

HEALTH WEALTH CAREER

**MERCER'S  
NATIONAL SURVEY OF  
EMPLOYER-SPONSORED  
HEALTH PLANS 2016**

Jim Gregware

# HEADLINE SURVEY RESULTS

- 1** **Cost growth slowed to 2.4% in 2016 , but faster growth is predicted for 2017**  
The underlying trend – the average cost increase before plan changes – remains around 6%, far outpacing inflation

---

- 2** **Enrollment in high-deductible CDHPs rose to 29% of covered employees, helping to slow cost**  
Under excise tax threat, large employers continued to add CDHPs, most often as an option

---

- 3** **Sharp increase in prescription drug cost is driving overall medical plan trend**  
Specialty Rx cost increases are in the double digits for many employers

---

- 4** **With the growth in CDHPs, a move to personalize the consumer experience**  
Employers add financial wellness and advocacy programs; offerings of telemedicine soar

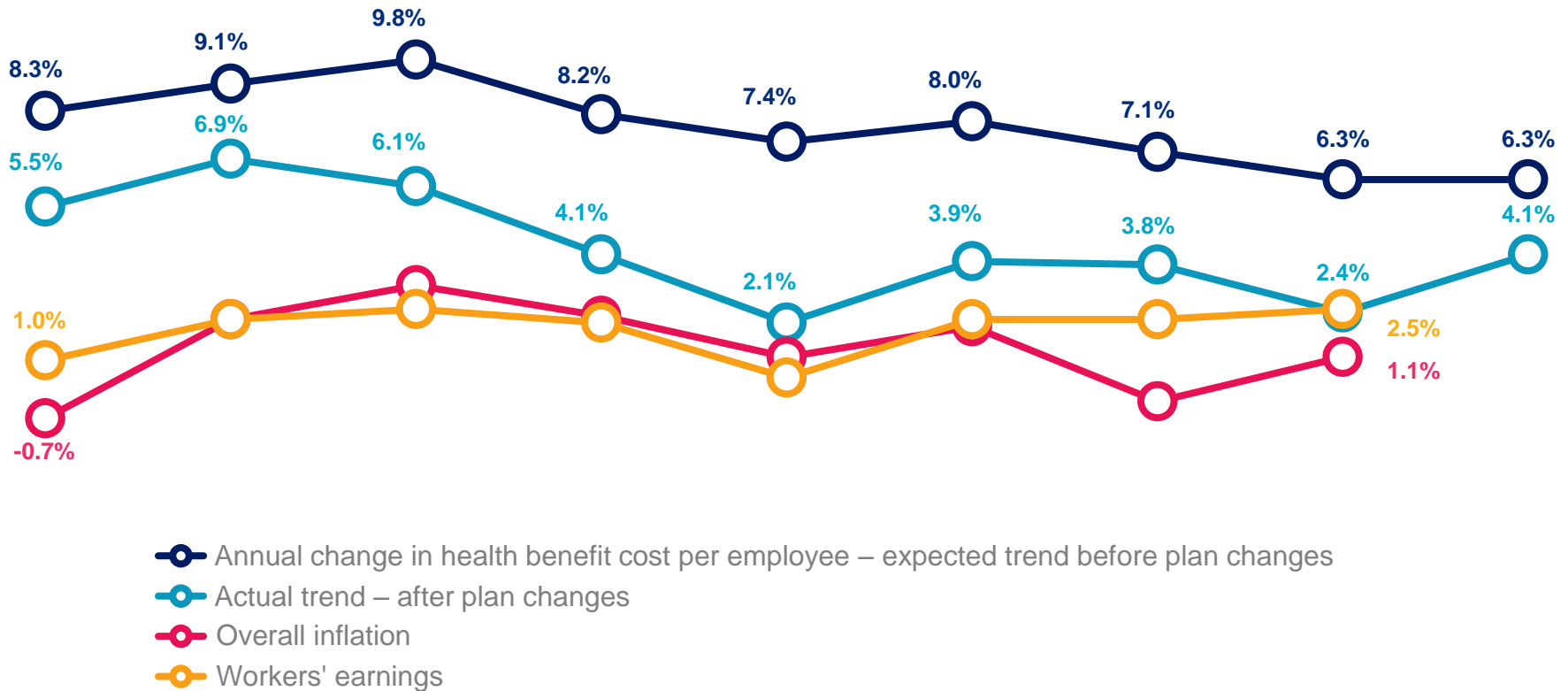
---

- 5** **Network strategies—ACOs, Centers of Excellence, other narrow networks—increase the visibility of quality**  
Employers look beyond cost-shifting to focus on pay for value and better quality

---

# COST ROSE BY JUST 2.4% IN 2016, BUT AN INCREASE OF 4.1% IS PREDICTED FOR 2017

Underlying medical cost trend far outpacing inflation

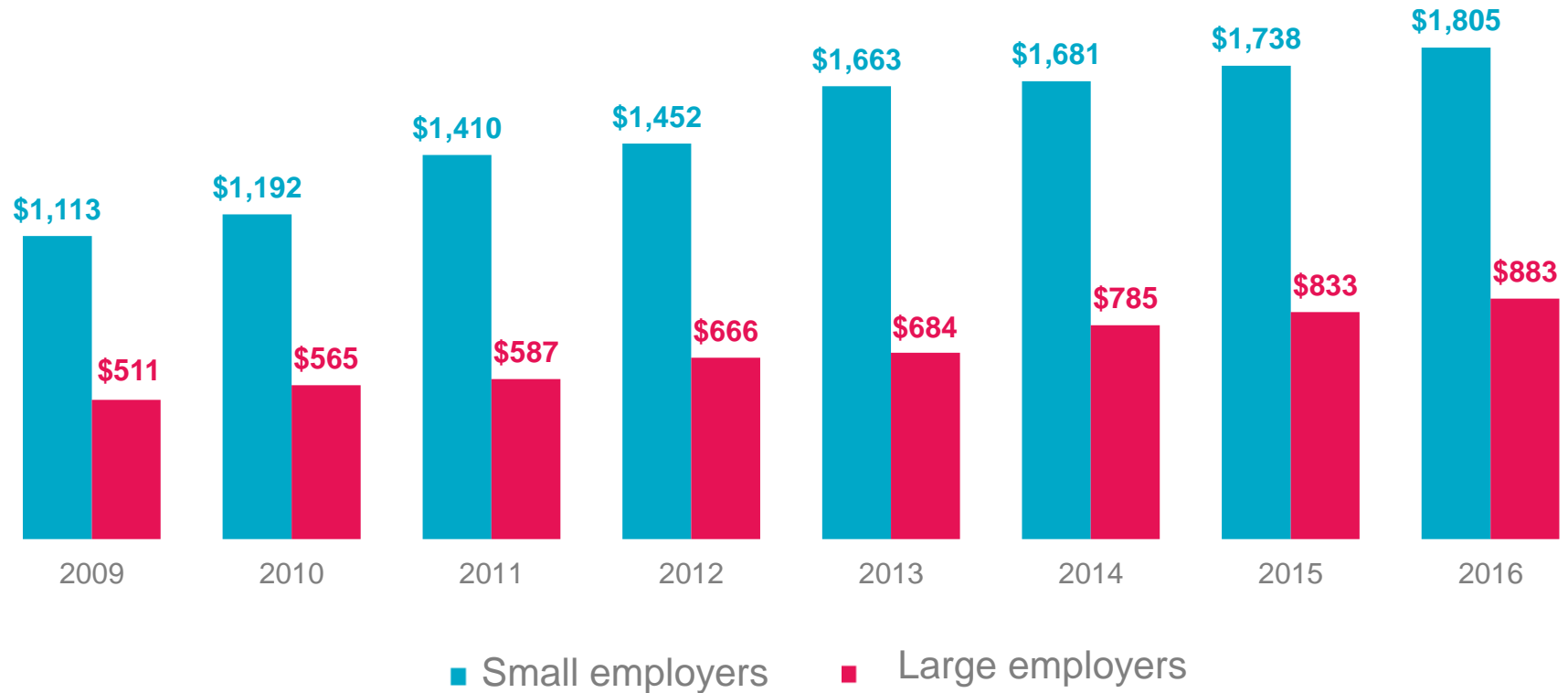


\* Projected

Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 2009-2016; Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April) 2009-2016.

# EMPLOYERS HAVE RELIED ON COST-SHIFTING TO CURTAIL COST GROWTH IN THE HEALTH REFORM ERA

Average PPO deductible for individual, in-network coverage



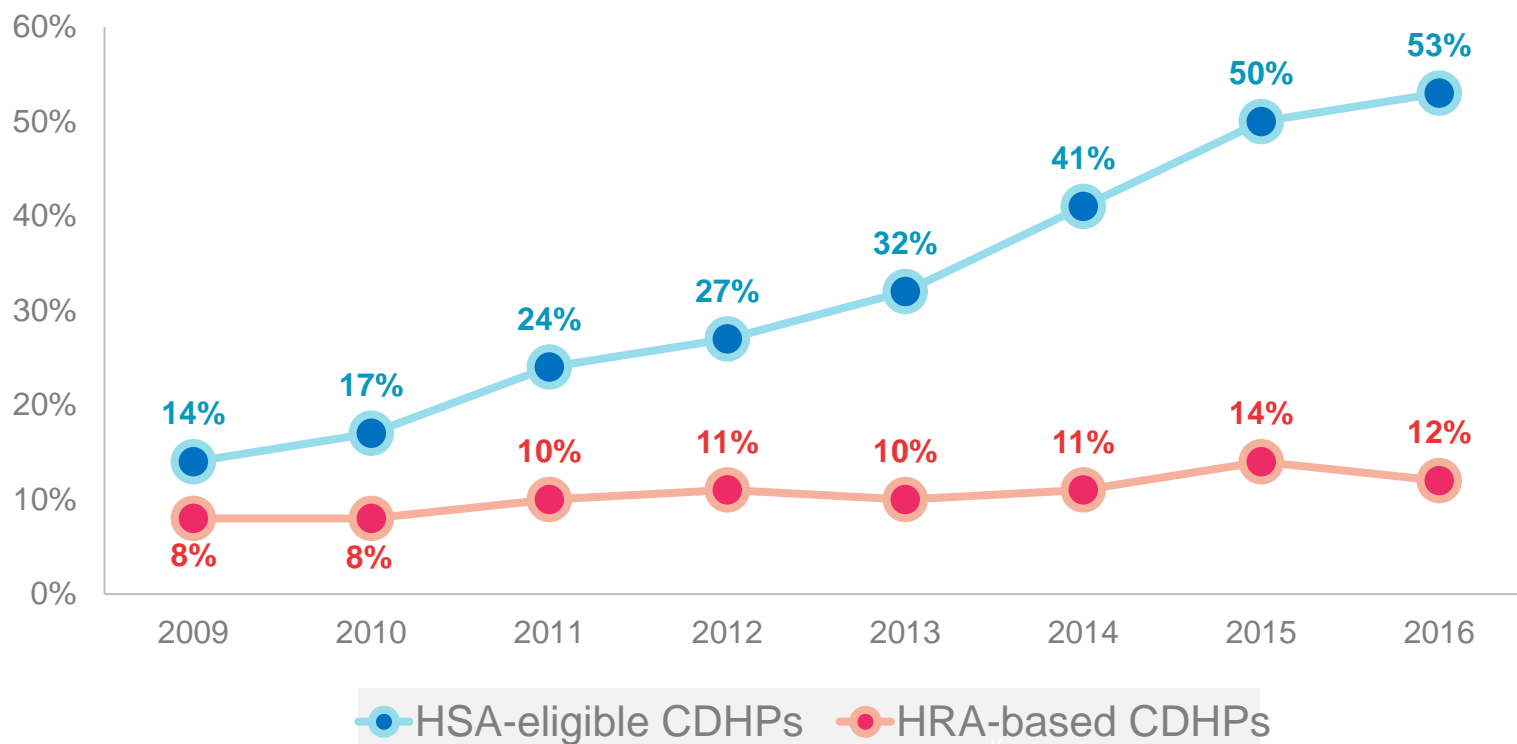
# SLOWDOWN IN NEW CDHP IMPLEMENTATIONS IN 2016 – CHALLENGE IS TO GROW ENROLLMENT IN EXISTING PLANS

