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Observations from the Trenches
on the State of the EAP Field

“More tangible results are what wins accounts, not low price or inflated utilization numbers. What matters most is rigorous *evidence* on what you *and* the client agree upon as great results…”

By David A. Sharar, Ph.D., Tom Bjornson & Alex Mackenzie, MFT, CEAP

This article is intended to provide a glimpse of what is going on in the field of EAP, as we embark upon a new year. First the bad news: our field is currently in peril for two reasons: 1) slowness in demonstrating how EAP adds value to the organizations we serve; and 2) the flawed process through which EAP services are contracted. Now, the good news: as a field we are in a position to address both of these problems.

*** Even the best information available about the EAP industry has significant limitations**. With a few exceptions (most notably *Open Minds* and Dr. Tom Amaral), there is little data regarding characteristics and basic metrics. We lack operational definitions for the terms we use: “What is a ‘true’ annualized utilization rate?” “What percentage of EAP cases are work/life or financial/legal versus short-term counseling?” “What percentage of cases are by phone or online versus face-to-face counseling with a clinician?” “What is the average number of sessions in a typical EAP case?” These and other questions will hopefully be addressed by the national “Benchmarking in EAP” study that is underway by Dr. Stan Granberry with the National Behavioral Consortium, and sponsored by the Employee Assistance Research Foundation.

According to *Open Minds*’ 2011 Market Industry Report, the ten largest firms control about 78% of the EAP market. Not much has changed since *Open Minds*’ previous report in 2002, which indicated that the top six firms covered roughly 70% of the cumulative share.

The 2011 report noted a remarkable increase in so-called integrated models, meaning EAPs are now routinely bundled with Work-Life or Managed Behavioral Health as a “one-stop shop” program for purchasers. EAP “only” enrollment stood at 55.1 million; down 12.3%. Meanwhile, integrated programs jumped *285%* from roughly 80.2 million in 2002 to 309 million in 2011. This number, however, lacks validity, as there are only about 309 million people in the U.S.

* **Acting like a successful business: strategy and innovation** – In terms of a business product life cycle, it’s time for service innovation in the EAP field. But innovation doesn’t have to mean ripping out the core, as many businesses in the mature life cycle do, but it can mean *redefining*, *adding* or *integrating* features, and *repackaging*. Many EAP firms are working on just these sorts of strategies. But is this good?

Beyond bundling with Work/Life and Managed Behavioral Health Care, providers are developing proprietary “breakthrough” (but easily copied) products that complement or are attached to an EAP. Some of these new EAP-type products seem akin to the past housing boom’s financial inventions, like floating rates, reverse amortization, and sub-prime loans. In their own way, some EA firms are like mortgage banks were “in the day,” slicing up EA services and gluing them back together into new, re-structured, integrated products such as Life Coaching, Life Management, and so on.

From a market perspective, Dr. Tom Amaral of EAP Technology Systems attempted to define the different segments and numbers of EA providers by analyzing data from his firm’s proprietary warehouse. Although Amaral has not yet published his findings, he presented the “Seven Market Segments of the EAP Industry” at the World EAP Conference in Tampa in 2010. These estimates appear to be the best effort to date to define the total number of EAPs by market segment. (See the accompanying Table 1.)

Amaral conservatively estimates a minimum of 1,600 providers of EA services in the U.S. – 900 more than *Open Minds* identified in their recent report. One conclusion that could be drawn is that little is really known about the state of contemporary EAP in the U.S. The apparent growth in

EAP has not been accompanied by a rigorous examination of the similarities and differences of the various vendors and models.

Perhaps another conclusion we can draw from *Open Minds* and Amaral's work is the vast majority of American workers have access to an EAP (or EAP-"like" service), and the field is saturated with a variety of EA providers. The goal for many of them is to gain more market share by capturing more covered employees already covered by a different provider – competing fiercely to have the total employee pie re-distributed.

* **If the status quo remains…** It seems safe to infer that even with uncertain numbers, EAP is fundamentally changing and is likely dissipating as a specialized field or a "stand-alone" program. But there is a more fundamental issue – the field's reluctance to demonstrate its value concretely and quantitatively, leading to our ultimate demise if we don't break out of our "price-driven box."

As a field, we haven't figured out how to differentiate on the basis of real performance – or how to find purchasers who are willing to pay fair prices for true value. We simply do not operate in a rational capital market that channels higher rates to those who most significantly deliver results. Ironically, the profession whose stock and trade involves listening has not done a good job of listening to our constituents about what is important to them, so that we may deliver it. Instead, we've believed the worst – that what they care about most is price.

* **The new breed: differentiating and developing based on analytics and outcomes** – The trend toward EAP as a commodity is partly our own fault. In general, the development and use of solid outcome measures and analytics in our field has progressed far too slowly. However, a few EA firms have quietly shifted the battle and relied on their strengths – delivering highly responsive, results-oriented services and then *communicating to the purchaser the added value being delivered*.

