (3%)

What Are the Implications for Engaging Employers in Reducing Disparities?

- Employers are still not keenly focused on health care quality (because they perceive no return or the costs are too high?)
 - Coalitions on health may be a more cost-effective route if the question is cost/capability vs. no return
- Influential purchasers (jumbo employers) may still move market
 - The most important predictor of health plan pay for performance (i.e., incentives from plans to providers) was having at least one performance contract with an employer
- All this is true for disparities and moreso
- Given public good nature of disparities reduction, coallaboration and public policy are critical