Percent of employers offering / likely to offer CDHP, by employer size

NUMBER OF EMPLOYEES	2011	2012	2013	2014	2015	2016	EXPECT TO OFFER IN 2019
Small employers (10-499 employees)	20%	22%	23%	26%	28%	25%	34%
All large employers (500+ employees)	32%	36%	39%	48%	59%	61%	72%
Jumbo employers (20,000+ employees)	48%	59%	63%	72%	73%	80%	87%

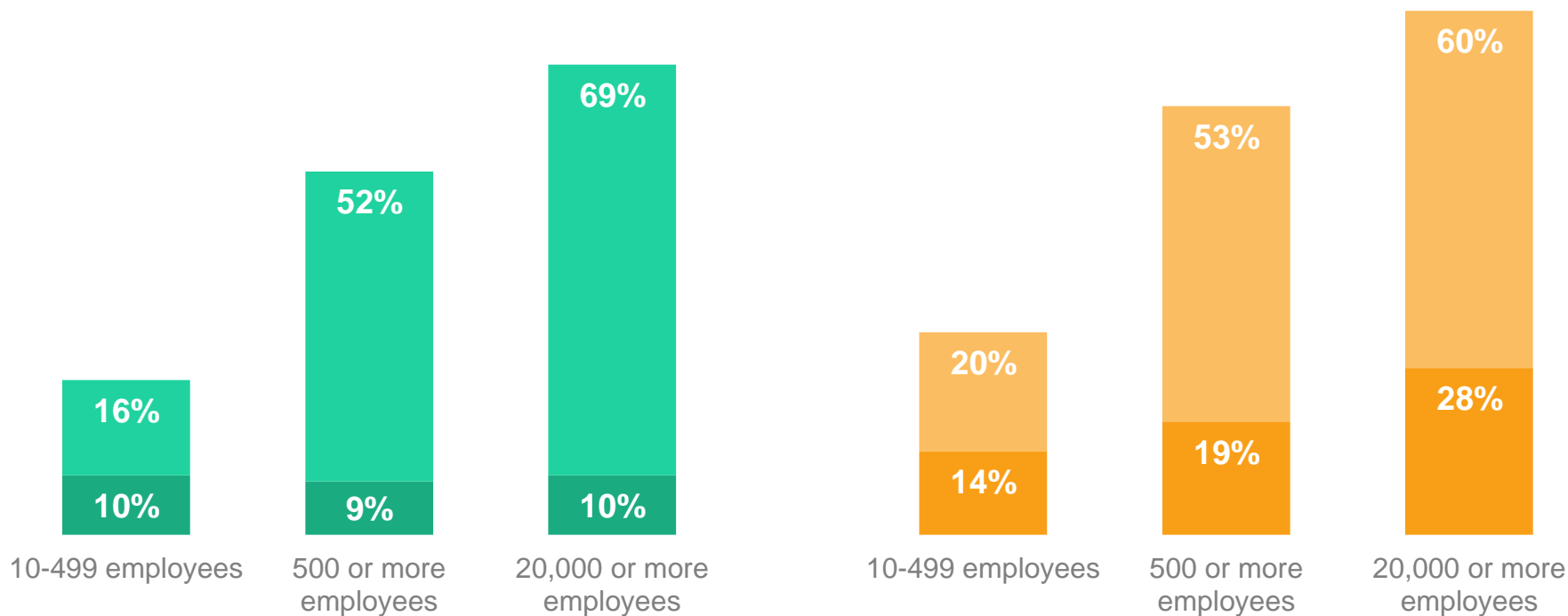
# WHILE SOME EMPLOYERS MAINTAIN HRA-BASED PLANS, THE REAL GROWTH HAS BEEN IN HSA-ELIGIBLE PLANS

Percent of large employers offering plan



# EMPLOYERS REMAIN RELUCTANT TO MOVE TO FULL REPLACEMENT STRATEGY

- Currently offer CDHP as a choice
- Currently offer CDHP as full replacement
- Plan to offer CDHP as a choice within 3 years
- Plan to offer CDHP as full replacement within 3 years



