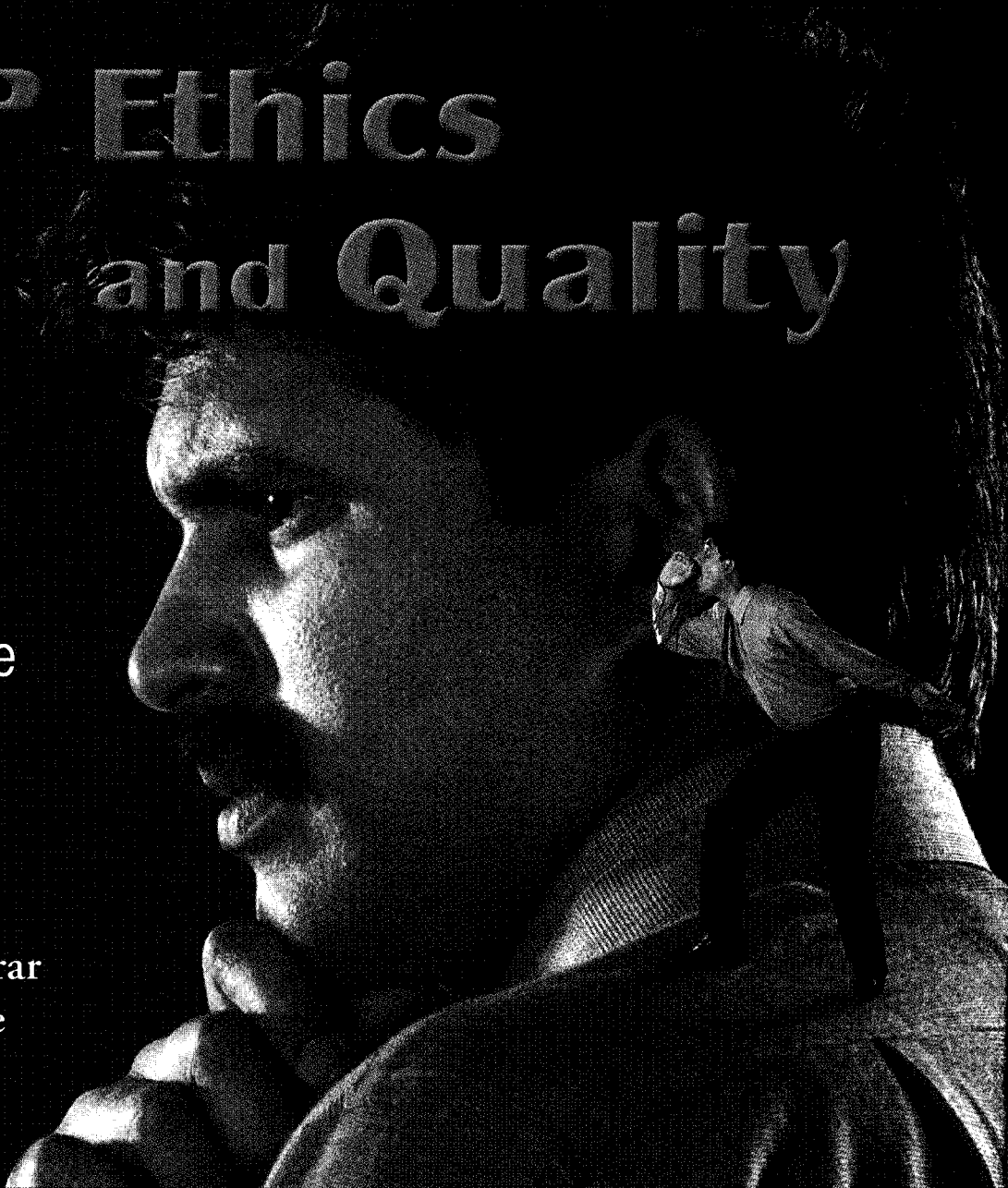


EAP Ethics and Quality



Does national vs. local service delivery make a difference?

By David A. Sharar
and William White

Professionals say they're concerned about quality erosion as a result of the recent trend toward national vendors dominating administration of local employee assistance programs, according to a recent U.S. survey that measured differences in perceptions of ethical problems between respondents working for national and local/regional EA firms.

The survey found, among other things, that a majority of EA professionals say that quality of service is compromised by subcontractors who may lack knowledge and competence, that out-of-state administration may

constrain local response time, and that enrolled local companies may lack elements of a comprehensive EAP, such as adequate training of supervisors to identify troubled workers.

