



SELF-INSURANCE on **Steroids**

**Rosen Hotels & Resorts Gains
Greater Control of Costs Through
Comprehensive Approach to
Onsite Corporate Medical Clinic** by Bruce Shutan

Harris Rosen has long been a captain of industry, but he has a surprising affinity for the mission behind self-

insuring employee health care costs and the HR field in general for which he has become a thought leader of sorts and delivered eye-popping results.

His hotel career began as a personnel department file clerk at the famed Waldorf Astoria in New York City before managing some of the larger Hilton hotels and serving as director of hotel planning at the Walt Disney Company. He's now president and chief operating officer of Rosen Hotels & Resorts in Orlando, Fla., which was founded in 1974. All but one of his seven hotels with 6,323 rooms is located within a few miles of one another.

The silver-haired Rosen with a kindly, almost grandfatherly-like demeanor deeply believes that providing health benefits to his 5,300 associates and their families is the right thing to do and his passion for the topic is obvious whenever he's interviewed.

He has even tried to promote this vision in political circles as a much more prudent alternative to the Affordable Care Act. Under the RosenCare concept, every company that employs 150 or fewer people would provide health insurance in exchange for a tax credit from the federal government of up to about \$4,000 per individual. A traditional tax deduction would be available for those over the 150-person limit. In a recent meeting with local lawmakers and their number-crunchers, Rosen was told the U.S. could save more than \$1 trillion a year if every company replicated his approach.

That philosophy – and enthusiasm – spills into other parts of the company benefits package. He provides a profit-sharing plan based on seniority

and free college education for the children of his employees as long as it's in the state of Florida. Employees who work for him at least five years also have the option of going to college. In addition, Rosen has made philanthropic contributions to his local community.

It should come as no surprise that the boutique hotel chain's turnover rate was about 12% last year, which is significantly lower than the U.S. Bureau of Labor and Statistics' latest estimated average of 62.6% for the hospitality industry.

Building a better onsite clinic

A key ingredient to the company's success in managing its employee health care costs is that it built a unique onsite corporate clinic to help turbo-charge self-insurance. Just ask Mike La Penna, a principal with the La Penna Group, Inc., who has helped develop workplace health clinics that are considered industry models and wrote the first book on this topic.

"We reference Rosen as an important example of how things are done and done well," he says. "I've been to their former site and their new site... I'm not sure there's anything that Harris Rosen can't do."

There are several ways the Rosen Medical Center differentiates itself from other onsite clinics, according to La Penna. One is that the company manages the facility itself as opposed to hiring an outside vendor – an approach that also has been taken by Perdue Farms and Quad/Graphics. The clinic also does its own medical claims administration and has an aggressive structure that manages the point of service, including huge cost drivers involving pharmacy benefits.

"They try to get out beyond the onsite clinic and determine what's the best value for hospital care, lab care, imaging care, pharmacy, whatever it is," whereas primary care physicians typically haven't a clue as to finding those resources, he explains. "My podiatrist doesn't care where my best value for a hospital is, but if I'm a Rosen employee, and I need an infectious-disease consult, they already know where the best value is, and they'll get me right in."

La Penna doesn't believe that self-insured companies have taken full control over their employee health care costs and that adding an onsite clinic to the mix will elevate their efforts. "Onsite clinics absolutely consolidate information and patient behavior," he says. "The self-funded employer in a lot of cases has got some power, but they just haven't exercised it." He describes this impressive combination as self-insurance "on steroids."

Humble beginnings

Rosen initially tried to fully insure his employees more than 25 years ago, but quickly soured on the experience when rates one year soared 60% more than anticipated. Then he stumbled upon a happy accident: A plan to convert the company's growing accounting office's 1,500 square foot space into a daycare facility, which could accommodate only about 30 or 40 children, ended up becoming an onsite primary care clinic that operates under the company's self-insured umbrella.

"The most amazing thing happened," Rosen recalls. "Our cost per covered life with the traditional insurance company was about \$2,000. After the first year of doing the primary care ourselves, being self-insured, negotiating with specialists and a hospital, our cost per covered life was around \$750. We had saved \$1,300 per covered life."

Today, that cost is about \$3,000 per covered life among a roughly even split of full-time employees and their dependents. And the Rosen Medical Center is now 12,000 square feet with a staff of 38 primary care physicians, specialists, nurses and administrators. An onsite pharmacy and fitness facility featuring Zumba, Tai Chi and other activities also are provided.

Patients receive a free annual checkup to help prevent costly claims, with \$15 co-pays for all other doctor visits and referrals to specialists if needed. The company pays barely half of the annual per-employee cost of care relative to fully insured plans (roughly \$4,000). "If you have a family of five or six or seven or eight or nine, the most you pay is \$2,500, and \$2,500 for hospital care," Rosen says.

From a provider perspective, this model allows doctors to focus on their core competencies. "Our docs don't

have to worry about renting a store front," he told Fox News. "Our docs don't have to worry about accounts receivables. Our docs don't have to worry about malpractice. Our docs don't have to worry about advertising and marketing for patients."

They can relax with patients and spend up to 25 minutes on a single office visit to devote more time to examining the root cause of their ailments rather than rush them out the door. This measured approach ultimately will save on hospital stays and other major expenses, as well as help increase productivity.

The path to 8:1 ROI

RosenCare isn't just about using an onsite clinic for primary care; it's also about channeling employees "in the appropriate direction for their disease modality," La Penna observes. "The question we often ask is, 'what

if your employee got the correct care at the correct time from one of the more efficient providers located at an efficient hospital?'"