# VOLUNTARY BENEFITS PROVIDE THE SUPPLEMENT SOME WANT IN MOVING TO HIGH-DEDUCTIBLE PLANS

Large employers

## WHY EMPLOYERS OFFER VOLUNTARY BENEFITS

**69%** To fill gaps in employer-paid benefits

**60%** Reduce financial stress and improve financial health

**55%** Accommodate employee requests

## COMMON VOLUNTARY BENEFITS & PREVALENCE %

**22%** Hospital indemnity

**49%** Cancer/critical illness

**44%** Whole / universal life

**42%** Individual disability

**60%** Accident

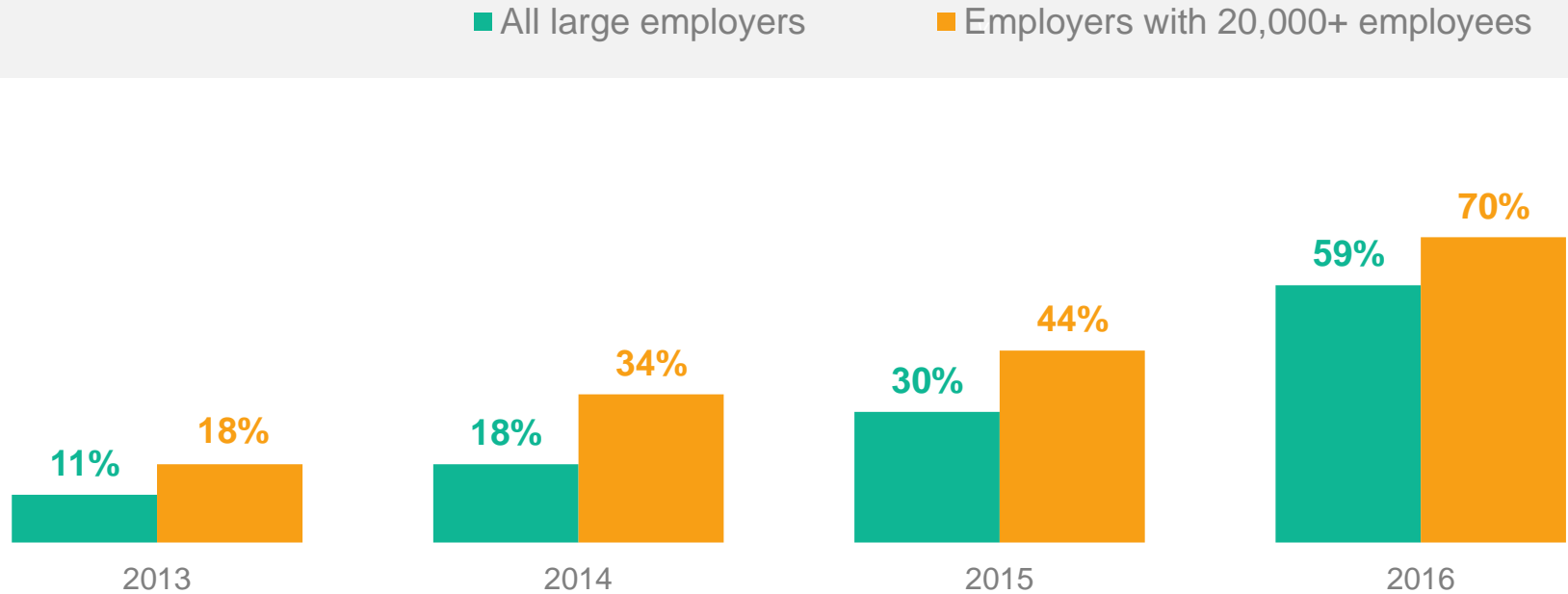


**69%** OF EMPLOYERS SAY THEIR OBJECTIVES HAVE BEEN MET



# HELPING EMPLOYEES SAVE ON OFFICE VISITS: TELEMEDICINE IS FAST-GROWING TREND

Percent of employers offering telemedicine



## AMONG LARGE EMPLOYERS OFFERING TELEMEDICINE

**64%**

Require a copay

**\$25**

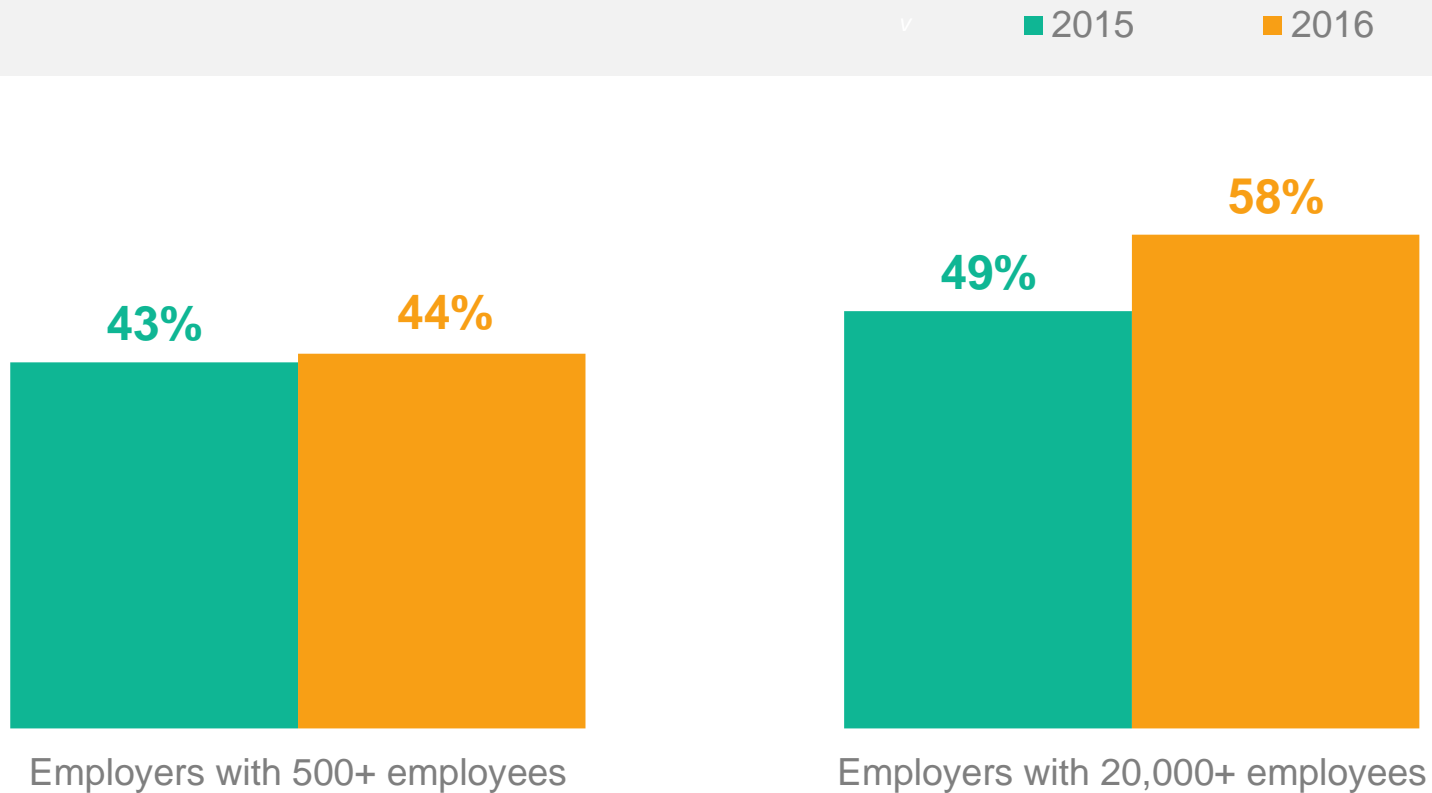
Is the median copay

✓

**13%**

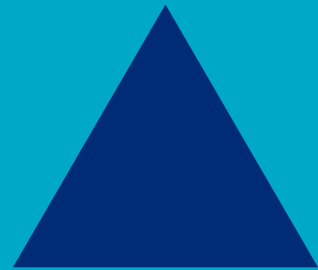
Require coinsurance

# GROWTH IN OFFERINGS OF FINANCIAL WELLNESS RESOURCES\* AMONG THE LARGEST EMPLOYERS



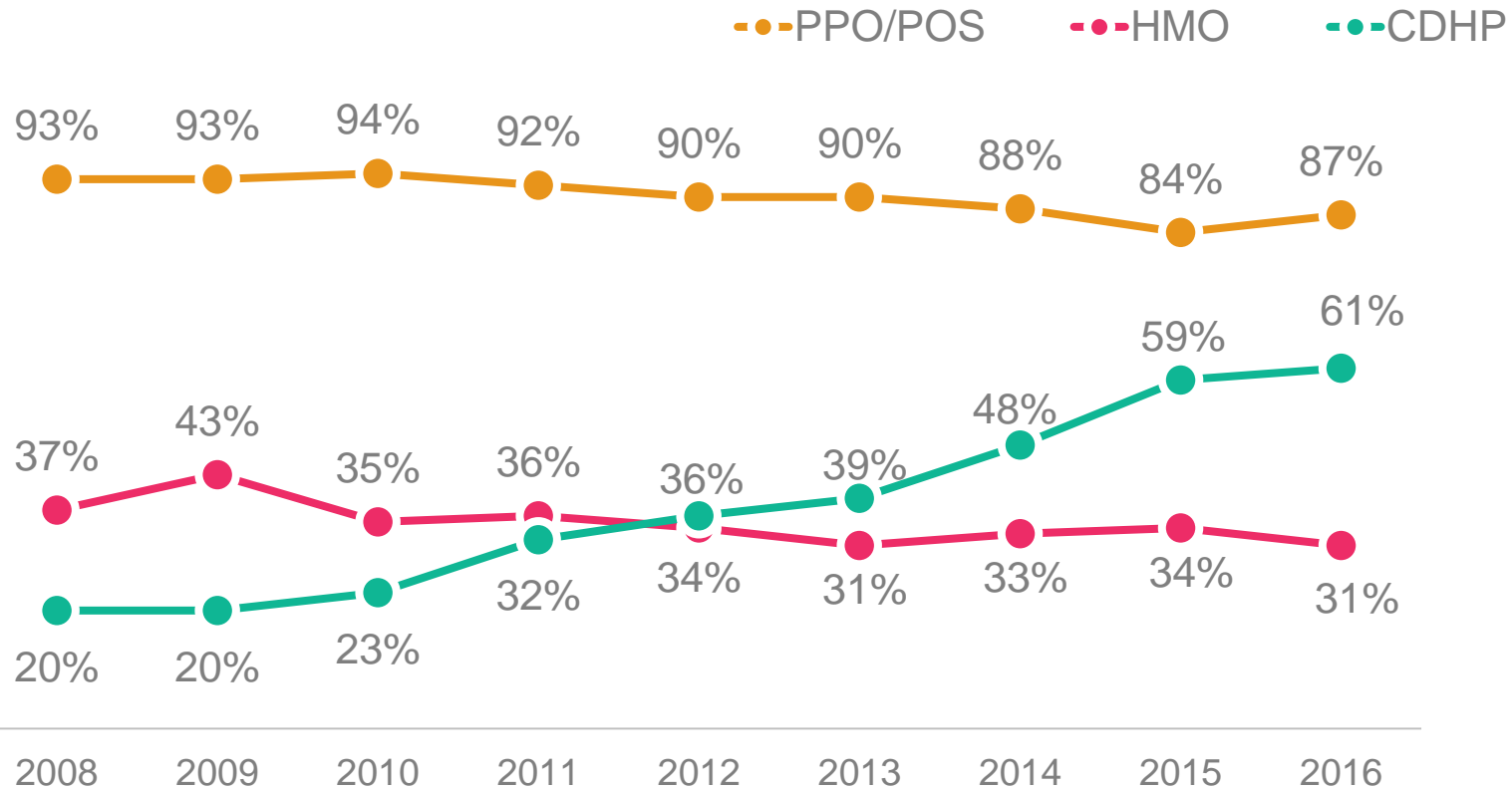
\*Beyond tools to assist with retirement planning

# BASIC AND ADVANCED STRATEGIES



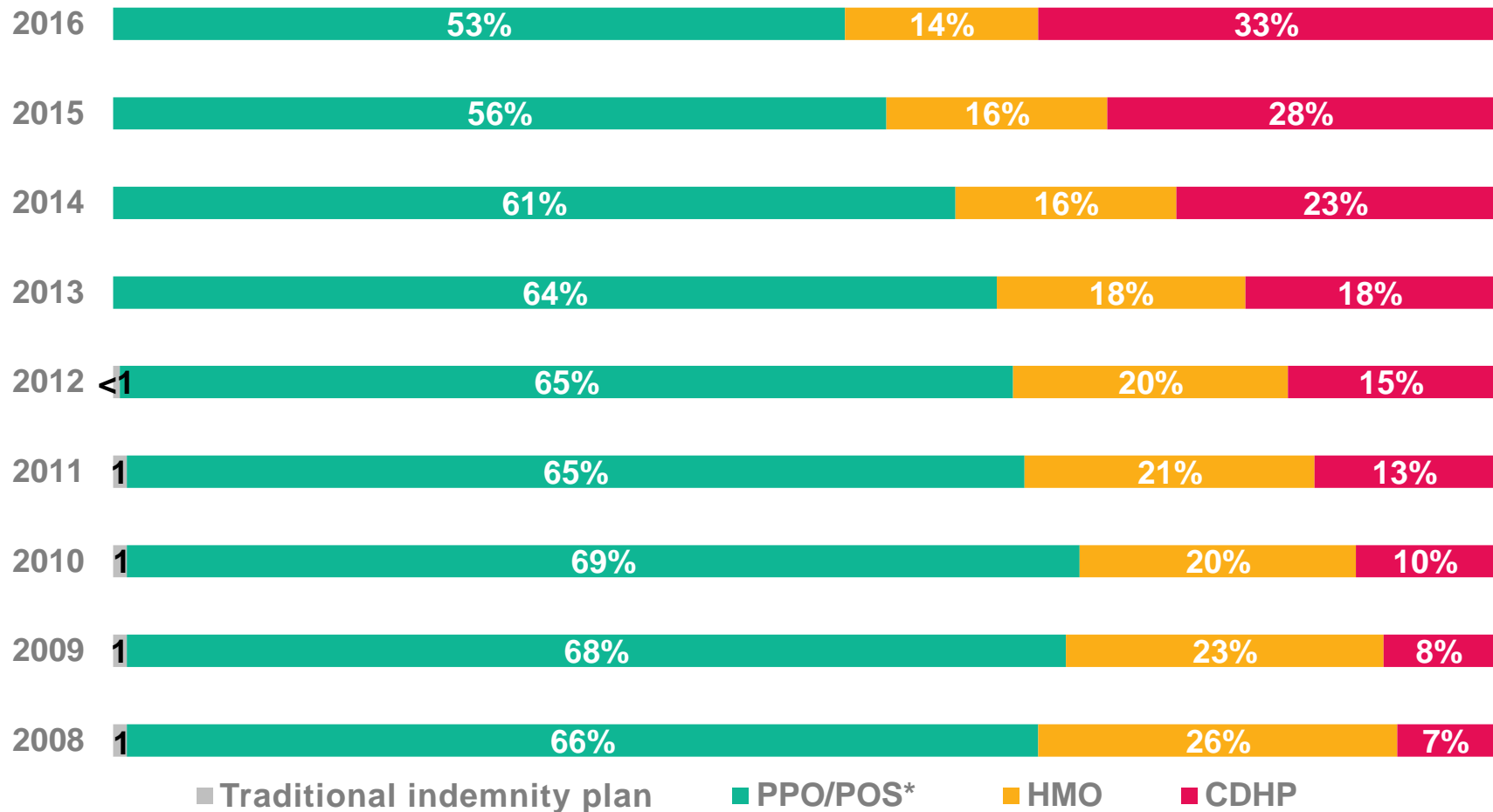
# TYPE OF MEDICAL PLAN OFFERED, 2008-2016

