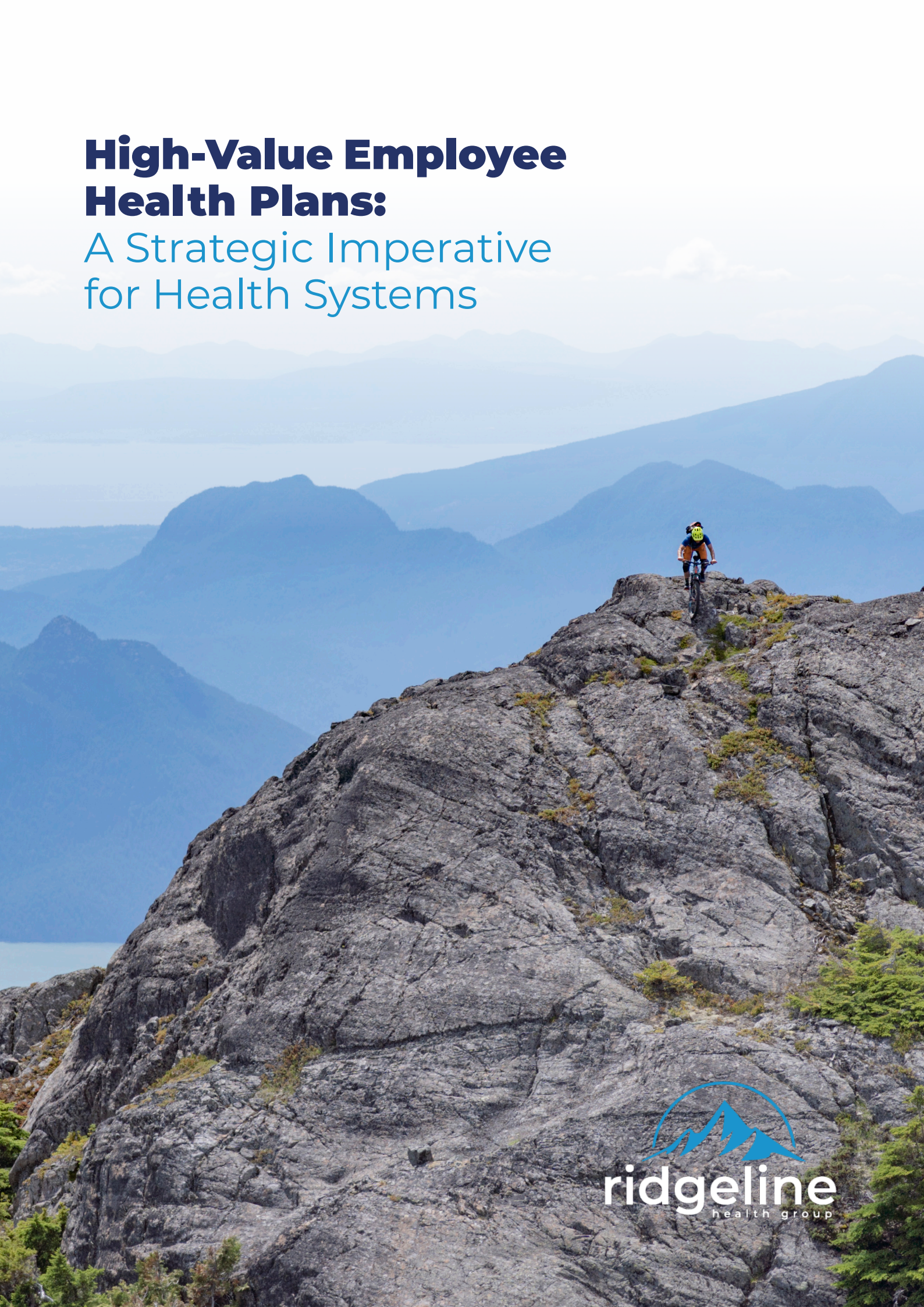
High-Value Employee Health Plans:
A Strategic Imperative for Health Systems



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Health systems are navigating an increasingly complex landscape characterized by unpredictable revenue, compressed margins, rising costs, and the ongoing transition to value-based care. Within this challenging environment, health system executives have a strategic opportunity to enhance the employee health plan (EHP) strategy for their organizations.

