

Current Trends in Employee Health Plans: How Does Your Plan Compare?

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Chicago, Illinois

36TH ANNUAL ISCEBS
Symposium

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ABOUT MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS



Oldest

Marking 31 years of measuring health plan trends



Largest

2,544 employers participated in 2016



Most comprehensive

Extensive questionnaire covers a full range of health benefit issues and strategies



Statistically valid

Based on a probability sample of private and public employers for reliable results



Includes employers of all sizes, all industries, all regions

Results project to all US employers with 10 or more employees



Employer size groups in presentation

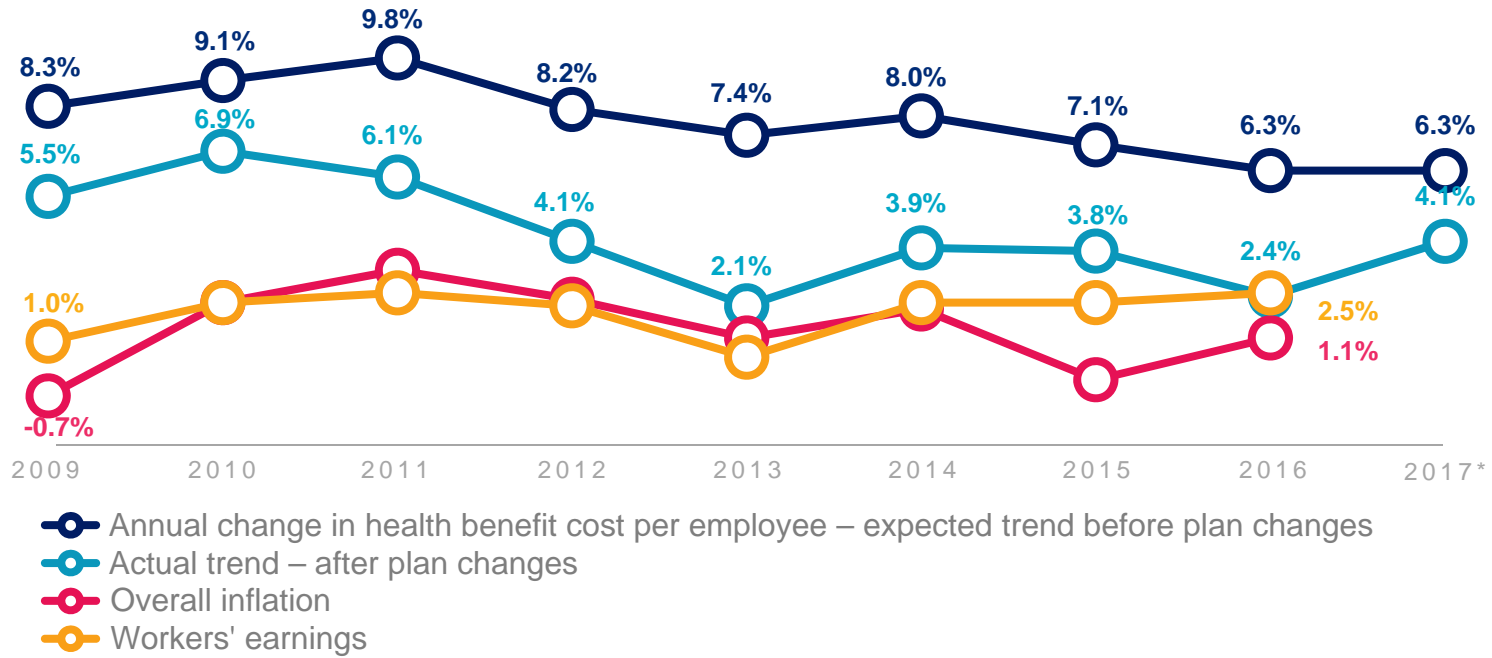
Small: 10-499 employees / Large: 500+ employees / Jumbo: 20,000+ employees

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
 - 6** **Analysis: 25 strategies that are helping employers achieve lower cost trends**
Successful programs address pay for value, quality, personalized employee experience
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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

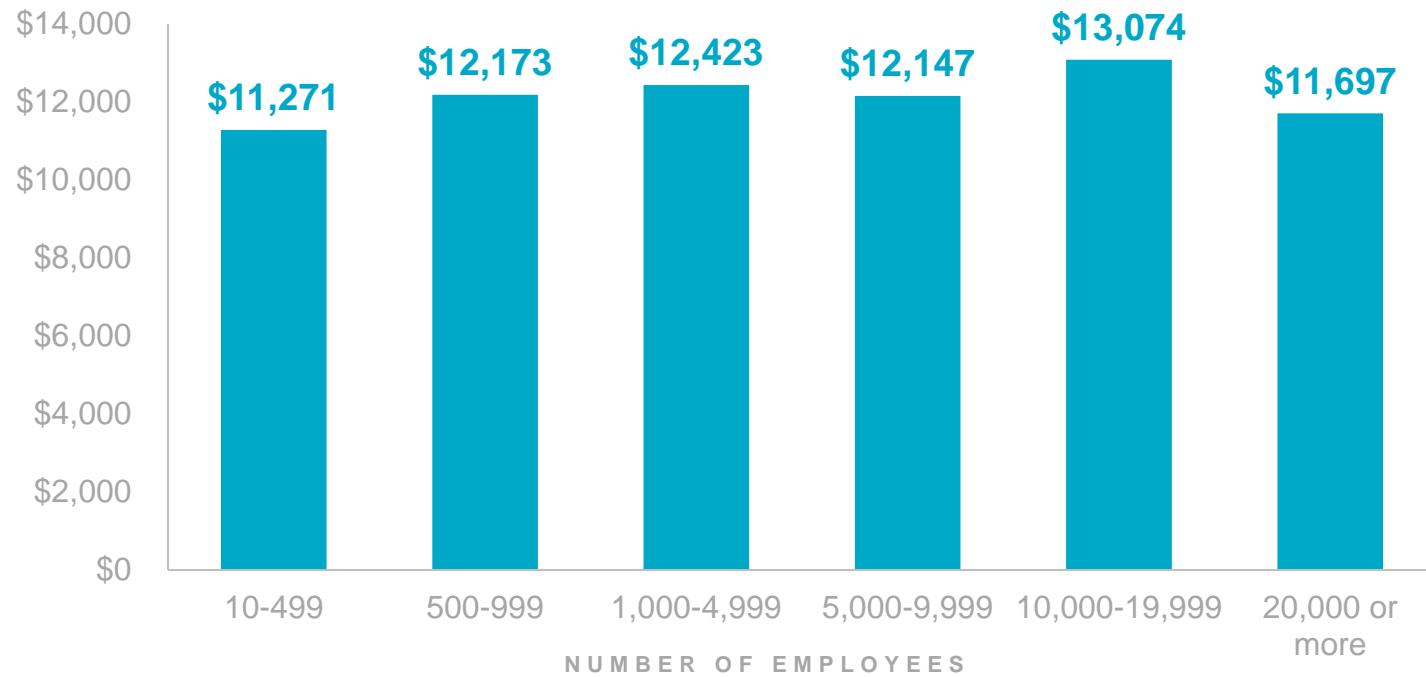


* Projected

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.

