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

Oldest
Marking 33 years of measuring health plan trends

Largest
2,409 employers participated in 2018

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 this presentation
Small: 10–499 employees
Large and midsized: 500+
Jumbo: 20,000+
CONTENTS

• Top stories
• Medical plan management
• Network strategies and value-based care
• Choice and consumer support
• Special coverages and services
• Behavioral health services
TOP STORIES
Employers utilizing the greatest number of best practices have **significantly lower trend** than those who are using fewer best practices.

The majority of jumbo employers **use regional vendors** as well as a national vendor, most often with the goals of delivering better cost performance overall and meeting employee access needs.

More than a fourth of jumbo employers are actively shaping **ACO arrangements**, by working with vendors to customize the ACO, direct contracting, or carving out to a specialty vendor.

Fewer than half of employers use their carrier’s standard **approach to OON reimbursement**. While just 7% of jumbo employers have taken the step of eliminating all OON coverage, 25% are considering it.

**Specialty Rx spend is on the rise** and about a fifth of employers now use a specialty Rx vendor (separate from PBM or medical carrier) to manage these cases.

About one in ten jumbo employers contract directly with one or more **Centers of Excellence**.

A third of jumbo employers now offer a **consumer-directed health plan** as a full replacement medical plan to the majority of their employees. But the majority say it’s not likely they will go this route in the next three years.

**Infertility treatment coverage** is becoming more common. IVF is covered by over two-fifths of jumbo employers and egg-freezing by nearly one-fifth.
EMPLOYERS’ TOP PRIORITIES FOR THE NEXT 5 YEARS: ADDRESS COST DRIVERS AND HELP EMPLOYEES THRIVE

AMONG EMPLOYERS WITH 20,000+ EMPLOYEES

Focused action to manage cost for specialty pharmacy

- 53% employers rating strategy “Very important”
- 36% employers rating strategy “Important”

Monitoring and managing high-cost claimants

- 53% employers rating strategy “Very important”
- 31% employers rating strategy “Important”

Focused strategy for creating a culture of health

- 36% employers rating strategy “Very important”
- 30% employers rating strategy “Important”

Focused strategies for behavioral health

- 23% employers rating strategy “Very important”
- 35% employers rating strategy “Important”

Improving patient empowerment through advocacy, shared decision-making, multi-channel care navigation, etc.

- 19% employers rating strategy “Very important”
- 29% employers rating strategy “Important”
EMPLOYERS’ TOP PRIORITIES FOR THE NEXT 5 YEARS (CONTINUED)

AMONG EMPLOYERS WITH 20,000+ EMPLOYEES

“Point solutions” – high-tech or high-touch support for condition management

- 19% employers rating strategy “Very important”
- 35% employers rating strategy “Important”

ACO or other high-performance network strategies

- 27% employers rating strategy “Very important”
- 23% employers rating strategy “Important”

Offering employees more plan or benefit options with decision support tools

- 22% employers rating strategy “Very important”
- 25% employers rating strategy “Important”

Evaluate or adopt geographic-specific healthcare options outside of national healthcare options

- 15% employers rating strategy “Very important”
- 18% employers rating strategy “Important”

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BEST-PRACTICE CHECKLIST
FOR LOWER COST GROWTH

RESPONDENTS’ COST TRENDS WERE ANALYZED BASED ON THEIR USE
OF THESE 27 BEST PRACTICE COST-MANAGEMENT STRATEGIES

BASICS
✓ Offer CDHP
✓ HSA sponsor makes a contribution to employees’ accounts
✓ Offer voluntary supplemental health insurance
✓ Use bundled solution for health benefits (including private benefits exchange)
✓ Use stop-loss insurance
✓ Mandatory generics or other Rx strategies
✓ Steer members to specialty pharmacy for specialty drugs
✓ Collective purchasing of Rx benefits

WELL-BEING
✓ Offer one or more point solutions to address population health issues
✓ Company vision/mission statement supports a healthy workplace culture
✓ No smoking on work campus
✓ Offer technology-based well-being resources (apps, devices, web-based)
✓ Use incentives for well-being programs
✓ Well-being strategy focuses on intrinsic motivation to improve health
✓ Spouses and/or children may participate in programs
✓ Smoker surcharge
✓ Have taken action to address opioid abuse/addiction in the workplace
✓ Provide teletherapy, stress mgmt, resiliency, or mindfulness programs