A well-optimized EHP strategy not only mitigates rising costs but also strengthens population health management capabilities while paving the way for opportunities to generate new revenue streams. Leading health systems that have prioritized EHP innovation are already demonstrating measurable outcomes in cost reduction, employee wellness, and scalable program success, enabling broader initiatives that drive sustainable growth and innovation.

The Evolving Landscape of Healthcare Benefits for Health System Employees

Healthcare coverage has long been the cornerstone of employment benefit packages. Recently, however, employer premium contributions have grown, increasing nearly 6% annually since 2019[1], with trends expected to accelerate. The Wall Street Journal reports that employers expect health insurance premiums to jump about 9.5% in 2026, the steepest increase in at least 15 years, driven by higher hospital prices, increased utilization for serious conditions like cancer, and expensive new drug therapies such as GLP-1 medications. Prescription drug expenses remain a major driver, with pharmacy costs already rising 8% in 2024 alone. Employers are increasingly turning to alternative plan structures to explore new ways to manage healthcare spend, including high-performance networks, variable-copay plans, and Exclusive Provider Organizations that maintain affordability and guide employees toward higher-value care.[2,3]

These trends heighten the relevance of innovating within the construct of self-insured Employee Health Plans (EHPs). This can serve as a strategic lever for health systems seeking to control costs while delivering comprehensive, high-value benefits. Self-insured EHPs are a common alternative to a fully-insured plan, where, instead of insurers assuming the financial risk for employee healthcare costs, employers directly fund employees' healthcare by assuming the financial risk themselves. By self-insuring, employers can reduce administrative expenses, control healthcare costs, and gain direct access to healthcare data, enabling more direct and proactive management of employee health to potentially improve outcomes and generate cost savings.[4,5] As of 2024, the Kaiser Family Foundation (KFF) reports that 63% of covered workers nationally are enrolled in self-insured plans.[1]

Health systems are uniquely positioned to capitalize on this opportunity through their own self-insured EHPs. With expertise in care delivery and population health management, they can design high-value employee healthcare benefits tailored to meet their employees' needs while controlling costs, improving health outcomes, and leveraging their own resources more efficiently.

Financial and Strategic Value in Designing a High-Value EHP

Leading health systems are already leveraging their EHPs to unlock value across three primary dimensions: improved profitability, population health program pilots, and new revenue streams. These dimensions not only drive internal efficiencies, but also position health systems as leaders in innovative population health management.

Value Dimension	Description
Improved Profitability	Effective EHP population management drives margin growth by lowering medical spend, ensuring financial value for the health system
Population Health Pilots	EHPs give health systems a controlled environment to test population health programs, serving as a "learning laboratory" to generate outcomes to be used for broader value-based care strategies across segments and populations
New Revenue Streams	By successfully administering their EHP, health systems create a proofpoint to extend offerings beyond their employees, unlocking new sources of value that diversify revenue and strengthen market position

01 Capturing Incremental Financial Value from Improved EHP Population Health Management

Improved profitability within health systems through reduced medical spend for their self-insured population is directly achieved by applying core population health strategies that emphasize preventive and cost-efficient care for employees. Successfully focusing on these areas can significantly lower employee medical costs and utilization rates. Implementing robust population health management capabilities is therefore a critical lever, linking employee health outcomes to meaningful cost savings and a stronger bottom line.

Top health systems such as Cleveland Clinic, UPMC Health Plan, and Intermountain Health have notably reduced per-employee medical expenses by introducing targeted wellness programs, chronic disease management support, and mental health resources.[6,7,8]

Cleveland Clinic Population Health Program Spotlight[9]

- Cleveland Clinic used **risk-stratification** to identify employees most likely to benefit from targeted interventions
- Achieved **55% enrollment** in chronic disease management program **(against a 20% national average)**
- Launched a **weight-reduction program** with financial incentives tied to personalized goals
- Combined, the programs drive a **25% decrease in hospital admissions** and generated up to **$190M in annual savings**

The outcomes of these initiatives surpass traditional cost-cutting measures, demonstrating the financial value and impact of a well-designed, high-performing EHP.

