GM Cuts Different Kind of Health Care Deal
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General Motors Co. GM 0.21% has struck a deal with a Detroit-based hospital system to offer a new coverage option to employees, upending the traditional benefits setup in an attempt to lower costs and improve care.

The auto maker's agreement with Henry Ford Health System covers everything from doctor visits to surgical procedures. By signing a contract directly with one health-care provider, as other companies have done, GM says it can offer a plan that costs employees less than other options while also promising special customer-service perks and quality standards.

GM's new approach is a departure from the traditional health-benefits arrangement in which companies hire insurers for access to a broader network of health-care providers. In those cases, insurers negotiate the prices with hospitals, doctors and other providers, and the employers rarely have access to the terms that govern their medical costs.

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By doing a direct deal, “we are able to specifically focus on the conditions in the GM population and what we want to improve on,” said Sheila Savageau, U.S. health-care leader for GM. For health-care providers, such contracts can guarantee a volume of patients and give them a chance to try a new setup without betting their entire business on rapid transformation to perform well under new quality requirements and payment models.

GM is the latest of a growing list of employers that are choosing to negotiate their own terms with health-care providers. Some, such as Walmart Inc., have crafted limited direct deals with hospital systems to perform a particular type of procedure, such as back surgeries.

A smaller number of companies, including Walt Disney Co. , Boeing Co. and Intel Corp. , have taken the more-ambitious approach of having the health-care provider manage nearly all of the care of enrolled employees. Such arrangements are typically complicated to administer and generally work only if an employer has a sizable employee base in one region, experts said.

Still, 11% of employers said they plan to do such broad deals with health-care providers next year, according to a survey of 170 large employers to be released Tuesday by the National Business Group on Health. That is up from 3% in last year's poll, the group said. As more high-profile companies like GM try the approach, "employers will definitely take notice," said Ellen Kelsay, chief strategy officer of the employer group.

The Henry Ford plan will be offered to salaried employees in the Detroit area for next year, though not GM's large unionized workforce, which has health benefits negotiated under a labor agreement. Around 24,000 employees, as well as their dependents, would be eligible for the new plan.

Under the five-year contract, Henry Ford agreed to goals for quality, cost and customer service, such as same-day or next-day appointments with primary-care physicians. Among the objectives are reducing hospital admissions and improving management of high blood pressure. The contract includes targets for the total cost of enrollees' care.

If the six-hospital health-care system meets or beats certain goals, it can win extra payments, but if it falls short it might owe money back to GM.

"We believe we can do it," said Wright L. Lassiter III, Henry Ford's chief executive. He said the system already has participated in a Medicare program with some similarities to the GM setup. "Is it a risk? Absolutely…You might deliver less of the stuff that would traditionally generate more revenue." The industry needs to move away from models that reward the volume of medical services, he said.

The existing insurance choices offered by GM will still be available to employees, but the new Henry Ford plan, called ConnectedCare, will save them approximately $300 to $900 a year compared with the current cheapest option, depending on how many people the worker is covering. The new plan will include Henry Ford's doctors, clinics and other operations, bolstered by some other providers, such as pediatricians outside the Henry Ford system.

Other companies have seen benefits from such direct plans. Angela Mitchell, manager of U.S. health-care delivery at Intel, said the company started with one direct contract in 2013 and now has them in five markets. Health costs in the direct-contracted setups are around 17% lower than for traditional plans, she said.

Boeing began its direct contracting in 2015 and has such setups in four locations. The giant manufacturer is planning to expand the approach and is trying a deal with a primary-care practice in Arizona. Jeff White, Boeing's director of global health care and well-being, said it has been valuable for the zcompany that's paying the bills "to sit across the table" from the system that is providing the service.

Insurers often still play a role in the direct-to-provider arrangements. In the case of GM's pact with Henry Ford, Blue Cross Blue Shield of Michigan will manage claims-processing and other functions. "We're a strategic partner with General Motors," said Helen Stojic, director of corporate affairs at Blue Cross.

Still, contracts with ambitious targets and stringent financial requirements can be difficult to manage, experts said.

One system, Providence St. Joseph Health, ended its participation in the Boeing direct-contract program in 2017. Boeing said it was a “business decision” by the health system. Providence said in a statement that it was a “difficult decision” to leave and it was “grateful for Boeing partnering with us and we remain committed to working with them on other innovative health care options.”

Corrections & Amplifications

A new type of health coverage to be offered to some employees of General Motors Co. will save them approximately $300 to $900 a year compared with their current cheapest option. An earlier version of this article incorrectly stated those figures represented monthly savings. (Aug. 6)

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