The key part of that equation is for primary care physicians to be deployed as part of a mature program that funnels critical information to employees and provides immediate access to the most efficient care. "That's why Rosen posts the big margins, not always because of the onsite clinic," he says. "You're not getting a cheaper medical event when you go to an onsite clinic. It's not a unitary thing; it's a systemic thing."

Rosen Hotels & Resorts has saved more than \$225 million on employee and dependent health care costs since 1991 relative to the traditional fully insured model with a staggering 8:1 return on investment. "I know that sounds too good to be true, but it's true," says Ashley Bacot, the company's

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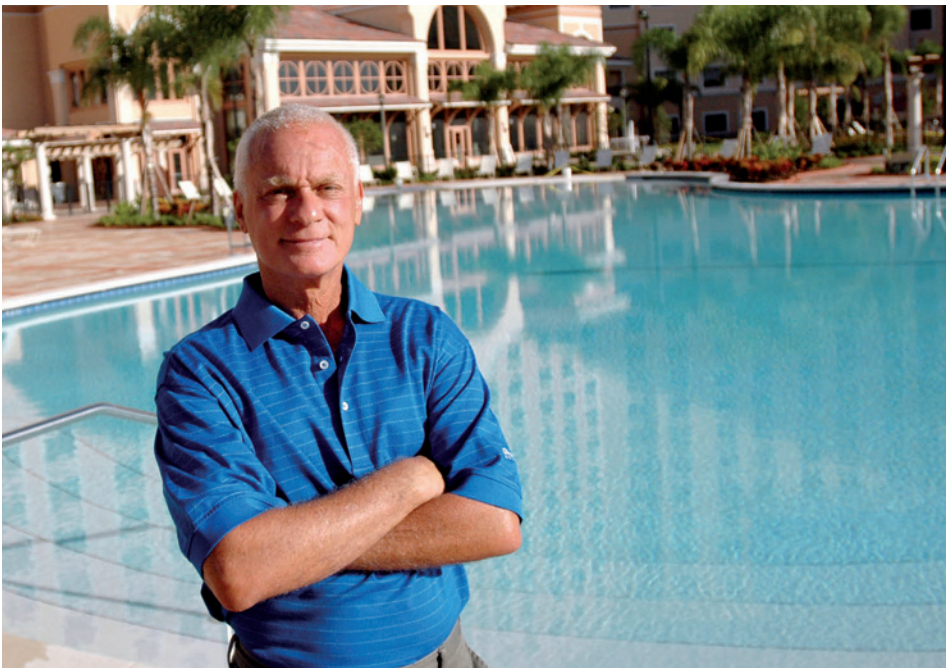
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risk manager and president of its affiliate insurance agency ProvInsure, adding that about 80% of those savings occurred in the past 15 years.

He also notes that any comparisons between the Rosen Medical Center and other onsite clinics ends with the décor: "When you drive by our primary care facility and their primary care facility at 35 miles an hour, it all looks the same, but ours is drastically different. What happens at a lot of onsite clinics is that will be used maybe for workers' comp injuries and minor illness."

Rosen Medical Center doctors coordinate every aspect of employee and dependent care, which he says results in costs that are "30% to 50% less than an identical demographic would have using the conventional health care model.

All that coordination pays huge dividends that are making people well and preventing them from having to ever go to the hospital, catching them in the pre-diabetes state, etc. The effort includes obtaining less expensive prescription drugs from abroad with no employee co-pay and ensuring the right medication is taken in a timely manner under the supervision of a single doctor. About half of everything prescribed is free.



Harris Rosen, chief operating officer of Rosen Hotels & Resorts in Orlando

Rosen Hotels & Resorts works directly with a local hospital chain to help better manage costs on the backend of the health care cost equation, and in rare instances, will cover care that requires deeper specialization in another facility.

Anywhere from 200 to 250 of the most frequently prescribed medications are kept at the onsite clinic and can be filled immediately so that employees do not have to leave the script to be picked up as they might need to with a retail pharmacy. The clinic also can customize drug tiers to its covered population without the need for a comprehensive pharmacy benefits manager.

"Everything about our program is about low barriers to care," Bacot explains. "So if you have a housekeeper at the hotel who makes \$10 or \$12 an hour, you don't want to be on a prescription plan that costs \$30 for a co-pay, which is not uncommon these days, because they're going to say, 'I'm going to have to work four hours after taxes. That's a half a day. I'm going to try to weather this thing out and take something over the counter.'"

Human capital improvements

By making health care so accessible and affordable to its employees, the boutique hotel chain is able to leverage its investment in human capital by not only improving health outcomes, but also employee satisfaction, morale and loyalty.

Jonni Kimberley, Rosen's HR director, is bullish about the power of onsite corporate medical clinics and likens her boss's health care approach to the patient-centered medical home care concept. "We know that there's a way to save and still provide great care," she says, "but I think it's the only way to really have the process live optimally. You're not going to be able to have a medical center be as successful without it being self-funded and have ownership control of that process."

For smaller employers that cannot afford to develop their own onsite clinic, Kimberley suggests they band together under a co-operative approach to leverage their purchasing power and ensure that the facility is conveniently located to the employee base.

Mindful that certain aspects of business cannot be managed unless they're measured, she admits that "treating people's health has really a lot to do with what the patient is willing to share with you about their lives and habits."

Says Rosen about his health care dream for the nation: "Our families love it. Our individuals love it. And we keep our health costs down by being very proactive, health and wellness-oriented. It's a program that we believe not only works for us, but could indeed work for every employer in America." ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 25 years.