> “Health systems can utilize EHPs as a “learning laboratory” to develop innovative care models

02 Leveraging EHPs as a Testing Ground for Population Health Programs

In the shift from fee-for-service (FFS) to value-based care (VBC) payment models, EHPs create a controlled, data rich environment to pilot and refine population health programs before wider implementation. With comprehensive access to employee demographic and health data, health systems can utilize EHPs as a “learning laboratory” to develop and test innovative care models and patient interventions. This can include identifying patterns in employee health, predicting care needs, and personalizing interventions.

The EHP population offers the unique opportunity to trial chronic disease management programs, preventative care incentives, and integrated mental health support in real-time with their own employees. This allows for real-time adjustments based on measurable outcomes. This rigorous testing with continuous feedback loops not only reduces the risks associated with launching VBC initiatives but also equips health systems with invaluable insights that can shape broader population health strategies.

03 Utilizing EHP as a Proof-Point to Establish Large-Scale External Offerings

Health systems that demonstrate success in managing their EHP as a high-quality care delivery model can leverage this expertise to attract external clients, positioning themselves as market leaders in population health management while unlocking new revenue streams. This can include:

I

At an entry level, partnering with local employers can include offering onsite clinics, wellness programs, and centers of excellence (COEs) tailored to specific health conditions. These initiatives deliver value by reducing healthcare costs and supporting employee well-being. By showcasing the impact of these programs within their EHP, health systems can build credibility and create a strong case for broader expansion.

II

As a next step, systems can engage in value-based contracting with self-insured employers, offering per-member-per-month (PMPM) pricing models or entering shared savings or shared risk arrangements tied to total cost of care (TCOC) targets. These arrangements align incentives, reward performance, and support employers seeking high-value alternatives to traditional insurance carriers; similarly; they can be paired with narrow or “high performance” networks anchored by the contracting health system.

III

For more advanced models, health systems may develop white-labeled insurance products for self-insured employers — essentially offering a branded or co-branded plan that utilizes the health system’s network and care management infrastructure. This allows systems to capture additional margin while providing employers with a tailored solution that emphasizes local, high-quality care.

IV

Ultimately, health systems that establish successful models can scale their expertise by launching their own Provider-Led Health Plan (PLHP), using their EHP as proof of their capability to manage and improve population health at scale.

This progression of offerings, grounded in the EHP’s success, positions health systems to drive meaningful revenue growth while advancing community health outcomes.

Addressing Challenges in Designing High-Value EHPs

Designing a High-Value EHP requires overcoming several key challenges, including effectively managing costs of care, boosting member engagement, and aligning incentives across stakeholders. These challenges can be complex yet managed with well-defined approaches to ensure the EHP can deliver sustainable value to the health system and its members.

Challenge	Description
Managing Costs of Care	Without well-structured networks, patients often seek care out-of-system, driving up costs. Tiered and narrow networks, supported by fair, sustainable internal rates, help keep care in-network where expenses can be managed directly
Boosting Member Engagement	EHPs often face participation challenges due to low awareness or perceived inconvenience. Addressing unique employee needs, including risks like burnout, requires tailored communication, accessible wellness offerings, and targeted support to sustain engagement and maximize plan impact
Aligning Incentives across Stakeholders	Misaligned incentives lead to higher healthcare spend and weaker outcomes. Pairing provider value-based contracts with employee rewards (premium discounts, wellness credits) ties both sides to improved health results and cost discipline

> Both tiered and narrow networks can be leveraged to encourage employees to receive care within the health system, where costs can be managed directly

Balancing Employee Coverage Needs with Cost Management

A core challenge is providing comprehensive, quality care while managing costs, especially as healthcare spending rises. Designing an EHP with a tiered or narrow provider network can be a crucial first step in addressing this challenge, as these approaches are tailored to manage costs while maintaining access to care. Tiered networks structure coverage to incentivize employees to seek care from highvalue providers by offering varying levels of cost-sharing, while narrow networks limit employee access to a select group of providers to ensure care is coordinated and expenses are contained. Both strategies can be leveraged to encourage employees to receive care within the health system, where costs can be managed directly.