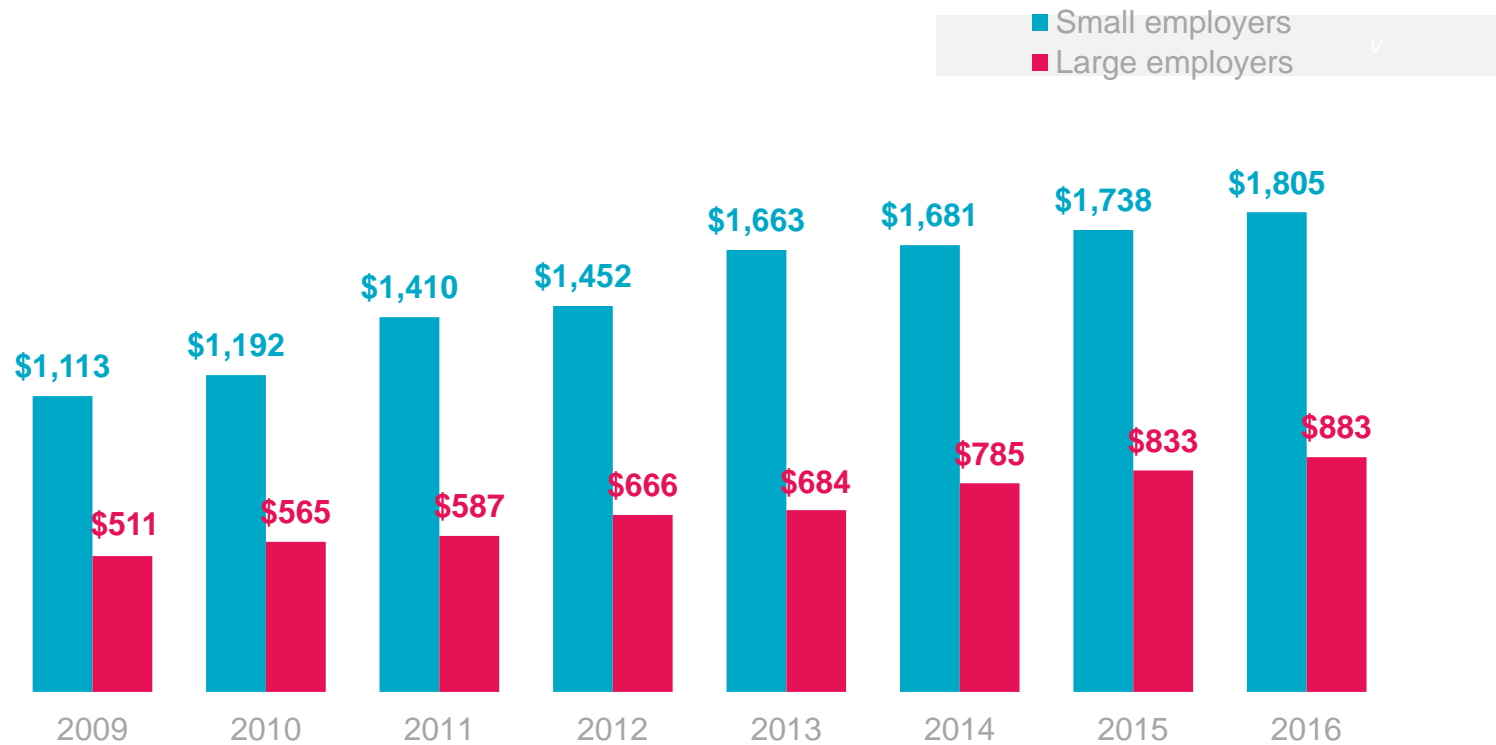
COST RISES WITH EMPLOYER SIZE – EXCEPT FOR THE VERY LARGEST EMPLOYERS

Average total health benefit cost per employee, by employer size



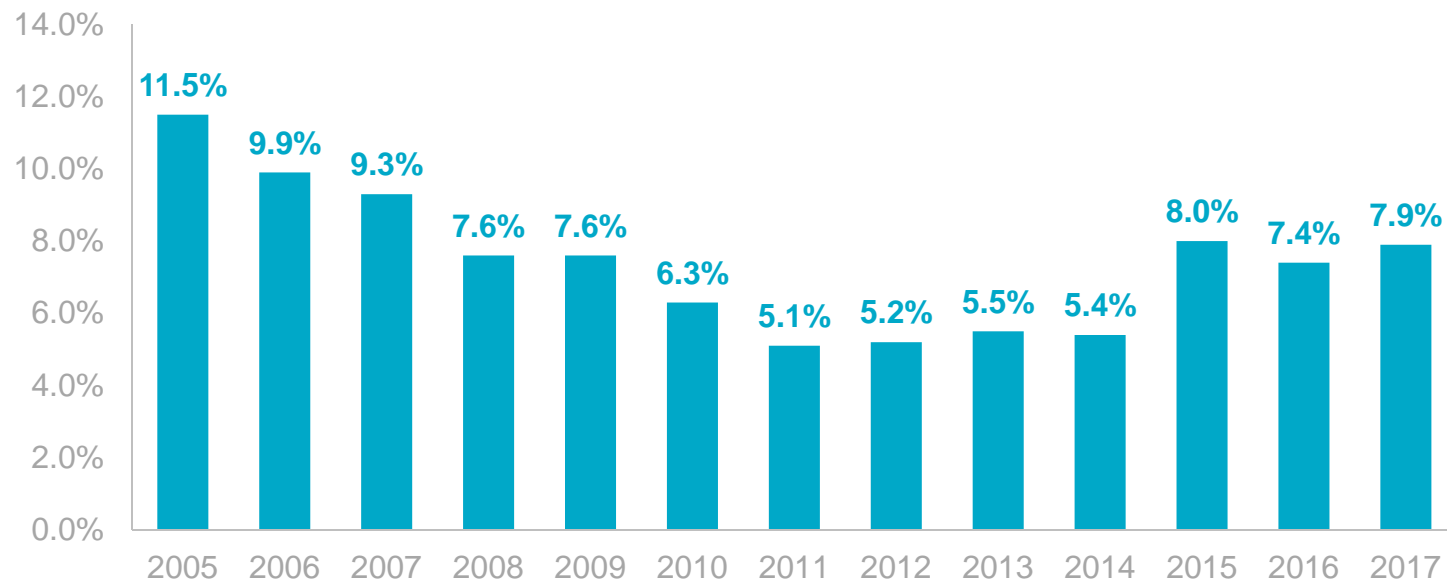
EMPLOYERS HAVE RELIED ON COST-SHIFTING TO CURTAIL COST GROWTH IN THE HEALTH REFORM ERA

Average PPO deductible for individual, in-network coverage



A KEY COST DRIVER IN 2016: A JUMP IN PRESCRIPTION DRUG BENEFIT COST

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



32% OF LARGE EMPLOYERS REPORTED AN INCREASE IN THE PER-EMPLOYEE COST OF SPECIALTY DRUGS AT THE LAST RENEWAL – ON AVERAGE 24%. 41% DIDN'T KNOW, AND 24% SAID COST STAYED ABOUT THE SAME.

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

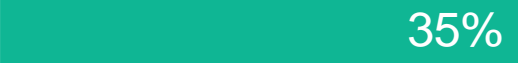
500 - 999 employees



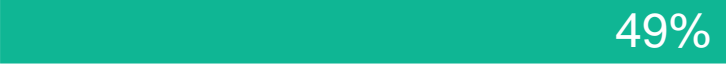
1,000 - 4,999 employees



5,000 - 9,999 employees



10,000 - 19,999 employees



20,000 or more employees



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

Cost-sharing provisions used in large employers' primary plan

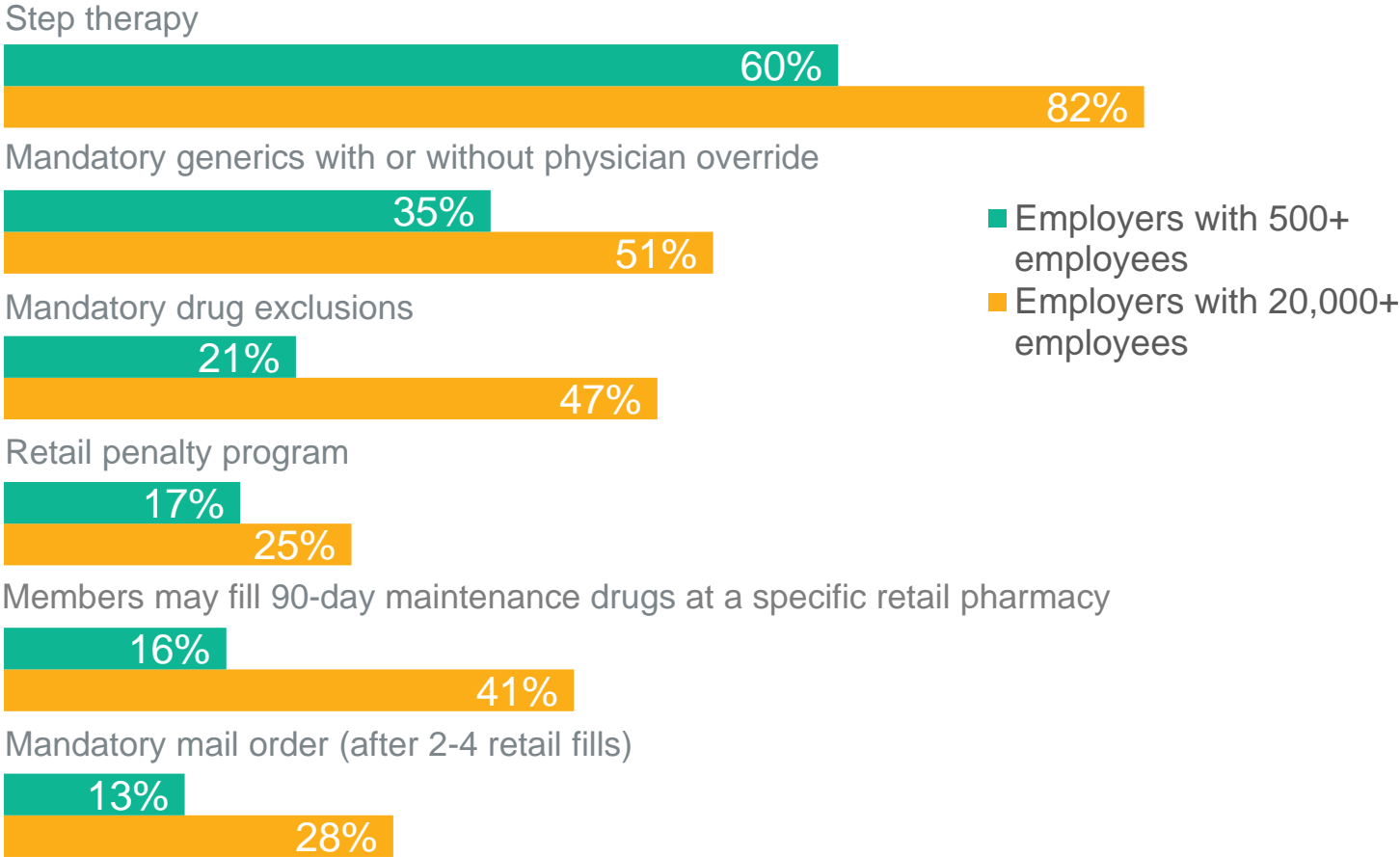
COST-SHARING STRUCTURE	RETAIL	MAIL-ORDER
Same level of cost-sharing for all drugs	8%	9%
2 levels for generic, brand drugs	6%	8%
3 levels for generic, formulary brand, non-formulary brand	57%	62%
4 or more levels	28%	21%
Other	1%	--

