


## EMPLOYEE BENEFITS

# Surgical Centers of Excellence: Why Employers Should Be Paying Attention

By Colin Pearson, Managing Consultant & Louise Short, MD, MSc, FACOEM, National Clinical Leader



If you're an employer trying to manage healthcare costs without compromising employee experience, there's a strategy worth a closer look: Surgical Centers of Excellence (COEs). COEs have been a familiar concept in the market for several decades. In recent years, the strategy has successfully evolved from a solution offered primarily via the carrier market to differentiated standalone solutions. While this article focuses specifically on surgical COEs, several non-surgical COE concepts are making waves in the market (e.g., non-surgical cancer care, substance use disorders and non-surgical weight management). These programs aren't just buzz – they're making a measurable difference in quality and cost, and more employers are taking an interest.

## 1. The Business Case: Why Now?

Practically all self-insured employers are facing the same health plan pressures: rising healthcare costs, tighter budgets and a workforce that expects more from their benefits. Surgical procedures, especially for musculoskeletal (MSK), bariatric, cardiac and cancer care, are often among the biggest ticket items financially weighing on employer plans. Business Group on Health's 2025 Health Care Strategy Survey indicated that Cancer and MSK rank among the top three highest cost conditions for the majority of employers surveyed (specifically 80% for Cancer and 74% for MSK).<sup>1</sup>

That's where COE programs come in. These programs help ensure better outcomes and more predictable costs by guiding employees to vetted, high-performing providers. Many programs bundle the entire episode of care into one flat rate and even cover travel, so employees aren't paying more or dealing with unexpected bills.

The benefits are tangible: A RAND study found that COE bundles can cut costs by up to 45% and reduce complication rates by more than 30% compared to traditional fee-for-service models.<sup>2</sup> Plus, some of the newer entrants to the surgical COE market are offering warranties against readmission and/or complications.



## 2. Options in the Market: What's Out There

For years, COEs were predominantly a carrier-curated and-administered strategy. Specific in-network providers and/or facilities would be elevated by a carrier to deliver higher quality/lower cost within a particular specialty to then serve as the carrier COE network. Employers who deployed the strategy would take the carrier COE solution “off the shelf” and would often incentivize participation in the COE via plan design. Uptake on this model was tepid, and demand remained for a more flexible, innovative and creative model.

Today's options include:

- **Independent COE networks:** Companies such as Carrum, Transcarent and Lantern offer proprietary independent COE networks with bundled pricing, national reach and high-touch support. They contract at the provider level with high-volume/high-quality surgeons (meaning that they aren't credentialing all surgeons at a particular facility), and work to steer surgeries toward the most cost-efficient surgical sites possible. Bundled rates are established at a significant discount of the cost an employer could expect to pay via traditional commercial coverage. Members also benefit from concierge-level support offered via the COE, which is often an improvement compared to the health plan. Independent surgical COE networks generally tout a three-tenet value proposition: improvement in quality, patient experience and cost.
- **Embedded carrier programs:** Most carriers still offer COE options baked into their plans. These are less complex to activate but may offer fewer choices or flexibility. It is possible to have carrier networks for certain procedures, such as transplants, and independent networks for other procedures, such as orthopedic and bariatric. These are not mutually exclusive options, and the best solution needs to be tailored to the employer and the workforce population.
- **Direct contracts:** If you're self-insured and have scale, direct-to-facility contracts offer maximum control and transparency (but take much more effort to implement). This model tends to work best for employers with geographic concentration, a large local employee population and those in markets with strong regional health systems open to partnership. It's a more hands-on approach that can pay off when alignment between employee needs and provider capabilities exists. For a national employer, it may mean identifying and setting up contracts with providers and facilities in several different geographies, which can be labor-intensive.

Interestingly, while the carrier market still offers embedded COE solutions, many of these same carriers increasingly rely on independent COE networks to fill the strategic gap for employers via channel partnerships. We see a consensus in the market that the independent COE solutions have built a strong alternative.



### 3. The Market: Growing Adoption

We're seeing COEs go from niche to mainstream. The Brown & Brown Employer Health and Benefits Strategy Survey, 2025 found that 37.2% of large employers already offer a surgical COE program, with 46.3% more implementing and/or considering the strategy in the near future.<sup>3</sup>

This isn't just about controlling costs (though that's a big part). Employees want guidance and peace of mind. Employers should strongly consider arming employees with the tools and resources needed to make sound medical decisions for themselves and their families, and offering a surgical COE solution can go a long way toward supporting those objectives.

### 4. Plan Design Considerations: What to Think About

There's no one-size-fits-all COE program. Employers need to consider the following program design features to ensure an optimal fit and roll-out of the strategy:

- **Voluntary vs. mandatory (or hybrid):** COEs are often deployed as voluntary to employees. However, employers are increasingly considering mandatory program structures for some or all of the COE scope to improve quality outcomes and maximize savings. In a voluntary structure, a design incentive (lowering or waiving out-of-pocket costs for COE care) is key to driving utilization of the COE. In a mandatory structure, there is no (or greatly reduced) coverage for the procedures covered under the COE for members seeking care outside the COE.
- **Travel support:** Employers need to consider supporting member travel and expenses if a COE is not located within a certain radius of where a member lives. It is also important to consider whether travel will be covered for a support person so that the member does not have to travel alone when undergoing a procedure.
- **Navigation help:** These programs work best when members have a guide. Concierge-style support makes scheduling, preparing and following up on their care easier.

### Final Thoughts

Surgical COEs aren't just a cost-cutting tactic; they're a smart way to invest in better care, reduce complications and enhance the employee experience during a stressful time. With adoption on the rise and more vendors offering flexible models, now is a good time to assess whether this strategy fits into your broader benefits roadmap.

If you're considering a COE program, ask yourself:

- Where are our biggest surgical spend areas?
- What kind of support do we want to offer employees during complex care moments?
- How much internal bandwidth do we have for implementation and management?

This is a conversation worth having now.

#### Sources:

<sup>1</sup>Business Group on Health. "2025 Large Employers' Health Care Strategy and Plan Design Survey."

<sup>2</sup>RAND Corporation. "Bundled Payments for Surgical Procedures With Copay Waivers Creates Substantial Cost Savings."

<sup>3</sup>Brown & Brown. "Employer Health and Benefits Strategy Survey, 2025."





## About the Authors



**Colin Pearson**  
*Managing Consultant*

Colin Pearson is a Managing Consultant with Brown & Brown, based in the firm's Southborough, Massachusetts office. In his role as Managing Consultant, Colin provides a broad array of strategic and technical support to his customers across a wide variety of industries. Colin's primary responsibilities include health and welfare financial/underwriting analysis, strategic program design, vendor/carrier procurement and ongoing program and vendor management. He holds a Bachelor of Science in Health Care Management from the University of Connecticut.



**Louise Short, MD, MSc, FACOEM**  
*National Clinical Leader*

Dr. Short is the National Clinical Leader for Brown & Brown. She is passionate about improving health outcomes, medical costs, the member experience, engagement and productivity. Her background includes 25 years providing clinical leadership and innovation in designing, implementing and measuring population health programs and strategies for employers, vendors and carriers. Dr. Short has also worked as a medical epidemiologist at the Centers for Disease Control and Prevention. She earned her undergraduate degree at Harvard, her MD from Tufts University School of Medicine, did her internal medicine residency at Yale-New Haven Hospital, and trained in occupational and preventive medicine at Mt. Sinai School of Medicine in New York City, where she also received a master's degree in Community Medicine.



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