Ensuring patients receive care from in-network (preferably in-system) providers is essential to managing overall expenses, as it allows the health system to define EHP rates. Establishing fair, sustainable rates is critical not just to control EHP medical costs, but also to support the financial stability of the health system. High-value partnerships and ongoing monitoring of EHP medical spend can further support efficient, high-quality care.[10]

Boosting Employee Engagement in Health and Wellness Programs

Employee engagement is another challenge to the success of an EHP, as member buy-in directly impacts the plan's effectiveness. Engagement challenges often stem from limited awareness or perceived inconvenience. Health systems can address these barriers by implementing targeted communication campaigns and incentives tailored to specific programs.

Additionally, health system employees have unique health needs that must be addressed to drive engagement. These employees are routinely exposed to occupational health risks and experience higher rates of burnout than the general working population, impacting their physical, mental, and emotional well-being.[11] A 2022 AMA survey indicated that 28% of healthcare workers were dissatisfied with their current jobs, marking a 4% increase from the prior year, reflecting, in part, dissatisfaction with their health benefits.

Burnout is more than a clinical concern - it is a material financial risk. It is estimated to cost the U.S. healthcare system $4.6 billion annually, with organizations facing $0.5 to $1.0 million in recruitment and replacement costs per physician when turnover occurs. With approximately half of all providers reporting at least one symptom of burnout, traditional EHPs often fall short in addressing these occupational and mental health needs.[12,13,14]

To better support their workforce, health systems should invest in comprehensive employee health offerings that integrate both physical and mental health support. These offerings should include robust mental health coverage with diverse access points such as telehealth, virtual wellness programs, and onsite resources. By meeting employees where they are, both physically and emotionally, health systems can strengthen engagement, improve workforce sustainability, and enhance the long-term success of their EHPs.

Aligning Incentives Between the Health System and its Members

A key element of a High-Value EHP is the alignment of incentives to drive positive health outcomes. Misaligned incentives can otherwise lead to increased costs and reduce the effectiveness of care programs in achieving long-term health improvements.

For providers, health systems can integrate value-based care models within their EHPs to incentivize care based on outcomes rather than volume.

For members, health systems can implement rewards programs that encourage patients to proactively manage their well-being by meeting specific health goals. These goals can vary from tracking daily steps to attending chronic disease support groups. Incentives for achieving these goals can include premium discounts, wellness products, and prizes, to drive greater member participation. Utilizing data and analytics, alongside employee feedback loops, allows for continuous refinement of these incentives, ensuring they effectively align with the goals of both the health system and its members.

Cleveland Clinic Spotlight - A compelling example of incentive alignment in action is at the Cleveland Clinic, where financial incentives were established for employees participating in a weight-reduction program. These incentives successfully motivated thousands of employees to achieve the maximum incentive, with an average weight loss of 14 pounds. This initiative aligned incentives while demonstrating significant health improvements and cost savings.[15]

By proactively addressing these challenges, health systems can create High-Value EHPs that achieve both financial sustainability and improved member health outcomes. An intentional focus on cost control, member engagement, and aligned incentives builds a strong foundation for an EHP that meets current demand while being agile to adapt to future healthcare needs.

Key Success Factors for Creating a High-Value EHP

To create a High-Value EHP, health systems need to focus on critical success factors that drive long-term program effectiveness, cost management, and member engagement. By establishing clear priorities and implementation strategies in these areas, health systems can achieve a sustainable balance between quality care and financial viability.

Success Factor	Description
Network Design & Stewardship	Implementing narrow or tiered networks help steer employees to high-value care. Combining provider incentives, affordable care, and sustainable rates can drive financial viability for the health system
Data-Driven Design	Integrated analytics across medical and pharmacy claims allow systems to manage specialty drugs, monitor outcomes, and anticipate utilization trends (e.g., GLP-1 adoption) to strengthen decision-making and control costs
Member Engagement	Member engagement drives satisfaction and plan uptake, while an ongoing feedback loop ensures the program adapts to changing employee needs
Strategic Partnerships	Collaboration with TPAs or payers can streamline administration, allowing health systems to focus on care delivery while devising long-term strategies

01 Strategic Network Design and Financial Stewardship

An effective EHP begins with a well-designed network of providers who are incentivized to deliver high-quality, cost-effective care. Further, achieving this through a narrow or tiered network that encourages employees to seek care within the health system allows costs to be more effectively managed. Establishing fair, sustainable rates is critical to ensuring affordable care for employees while maintaining the financial viability of the health system. This balance should also ensure the EHP is positioned as a lower-cost, attractive option for employees, driving enrollment and uptake over other choices.