Over the past few years, a series of mergers has yielded a tremendous concentration of U.S. employees covered by for-profit, nationally based EA vendors. In fact, 10 vendors now manage 75 percent of EAP enrollment in the country — with Magellan Behavioral Health, Managed Health Networks and Value Options comprising the Top Three.

As EA service control becomes

concentrated and structured into massive delivery networks, examining ethical perceptions of professionals who work for national, local and regional vendors may offer some insights on this market trend.

National firms tend to be vendors based in private, for-profit stockholder or investor-owned corporations that offer programs throughout the United States as well as internationally. Local/regional firms tend to be based in not-for-profit behavioral health agencies or health systems as a division or specialized program, or based in local proprietor-owned programs, either

as a stand-alone EAP or an extension of a private group practice.

Concerns over service quality

Interestingly, 71 percent of respondents employed by national vendors — who arguably have some duty of loyalty to their employers — say they are concerned that EA service quality is compromised when national vendors assume control of local aspects of service delivery.

Some 71 percent of respondents who work for large, national for-profit EA firms indicated that the “shift from local/regional vendors to national vendors sometimes or frequently compromises the quality of care.” Similarly, 82 percent of respondents employed by local/regional EA firms expressed the same concern.

Surveyed professionals alluded to two primary related concerns: First, they questioned the degree of knowledge and sophistication among subcontracted EA providers. Most national vendors contract with “network providers,” affiliates or independent contractors who can be used on an as-needed basis to provide services in locations where national vendors do not have staff members or offices.

Respondents suggested that these subcontractors, while licensed, sometimes lack competence and experience in the distinguishing aspects of EA practice. Respondents cited examples of subcontractors who lacked rudimentary understanding of EA core functions, such as conducting a screening for chemical dependency, managing a su-

pervisory referral, or having some knowledge of the relationship between personal issues and workplace productivity.

Secondly, surveyed professionals cited a missing connection to the local workplace when communications, decisions and account management migrates to an out-of-state headquarters. The local subcontractor, they said, is “unaligned and non-integrated with the local employer”

cal company. I don't think I've ever had a supervisory referral.”

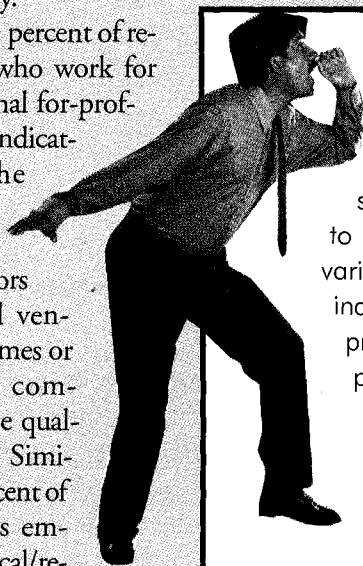
Frequently, the subcontractor is not even known to the local employer. If subcontractors wish to be utilized and paid, they must wait for a request for service from the national EA vendor headquarters and “adhere to an array of telephone authorizations and paperwork requirements,” respondents said.

Critical incidents in the workplace were referenced as one example of this “unalignment” in action.

A rapid and intense local response by a subcontractor is severely constrained when the incident is being coordinated by an out-of-state account manager whose “primary objective is to contain the cost of subcontractor's intervention.” Another example cited is the large number of supervisors among geographically diverse multi-location employers who rarely or never receive EA training on how to identify and refer troubled employees.

When the scope of the subcontractor's involvement is limited to the occasional EA assessment of an employee, essential elements of an effective and comprehensive EAP are missing. The emergence of national models of EA delivery, with the “convenience of a single-point-of-contract,” distances the concerns of the local employer from the local EA provider and dilutes the workplace emphasis that EAPs historically bring to the table.

The delineation of roles between the local subcontractor and the national vendor is not simply a technical one. Without all parties, local and national, involved in the implementation and delivery of a complete program, without all the key players receiving incen-



How the Survey Was Conducted

The survey questionnaire used rating scales and open-ended questions and was sent to a random sample of EA professionals from various regions of the United States. Respondents indicated perceived frequency of various ethical problems based upon direct observation and experience over the past five years.

A total of 272 questionnaires out of 632 were returned, a 43 percent return rate.

The survey focused on identifying ethical issues perceived as occurring “frequently” — more than 10 observations — and “sometimes,” between four and 10 observations. Findings here focus on the differences between local/regional and national EA players, with some interpretation and commentary regarding related environmental and financial issues.

and has little motivation to build a close and consultative relationship with the local employer, particularly when the subcontractor has signed a non-compete clause with the national vendor.

One respondent commented that “I'm essentially a bottom feeder in my own market, waiting for the occasional referral. I've never even been to the local employer's work site or had a conversation with their human resources staff.”