## Large employers



# CDHP ENROLLMENT REACHES ONE-THIRD OF COVERED EMPLOYEES

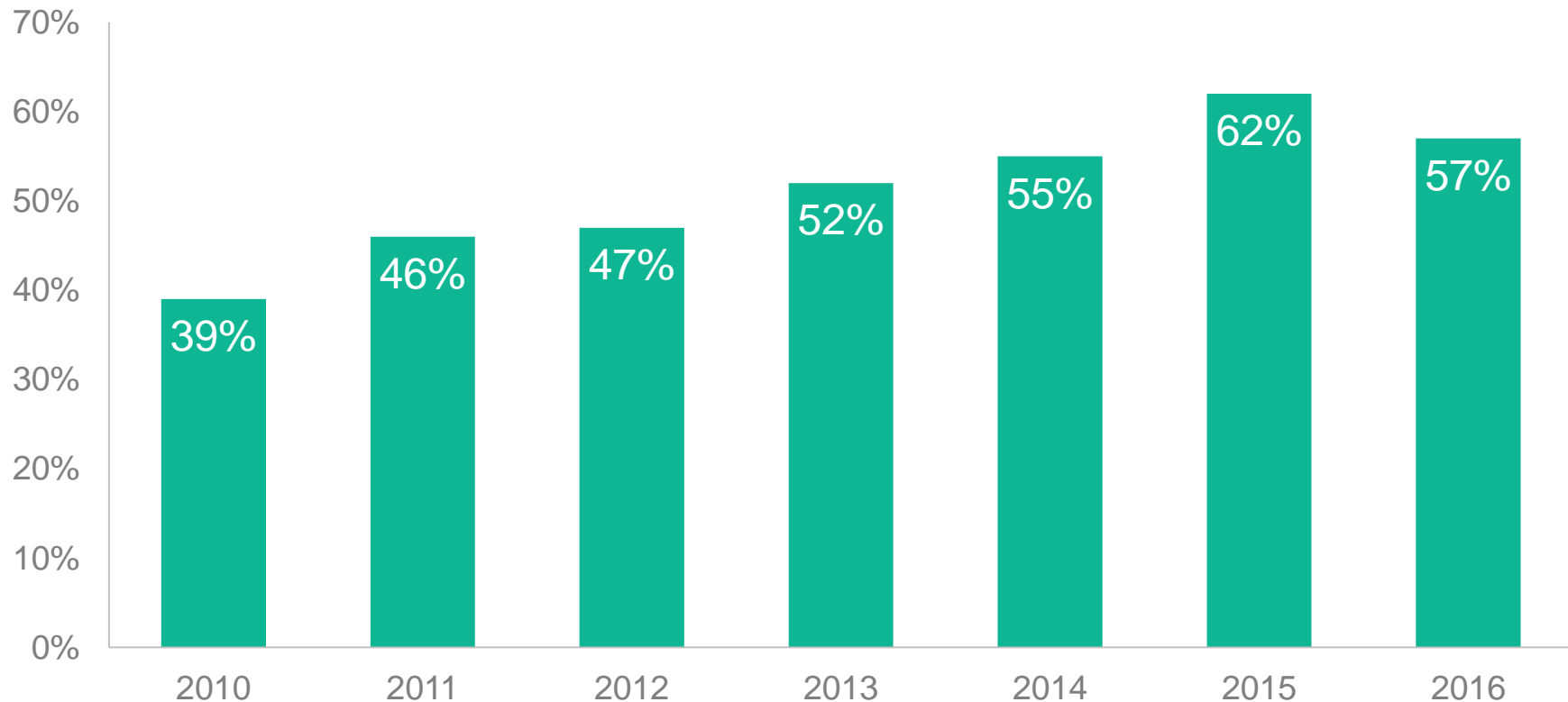
Percentage of covered employees enrolled in each plan type, among large employers



\*Includes traditional indemnity plans beginning in 2013.

# FOLLOWING SUPREME COURT RULING ON MARRIAGE EQUALITY, SOME EMPLOYERS ARE DROPPING SAME-SEX DOMESTIC PARTNER COVERAGE

Large employers offering same-sex domestic partner coverage

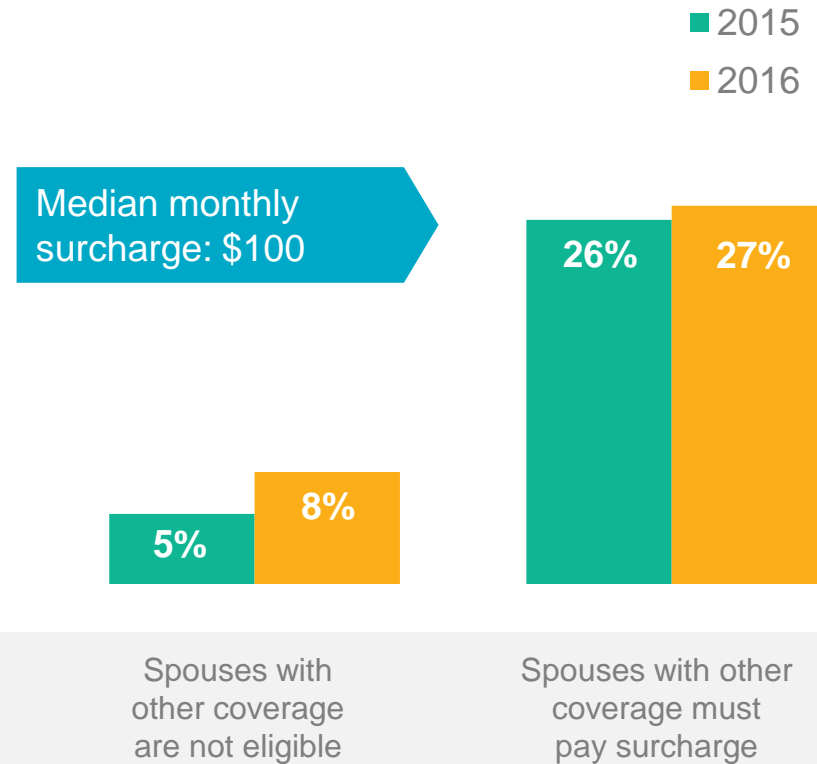
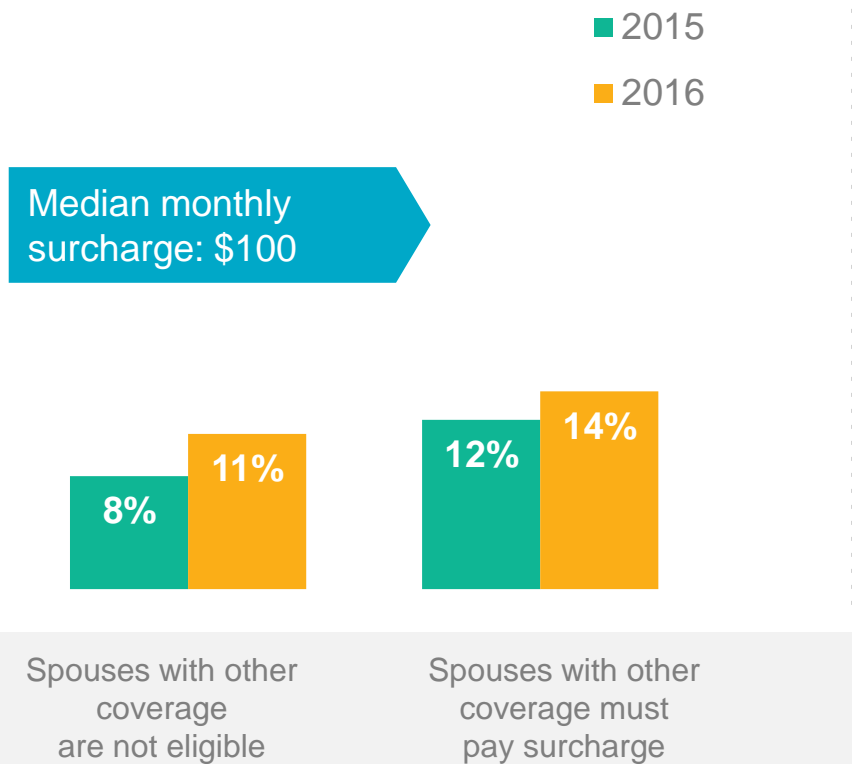