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

PRESCRIPTION DRUG PLAN COST-MANAGEMENT FEATURES

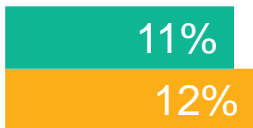


PLAN MEMBERS ARE ENCOURAGED TO USE SPECIALTY PHARMACY

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

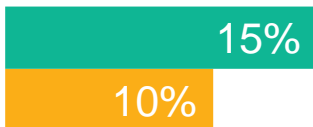


Offer lower cost-sharing if employees use the specialty pharmacy



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

Encourage use of specialty pharmacies some other way

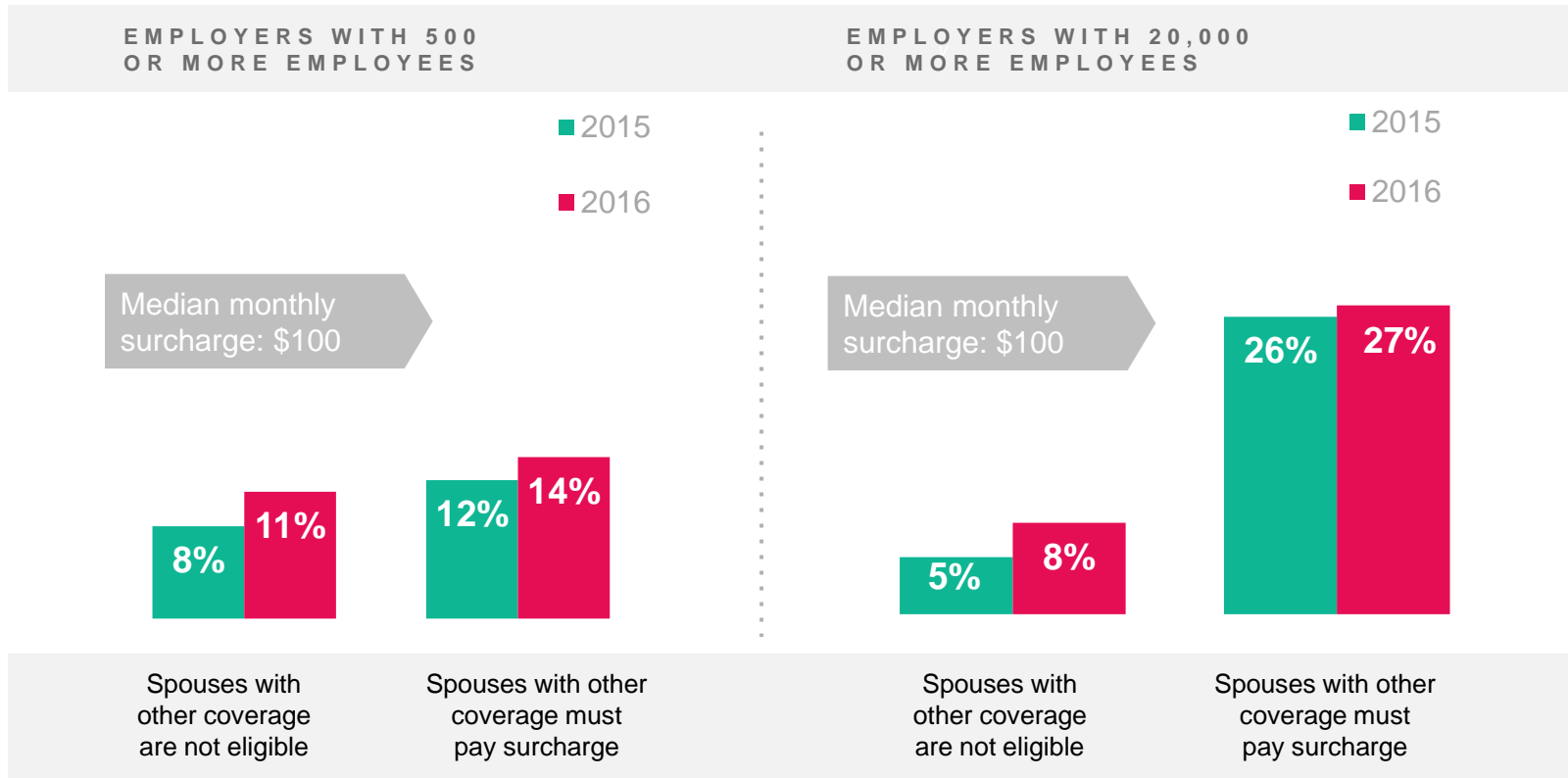


Do not attempt to steer members to any channel for specialty medications



LIMITING DEPENDENT COVERAGE: SOME GROWTH IN SPOUSAL SURCHARGES AND EXCLUSIONS

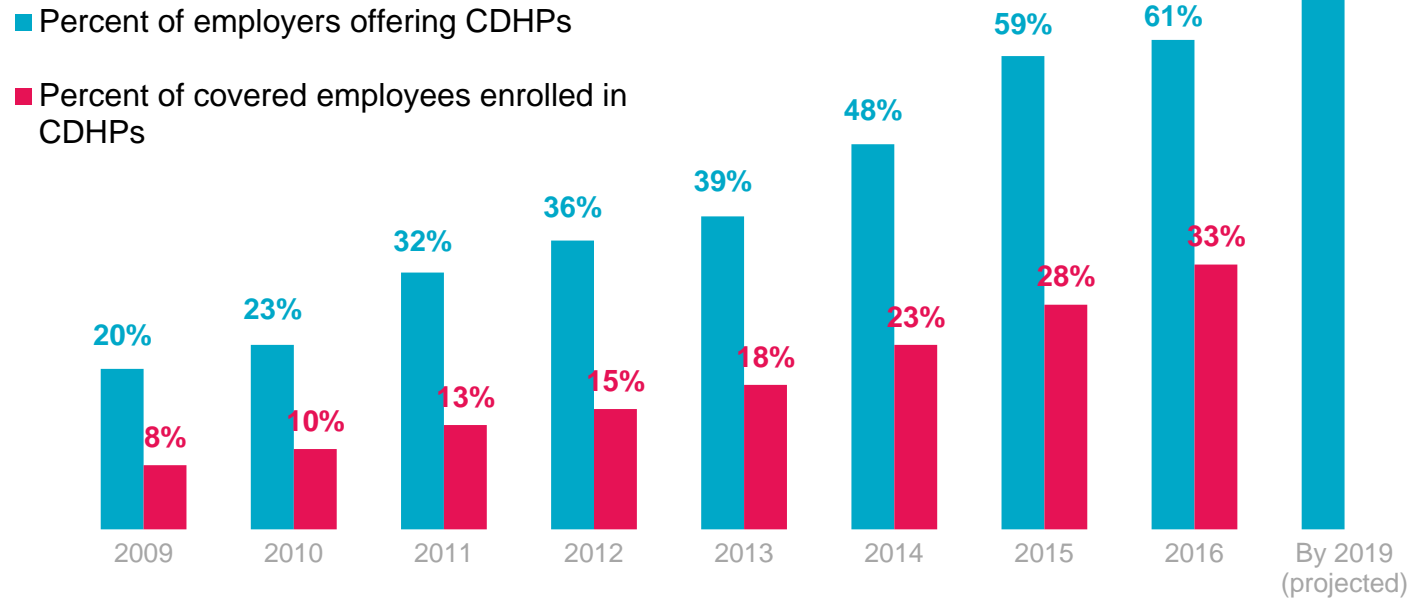
Special provisions for employees' spouses with other coverage available



