

Quad is fast becoming a model for companies desperate to control double-digit rises in healthcare costs, according to The Wall Street Journal, which featured Quad/Med in the following front-page story on February 11.

Radical Surgery

One Cure for High Health Costs: In-House Clinics at Companies

*Wisconsin Firm Saves Money
By Hiring Its Own Doctors;
Patients Get More Time*

A Hard Sell for Some Workers

By VANESSA FUHRMANS
Staff Reporter of THE WALL STREET JOURNAL
February 11, 2005



Leonard Quadracci

WEST ALLIS, Wis. -- Last year Quad/Graphics, one of the nation's biggest printing companies, spent about \$6,000 per employee on medical costs, 30 percent less than the average company in its home state of Wisconsin. Its 12,000 workers spend fewer days in the hospital and take their medicines more regularly.

Even more unusual: Quad provides most of the care itself. Starting with a small plant clinic in 1990, Quad has brought nearly all of its primary health care in-house. As the whirl of its giant presses hums through the waiting-room wall, company doctors and nurses practice everything from pediatrics to gynecology.

"Instead of trying to put a Band-Aid on a broken model, we wanted to build primary care from scratch," says Leonard Quadracci, the brother of Quad's late founder and head of its medical operations.

Quad is fast becoming a model for companies desperate to control double-digit rises in health-care costs. Dozens of companies have toured Quad's clinics looking for inspiration. Those weighing plans to build their own in-house clinics include Toyota Motor Corp.'s North American manufacturing division, Kohler Inc. and Miller Brewing Co.

Other companies already do so, among them Perdue Farms, Sprint Corp. and Pitney Bowes Inc. Perdue runs its own medical center with specialists in fields such as podiatry and neurology and a pharmacy stocked heavily with generic drugs. In 2004, its medical costs per employee rose just 1 percent, after falling 0.75 percent in 2003. Quad's costs have risen less than 5 percent annually over the past five years, although preliminary estimates show the rise last year was about 9 percent because of some catastrophic claims and higher drug costs.

Many employers probably couldn't replicate the Quad or Perdue model. Companies need to have a large number of employees concentrated in a few places for in-house clinics to make economic sense. And Quad has a history of harmonious relations between management and workers. Its workers aren't unionized. At many other companies, workers would be less likely to trust a company-owned clinic to protect their privacy and put medical need over cost-saving.

"Quad is more creative...than most large employers," says Ford Titus, chief executive of ProHealth Care, which owns two hospitals and several primary-care groups in greater Milwaukee.

He adds that it's possible more companies will provide limited health care, "but do I see the Quad approach as a widespread movement? No, I don't."

Nonetheless, the early success of these efforts amounts to an indictment of the U.S. health-care system's inefficiencies. Though the U.S. spends more on medical care than any other country, it ranks behind many developed nations in bottom-line measures such as life expectancy. Employers, who pay much of the health-care bill, point to a disjointed market in which doctors and hospitals are motivated to push as many patients as possible through the system, rather than making them healthier.

And while the managed-care industry negotiates discounts and tries to control costs on companies' behalf, they often increase them by adding multiple layers of administration.

"The U.S. health-care delivery system is neither a system nor does it deliver health," says Roger Merrill, chief medical officer at Perdue. Besides running its own clinics, the chicken giant contracts directly with outside doctors and hospitals instead of using a health insurer's provider network.

Quad, too, has devised a system that seeks to cut out middlemen, bureaucracy and reimbursement paperwork. The company employs its own internists, pediatricians and family practitioners -- 26 doctors in all. It operates its own laboratory, pharmacy and rehabilitation center, and contracts directly with local hospitals and specialists for advanced care.

Doctors' bonuses are tied to patient evaluations and health outcomes -- not how many patients they can squeeze in every day. Quad doctors see only one patient every half-hour, using the extra time to ask about other health problems and give advice on disease prevention. Employees pay just \$5 a visit.

Quad's medical division, called Quad/Med, has had such success that the company has started a business operating in-house clinics for other companies. Quad says revenue from the outside medical business is still small compared to the company's \$1.9 billion in total annual revenue.

Decades ago, it was common for factories to keep a company doctor on hand to take care of on-the-job aches and pains. The new wave of in-house clinics, however, seeks not to supplement doctors but to replace them with a full lineup of primary care.

Quad spends more on primary care than most companies -- \$715 for each person in 2003 compared with an average of \$375 at other local employers, according to Quad's figures. It says the time and money devoted to prevention help keep employees and their families from the offices of higher-priced specialists and the hospital. Quad spent an average of \$1,540 per employee in 2003 on hospital costs, compared with a local average of \$2,250.

"What we've learned here is that when primary care is done right, the results can be amazing," says John Neuberger, business manager of Quad's medical division.

Harry Quadracci started Quad as a print shop with 11 employees in 1971. Even after it developed into a major player in the industry with contracts to print Newsweek and other magazines, Mr. Quadracci still lunched with employees in the company cafeteria. They often brought up problems with medical claims or doctors' appointments. Meanwhile the company's medical costs were surging. Quad built its own printing machinery, made its own ink and did its own catering, thought the boss. Why not its own health care?

"I told him, 'You've got to be crazy,' " recalls Leonard Quadracci, Harry's younger brother. Harry had pitched the idea to Leonard, then a doctor in Seattle, over the Christmas break in 1988. The more Harry talked, though, "he made good sense," says Leonard, who eventually left Seattle to run Quad/Med. (Harry died in 2002 at age 66.)

The first Quad clinic opened in 1990 at the company's Pewaukee plant with just one doctor, a nurse, a receptionist and a closet-sized laboratory. Since then, it has built two bigger medical centers for workers at its southeastern Wisconsin plants. The centers have X-rays, echocardiogram machines, optometry and physical-therapy facilities. There's a fourth clinic at Quad's plant in Saratoga Springs, N.Y.