# LIMITING DEPENDENT COVERAGE: SOME GROWTH IN SPOUSAL SURCHARGES AND EXCLUSIONS

## Special provisions for employees' spouses with other coverage available

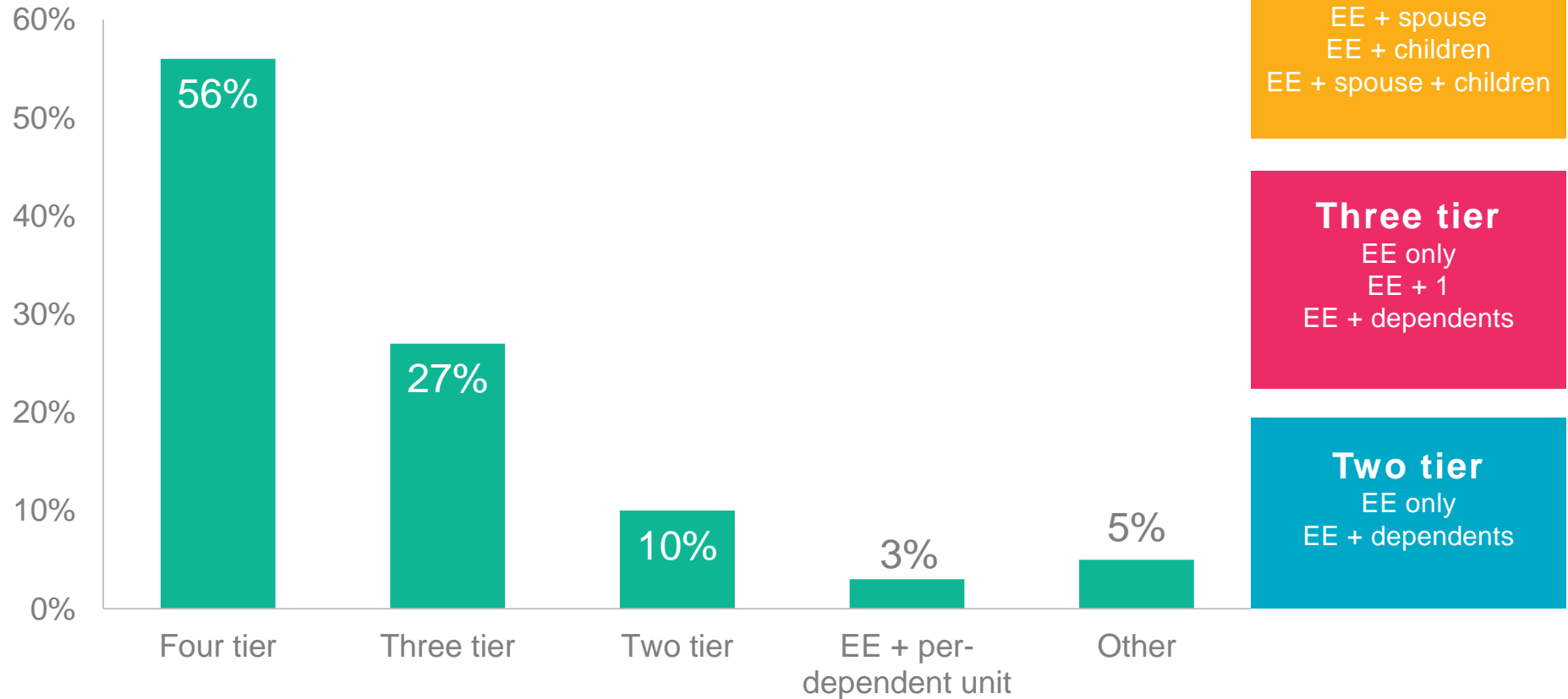
EMPLOYERS WITH 500 OR MORE EMPLOYEES

EMPLOYERS WITH 20,000 OR MORE EMPLOYEES



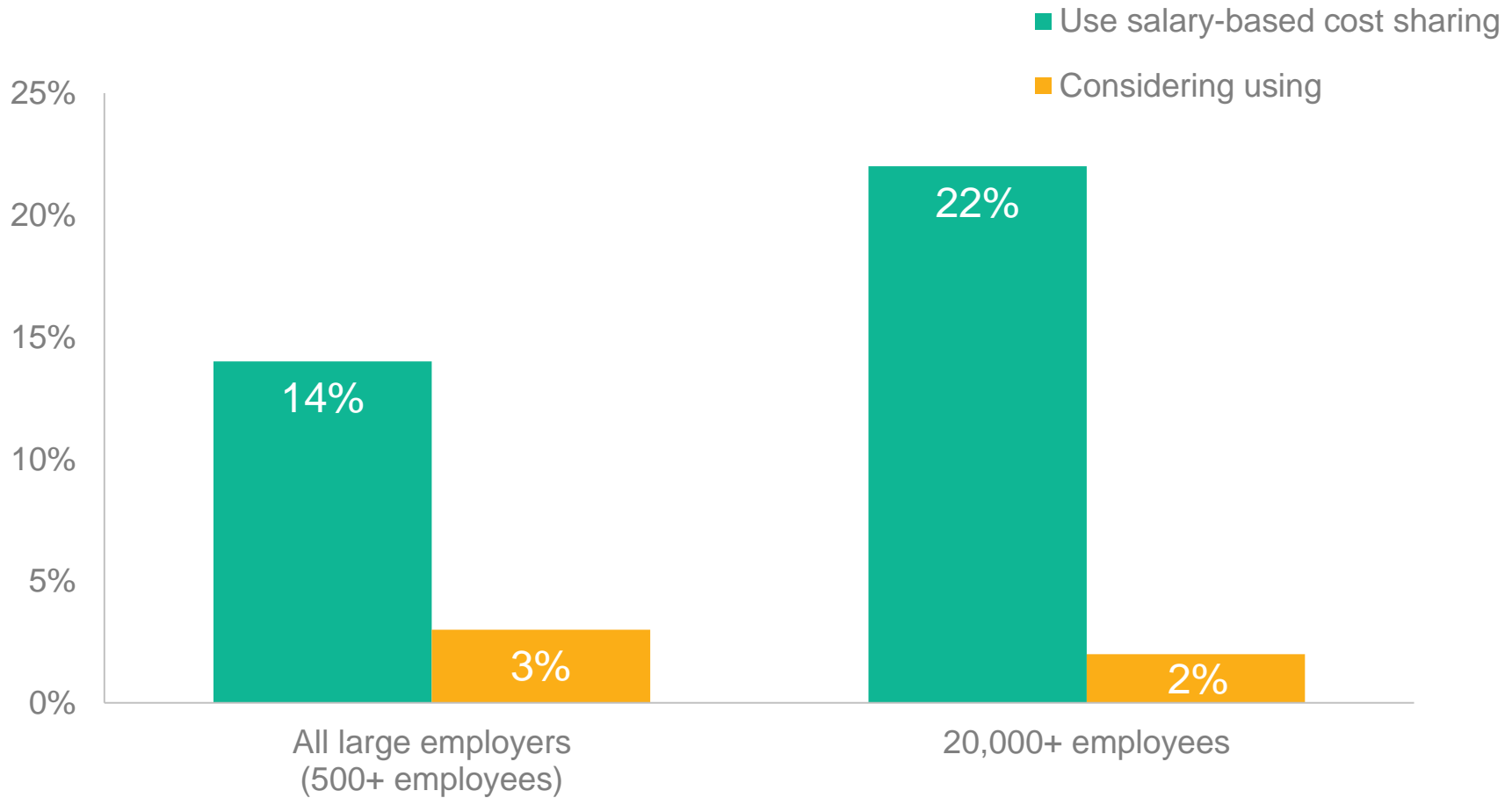
# CONTRIBUTION STRATEGY: EMPLOYERS CONTINUE TO ADD CONTRIBUTION TIERS

Large employers



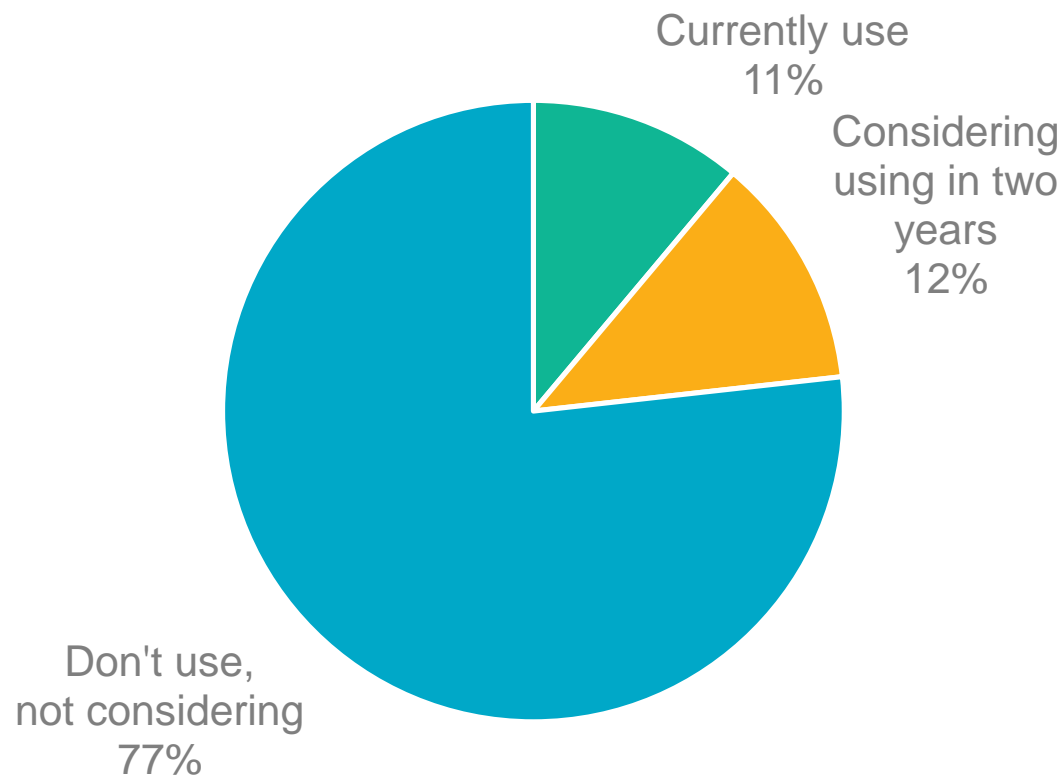


# CONTRIBUTION STRATEGY: VARY CONTRIBUTION AMOUNT BASED ON SALARY



# DEFINED CONTRIBUTION APPROACH: EMPLOYER MAKES THE SAME DOLLAR CONTRIBUTION FOR ALL PLANS SO THAT EMPLOYEES PAY MORE FOR MORE EXPENSIVE COVERAGE

Large employers



# USE A “FLEXIBLE BENEFITS” STRATEGY

Employees are allotted a fixed amount of dollars or credits to spend on a variety of medical and non-medical benefit choices