THE TOP COST-MANAGEMENT STRATEGY: CONSUMER-DIRECTED HEALTH PLANS

Large employers

By 2019, 72% of large employers expect to offer a CDHP



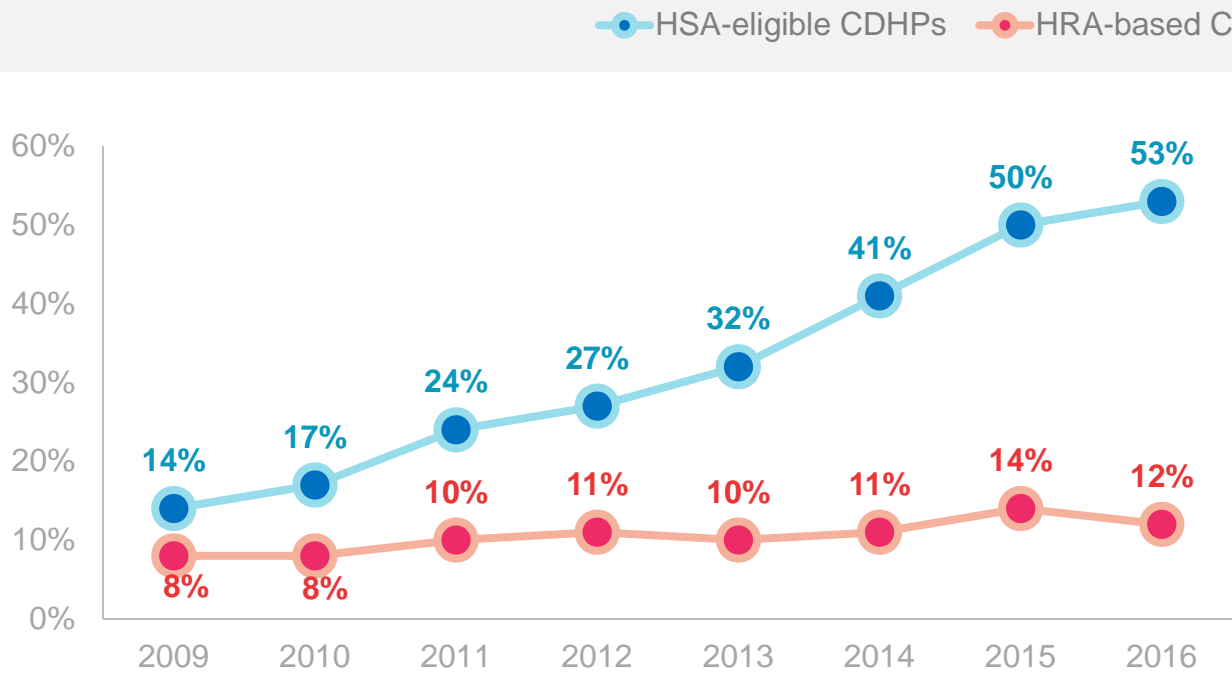
SLOWDOWN IN NEW CDHP IMPLEMENTATIONS IN 2016 – CHALLENGE IS TO GROW ENROLLMENT IN EXISTING PLANS

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%

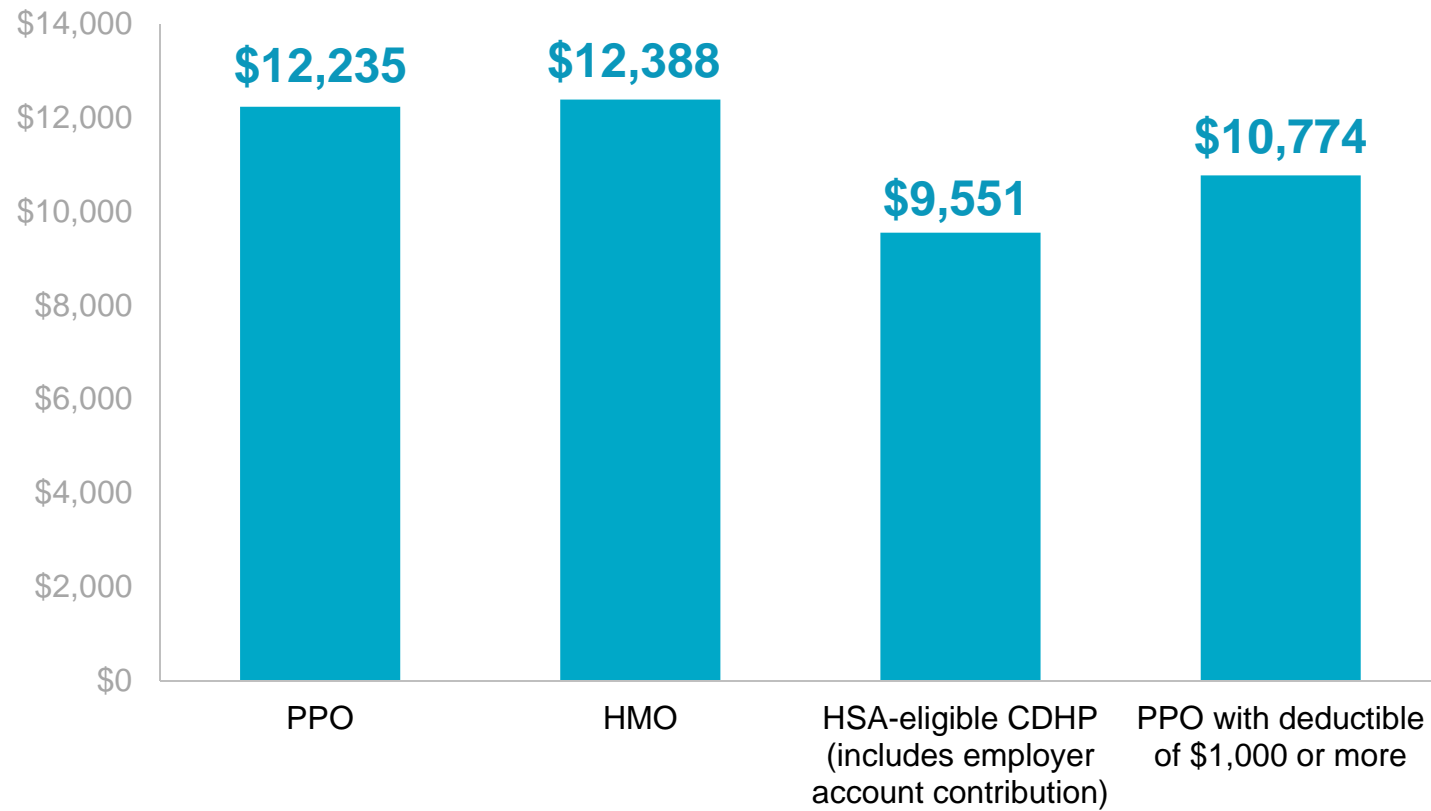
WHILE SOME EMPLOYERS MAINTAIN HRA-BASED PLANS, THE REAL GROWTH HAS BEEN IN HSA-ELIGIBLE PLANS