Aligning provider incentives through value-based contracts ensures care decisions prioritize health outcomes rather than volume. Strategic analysis of rate-setting and ongoing network performance is essential for sustaining high-quality, affordable care and health system financial viability.

> Investing in data analytics capabilities improves strategic decision-making and health system responsiveness to member needs and market changes

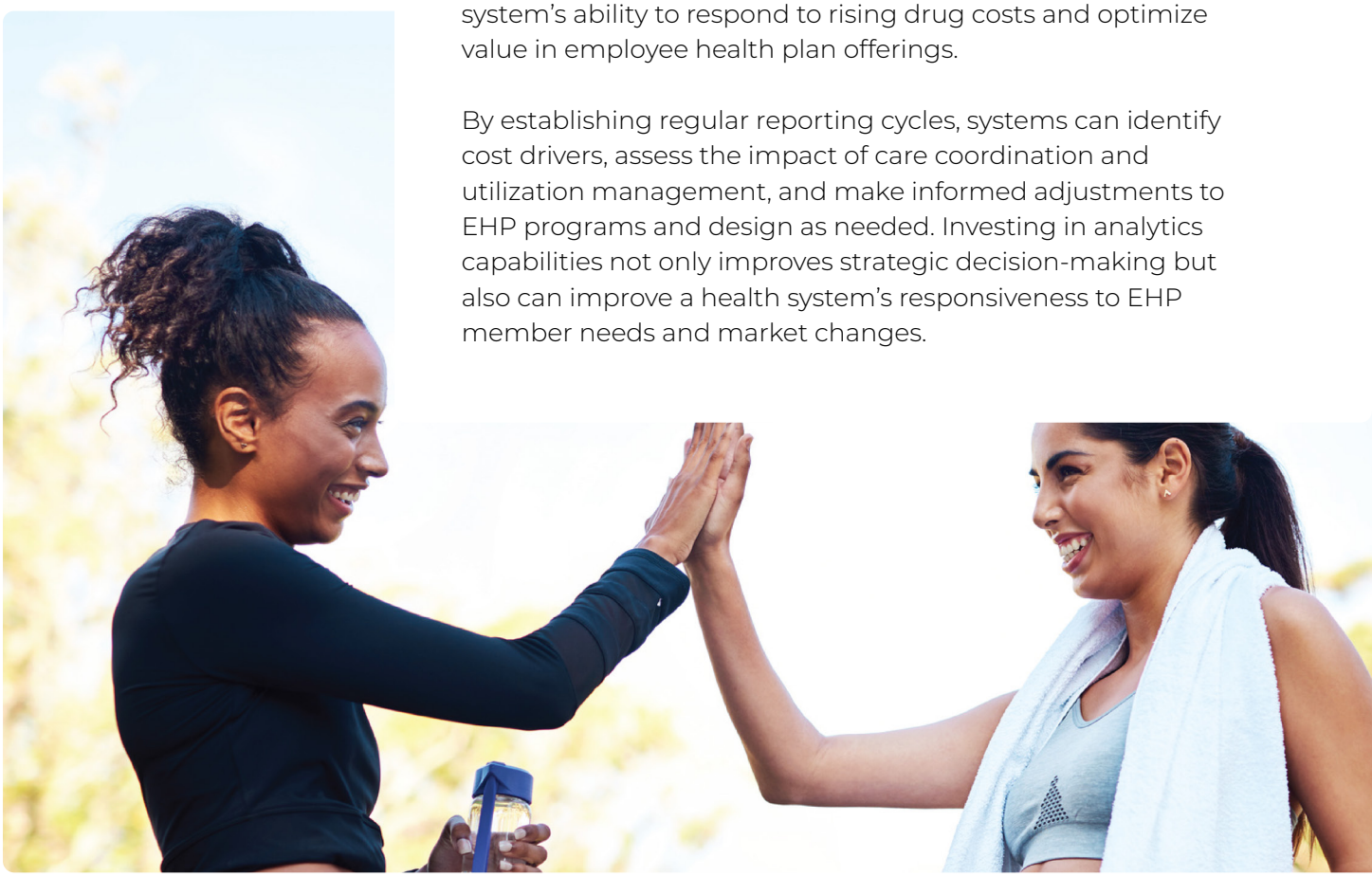
02 Data-Driven Decision-Making and Program Design