QUALITY AND VALUE
✓ Offer enhanced health advocacy
✓ Offer a Center of Excellence for bariatric, oncology, cardiology, orthopedics or women’s health
✓ Steer employees to a COE with incentive/penalty, or require it
✓ Provide incentive to use surgical decision support service
✓ Primary care on-site clinic
✓ Telemedicine utilization of 6%+
✓ Use enhanced fraud, waste and abuse approaches
✓ Use predictive analytics in setting health plan strategy
✓ Employees have option at open enrollment to elect:
  – Tiered or narrow network
  – Accountable care organization
  – Fully capitated HMO
Respondents were divided into groups based on how many best practices they used:

- Employers with 5,000+ employees:
  - Employers using the fewest best practices: 4.3%
  - Employers using the most best practices: 3.5%

- Employers with 20,000+ employees:
  - Employers using the fewest best practices: 4.0%
  - Employers using the most best practices: 2.9%

Based on unweighted data.
Turnover is lower among employers that do the most to promote well-being.

Average turnover rate in 2017:

- Employers using the fewest best practices:
  - Employers with 5,000+ employees: 36%
  - Employers with 20,000+ employees: 18%

- Employers using the most best practices:
  - Employers with 5,000+ employees: 30%
  - Employers with 20,000+ employees: 20%

Based on unweighted data.
PLAN COST, OFFERINGS AND ENROLLMENT
EMPLOYERS HELD HEALTH BENEFIT COST GROWTH TO 3.6% IN 2018 – BUT THAT’S STILL ABOVE CPI

CHANGE IN TOTAL HEALTH BENEFIT COST PER EMPLOYEE COMPARED TO CPI, WORKERS’ EARNINGS

- Projected

**Total Annual Healthcare Cost Per Covered Employee**

PEBB Per Capita Costs Continue to Exceed Benchmarks

<table>
<thead>
<tr>
<th>Category</th>
<th>2017: Active Employees</th>
<th>2018 Active Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEBB</td>
<td>$18,723</td>
<td>$20,028</td>
</tr>
<tr>
<td>Government 500+</td>
<td>$13,132</td>
<td>$13,655</td>
</tr>
<tr>
<td>Oregon 500+</td>
<td>$14,638</td>
<td>$15,030</td>
</tr>
<tr>
<td>National 500+</td>
<td>$12,615</td>
<td>$13,018</td>
</tr>
<tr>
<td>National 20,000+</td>
<td>$11,715</td>
<td>$12,390</td>
</tr>
</tbody>
</table>

*Total health benefit cost includes medical, dental, Rx, vision and hearing benefits
*Oregon PEBB includes Providence Statewide, Delta Dental of Oregon, and VSP
CDHP Enrollment Grows at the Expense of PPO Enrollment in 2018

Percentage of Covered Employees Enrolled in Each Plan Type, Among Employers with 500 or More Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional Indemnity Plan</th>
<th>PPO/POS*</th>
<th>HMO</th>
<th>CDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>48%</td>
<td>15%</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>52%</td>
<td>14%</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>53%</td>
<td>14%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>56%</td>
<td>16%</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>61%</td>
<td>16%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>64%</td>
<td>18%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>65%</td>
<td>20%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>65%</td>
<td>21%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>69%</td>
<td>20%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>68%</td>
<td>23%</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>

*Includes traditional indemnity plans beginning in 2013.
HSA-ELIGIBLE CDHPs COST LESS THAN OTHER PLANS

AVERAGE MEDICAL PLAN COST PER EMPLOYEE

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO</td>
<td>$12,486</td>
</tr>
<tr>
<td>HMO</td>
<td>$11,580</td>
</tr>
<tr>
<td>HSA-eligible CDHP</td>
<td>$10,357</td>
</tr>
<tr>
<td>PPO with deductible of $1,000 or more</td>
<td>$10,826</td>
</tr>
</tbody>
</table>
MEDICAL PLAN MANAGEMENT
MANY EMPLOYERS USE REGIONAL VENDORS AS PART OF THEIR NETWORK STRATEGY