Percent of large employers offering plan

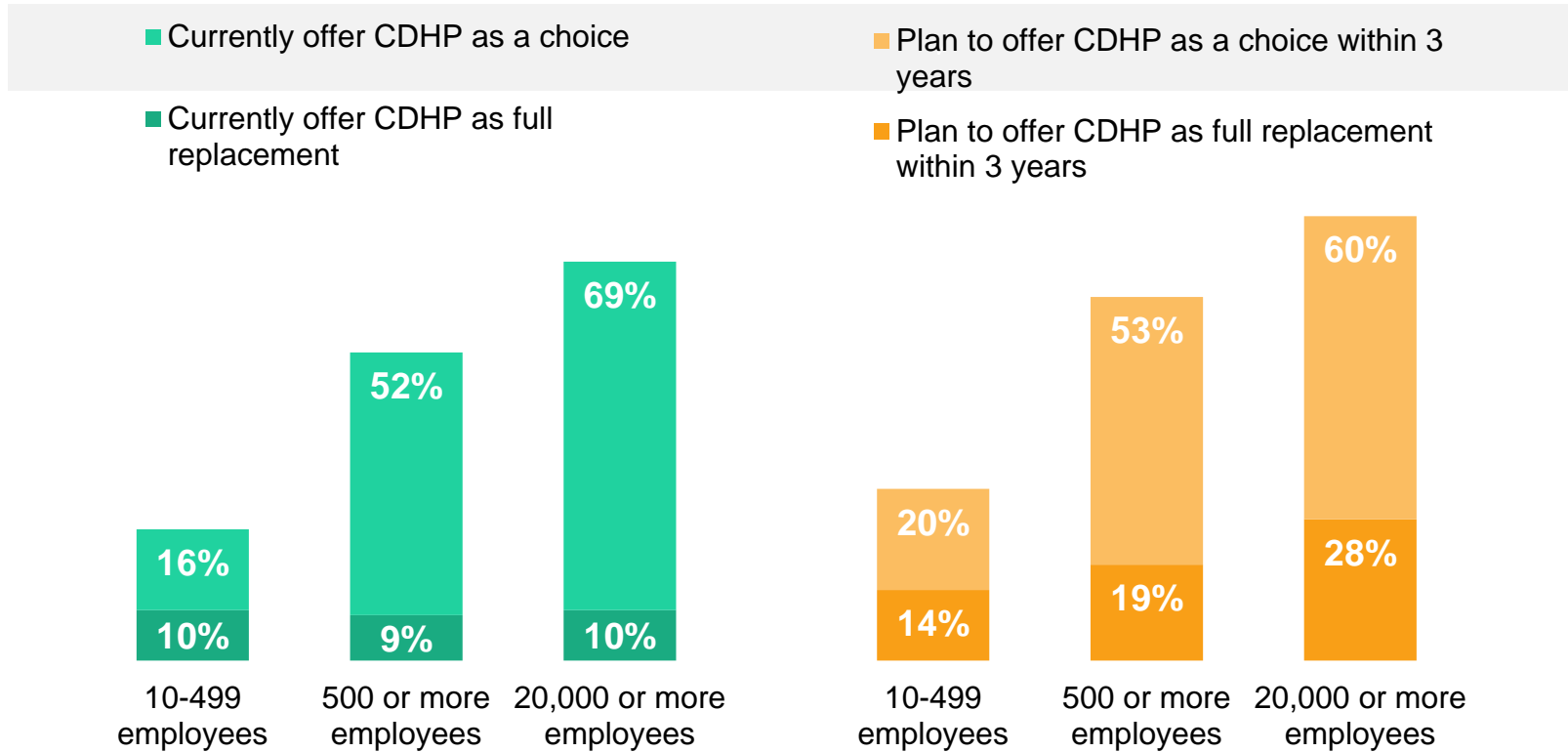


HSA-ELIGIBLE CDHPs COST SIGNIFICANTLY LESS THAN OTHER PLANS, EVEN PPOs WITH HIGH DEDUCTIBLES

Average medical plan cost per employee, among large employers

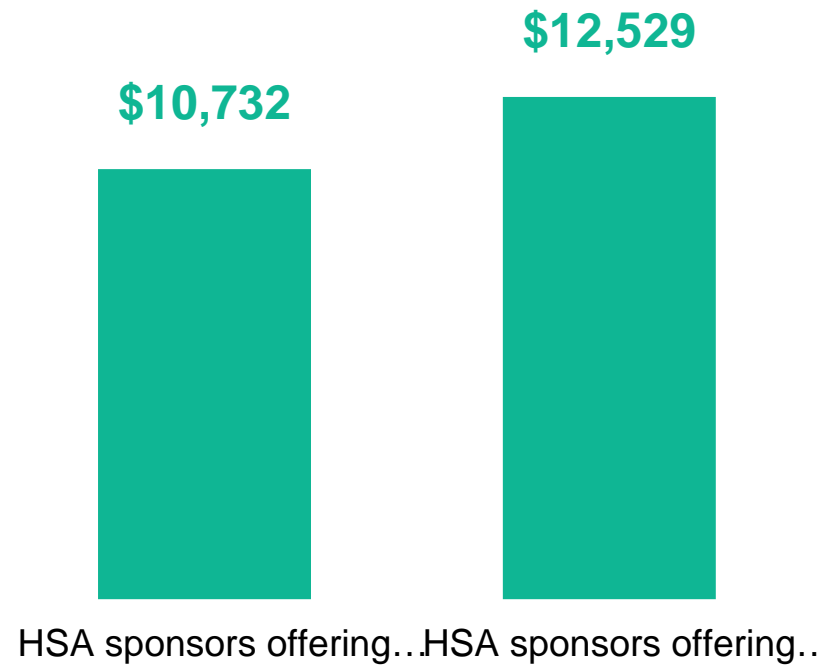


EMPLOYERS REMAIN RELUCTANT TO MOVE TO FULL REPLACEMENT STRATEGY



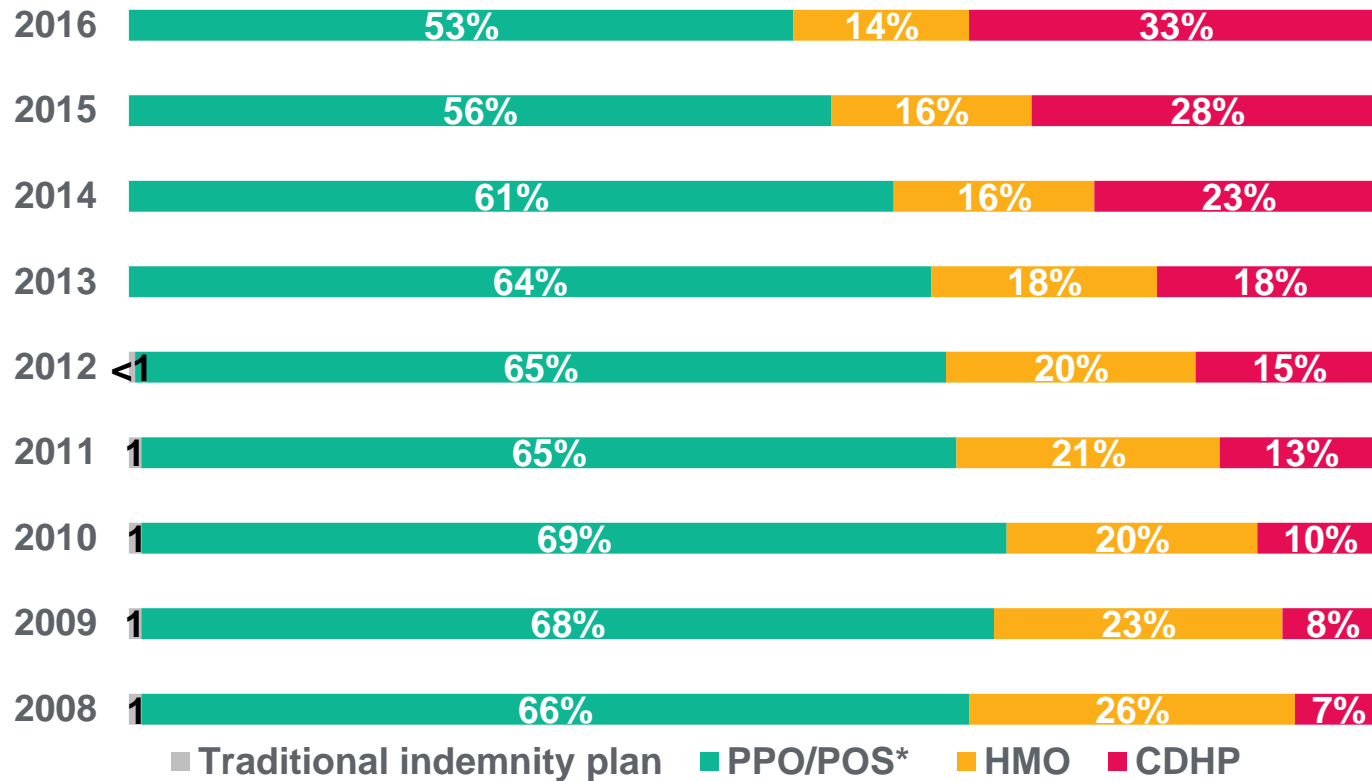
THE DIFFERENCE BETWEEN OFFERING AN HSA PLAN AS AN OPTION OR A FULL REPLACEMENT

Average total health plan cost per employee, among large HSA sponsors



CDHP ENROLLMENT REACHES ONE-THIRD OF COVERED EMPLOYEES

