

Case Study

Langdale Industries: Innovative healthcare management at a mid-sized company

For most mid-sized businesses – here I’m referring to firms with 200-5,000 employees – health risk management can be a difficult task. Health benefits managers in these companies have far fewer resources, typically work alone without the benefit of staff, and are often overwhelmed by the complexity of their tasks. Held accountable for their organizations’ health costs, they often default to whatever the brokers and health plans suggest.

But a few excel. For them, managing the many different issues – e.g., chronic disease, patient engagement, physician self-referrals, specialist and inpatient over-utilization, pharmacy management – is a discipline. A couple years ago, I was introduced to someone like this.

Barbara Barrett was trained as a paralegal. She is now General Manager of TLC Benefit Solutions, Inc., the benefits management arm of Valdosta, GA-based Langdale Industries, Inc., a small conglomerate of 24 firms with 1,000 employees, engaged primarily in wood products for the building construction industry, but also in car dealerships, energy and other concerns.

Valdosta is rural, which puts health benefits programs at a disadvantage. Often there is only one hospital nearby and so little cost competition. Rural Georgians also may have lifestyles that make them prone to chronic diseases, which are expensive. And so on. You get the idea.

Here’s the interesting part. Since 2000, when Barbara assumed responsibility for the management of Langdale’s employee health benefits, per employee costs have risen from \$5,400/year per employee to \$6,072/year per employee in 2009. That’s an average health plan cost growth of 1.31 percent per year.

I compared Langdale’s health plan cost growth to the average commercial coverage inflation rate for an employer with 200+ employees provided in the Kaiser Family Foundation/Health Research and Educational Trust (KFF/HRET) 2009 Employer Health Benefit Survey. The calculation showed that, in those nine years, Barbara’s management allowed Langdale to provide its 1,000 employees and their families with comprehensive medical, dental and drug benefits for \$29 million less than the average of other firms that size. That’s a nine-year savings of \$29,000 per employee, or an average of \$3,200 per employee per year lower than the national average. All without reducing benefits or transferring the cost burden to employees, and while quantitatively improving quality.

So how did Barbara approach the problem? Here are a few of her steps:

- Under her leadership, Langdale set up TLC Benefit Solutions, a HIPAA-compliant firm that administers and processes Langdale’s medical, dental and



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- drug claims. This allowed Barbara to more directly track, manage and control claim overpayments, waste and abuse.
- The claims also gave her immediate access to quality and cost data on doctors, hospitals and other vendors. She supplements these data with external information, like Medicare cost reports for hospitals in the region. This allows her to identify physicians and hospital services that provide low or high value.
 - She then created incentives that steer patients to high value physicians and services and away from low value ones. When complex services necessary to treat certain conditions are not available or of inadequate quality or value locally, she shops the larger region, often sending patients as far away as Atlanta, three and a half hours away.
 - She analyzes the claims data to identify which patients have chronic disease and which patients are likely to have a major acute event over the next year. Chronic patients are directed into the company's opt-out disease management/wellness/prevention program. Acute patients are connected with a physician for immediate intervention. She provides Langdale's employees and families with confidential health advocate services that explain and encourage use of the company's wellness, prevention and disease management programs. And she uses incentive programs to reward patients who enter these programs and meet targets.

Barbara has mounted many more initiatives in group health, but her responsibilities also extend to life, flex plan, supplemental benefits, retirement plan, workers' compensation, liability and risk insurance. The results for Langdale in these areas include lower than average absenteeism, disability costs and turnover costs.

The point is that Ms. Barrett and Langdale have been pro-active, endlessly innovative, and aggressive about managing the process. That attitude and rigor has paid off through tremendous savings, yes, but it has also produced a desirable corporate environment that demonstrates that Langdale values its employees and the community. The employees and their families are healthier as a result, and are more productive at work. This has borne unexpected fruit. The industries Langdale is in have been hit particularly hard by the recession, and the benefits savings Barbara's efforts generate have helped save jobs.

Barbara Barrett and many others like her on the front line are virtually unknown in health care. Most often, their achievements go unnoticed beyond the executive offices.

But they manage the health and costs of populations in a way that all groups should and could be managed.

Excerpts from "On Really Managing Care and Cost" by Brian Klepper, a health care analyst.