ALL LARGE EMPLOYERS

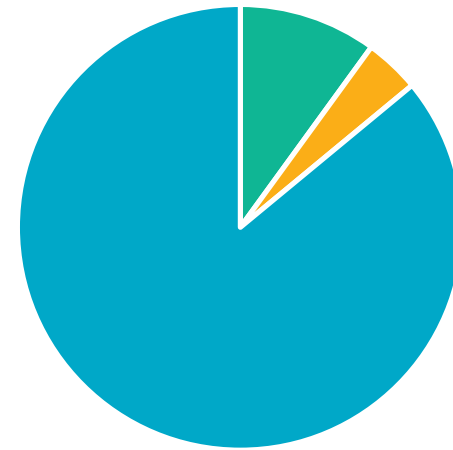
20,000 OR MORE EMPLOYEES



**85%**  
Don't  
use

**7%**  
Use now

**8%**  
Considering



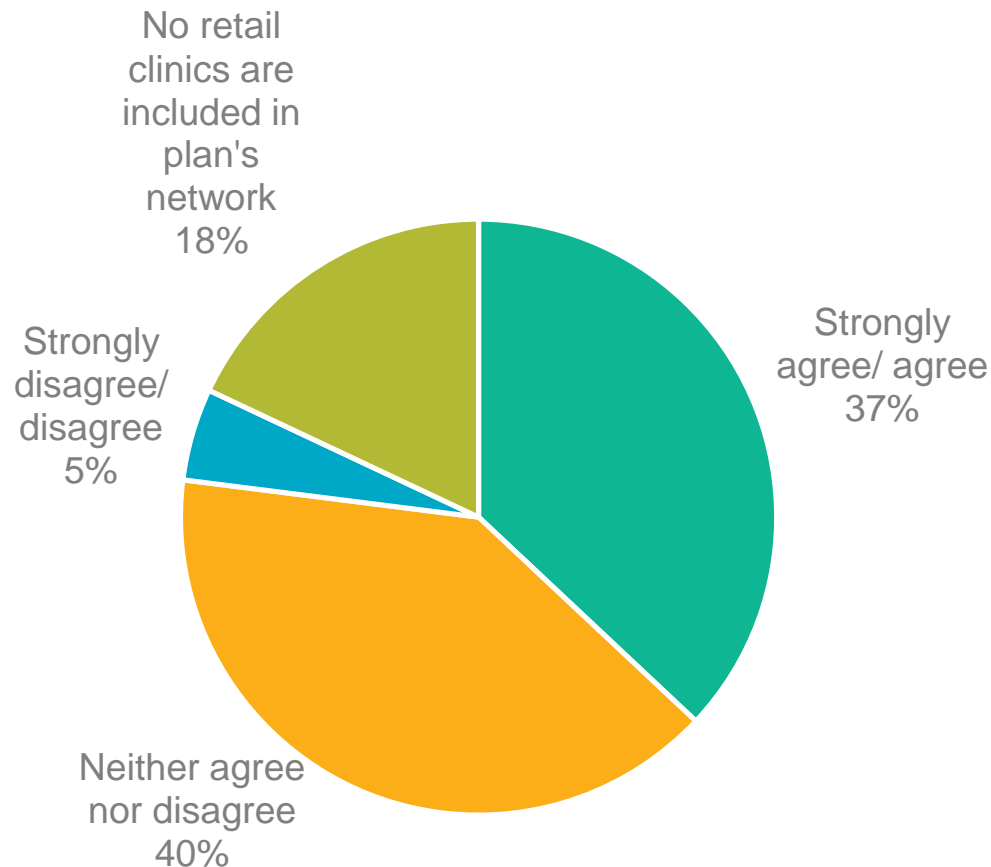
**86%**  
Don't  
use

**10%**  
Use now

**4%**  
Considering

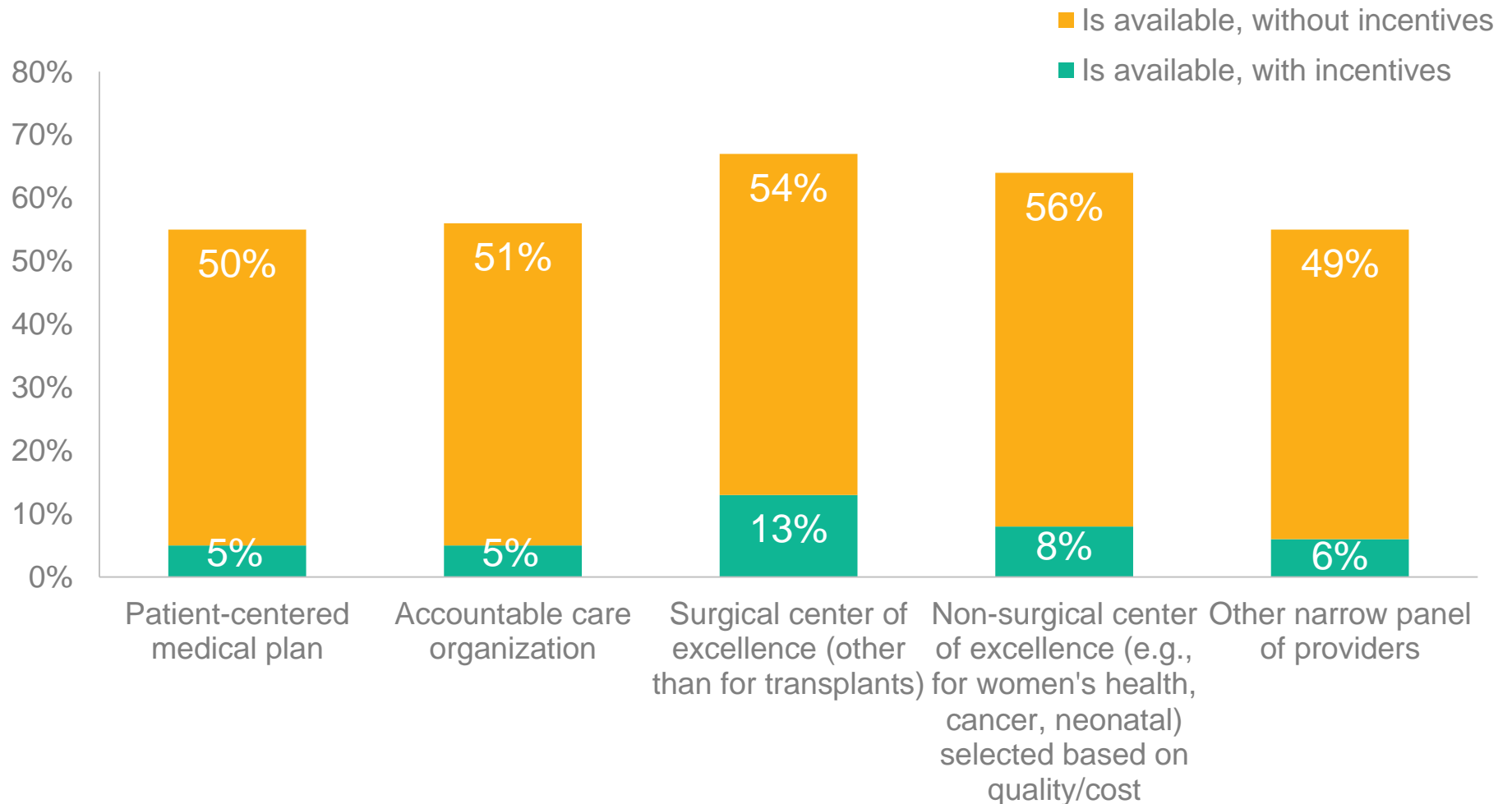
# BELIEVE RETAIL CLINICS ARE HELPING TO CONTROL COST, IMPROVE ACCESS TO CARE, AND PROMOTE CONSUMERISM BY PROVIDING EMPLOYEES A LOWER-COST ALTERNATIVE

Large employers

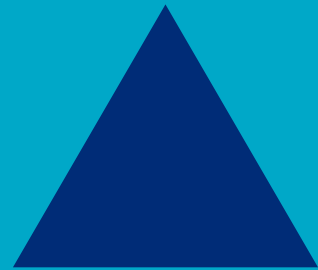


# OFFER ALTERNATIVE PROVIDER NETWORK, WITH OR WITHOUT INCENTIVES FOR MEMBERS TO USE IT

Large employers



# CONSUMER-DIRECTED HEALTH PLANS



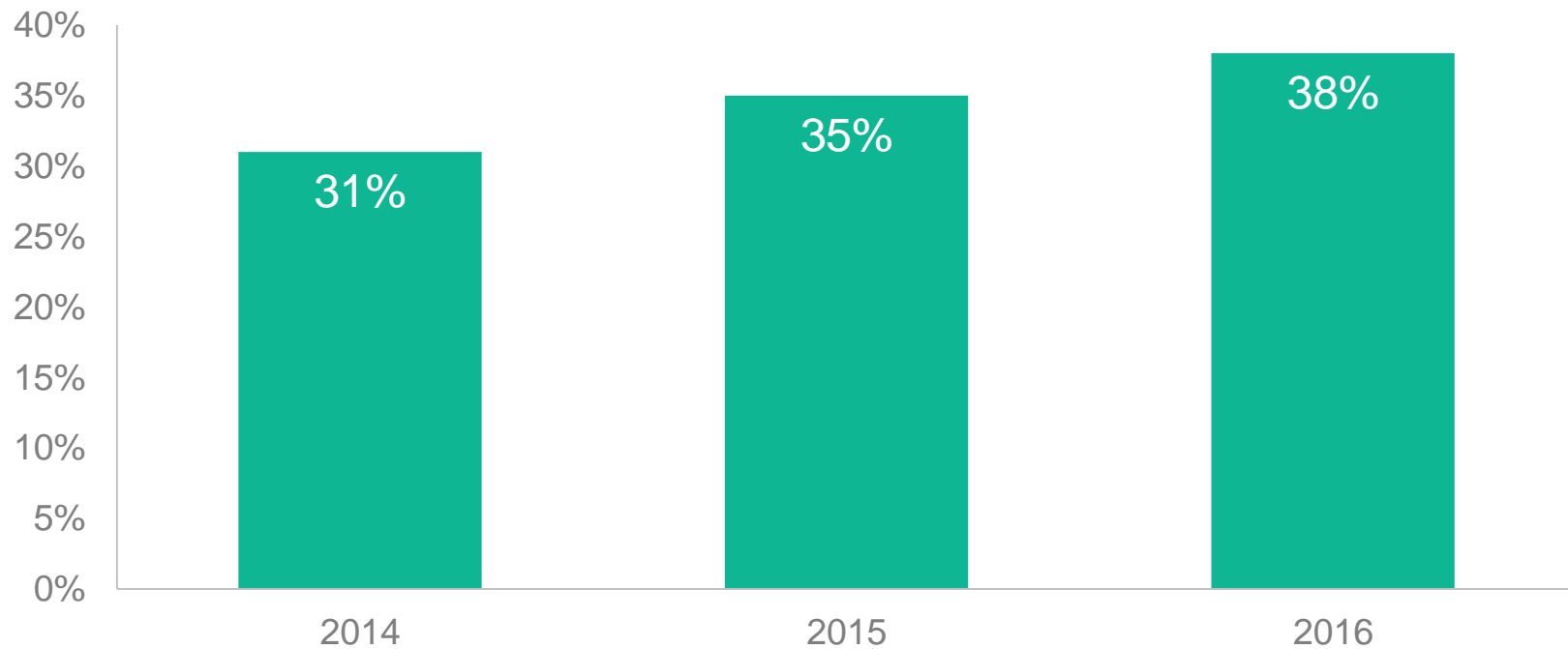
# HSA-ELIGIBLE CDHP ENROLLEE PROFILE, COMPARED TO PPO AND HMO ENROLLEES

Large employers

	EMPLOYEES ENROLLED IN:		
	HSA-ELIGIBLE CDHP	PPO	HMO
Average age	41	43	43
% of employees electing dependent coverage	54%	55%	55%

# HSA ENROLLMENT GROWS SLOWLY OVER TIME

Among large employers that have offered an HSA-eligible CDHP alongside other medical plan choice(s) for at least three years, average percent of eligible employees enrolled