Data analytics is essential for developing, monitoring, and continuously refining EHP offerings. Real-time data on utilization, costs, and outcomes enables health systems to assess provider performance, member engagement, and financial metrics accurately.

Pharmacy benefit trends, including the rapid adoption of high-cost therapies like GLP-1s for weight loss and diabetes, as well as rising specialty drug spend, make pharmacy analytics a critical pillar of financial oversight. Robust analytics platforms should integrate medical and pharmacy claims to identify inappropriate prescribing, ensure alignment with clinical guidelines, and support the implementation of step therapy, prior authorization, and value-based contracting with manufacturers or PBMs.

Formulary design, patient adherence tracking, and predictive modeling for emerging therapy demand (e.g., GLP-1s, gene therapies) can also enable health systems to proactively manage risk. Investing in these analytics capabilities not only improves strategic decision-making but enhances a health system's ability to respond to rising drug costs and optimize value in employee health plan offerings.

By establishing regular reporting cycles, systems can identify cost drivers, assess the impact of care coordination and utilization management, and make informed adjustments to EHP programs and design as needed. Investing in analytics capabilities not only improves strategic decision-making but also can improve a health system's responsiveness to EHP member needs and market changes.



03 Robust Employee Engagement and Education Programs

Sustained member engagement is vital to an EHP's success. Tailored communication strategies and educational initiatives by health systems can help ensure members understand the benefits available to them, as well as how to access high-quality care within the network. Incorporating incentive programs, wellness programs, telehealth options, and easily accessible primary care resources can drive member satisfaction and engagement. Health systems should use feedback loops (e.g., surveys or focus groups) to continuously refine engagement strategies, ensuring they align with member expectations.

04 Leveraging The Right Strategic Partnerships for Operational Efficiency

Building a High-Value EHP often requires strategic partnerships with third-party administrators (TPAs) or payers to simplify operations and reduce administrative burdens. These collaborations can streamline claims processing, member onboarding, and other critical functions, enabling the health system to focus resources on delivering care.

Partnering with an existing payer may also strengthen the broader relationship with that payer, creating opportunities for alignment on value-based care or other strategic initiatives. Alternatively, working with a TPA can offer the health system greater control over plan design and administration, ensuring decisions are fully aligned with long-term strategy goals.

Taken together, developing an EHP in line with these success factors can build a scalable foundation for EHP success. These priorities will enable an EHP to evolve with changing healthcare demands, continually adding value to the health system and its members.

Impact of High-Value EHPs: Case Studies of Successful Implementation

Case Study: Cleveland Clinic[16,17,18]

Context

- In 2004, Cleveland Clinic faced escalating medical costs tied to their employee health plan
- Under new CEO Dr. Delos "Toby" Cosgrove, employee wellness was prioritized as a strategic imperative
- Dr. Michael Roizen was appointed to lead the initiative, creating "the 6 normals" - commitments for employees to maintain healthy levels of biomarkers (blood pressure, cholesterol, blood sugar, BMR), while managing stress and avoiding tobacco

Approach

- Cleveland Clinic established comprehensive wellness programs, personalized care initiatives, and strong member incentives
- Employees were stratified by health risk factors (BMI, asthma, diabetes, hypertension) to identify those who would most benefit from targeted programs
- Enrollment in chronic disease management programs reached 55% of eligible employees (vs. national average of 20%)

Results

By 2019, Cleveland Clinic achieved:

- Over $1B in savings by Cleveland Clinic on employee medical costs
- $300M saved by employees on rising employee premium costs
- Participation rate in Healthy Choice Program reached nearly 70%
- Employees meeting health markers increased from 6% to 43%

Expansion through Cleveland Clinic Advisory Services:

