



Do 'free' EAPs offer discernable value? A field study of HR, consultant, and provider perceptions.

John Burke, MA
President, Burke Consulting, Topsail Beach, NC
jburke@coastalnet.com

David A. Sharar, Ph.D.
Managing Director, Chestnut Global Partners, Bloomington, IL
dsharar@chestnut.org

The 'Free' or Embedded EAP

- Bundled into an insurance product and offered as 'free'
- Variation of the "loss leader" concept in marketing
- Originally offered as a "differentiator" but is now commonplace
- Used by plans to mitigate risk
- It's all about running a business and competing in a highly competitive marketplace
- Has stirred strong reactions and is often criticized in the EAP field

The Insurance Company Rationale

"In times like these where its tempting to move everything you offer behind a pay wall, take a step back and think about what you can offer for free, with little or no impact on your bottom line, that will provide value to your customers, and especially your potential customers. You will be surprised at the long term value to your business that accrues".

Winning Workplace, 2008.

Purpose of This Study

Describe how the trend for 'free' EAP is understood and viewed from the perspective of 3 stakeholders:

1. Human Resource (HR) Managers
2. Benefit Brokers & Consultants
3. EAP Providers

Sample

- EAPs submitted lists of HR contacts who replaced fee-based programs with 'free' ones
- Access to consultants and EAPs occurred via collegial networking (convenient and emergent)
- Total of 30 interviews occurred between Oct 08 and March 09
- Sample was nonrandom (may not be truly representative)

Methods

- Interview guide with open-ended questions served as "agenda" for the conversations
- Interviews conducted over the telephone (30-45 minutes)
- "Neutral" questioning techniques used
- Data analyzed through content analysis & id of emerging themes

Sample Interview Questions

- What led to your decision to select a 'free' or embedded EAP?
- Anything your prior provider could have done differently to retain the program?
- Are you satisfied with the performance of the 'free' EAP?
- Would transparency about the actual cost of the 'free' EAP influence the purchaser?

General Themes (responses in common)

1. **Economy.** Expense reduction and cost is the definite issue, and 'free' sounds good

“We have to do more for less and a free, embedded EAP allows me to have one less thing to manage.”

HR manager for small employer

2. **Employer size.** Large versus small/mid-size employers...the latter is more likely to opt for a 'free' EAP

“Large employers are value purchasers and know that a free EAP does not provide the same level of service as a fee based EAP.”

Benefit consultant

3. **Illusion of product parity.** Fee-based and 'free' or embedded tend to look the same on paper, but...

“The typical free or embedded EAP has little or no promotion, utilization, reporting, management consults, onsite services, or face-to-face counseling”

Benefit consultant

General Themes (responses in common)

4. **Knowledge of EAP.** High prevalence of EAPs but lack of a common or deep understanding

"EAPs are a standard benefit and the concept is usually supported but they are not closely evaluated, monitored, or well understood".

Benefit consultant

5. **Perceived versus realized value.**

"[Fee-based] EAPs competing with a 'free EAP' are more likely to retain an account when they have real utilization (5%-10% range) and are highly visible, responsive, and engaged with an internal champion of the program".

Local/regional EAP provider

6. **Future prediction.** The trend of 'free' EAP gaining market share will continue unabated

"In the future, if you want results, you will have to pay for it."

Benefit Consultant

Consultant & Broker Themes

1. **"Embedding" EAP is logical and enticing** to employers: one vendor, favorable pricing, improved linkages between silos

"We will see more free and embedded EAP. It takes a line off the spreadsheet"

Benefit consultant

2. Concern exists about **"service dilution"**

"The embedded programs run the risk of less focus than historically provided by the stand-alone provider."

Benefit consultant

3. **Price points** will continue to be challenged and margins will get smaller.

"Employers want everything, but are not willing to pay."

Benefit consultant

Consultant & Broker Themes

4. Competing with the 'free' trend requires doing a **better job of quantifying value** and demonstrating outcomes

“An EAP is inexpensive, it provides good will, but employers want more return on investment data. Reporting is an issue”

Benefit consultant

5. Providers need to **retool beyond "employee counseling"** and into "health & productivity"

There is a definite trend in the workplace towards health and productivity.

Benefit consultant

6. Can become very **narrow and limited** when incorporated into a specific benefit offering, such as disability

“Integrating with disability or other plans devalues or hides the EAP.”

Benefit consultant

HR Management Themes

1. Saving money is an organizational mandate

*"The presence of an EAP alone is sufficient in these economic times".
HR Manager, mid-size organization*

2. Diminished provider loyalty

"I had some concerns about switching to the embedded EAP in our disability plan, but not enough to make a case to my CFO to continue with the existing local provider".

HR Manager, mid-size organization

3. Some, but not much "buyers remorse" after **switching** to the 'free' program

"Nobody ever talks about the EAP."

HR Manager, small organization

Provider Themes

Those who do NOT offer a 'free' EAP

1. This 'free' trend has **eroded the integrity** and perceived value of EAPs

"A well executed EAP has a significant and advantageous benefit to organizations (and employees) but the 'free' EAP is passive, empty, and delusive".

Local/regional EAP

2. The 'free' EAP is the prime contributor to the **deflation of EAP rates**

"Free EAP will always be there and may be one of many service levels."

Large, national EAP

3. The emphasis on the **workplace is completely missing** in 'free EAPs'

"Large employers recognize EAP as providing more depth and not just counseling as with a free EAP."

Large, national EAP

4. **Engaging HR** (or senior management) is harder than ever

Provider Themes

5. The 'free' EAP is a **money maker**, even with the minimal rate

"It [the free EAP] is usually so buried in the insurance plan, the utilization is low or non-existent. So the less you do, the more you make".

Large, national EAP.

6. Its primarily about **marketing** for the insurance plan.

"Employers really prefer one vendor, even though we never meet with the employer client under the 'free' EAP arrangement. Smaller employers in particular love removing an expense line from a budget".

Large, national EAP

7. Success is being realized by those who **demonstrate impact, educate and offer value**

"If value can be demonstrated, customers will stay. If not, they will leave."

Large, national EAP

What do the 'free' EAPs really cost?

- Based on our interviews, the **low is .10** per-employee-per-month. The **high is \$1.20** per-employee-per-month.
- The typical **fee-based** EAP for a mid-size employer can be around **\$1.50 to \$2.50** per-employee-per-month.
- Despite this price range, they are all still called EAPs!

Implications/Recommendations

1. Accept the reality of free/embedded EAP and know that it is here to stay.
2. Understand what motivates employers when selecting a provider.
3. Decide if your long term viability depends on "embedding" your EAP with an insurance plan and use this as one level of service.
4. If you are embedded, define the metrics for effective integration within a plan.
5. Capitation encourages reduced levels of service...think about alternative pricing models.

Implications/Recommendations

6. Value = the demonstration of impact and outcomes, and EAPs are not generically effective. Quantify your results.
7. Relate the cost of your program to the outcomes you produce.
8. Re-engineer, refocus and become a “progressive” provider.
9. An excellent business sense coupled with strong value proposition is essential to success.
10. Free EAP is a sign of a maturing profession and should motivate change