Another respondent remarked “Basically, I'm the local problem assessment/ counseling resource on behalf of [national vendor] and provide no real work-based services to the lo-

tives to integrate the EAP with the work site, the claim of a comprehensive and integrated program may merely be, in some cases, a liberal form of puffing and spinning, under the guise of marketing and contract retention.

Low-ball rates

Among professionals employed by national vendors, 42 percent of respondents said that "low-ball rates and bids frequently lead to quality erosion." This compares to 26 percent of local/regional players who responded similarly.

Most EAPs are priced using "capitation," or a fixed sum per month or year for each covered employee of a defined workforce. With that sum, EA vendors are responsible for providing all services as agreed upon — as well as for paying all legitimate claims from EA subcontractors — in order to fulfill contractual obligation to the employer or customer.

The ethical breach here, as noted

by respondents, was to knowingly put forth a bid that was insufficient to fund the program as proposed.

The concern with this finding is

do not — at their best — support what some respondents called "cheapened" mediocre EAPs, and — at their worst — "programs camouflaged as EAPs,"

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that the current pricing scene is filled with sometimes amazing examples of bids so low that under-service and under-promotion is practically guaranteed. The data also indicates that national vendors are, reportedly, experiencing this ethical problem at a higher frequency than local vendors.

Perhaps intense competition for increased market share (for example, making up loss by gaining volume) and slim profits or operating losses among many EA firms has contributed to a climate where the field is vulnerable to ethical breaches in pricing practices. Several respondents mentioned experiences of bidding strategies that could probably be termed "predatory." Unlike the general health-care industry, EA vendors have not been successful in negotiating substantive increases in their rates over the past several years.

Price competition among the big firms and fighting for dominance in the national market, is fierce. Local and regional players attempt to justify why their bid is higher or else scrap for market share by competing with the nationals on price.

Instead of finding ways to adequately fund what EAPs do — or propose to do — the field has ceded leadership to the invisible hand of market forces, in effect, becoming its own worst enemy. Despite the acrimonious nature that frequently exists in the competitive bidding process, the field needs to find ways to converge mutual interests so that funding structures

such as strictly telephone services that call themselves EAPs but have very limited value or workplace emphasis. There is an ethical obligation to carefully assess the adequacy of a capitation rate to make sure that basic EA services to both the employer and employee are not threatened by rates too low to do the job.

Deception in marketing

Some 21 percent of national vendor respondents report that "service features and capabilities are frequently misrepresented in marketing materials, presentations, and proposals," compared to 8.5 percent of local and regional respondents. Respondents referred to a variety of misrepresentations in EA vendor promotional materials and proposals, ranging from outright false claims of capacity to putting positive spins on certain practices.

Analyzing what this finding means is difficult because the general practice of marketing/sales, like politics, is a social context in which the normal rules about truth telling are commonly relaxed. For example, the EA sales representative is at a heavy disadvantage in her sales presentation if she admits to a potential purchaser that, "Unfortunately we do not have credentialed and contractual EA affiliates in your Midwest locations, but I'm sure our provider relations department could build that network in the next 120 days."

The example of grossly exaggerating the scope, coverage, availability

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and quality of an EA vendor's affiliate network in marketing materials was referenced in the survey as a common form of misrepresentation. Another was the degree to which some national vendors claim to be workplace-focused and involved, as though a telephone counselor at the end of an anonymous 1-800 number has an understanding of a local employer's personnel policies and procedures, work environment, absenteeism and other issues.

The finding suggests that an unknown number of EA vendors, like other competitive business organizations, employ deceptive mechanisms to win contracts. Deception, in this context, refers to the different ways

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sales representatives refrain from telling the truth about their products and services.

The degree to which employers and their employee families are being victimized by deceptive market tactics is unknown, although national EA vendors view it as a more frequent phenomenon than do local/regional vendors.

The quality gap is alive and well

Given the perception by local and national vendors that ethical problems related to EAP pricing and models of

service delivery are increasing, combined with an extended period of restraint on premium growth, it is counterintuitive to believe that the quality of EA services is improving. The more likely scenario is that EAPs could progressively deteriorate in the midst of these pricing wars and centralization of service models. Despite the fact that EA administrators, account managers and sales staff are quick to pledge their heart and soul to quality goals and services, the quality gap may be alive and well.

While the recent short-term growth of the EA field has been fueled, in part, by low-ball bids, marketing prowess and even ethically questionable marketing practices, the long-term health of the field can only be founded upon a commitment to sustained service quality and a high level of ethical conduct in both our clinical and business practices. ■

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