How did they do it? They aligned value and price and thoughtfully communicated the value being provided. They created a system for reliably gathering and analyzing data for each component of their EA service, and the impact of results on key business drivers such as productivity and containing health care costs. The key was to document and precisely quantify their activities and outcomes, which led to tangible value appreciated by the purchaser. This type of supporting data leads to a more real, enduring partnership with the purchaser about sustaining rates – or at least a discussion about why a cheaper or "free" EA service actually causes the client organization to *lose* value.

Every EA firm calculates simple descriptive statistics about client demographics, utilization, and program activities. However, this "new breed" is moving beyond simple calculations as their primary form of reporting. They are also doing things like measuring the workplace effects of EA intervention using credible before/after measurement designs, and pooling EA data with data from employers and external vendors, such as absenteeism records, health risk assessments, and others. In other words, they are differentiating themselves by harnessing better data and using statistical processing to help purchasers get real facts. More tangible results are what wins accounts, not low price or inflated utilization numbers. What matters most is rigorous *evidence* on what you *and* the client agree upon as great results – be it improved work performance, less presenteeism or absenteeism, etc.

The price-competitive environment in EAP – to be blunt – does not reward and retain the best providers, nor does it maximize the value provided to business. Strategically speaking, the key is to simultaneously sort out "early adopter" purchasers by understanding how to distinguish valuable "service" from those who just want a "commodity" at the lowest price possible.

* **Shifting focus: a mission for success** – Every EA firm needs to make money, but making money isn't our mission, but rather an outgrowth of being "the best we can be at what we do." The critical question for EAP providers is not, "How much money do we make once expenses are subtracted from revenues?" but, "How effectively can the organization make an impact, or obtain results that matter *to the client organization*?" The time has come to put at least as much energy into measuring workplace outcomes as we do in measuring our financial status. Performance should be assessed relative to our purpose.

In his *Business Week* best seller, “Good to Great”, author and researcher Jim Collins indicates that in business, money is both an *input* (a resource to achieve results), and an *output* (a measure of success). In organizations with a health or social purposes (including for-profits), money is primarily an input, and not a measure of greatness. The urgent goal, as a field, is to hold ourselves as accountable for improved progress in *outputs* (e.g. improved work performance) as we do in finding ways to make money with capitation rates as low as $11.00 PEPY. The latter should no longer be viewed as a successful *output*.

* **The broken procurement process** – Consider the companies that offer a “gratis” EA or Work-Life service with the purchase of a higher margin insurance product – when of course the EA services are not really “free” but buried in other charges. What these companies do to the field is muddy the true cost-benefit equation and make it more difficult for purchasers to determine the “true” value of an EA service. When something is “free” for any length of time, the perceived value gradually erodes. Put another way, if something “used” to cost money and now does not, buyers logically tend to correlate that with a decline in quality or value. Inevitably, that perception becomes reality as suppliers “water down” products and services in order to survive. Ultimately, client organizations come to feel entitled to receiving EAP services “for free.”

In addition, the procurement process itself is broken. Many EA firms regularly slog through a Request for Proposal (RFP), a hodge-podge of previously used RFPs that are long on rhetoric, but short on separating mediocre from superior providers. These RFPs are full of mandatory “fill-in-the-blank” questions about areas unrelated to actual performance or quality. Many EA firms discover their proposal is just one of many that allows the purchaser to satisfy internal bidding requirements, or worse, the unsuspecting bidder is part of an intelligence gathering exercise and squandered their resources for a “change in vendor” that never materialized. In other words, competitive bids are often used to drive down the existing vendor’s price, when there was never any intent of changing vendors. The RFP process was merely a way to keep the current vendor in line or to “bag a new idea.” Consultants, brokers, and even employers will admit that many RFP responses are not that helpful in determining where purchasers get the best value for their money.

Summary

While we are known for listening, we must apply that skill to market research to discover our purchasers’ needs and values so we can deliver them. For our field to be sustainable, we must define our mission in service-oriented terms, and demonstrate how we deliver measurable results. The value proposition that got us started – that a “win-win” exists between individual and organizational health and productivity – is still valid, but we must be more innovative in order to respond to the increasingly dynamic business environment of our corporate clients.

To avoid being devalued to the point where there is no viable EAP business, we need to stop treating ourselves, our services, and our clients as commodities. Only by using these basic business approaches and seeing our client relationships as partnerships – rather than vendor-customer transaction-based businesses – can we break out of this cycle.

Dave Sharar is the Managing Director of Chestnut Global Partners and a researcher with Chestnut’s Research Institute in Bloomington, IL, where he focuses on workplace behavioral health. He may be reached at dsharar@chestnut.org. Tom Bjornson is Chairman of Claremont Behavioral Services and an early EA pioneer. He can be reached at tbjoronson@claremont.com. Alex Mackenzie is Senior Account Manager and Management Consultant with Claremont. Contact him at amackenzie@claremonteap.com.