- In 2020, partnered with Purolator (Canadian courier giant) to launch "Purolator Health"
  - Addressed employees' social, physical, mental, and financial well-being.
  - Achieved a 25% reduction in workplace injuries and notable declines in absenteeism and mental-health disability claims

Key Initiatives

- Strict no-smoking policy
- Enhanced fitness memberships
- Nutrition resources
- Stress management programs
- Healthy Choice Program - financial incentives for employees to meet health goals (up to 30% premium reduction and lower copays)
- Incentives for seeking care from in-network Tier 1 providers

Closing Thoughts

High-Value Employee Health Plans (EHPs) represent a unique and strategic opportunity for health systems to address increasing pressures of rising healthcare costs, improve employee well-being, and advance population health management initiatives. By leveraging their expertise in care delivery and value-based care models, health systems can transform EHPs into a critical asset that drives financial sustainability and fosters innovation. The key to successfully designing and implementing these plans lies in utilizing health systems' inherent strengths in population health management, network design, and integrated care delivery. By focusing on strategic levers such as aligning incentives, leveraging data-driven decision-making, and prioritizing employee engagement, health systems can not only improve the financial sustainability of their EHPs but also set the stage for broader organizational transformation. For CFOs and benefit coordinators, the imperative is clear: investing in High-Value EHPs is not just about reducing expenses—it's about positioning the health system as a leader in innovative care management while directly enhancing the well-being of the workforce. By adopting this strategic mindset, health systems can turn their EHPs into a powerful tool for navigating today's complex healthcare landscape while building a foundation for long-term success.

About Ridgeline Health Group

Ridgeline Health Group is the nation's premier healthcare strategy consulting firm focused exclusively on payer-provider relationships. We bring deep expertise in value-based care, contract strategy, and network design, with a focus on creating sustainable financial performance and better patient outcomes. We work with clients to optimize revenues, drive organic growth, and ensure financial resilience while setting the stage for exceptional patient care.

About the Authors

Kevin Sears, Chief Executive Officer and Founder

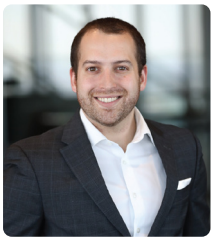
ksears@ridgelinehealthgroup.com

- Kevin is a nationally recognized thought leader in managed care and population health management and has over 25 years of healthcare leadership experience
- Kevin has held leadership roles with health systems including Cleveland Clinic, Trinity Health, and Intermountain Health Care health plans including Coventry Health Care and Centene.

Chris Sukenik, Managing Director and Partner

csukenik@ridgelinehealthgroup.com

- Chris has over 15 years of consulting experience working alongside health systems, physician organizations, ambulatory providers, health plans, and provider-sponsored health plans
- Before founding Ridgeline Health Group, he was a Principal with BDC Advisors, where he focused on Payer-Provider Innovation and Enterprise Strategy practice areas
- Chris has deep expertise in network development and design, value-based contracting, strategic pricing and led complex, high-stakes contract negotiations between payers, providers, and other stakeholders



Alexander Freedman, Associate Partner

afreedman@ridgelinehealthgroup.com

- Alexander has over 10 years of experience guiding strategic and transformational initiatives for U.S. health systems and physician groups
- Before joining Ridgeline, he served as an Expert at McKinsey & Company, where he co-founded the firm's Managed Care Strategy service line for healthcare providers
- Alexander specializes in payer and product strategy, contract negotiation, strategic pricing, capability building, operational transformation, and financial modeling

Abhi Cherukupalli, Engagement Manager

acherukupalli@ridgelinehealthgroup.com

- Abhi has over 10 years of experience leading strategic and transformational initiatives across the healthcare and life sciences value chain
- Before joining Ridgeline, he was a Senior Consultant at L.E.K. Consulting, where he focused on life sciences including biotech, MedTech, and healthcare services, and began his career at ZS Associates optimizing pharmaceutical sales and marketing
- Abhi specializes in competitive market analysis, pricing strategy, financial modeling, go-to-market and growth strategy, and operational transformation

Additional contributors: Giovanni Chiarella (Senior Consultant); Scott Boswell (Senior Consultant); Joseph Lu (Consultant)

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