Marlene Haverkamp, a 49-year-old production manager at Quad, felt extreme fatigue and thirst one morning two years ago. When she called the clinic, she learned her doctor was out, but the receptionist pressed her to come in within the half-hour anyway. A quick test established that her blood-sugar count was 600 milligrams per deciliter, a level that can be life-threatening. Though she was fit, the diabetes that ran in Ms. Haverkamp's family had caught up with her.

"Anywhere else, I would have waited for an appointment or ended up in the hospital," says Ms. Haverkamp. She now sees the doctor every few months and sometimes sends her an e-mail with a question. A diet and exercise program that the clinic and company wellness center help her maintain has kept the diabetes in check since.

About 80 percent of Quad employees and their families use the Quad clinics as their main source of primary care and other common services such as prenatal and skin care. The other 20 percent prefer going to outside doctors although that plan costs more. Together, the Quad clinics logged 60,500 patient visits last year, plus another 19,000 in its dental clinics.

Quad pays its doctors about \$130,000 to \$160,000 a year -- comparable to what the average general practitioner makes in greater Milwaukee. On the outside, the typical doctor needs to rush through 25 or 30 patients a day to make more than that. Drs. Quadracci and Neuberger describe traditional health care as a "production" model, where doctors and hospitals are rewarded by how many patients they can see or admit.

Because Quad invested early on in electronic medical records, it can easily cull data to see how well it's meeting national health standards and to determine doctors' bonuses. Of patients with high blood pressure, 92 percent of those who go to Quad take regular medication to keep it in check. The U.S. average is 40 percent, according to data from health plans collected by the National Coalition on Quality Assurance. Nationally, 26 percent of mothers give birth by Caesarian section, but only 12 percent of women who get prenatal care at Quad do.

The information "is a real eye opener, but it also shows where we have to do better," says Dr. Quadracci as he shakes his head with impatience. He has been looking at the clinics' patterns on prescribing antibiotics and found overuse.

Some Quad doctors say they were initially skeptical about working in a corporate clinic. "When I interviewed, I said 'I don't want to just take care of sore throats,' " says Ann Merkow, an internist who left the general medical practice she took over from her father to join Quad nine years ago.

But she says she found it rewarding to work with incentives built around patient health. At her own practice, she says, 80 percent of patients were on Medicare, where doctors are reimbursed per visit but don't get paid for preventive care. "In the other model, you almost get punished for taking time for patients," she says, "There were many years I made less than teachers in the area."

For employees, privacy is a big issue: They don't want personal details about their health to end up in their boss's hands. Quad says all medical staff must sign confidentiality agreements promising to keep patient details within the clinic. Its computer systems are separate from those of the factories.

Wally Parrott, a recently retired trainer of pressroom workers at Quad, says the biggest obstacle for him was the fear that the clinic's doctors were second-rate. For several years, he dropped by the clinic when he had a cold or other minor ailment. But for his diabetes, he saw a renowned specialist with a large practice. "He had a lot of credentials," says Mr. Parrott, "but I wasn't getting much individualized care" -- even when he started to feel odd stomach pains six years ago. He landed in the hospital with a heart attack and ended up switching to a doctor he knew at Quad for all his basic care. "I don't worry that he's sending me for all sorts of tests or medicines just to do it," he says. "I trust him, just like a good mechanic."

One of Quad's early challenges was negotiating directly with hospitals and doctors for specialty care, such as Mr. Parrott's heart surgery, that the in-house clinics don't handle. No other local employers had done it before: They all used health-insurance companies such as UnitedHealth Group Inc. or Humana Inc. to make those contracts. Some hospitals balked. "They'd say, 'What if every company wanted to have a special arrangement?'" says Mike LaPenna, a consultant based in Grand Rapids, Mich., who has helped Quad and other companies set up their own clinics.

Quad got around the problem by contracting with a limited number of hospitals, promising higher volume in exchange for discounts. While Quad employees can still sign up for traditional health plans that offer fairly open access to outside doctors, most are on the cheaper Quad/Med plan. That plan requires employees to use in-house clinics for primary care and a small network of nine hospitals and 400 specialists for specialty care.

Quad is now branching out by selling its health-care services to other companies. In some respects the process resembles the early history of Kaiser Permanente, a popular health-maintenance organization in California and several other states. It has its origins in a health-care system for workers at Henry J. Kaiser's shipyard during World War II.

Two Wisconsin-based employers, Briggs & Stratton Corp. and Rockwell Automation Inc., have contracted with Quad to run full-service clinics for their employees. For Briggs, a maker of small engines for lawn mowers and other outdoor equipment, the move came after its Milwaukee-area medical costs doubled between 2000 and 2003.

"We'd done just about everything you can to tinker with the current system," says Jeffrey Mahloch, Briggs's vice president of human resources. Because of sometimes-contentious relations between management and labor, Briggs turned to Quad instead of operating its own clinic directly.

The Briggs clinic, opened in 2003, remains a hard sell with some union workers. But it logged 8,000 visits in its first year, more than the company expected, and shaved \$500,000 in health and worker-compensation costs. Buoyed by the success, Briggs opened a second Quad-operated clinic last July at its Poplar Bluff, Mo., plant. There, the clinic has been so popular that several other big employers are drawing up plans to build their own joint clinic, although the town of 17,000 already teems with dozens of medical practices and a two-campus hospital.

"There's only one way to avoid paying more and more for the health-care system," says John Shiely, Briggs's chief executive, "and that's for corporations to get back into the health-care business."

