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DMOs Find Stable Population, Disease Prevalence Rates Appealing

Unions Emerging as Major Growth Sector for DM Firms

With their relatively stable memberships, extensive healthcare data bases and populations with high prevalence rates of chronic diseases, employee unions are emerging as a major new growth sector for disease management (DM) firms eager to expand their books of business.

Many of the major DM players are now either working directly with unions under contract or in the process of engaging them, and they see this emerging market segment as a significant area of growth for themselves in the near future, *DM News* has learned.

There appears to be no single dominant DM player in the union space at this point, but LifeMasters Supported SelfCare is one of several major DM firms that are actively targeting unions as a specific business expansion strategy. LifeMasters has been investigating the potential of unions for the last year, and it currently has a marketing person devoted specifically to growing this business segment for the company, says Derek Newell, senior vice president of client relationships for LifeMasters, who is spearheading the South San Francisco, Calif.-based DM firm's efforts to penetrate this emerging market segment. LifeMasters is implementing the union strategy as part of the firm's overall plan to expand its DM book of business with employers, Newell tells *DM News*. "It's definitely something we've decided to pursue," he says. "This is a sub-segment within the employer market that we're focused on. We think there is a

real opportunity here."

Unlike most other DM firms that have identified unions as a potential growth category for their services, LifeMasters has moved beyond the investigational phase and has signed a deal to bring its DM programs to unions. "I would say we're in the first phases of the early acquisition of our first union customers to see how this is going to work," Newell says. "There are significant challenges associated with serving this market segment, and I don't know how some of those will work out. So we'll be trying to understand which unions and which types of workers will have the best types of outcomes if they participate in DM programs."

Unions have a number of characteristics that make them appealing to LifeMasters from a business standpoint, according to Newell. "Unions have been declining steadily, but there is a pretty stable base of unions in the United States," he explains. "They have a relatively stable population, and people are loyal to them. They also spend an enormous amount of money on healthcare for their populations, so they are a very attractive segment for us. We're really excited to be working with our union customers and to address the unique challenges they present."

People tend to stay longer in unions than they do in non-union jobs, so there is also a longevity issue that is very positive from LifeMasters' point of view, Newell adds. "In health plans, people often churn through relatively quickly, and even in some employer seg-

ments, from a service perspective, people will move through the employers relatively quickly. But if they are unionized employees they may have a high turnover, but they almost always stay with the same union. So buying DM services through unions from that perspective makes a lot of business sense."

Another trait that LifeMasters finds attractive about unions is their ability to serve as data aggregators among several small employers that lack the capability to aggregate healthcare claims data on their own, Newell says. "The union can serve as an aggregator of small employers because they usually aggregate the healthcare claims data and manage the healthcare claims processing," he says. "The union becomes a natural avenue to aggregate large numbers of small employers."

The demographics of employee unions are also favorable for DM firms with regard to the ability of DM organizations to have an impact on overall health status, according to Newell. "There are a lot of people with chronic illnesses [in unions] because it's an aging population," he explains. "There's quite a bit of chronic disease prevalence. Also, unions tend not to get favorable hospitalization rates because they don't have a lot of leverage like large employers. So they find DM appealing as a way to cut hospital costs. Our experience has been that unions don't do nearly as good a job at negotiating favorable hospital services contracts as the major employers because they don't have the same leverage. This allows us the opportunity to provide a higher

return on investment (ROI) to them.”

Newell expects that to be the case when it runs its ROI calculations for the one union it currently has under contract, the Hotel Employees and Restaurant Employees International Union. LifeMasters signed the deal about a year ago, so it expects to undertake some ROI calculations in the not-too-distant future. And if the outcome news is good, LifeMasters intends to leverage those results and capitalize on the affiliative nature of unions to capture additional union business, Newell says. “Once you get a couple it’s easier to get more,” he says. “That’s true in all of sales, but even more so with unions. Once you get a few under your belt, you have this ability to market more successfully to other ones.”

Moreover, Newell believe that “a few successful wins” among union customers will also give LifeMasters greater leverage with employers. “If you get the union on board with you, then you might be able to leverage that with an employer contract if the employer has that union working there,” he explains. “A major employer that is significantly unionized is very likely to purchase the same services that its union purchases when it is thinking about expanding its health benefits offerings because the union is not going to change once they’ve decided. So [the union market segment] provides you with leverage in multiple markets.”

Many of the same favorable characteristics that Newell cited have driven ActiveHealth Management to pursue unions as a business expansion strategy, says Lonny Reisman, M.D., chief executive officer of the New York-based population health management and data analytics firm. ActiveHealth has yet to sign a DM contract with a union customer, but it has taken at least one major step in attracting union customers by gaining the endorsement of the International Union of Operating Engineers (IUOE) to provide its DM pro-

grams and services to IUOE members. Under the endorsement arrangement, IUOE will encourage its 155 locals, totaling 390,000 members, to offer ActiveHealth’s DM programs and services to their members.