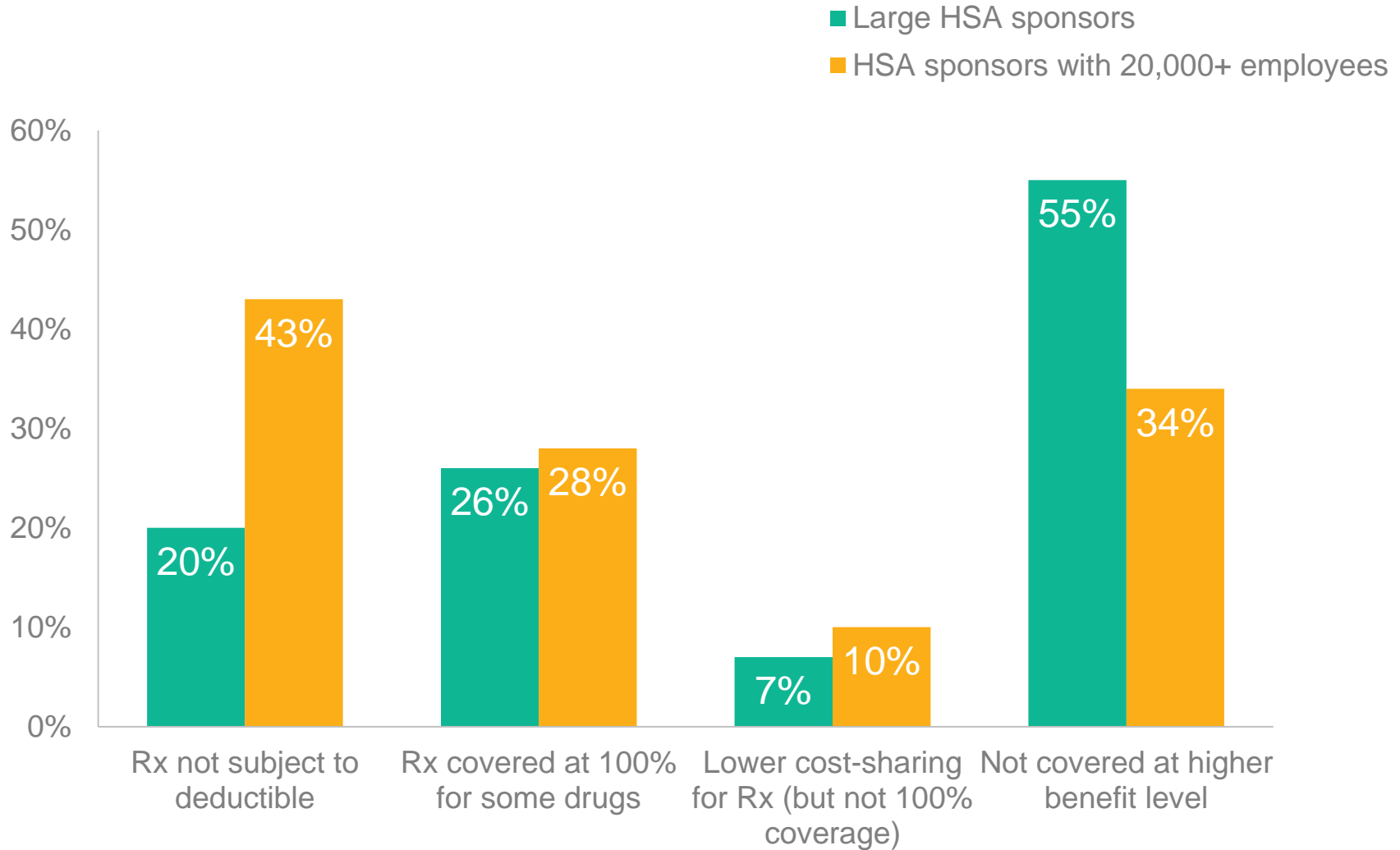
# ACCOUNT CONTRIBUTIONS, DEDUCTIBLES AND OOP MAXIMUMS

## Large employers

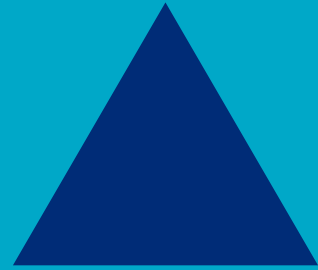
	% OF SPONSORS MAKING ACCOUNT CONTRIBUTION	EMPLOYER CONTRIBUTION AMOUNT* (MEDIAN)	DEDUCTIBLE (MEDIAN)	OUT-OF-POCKET MAXIMUM (MEDIAN)
<b>In-network</b>				
Employee-only	75%	\$500	\$1,800	\$3,750
Family	75%	\$1000	\$3,900	\$7,000
<b>Out-of-network</b>				
Employee-only	--	--	\$3,000	\$6,550
Family	--	--	\$6,000	\$13,600

\*Among employers that contribute to the account

# TREATMENT OF PREVENTIVE PRESCRIPTION DRUGS IN HSA-ELIGIBLE CDHP



# MORE ON EMPLOYEE WELL-BEING PROGRAMS

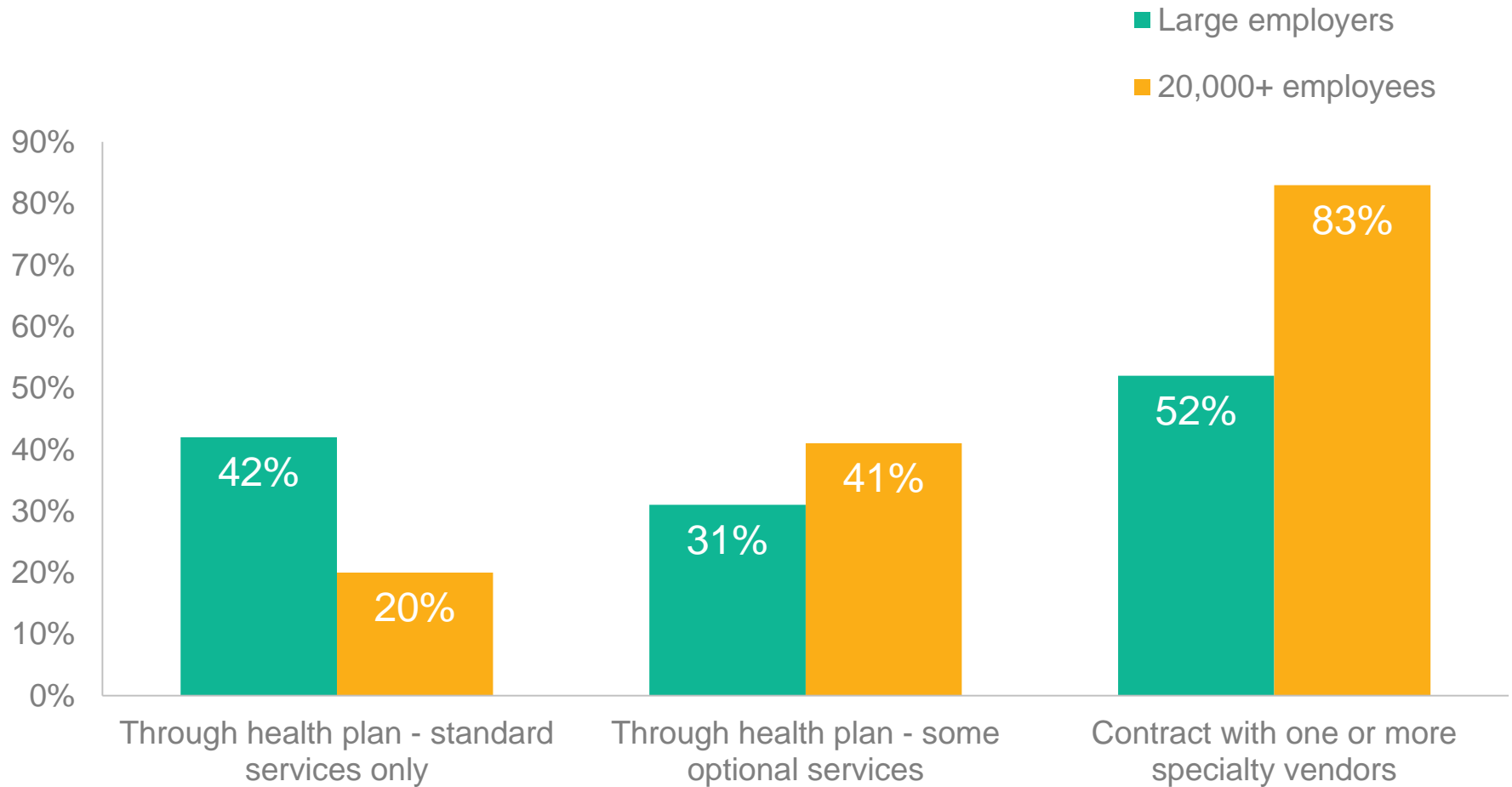


# OFFER HEALTH AND WELL-BEING PROGRAMS

	LARGE EMPLOYERS	20,000+ EMPLOYEES
Disease management	80%	87%
Health assessment	79%	85%
Telephone or web-based health / lifestyle coaching	68%	83%
Health advocate services	54%	58%
Face-to-face health / lifestyle coaching	35%	38%
Sleep disorder diagnosis & treatment	33%	33%
Resiliency program / stress management program	41%	50%

# HOW HEALTH AND WELL-BEING PROGRAMS ARE PROVIDED

Among employers offering programs



# USING ACTIVITIES TO ENGAGE EMPLOYEES TO IMPROVE HEALTH HABITS

	LARGE EMPLOYERS	20,000+ EMPLOYEES
Worksite biometric screening event	58%	69%
Onsite exercise or yoga classes, weight loss programs	44%	77%
Business unit / location group challenges	46%	67%
Personal challenges	42%	65%
Peer-to-peer support	21%	41%
None of these	23%	6%