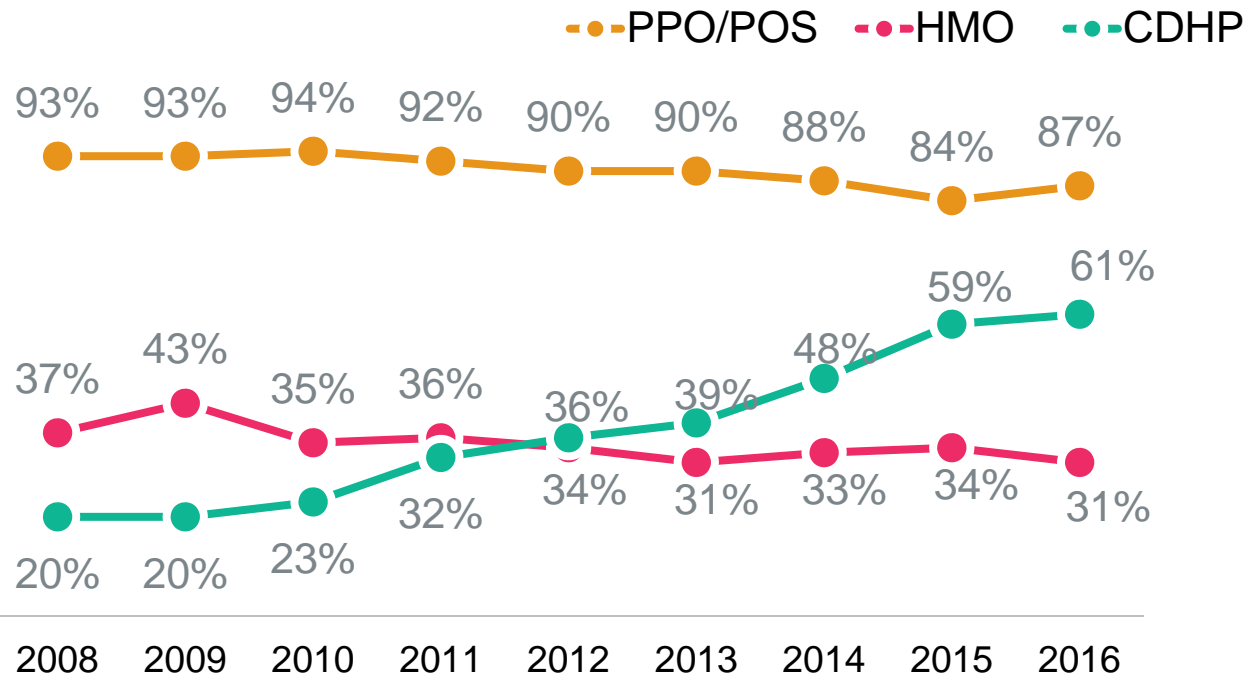
Percentage of covered employees enrolled in each plan type, among large employers



*Includes traditional indemnity plans beginning in 2013.

TYPE OF MEDICAL PLAN OFFERED, 2008-2016

Large employers



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

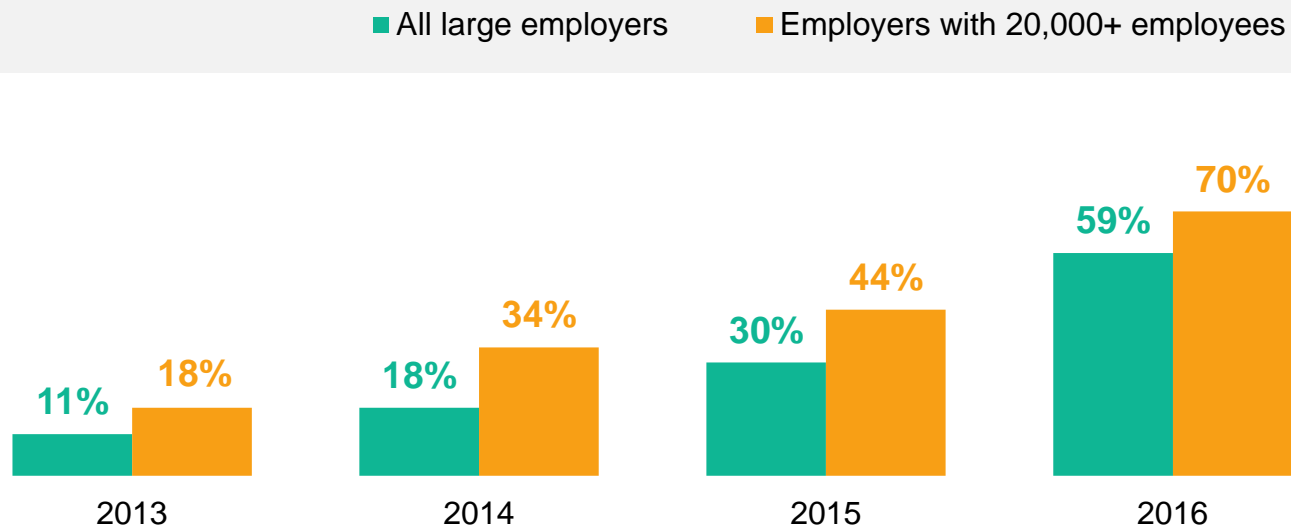
60% Accident



69% OF EMPLOYERS SAY THEIR OBJECTIVES HAVE BEEN MET

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

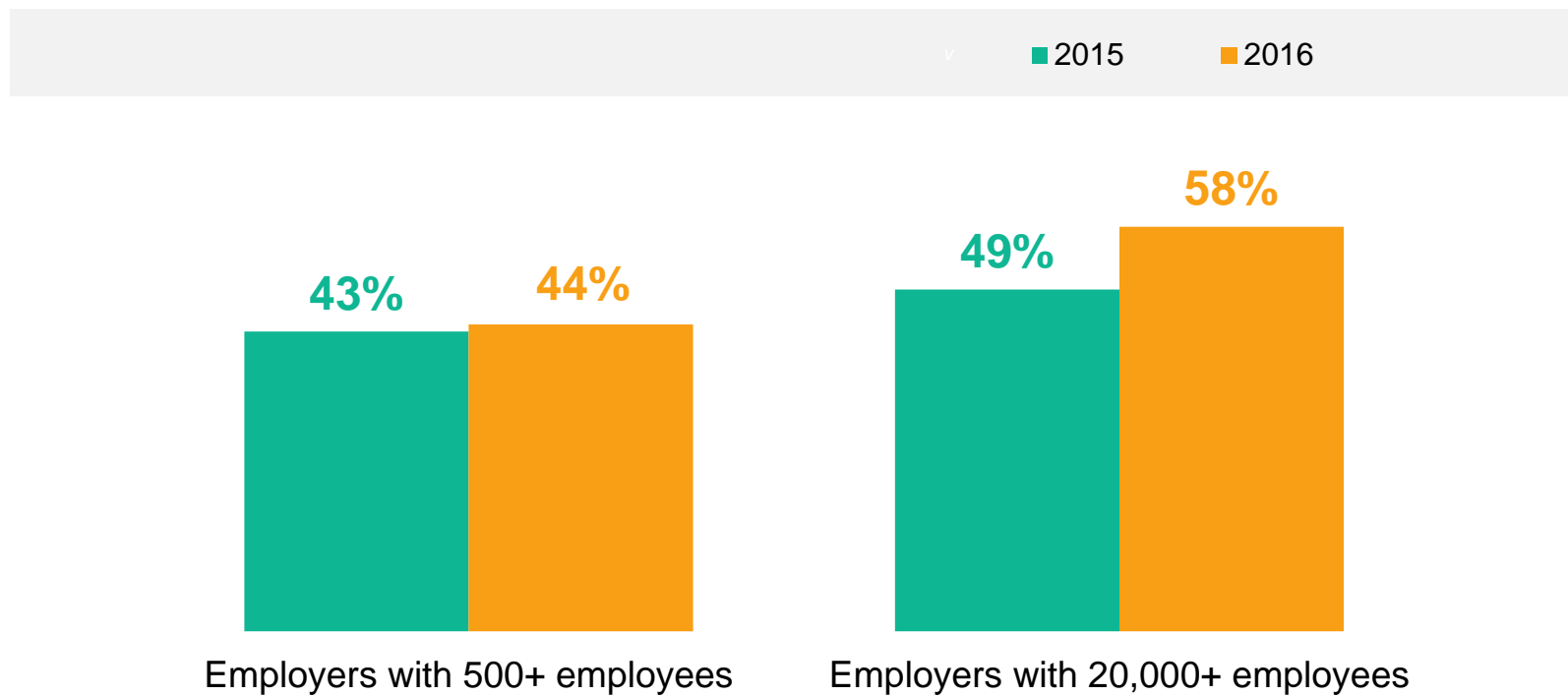
Percent of employers offering telemedicine