The endorsement is a critical part of ActiveHealth’s strategy, but it doesn’t necessarily bring union membership with it, Reisman says. “It’s an endorsement with an expectation that the support of these groups will result in actual business with the various chapters that make up these unions,” he explains. “That’s where we are right now. We’re going after the various chapters. We are pleased and honored to receive these endorsements, but at some level that’s where the effort to capture market share begins. We’re excited about the opportunity. This is the beginning of a journey that we think relates to penetrating a significant market segment. We’re pleased by the results so far and expect that this will be a very significant piece of business for us.”

APS Healthcare is another DM firm that expects unions to be a significant piece of new business in the near future. The Silver Springs, Md.-based health management firm is driving its union strategy by partnering with HMC Companies, a healthcare consulting firm with established relationships with unions, Taft-Hartley Trust Funds and other union-like entities. The partnership opens the door for APS to deliver its DM programs to more than 2 million union members served by HMC Companies, says Richard Kodora, APS’ executive vice president of sales and client services.

“It has been my experience having done this for 20 years that you don’t just knock on the union door and they let you in,” explains Kodora, whose firm recently signed its first DM contract with a union customer, a local chapter of the International Brotherhood of Teamsters in Chicago. “You need someone to help you get in. They are like employers. If you try to work with them they typically

engage a consulting group to help them understand what they need to do with their benefit design and who they should be working with to maximize clinical and cost outcomes.”

Unions and other union-like entities such as Taft-Hartley Trust Funds find DM programs appealing because they are very health benefits-conscious, Kodora believes. “They see benefits as a serious area, and they try to assemble robust offerings for their members. So they are looking for organizations like us to provide solutions to how employers can continue to provide the health benefits they’ve come to expect at a lower cost or in ways that can save them money.”

Kodora believes the union population is one that can particularly benefit from the DM programs that APS and other DM firms provide. “Many unions have an aging population among active and retired members,” he explains. “We see this group as one that can benefit from the cost savings that we can bring to the table, and we see disease management programs as an important benefit that can be part of future union benefit negotiations over the long term.”

But penetrating this potentially profitable market segment is not without its challenges, Kodora stresses. “Unions are very paternalistic,” Kodora says. “Their membership is very important to them, and they are very savvy in terms of what they need for their members from a healthcare perspective.”

This population typically also may have had less-than-optimal health maintenance behaviors, Kodora adds. “It’s a group that experiences a lot of back pain, may not eat well and smokes more. They have higher risk factors for chronic diseases and illnesses. From a health behavior perspective, these people probably haven’t been the best. They may not have embraced the most healthy lifestyle in the past.”

But the leaders of the unions Kodora has talked to understand that and appear to be willing to

look at how they can help their members embrace a more healthy lifestyle. "We're getting a lot of traction in this marketplace," he says.

Nonetheless, helping unions understand why DM will help them and their members, and getting past some of the barriers to behavior change, will be an interesting challenge for APS, Kodora admits. "But it's one we're up to because of our expertise in this arena," he adds.

Newell also believes LifeMasters can effectively confront the challenges it has identified in serving union customers. The same demographics that make unions so attractive to LifeMasters also make them a somewhat risky and difficult population to serve, he says. "Demographics can be a challenge depending on the union," Newell explains. "Many union workers are somewhere between Medicaid and white collar workers. With white collar workers you have the ability to have more consumer-driven healthcare because they are much more sophisticated in their knowledge of healthcare benefits. They also tend to have a higher level of education."

Union workers, on the other hand, tend to be largely high school-educated. Moreover, depending on the union, the members could have strange working hours, which can make contacting them for DM purposes challenging,

Newell says. Many service union workers in the hotel industry, for example, work odd hours. "They're sleeping when we're working, and then they're working when we're sleeping," he explains. "Trying to set up a call schedule can be a challenge for these people."

With other unions, the work members do is seasonal, which means they may move from location to location throughout the year. The population may be stable in terms of a union's members remaining part of the union, but maintaining continuity of service as they move from place to place for seasonal work can be difficult, Newell says. "They are a mobile population because of seasonality issues. There can be a lack of continuity there as people bounce off and back on health benefits rolls. We've worked out a deal with one union customer where we don't bounce people off the program right away if they lose eligibility. We keep them on for a couple of extra months because they often are rehired or land new jobs in the same union."

Newell has also learned that it is hard to generalize the union population. "What we're learning is that all unions are not alike. It's like our experience in serving Medicaid populations. We say, 'When you've seen one Medicaid program, you've seen one Medicaid program.' The same holds true with unions. When

you've seen one union, you've seen one union. You really have to go in and understand each one individually. That creates a higher cost of sales."

Despite these and other challenges, Newell, Reisman and Kodora are optimistic their union strategies will pan out for their DM firms and segment leaders will slowly emerge as they have with market segments like Medicaid DM. "There's no clear market leader like there is in some of the other segments," Newell says. "We're exploring and trying to figure out which types of unions would be best to work with and how to work with them most successfully."

Adds Reisman: "Given the credibility we have with many large employers, the endorsement we've received from unions, and our ability to convey a genuine message of being able to help unions manage their members' chronic diseases and illnesses, we are pretty enthusiastic about having success in serving this market segment. We're giving it our all right now."

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