

## The New EAP Purchasing Realities

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### The New EAP Purchasing Realities

Rather than try to demonstrate their value, EAPs should try to understand purchasers' needs and provide services and programs to meet them.

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In a recent issue of the Journal of Employee Assistance (Sharar 2009), four of our industry's leading thinkers shared their insights into the current state of affairs for EAPs, how the field has changed over the past 20 years, and the biggest challenges facing the industry today. There was consensus on two challenges, the first being the employer's desire to create a more integrated suite of services addressing workplace health and productivity. The second challenge, which is the focus of this article, is demonstrating EAP value and addressing associated pricing pressures that accompany that perceived value.

Currently, EAPs are perfectly priced to reflect the value that the marketplace associates with the product. Despite our desire to have our product seen as more valuable, product life cycle research has demonstrated that a long-lived and mature product comes to be viewed as a commodity. Merriam-Webster defines a commodity as "a good or service whose wide availability typically leads to smaller profit." Sound familiar?

In a 2007 article in the Harvard Business Review, John Quelch, a professor of business at Harvard University, identified three strategies to undertake in a commoditized marketplace:

**Innovate.** Make the product better at meeting customer needs. The EAP field has done this repeatedly, transitioning from alcohol and drug programs to managed behavioral health care partnerships to work-life initiatives. Today, EAPs are looking at a number of strategies to create new product lines, especially through the integration of health and workplace productivity.

**Bundle.** Include ancillary services with your product as a way of differentiating it and creating greater value for the purchaser. In the insurance industry, EAPs are being bundled with short-term disability and health insurance to increase the value of insurance products. In the EAP industry, "Web only" work-life services are being included to increase the value of the EAP without adding significant costs for purchasers.

**Segment.** With mature markets typically being large, there exists a potential to segment a market by appealing to customers that may be willing to pay a higher price for a more specialized type of product. In so-called "boutique" EAPs, products such as executive coaching, crisis management, and even concierge services may create greater value in the marketplace.

#### What Does Your Customer Want?

Ultimately, marketing strategies are determined by customer needs. EAP customers typically are human resources or benefits managers (including those within labor and Taft-Hartley groups), and their major purchasing focus is finding a way to address the rising costs of health care (see Figure 1).

HR and benefits professionals have addressed this issue through a number of approaches that have affected EAPs. In the 1980s, efforts to reign in health care costs included bundling EAPs into behavioral health plans and then encouraging (or requiring) employees to use their EAP benefit prior to accessing their behavioral health care benefit. In the 1990s, a time of general economic expansion, EAPs added work-life services to help employers address issues of workforce retention. In recent years, HR professionals have again turned to EAPs as a source of cost savings by bundling them into a "free" service typically offered by their long- or short-term disability vendor.

Notwithstanding the EAP industry's desire to be seen as a valuable workplace benefit, most HR and benefits managers view EAPs as a commodity, with little differentiation between providers. As a result, we are now witnessing the bundling of low-cost EAPs with other products (such as short-term disability) that provide a better value offering to the purchaser. However, if EA professionals can help purchasers find a remedy for their major concern—rising health care costs—perhaps a new value and pricing power can be assigned to EAPs.

There are three ways that purchasers typically perceive EAPs:

The EAP as a risk mitigation service. This model represents the EAP industry's most commoditized version, in which the employer is interested in contracting with an EAP to have a service available "in case something happens." For the employer, this approach amounts to having an EAP on retainer, one that can easily be "bundled" with disability or insurance products.

Employers that purchase a risk mitigation version of an EAP are not interested in promoting the service or concerned about utilization levels; they want assurance that if someone shows up for work in an obviously inebriated state, or if a workplace death or other critical event occurs, assistance is just a phone call away. For these purchasers, telephone models may provide the best type of EAP service at the lowest cost. The HR manager, meanwhile, has minimal expectations for training, consultation, marketing or promotion.

The EAP as a workplace benefit. This is the model familiar to most EAP and HR managers. The EAP is an active participant in the organization's overall workplace benefit structure, with a 5-7 percent utilization rate expected. In addition to providing critical incident support, training and consultation, and performance management assistance, the EAP offers promotion and marketing services as well as reports.