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

BUT WHILE COST-SHIFTING AND CONSUMERISM HAVE HELPED HOLD DOWN COST GROWTH, IT'S NOT ENOUGH



Only about 30% of healthcare cost is “shoppable”

- Healthcare consumers may be able to compare costs for non-urgent care like a physician office visit or MRI, but not in the face of an emergency or critical illness
- A range of options for healthcare services doesn't exist in all markets



Research shows CDHP enrollees spend more out of pocket and use fewer services

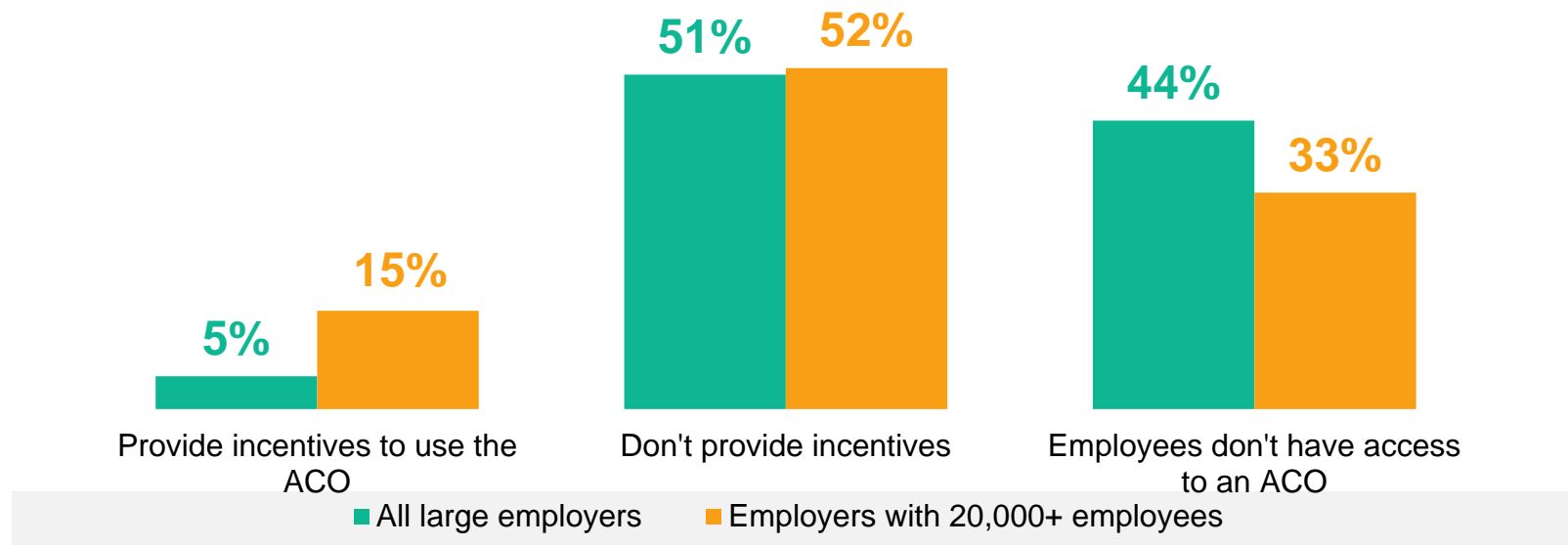
- Concerns remain about whether, or at what point, lower utilization adversely affects health



Once everyone is in a high-deductible health plan, where do cost-savings come from?

ACCOUNTABLE CARE ORGANIZATIONS: THE LARGEST EMPLOYERS ARE ADDING INCENTIVES, AND SOME ARE SEEING RESULTS

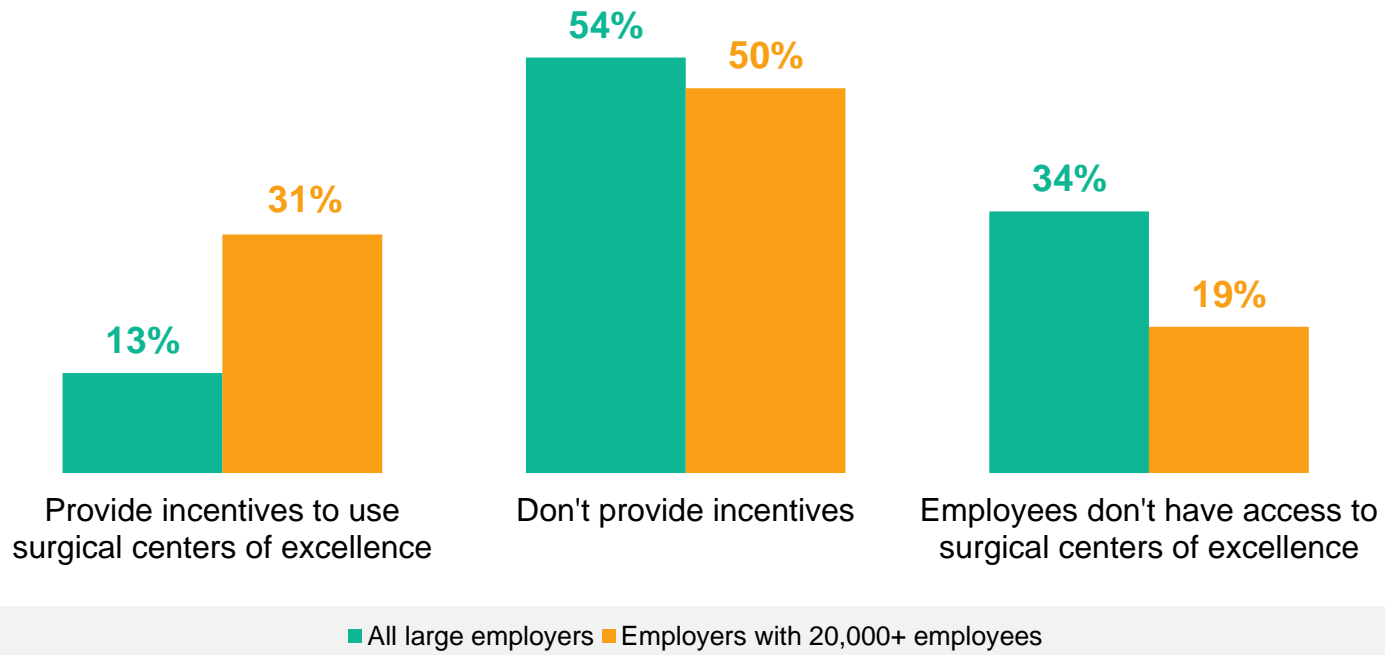
Among employers with 5,000+ employees offering ACOs with incentives*, 13% report some cost savings achieved with the ACO; but most can't measure.



*Results from supplemental survey of employers with 5,000 or more employees

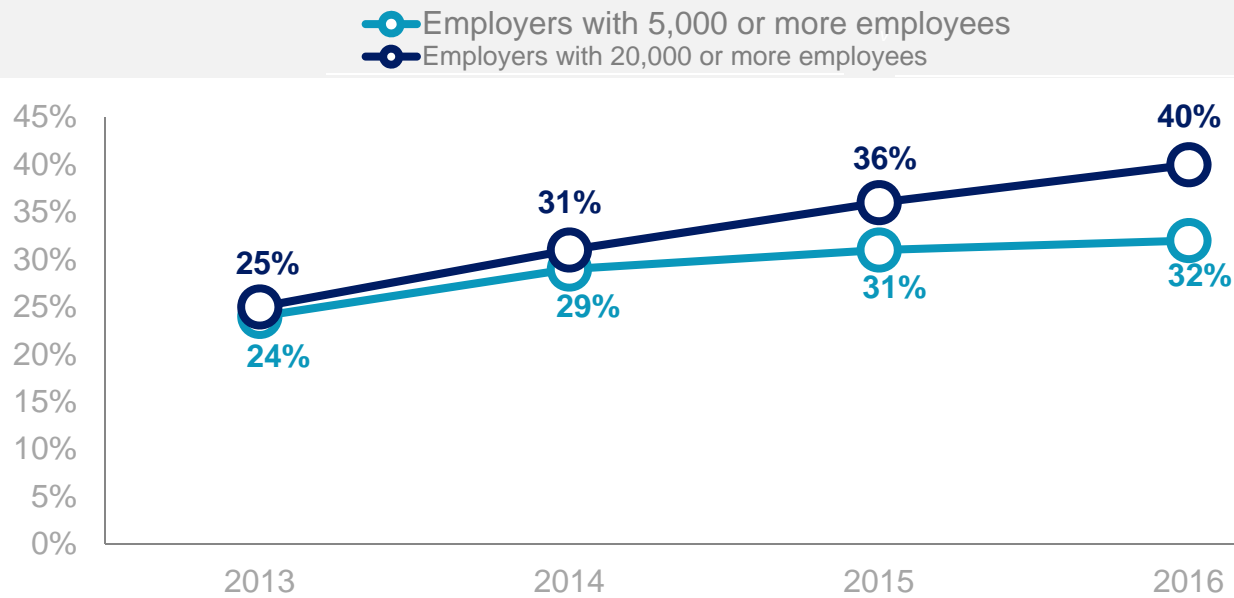
SURGICAL CENTERS OF EXCELLENCE

Among employers with 5,000+ employees offering COEs with incentives*, 31% have direct provider contracts or customized carrier arrangement



