



Home-grown network

Building a better health benefit, Perdue Farms contracts directly with physicians and hospitals

By Craig Gunsauley

Managed care obviously has its share of detractors these days, but at Perdue Farms, it's never been a viable option anyway.

The privately held poultry company has some 21,000 employees working in rural facilities in 15 states. And Perdue finds there are very few managed care networks operating in the small towns and farm communities that host its processing and cooking plants. Since opening its first processing plant in Salisbury, on Maryland's Eastern Shore, the company has offered an old-fashioned self-insured indemnity plan to provide health care coverage.

Even with a fee-for-service health plan, access and affordability remained obstacles for some company employees. Perdue's response: A new emphasis on preventive services, health education and wellness activities that encourage healthy lifestyles and reduce personal risk factors.

To ensure that employees get high-quality medical care at reasonable rates, the company has spent the last decade negotiating agreements with local hospitals and building

preferred provider networks with physicians who practice in the 22 communities hosting Perdue Farms facilities. The company is also building and opening onsite health care clinics at all its plants to provide services to employees and dependents.

Direct contracting has come in and out of vogue over the past two decades, its popularity often swinging on cost inflation trends. For some firms, however, demographic realities are hard and fast.

"We're a large player in small communities," explains Roger Merrill, M.D., corporate medical director at Perdue Farms headquarters in Salisbury. "In most areas, there aren't six hospitals to choose from. There's usually one hospital in town and another one 30 miles away."

Perdue Farms has already established long-term relationships with many community hospitals and local doctors who provide health care to company employees. Now, some 40 hospitals have signed network contracts with Perdue, establishing prices, service levels and quality of care measurements.

Delivering wellness

"When people hear about our onsite Wellness Centers, they think we're talking about health clubs," Merrill says. "When you walk in, it doesn't look like a health club. It looks like a doctor's office."

The onsite facilities provide primary care services, conduct wellness activities such as cancer screenings and health risk assessments, and provide treatment for chronic conditions like high blood pressure, asthma and diabetes. Ten wellness centers are currently operating and 12 more are scheduled to open within three years, according to Merrill. About half of the employees at each facility obtain care at an onsite Wellness Center every year.

Physicians, therapists, midwives and other locally based medical providers contract their services to Perdue, making the onsite centers extensions of their private practices. This gives them autonomy over patient care and allows the Wellness Centers to serve as primary care facilities, offering professional care and confidentiality to Perdue employees.

Employees who access the centers make a \$7 copayment through payroll deduction. To encourage utilization, hourly employees can attend appointments during working hours, without clocking out or losing pay.

The centers are open during evening hours to serve dependents. Bilingual doctors and nurses are available to assist Spanish-speaking employees, a fast-growing segment of the Perdue workforce.

Perdue hopes that providing convenient, low-cost medical care for employees and dependents will encourage higher utilization. "These are folks that for various economic and noneconomic reasons, have historically had difficulty getting medical care," Merrill says.

Perdue's health benefit plan emphasizes preventive medicine, wellness screenings and targeted intervention that aims to improve the health of employees and dependents.



Health risk appraisals are conducted at health fairs as well as during monthly activities at the onsite Wellness Centers. Merrill says Perdue employees have experienced dramatic reductions in catastrophic illnesses as a result of the wellness screenings and interventions.

"We have an aggressive approach to folks diagnosed with chronic conditions such as asthma, hypertension, diabetes and pregnancy," he says. "We identify those people, give them the opportunity to see the appropriate physicians, then assure that follow-up visits, lab work, prescriptions and instructions are followed, within the confines of the appropriate personal privacy regulations."

Building local networks

Perdue has negotiated preferred provider network agreements with physicians in Alabama, Kentucky, North Carolina, South Carolina and Tennessee, covering about half the company's employees. Over the next two years, PPO networks will be established in Florida and Indiana. Complete network coverage should be in place by 2003, according to health care consultant A.J.

Lester, president of Houston, Texas-based A.J. Lester & Associates.

Lester says that Perdue has been able to negotiate very favorable discounts with doctors while building up its networks, with rates 30% to 50% below "retail" prices.

"We expect a better price, but more importantly we expect more service from our physician PPO networks for our people than they otherwise would get," Merrill says.



In an era of double-digit health care cost increases, Perdue has experienced medical inflation of 2% to 3% annually since 1994, Merrill says. "Our cost per capita is dramatically lower than the national averages for private employers, which range from \$3,500 to \$3,900 per employee per year."

"The benefit plan stays the same once the network is in place," Lester explains. "The big thing we've been able to do is significantly reduce costs for Perdue by aggressively negotiating."

Doctors are willing to give employers good discounts in direct negotiations because these plan sponsors don't attempt to tightly manage the delivery of care and service and control utilization, Lester explains.

CIGNA serves as the third-party administrator for Perdue's indemnity plan, reconciling and paying claims and providing preauthorization and case management services.

"When it comes to that day-to-day micro-management of hospitals and physicians that managed care organizations

try to do. Perdue is not in that business," Lester states.

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Perdue's fee-for-service plan pays physicians for the time they spend with each patient rather than capitated fees. This structure provides incentives for primary care physicians to take enough time with each patient to engage in preventive medicine, arrange tests and screenings, and encourage lifestyle changes that reduce long-term health risks.

"We don't do anything to keep the patients out of the offices, and we don't do anything to cut the fees of the primary care physicians," Merrill comments. "We set up the system so that it promotes the delivery of high-quality medical care."

"We definitely do a better job of delivering health than any other system I've seen in 25 years of practicing medicine," he says.

Perdue's paternalistic approach pays off through increased retention, according to Bob Bullock, HR director in Salisbury. Besides opening Wellness Centers and building PPO networks, Perdue has undertaken a number of benefit program changes to better meet the needs of employees.

Last year the company introduced Coverage Plus, a flexible benefits plan that allows employees to choose and buy additional dental, vision and life insurance benefits. Perdue associates can choose PPO coverage or an open-choice health plan that provides indemnity coverage.

Perdue also converted its traditional defined benefit plan to a cash balance design last July. The company also maintains a 401(k) plan with a dollar-for-dollar match on the first 5% of employee contributions.

The benefit changes were introduced after human resource managers spoke with employees and conducted focus group meetings at all Perdue facilities two years ago, Bullock says.

"Fifteen years ago, we recognized the trends. We've been very aggressive in our retention plans," Bullock comments. "The people who work in the company are the company. What we do and how we do it is because of them." - **C.G.**