In this model, the HR director has clear expectations about the role and participation of the EAP, but there is little or no connection with other health-related services such as behavioral health, disability and care management. Due to this lack of integration, many HR professionals are turning to the risk mitigation model as a way of saving money on their EAP while still receiving basic EAP services.

The EAP as a health and productivity management (HPM) tool. As employers address rising health care costs, one obvious solution is to identify strategies to improve workers' health. Not only will healthier employees use fewer health care dollars, but research indicates that these programs also improve workplace productivity (Chapman 2005; IBI 2004).

HPM includes the following initiatives:

- Health promotion and lifestyle improvement programs such as tobacco cessation, weight management, physical activity, and stress management;
- Chronic care disease management programs for patients diagnosed with conditions such as diabetes, heart disease, and depression;
- Integrating data from physical, behavioral and pharmacy claims, employee health risk assessments, and biometric screenings and creating a comprehensive picture of employees' current health and future potential health risk;
- Improving short-term disability and family medical leave management by centralizing information related to leaves of absence and providing services that help create a successful return-to-work scenario; and
- Predictive modeling, which identifies employees likely to incur increased medical costs and for whom better lifestyle management may delay or help avoid a worsening condition.

Most stand-alone EAPs and EAP providers do not see themselves as partners with or contributors to HPM initiatives, although some national EAP firms such as ComPsych, United Behavioral Health and Cigna have undertaken important initiatives in this area. ComPsych's work with The Hartford Insurance (Hartnett 2007) contributed an important finding related to the impact of EAPs on workplace disability durations. United's Behavioral Health Division is creating integrated medical-behavioral capabilities to provide services to support co-morbid psychiatric conditions that occur in conjunction with primary medical conditions. Cigna recently won an award from the Institute for Health and Productivity Management for including EAP services that "help employees manage stress and develop a healthy work/life balance," saving employees an average of 6.5 hours in their search for child care, elder care and other services.

#### Meeting Your Customers' Needs

If HPM services continue to gain traction, we can expect that EAPs will again be called upon to tailor their service offerings to meet employers' needs to better manage health care services and costs. The EAP industry could remain in a reactive mode, expecting that our current value proposition is viable and hoping that HR and benefits managers will assign additional value and dollars. A more proactive option is to move toward HPM models, which can be integrated into current EAP benefit designs as suggested by the National Business Group on Health (2008) and other wellness experts (O'Donnell 2001).

This market bifurcation toward either low-priced risk mitigation products or specialty collaborative services focused on health and productivity management may include the following EAP models:

Risk mitigation models. In the risk mitigation-retainer model, services will be delivered primarily via telephone and the Internet. In-house counselors will provide the bulk of care, with network providers being used based on request or need (such as for an alcohol evaluation). Electronic tools such as work/life resource Websites, live secure chats, social networking, and online training and consultation services will allow the EAP to reduce direct costs and offer easy scalability for clients and customers.

As this is designed to be a "retainer" model, the expectations of employers will shift, with less emphasis being paid to utilization and more to a "total use" metric or "impact measurement." While metrics and utilization are important (NBGH 2008), the employer will be more interested in managing costs and overall health and wellness rather than targeting a specific utilization number (which has never been tied to any workplace or health-related outcome).

Health and productivity models. In addition to the core technology integration discussed by the National Business Group on Health's EAP Work Group (2008), EAPs should be on the lookout for other health and productivity opportunities, including collaborative health and wellness services, disability support services, and enhanced and integrated reporting.

Collaborative health and wellness services. EAPs are a perfect partner for workplace wellness services. While employers' health promotion services are primarily provided by their health plan or specialty vendor, EAPs can assist in the delivery of these programs by providing certain support programs. For example, EAPs can work with health coaches to provide onsite behavior change strategies, such as tobacco cessation or weight management programs. Through consultation with health coaches, EA professionals can provide value by offering a more personalized and individualized approach to health behavior management.