*Results from supplemental survey of employers with 5,000 or more employees

PROVIDE WORKSITE OR NEAR-SITE MEDICAL CLINIC FOR PRIMARY CARE SERVICES



MORE THAN HALF OF RESPONDENTS WITH AN ONSITE CLINIC (58%) SAY THAT IT IS INTEGRATED WITH THEIR POPULATION HEALTH INITIATIVES*

* From supplemental survey of employers with 5,000 or more employees

OFFER HEALTH AND WELL-BEING PROGRAMS FOR A RANGE OF NEEDS

Percentage of employers offering program

	500+ EMPLOYEES	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%

INNOVATIVE TECHNOLOGIES AND ACTIVITIES FOR A MORE ENGAGING MEMBER EXPERIENCE

ACTIVITIES		
	All large employers	Employers with 20,000+ employees
Worksite biometric screening event	58%	69%
Business unit/location group challenges	46%	67%
Onsite exercise or yoga classes or weight loss programs (such as Weight Watchers)	44%	77%
Personal challenges	42%	65%
Peer-to-peer support	21%	41%

TECHNOLOGY-BASED RESOURCES		
	All large employers	Employers with 20,000+ employees
Mobile apps	37%	54%
Wearables / apps to monitor activity	31%	43%
Devices to transmit health measures to providers	5%	16%
Onsite kiosks	9%	15%
Other web-based resources/tools	42%	69%

OFFER INCENTIVES IN CONNECTION WITH WELL-BEING PROGRAMS

Large employers

Financial rewards, such as lower premiums, cash/gift cards

64%

Non-financial rewards, such as lottery, recognition, token gifts

24%

Financial penalties, such as higher premiums, loss of plan eligibility

17%

Charitable contributions on behalf of members

4%

EARNED FOR

Participation 66%

Outcomes 29%

No incentives provided 25%

MAXIMUM ANNUAL VALUE

MEDIAN

Participation \$300

Outcomes \$350

Offer lower premium for non-tobacco use

22%

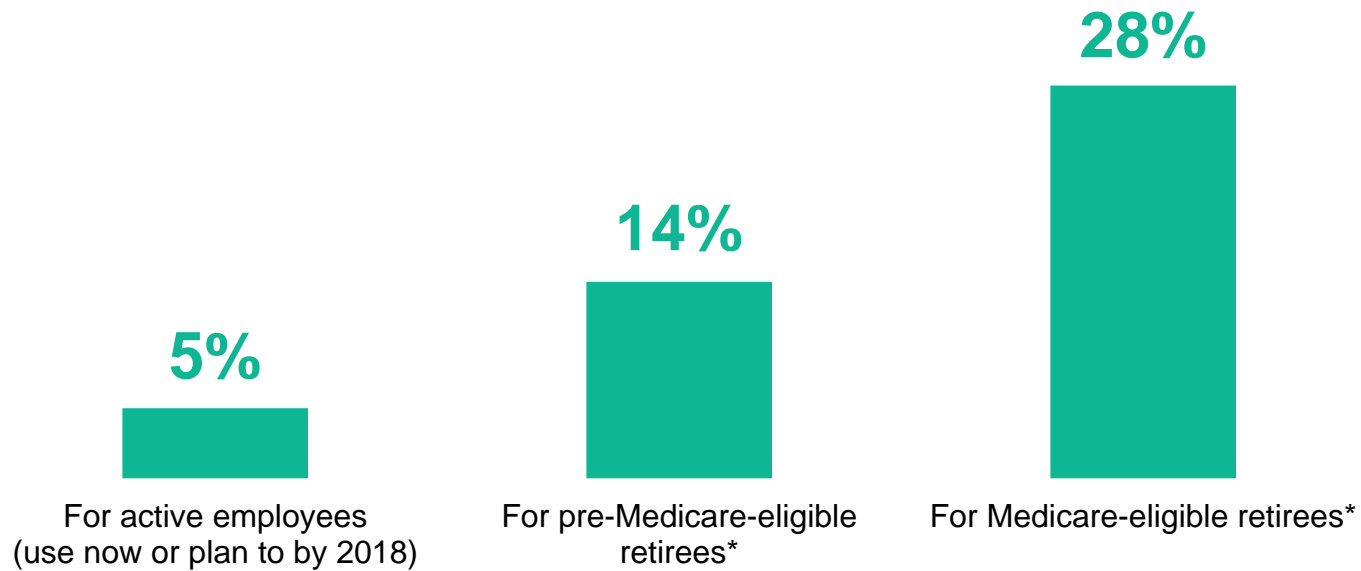
2015

26%

2016

PRIVATE BENEFIT EXCHANGES OFFER EMPLOYERS A WAY TO OFFER CHOICE

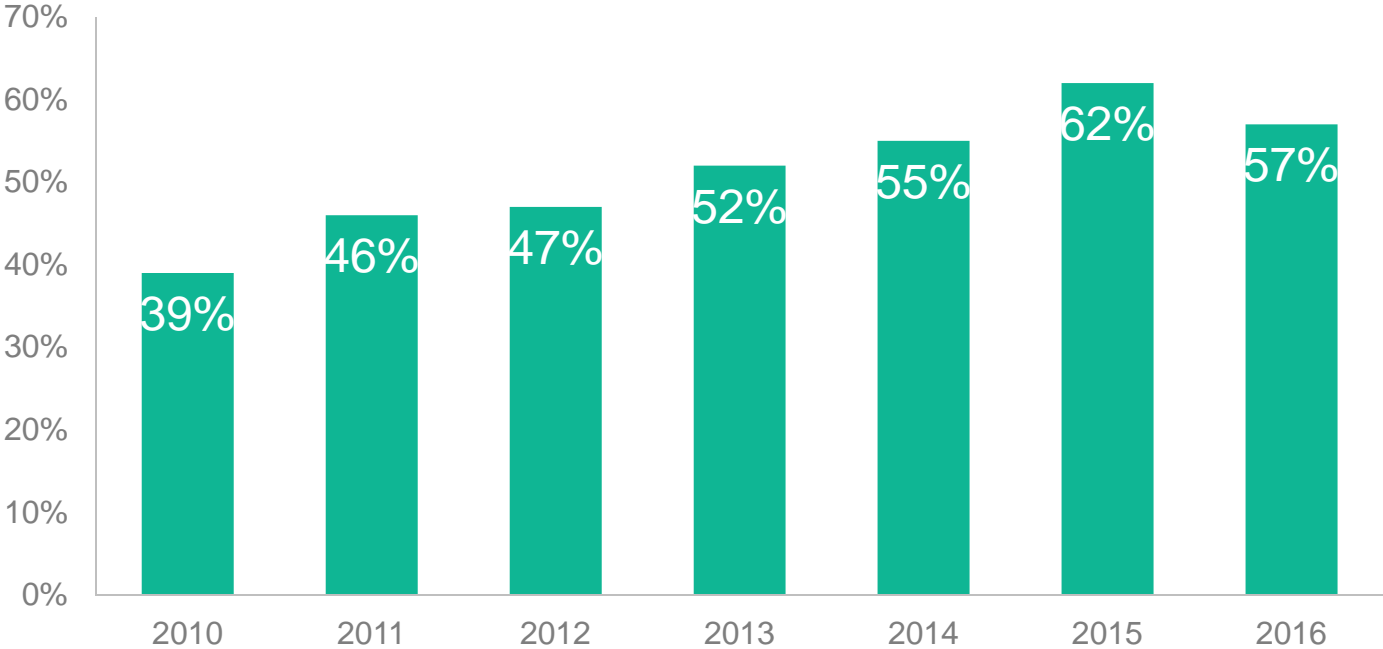
Offer private benefit exchange, among large employers



* Among current retiree medical plan sponsors

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

Large employers offering same-sex domestic partner coverage



THANK YOU

QUESTIONS?