# USING TECHNOLOGY-BASED RESOURCES TO ENGAGE EMPLOYEES

## Large employers

Mobile applications

37%

Wearables/apps to monitor activity

31%

Onsite kiosks at work place

9%

Devices to transmit health measures to providers

5%

Other web-based resources or tools

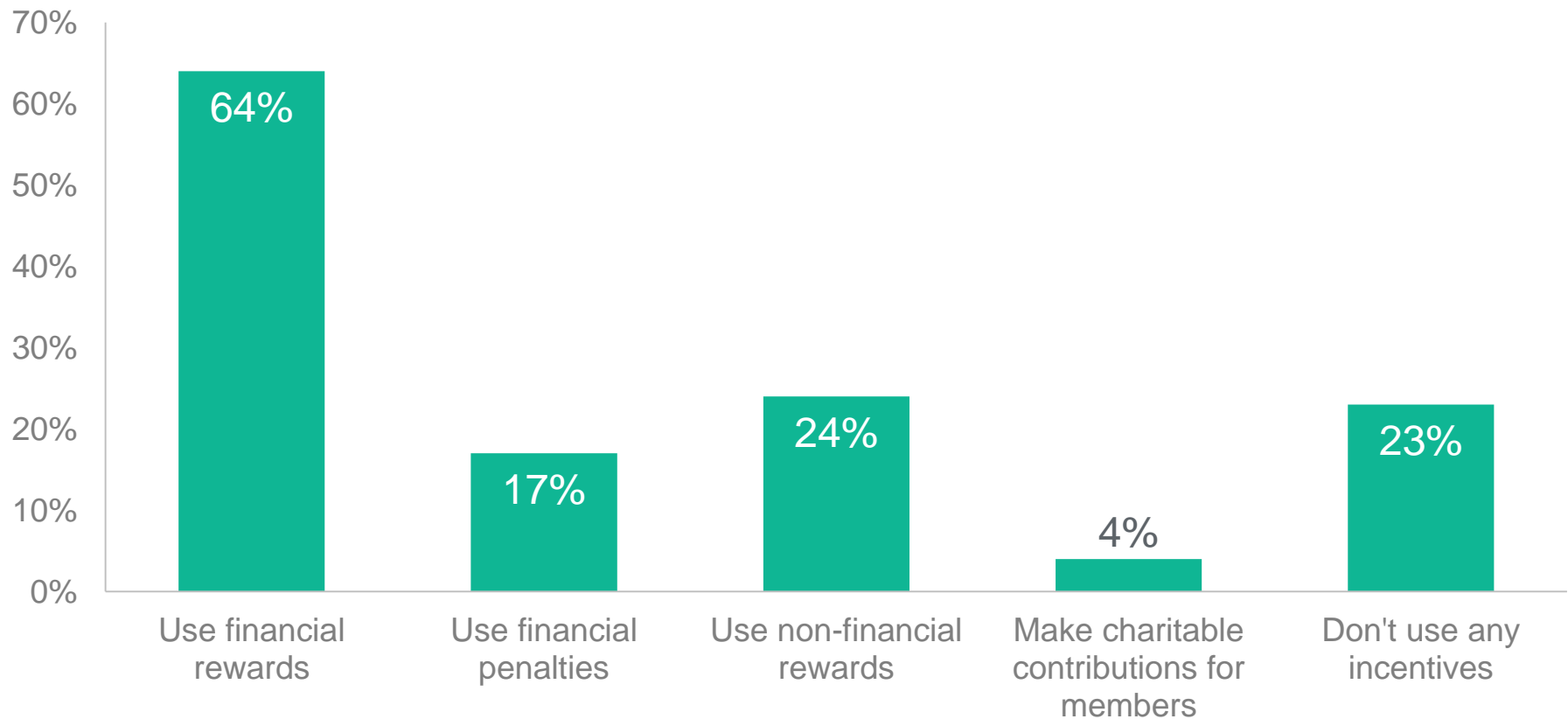
42%

None of the above

33%

# FINANCIAL REWARDS ARE MOST COMMON, BUT EMPLOYERS ALSO USE PENALTIES AND NON-FINANCIAL REWARDS

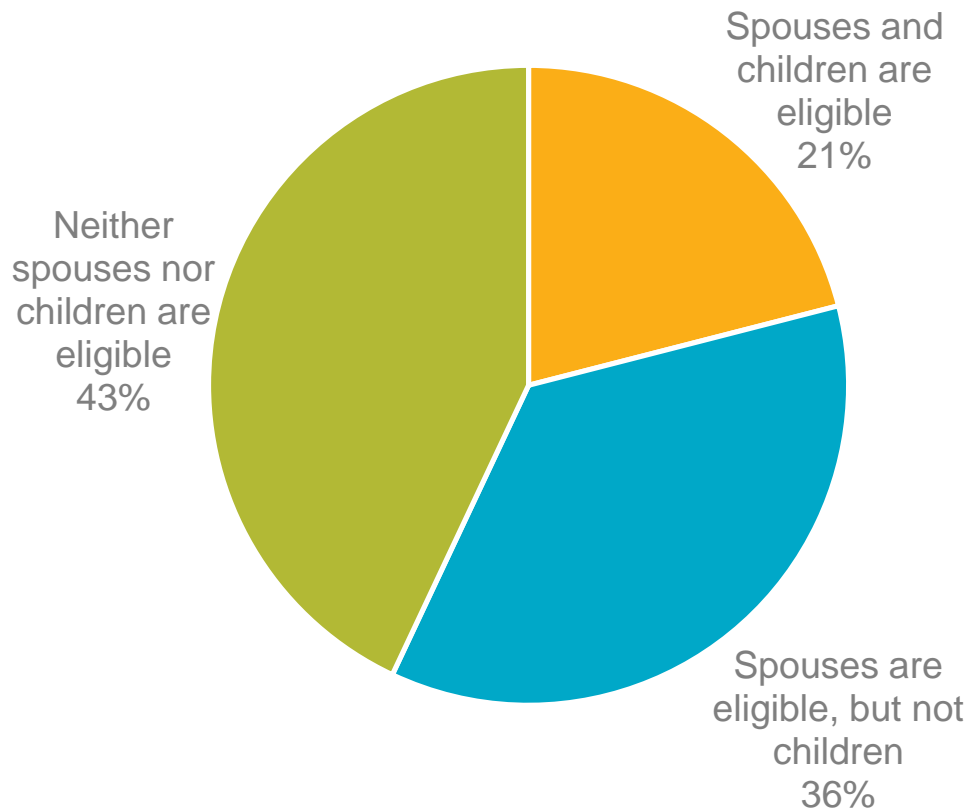
Among large employers offering programs





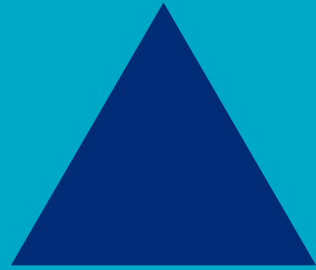
# MAJORITY OF EMPLOYERS MAKE SPOUSES ELIGIBLE FOR KEY ELEMENTS OF THE WELL-BEING PROGRAM

Large employers offering health and well-being programs



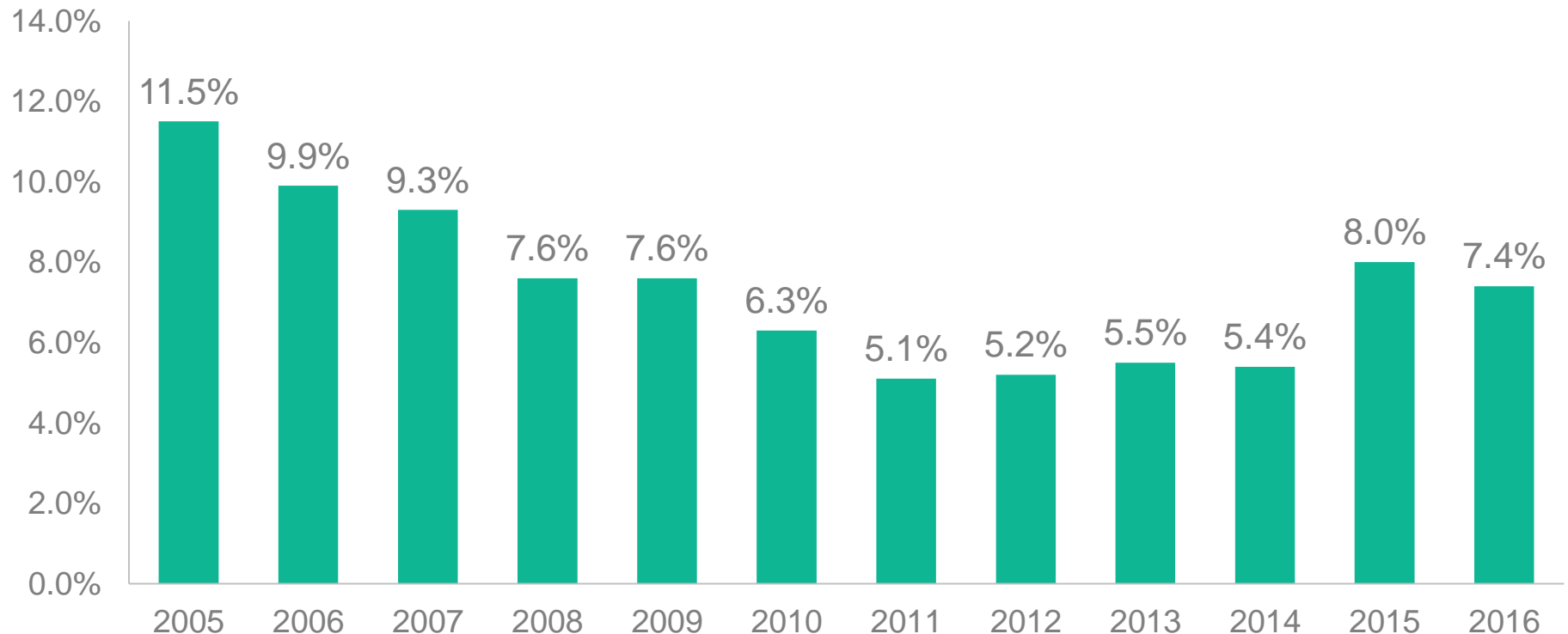
- 56% of employers making spouses eligible for health management program also provide them incentives
- Health plan non-participants are eligible for at least some elements of the well-being program: 60%

# PRESCRIPTION DRUG BENEFITS



# PRESCRIPTION DRUG BENEFIT COST GROWTH HAS ACCELERATED

Cost change in prescription drug benefit offered through primary medical plan for large employers



# DRUG BENEFITS HAVE BEEN CARVED OUT OF PRIMARY MEDICAL PLAN, BY EMPLOYER SIZE

500 - 999 employees

13%

1,000 – 4,999 employees

22%

5,000 – 9,999 employees

35%

10,000 – 19,999 employees

49%

20,000 or more employees

63%

# OVER A QUARTER OF LARGE EMPLOYERS USE FOUR COST-SHARING TIERS IN THEIR DRUG PLANS

Cost-sharing provisions used in large employers' primary plan

COST-SHARING STRUCTURE	RETAIL	MAIL-ORDER
Same level of cost-sharing for all drugs	8%	9%
2 levels for generic, brand drugs	6%	8%
3 levels for generic, formulary brand, non-formulary brand	57%	62%
4 or more levels	28%	21%
Other	1%	--

# AVERAGE COPAYMENT AMOUNTS IN PRESCRIPTION DRUG PLANS

In large employers' primary medical plan

	RETAIL	MAIL-ORDER
Generic	\$11	\$22
Brand-name	\$32	\$66
Non-formulary brand	\$55	\$114
Specialty / biotech, when separate	\$115	\$179

# USE OF COINSURANCE IN DRUG PLANS

Percent of large employers requiring coinsurance

	RETAIL	MAIL-ORDER
Use coinsurance for generic drugs (% of employers)	20%	18%
Use coinsurance for formulary brand (% of employers)	33%	29%
Use coinsurance for non-formulary brand (% of employers)	34%	30%
Use coinsurance for specialty / biotech (% of employers)	12%	7%
Use coinsurance for any drug category (% of employers)	45%	37%

# PRESCRIPTION DRUG PLAN COST-MANAGEMENT FEATURES

Step therapy



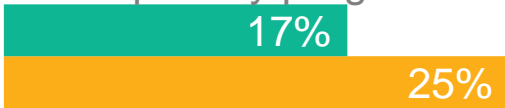
Mandatory generics with or without physician override



Mandatory drug exclusions



Retail penalty program



Members may fill 90-day maintenance drugs at a specific retail pharmacy



Mandatory mail order (after 2-4 retail fills)



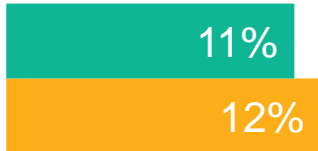
- Employers with 500+ employees
- Employers with 20,000+ employees

# PLAN MEMBERS ARE ENCOURAGED TO USE SPECIALTY PHARMACY

Some / all specialty drugs excluded from retail pharmacy /medical benefit

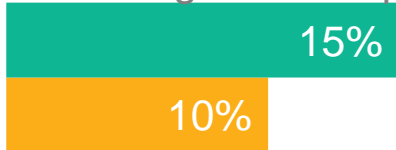


Offer lower cost-sharing if employees use the specialty pharmacy



- Large employers
- 20,000+ employees

Encourage use of specialty pharmacies some other way



32% of large employers say per-employee cost for specialty medications has been increasing; just 3% report a decrease

Do not attempt to steer members to any channel for specialty medications





**MAKE**



**TOMORROW,  
TODAY**