In addition, EAP-focused programs such as stress management initiatives may be able to go beyond generic stress programs offered by wellness vendors and address the specific causes of stress affecting an employee or work group. There are few truly effective stress management programs, so EAPs can claim this area as their expertise, working in partnership with employers to develop targeted interventions.

Disability services. Short-term disability (STD), long-term disability (LTD), and family medical leave (FML) represent enormous opportunities for cost savings and improved workplace productivity. Currently, tens of millions of dollars are being lost through inadequate management of these services, and companies are responding by moving aggressively to improve both the reporting and management of disability. EAP involvement is attractive to an HR or benefits manager since the EAP can provide additional care support to employees.

If the EAP can help return employees to work sooner, then the direct costs of disability (days off from work and the hiring of replacement staff) can be directly measured and reported.

In a study conducted by the Hartford Insurance Company, Carol Hartnett (2007) reported that the mere presence of an EAP reduced the duration of STD and increased the number of employees who returned to work. What made this study particularly interesting is that the EAP did not provide any special services to employees—its mere availability and use yielded improvements. It is reasonable, therefore, to consider that active EAP involvement in disability activities may prove even more beneficial for employees and employers alike. Two possible disability roles for EAPs are the following:

1. EAPs can provide direct support for primary psychiatric disability, particularly on behalf of employees attempting to navigate the behavioral health care system. Up to 10 percent of all disability claims are psychiatric in nature (Partnership for Workplace Mental Health 2007), so there are plenty of opportunities for an EA professional to help employees obtain appropriate care, maintain contact with their employer, coordinate care with the provider, and prepare employees for their return to work.
2. The American Psychiatric Association (2007) estimates that between 20 and 40 percent of all medical disability claims have a secondary co-morbid psychiatric diagnosis that contributes directly to the disability and increases the length of time the employee misses work. EAPs, working with the employer's disability and FML management company, can provide important telephone and in-person support, improving and shortening the employee's recovery. In addition, the EA professional's understanding of the workplace could improve the employee's health care and return to work. EAPs could offer specialized disability support counseling beyond the traditional six- or eight-session model, thereby extending services throughout the workplace disability period.

Reporting. Being able to compile accurate and useful data will become essential for any vendor that provides health-related services to employers. So-called "population health management data" are reported to an "integrator" of data, which may be the health plan or a third party. The integrator aggregates the data and presents the results in an "actionable" format to the employer.

Medical and behavioral claims data, health risk assessment data, pharmacy claims data, disability claims data, and wellness participation data typically comprise the primary metrics. EAP data are not currently presented in these reports, although the National Business Group on Health's EMPAQ reporting (NBGH 2009) suggests that EAPs report aggregate data on utilization, participation and costs. While this represents a good first step, it does not take reporting any further than a typical EAP report.

Granted, EAPs and other behavioral health care providers typically resist sharing client or patient information due to confidentiality concerns. However, if EAPs are to maintain their legitimacy as a viable workplace service, the industry must identify alternative approaches to data sharing. A recent issue of *Health Affairs* (Tripathi, Delano, Lund and Rudolph 2009) reported on a study where more than 90 percent of 500,000 medical patients allowed their medical data to be shared widely. The authors reported that their "e-health collaborative" used an opt-in approach (clients had to agree and sign a release to participate) and, most importantly, used a market approach to educate patients about the benefits of sharing information. If EAPs took this kind of approach with clients, the industry might find its clients more willing to allow the sharing of data.

#### Becoming an Active Partner

Over the past 60 years, EAPs have responded and adjusted to the evolving workplace and the demands of our purchasers. In today's economy, the key issue for employers is to address health care costs. By using strategies to improve employees' health, employers will not only gain healthier workers but more energized and productive employees who may well need and use fewer health care resources.

The employee assistance industry can become an active partner in these initiatives by enhancing service offerings and finding ways to partner with the many health care vendors that deliver services to employers. Once EAPs become part of employers' efforts to improve the health of their workforce, they may experience an increase in their value and enjoy enhanced revenues.

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