- 44% Employers with 5,000+ employees
- 33% Employers with 20,000+ employees

One national vendor only, no regional vendors
- 44%

One national vendor and one or more regional vendors
- 33%

Multiple national vendors and one or more regional vendors
- 28%

More than one national vendor, no regional vendors
- 27%

Employers with 5,000+ employees
- 18%

Employers with 20,000+ employees
- 31%

Regional vendor(s) only, no national vendor
- 6%

Employers with 5,000+ employees
- 4%

Employers with 20,000+ employees
- 3%
## Reasons for Using a Single vs Multiple Medical Vendors

<table>
<thead>
<tr>
<th>Employers Using Multiple Vendors</th>
<th>5,000+ Employees</th>
<th>20,000+ Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver best cost / savings overall</td>
<td>65%</td>
<td>69%</td>
</tr>
<tr>
<td>Meet employee access needs</td>
<td>61%</td>
<td>57%</td>
</tr>
<tr>
<td>Drive employees to health systems with better cost-management and quality of care results</td>
<td>43%</td>
<td>55%</td>
</tr>
<tr>
<td>Address local dynamics (e.g., key local health system doesn’t participate in primary network)</td>
<td>31%</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employers Using One National Vendor</th>
<th>5,000+ Employees</th>
<th>20,000+ Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>One national vendor meets all needs for access, cost management, and patient experience</td>
<td>82%</td>
<td>73%</td>
</tr>
<tr>
<td>Don’t want to take on added complexity of multiple vendors</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Some other reason</td>
<td>7%</td>
<td>15%</td>
</tr>
</tbody>
</table>
MANAGING OON SPEND: EMPLOYERS ARE CONSIDERING CHANGES TO REIMBURSEMENT AND EVEN ELIMINATING COVERAGE

Employers with 5,000+ employees

- Changing reimbursement methodology from carrier's standard: 14% (Have taken this step), 16% (Considering)
- Excluding certain types of providers / facilities: 10% (Have taken this step), 21% (Considering)
- Eliminating OON coverage (except emergencies / network deficiencies): 4% (Have taken this step), 14% (Considering)

Employers with 20,000+ employees

- Changing reimbursement methodology from carrier's standard: 15% (Have taken this step), 22% (Considering)
- Excluding certain types of providers / facilities: 15% (Have taken this step), 32% (Considering)
- Eliminating OON coverage (except emergencies / network deficiencies): 7% (Have taken this step), 25% (Considering)

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REFERENCE-BASED PRICING

Currently use
Considering using

5,000 or more employees:
- 7% (Currently use)
- 12% (Considering using)

20,000 or more employees:
- 5% (Currently use)
- 19% (Considering using)
Use independent vendors or point solutions to perform services that primary health plan would otherwise handle

- Employee engagements / wellness: 49% (Employees with 5,000+ employees), 49% (Employees with 20,000+ employees)
- Data analytics: 44% (Employees with 5,000+ employees), 61% (Employees with 20,000+ employees)
- Auditing / subrogation: 32% (Employees with 5,000+ employees), 61% (Employees with 20,000+ employees)
- Customer service / advocacy / concierge: 25% (Employees with 5,000+ employees), 42% (Employees with 20,000+ employees)
- Condition management programs: 31% (Employees with 5,000+ employees), 24% (Employees with 20,000+ employees)
- Other tasks / services: 28% (Employees with 5,000+ employees), 12% (Employees with 20,000+ employees)
- Do not use any independent vendors or third-party point solutions: 14% (Employees with 5,000+ employees), 15% (Employees with 20,000+ employees)
NETWORK STRATEGIES AND VALUE-BASED CARE
USE A SPECIALTY PHARMACY* TO MANAGE SPECIALTY RX

Employers with 5,000+ employees

- Use specialty pharmacy: 17%
- Considering using specialty pharmacy: 7%
- Do not use specialty pharmacy: 76%

Employers with 20,000+ employees

- Use specialty pharmacy: 21%
- Considering using specialty pharmacy: 11%
- Do not use specialty pharmacy: 68%

* Separate from medical carrier or PBM

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ACCOUNTABLE CARE ORGANIZATION VENDOR STRATEGY

12%

Work directly with carrier for customization

13%

Contract directly with providers

16%

Carve-out from carrier / offer through specialty vendor

Employers with 5,000+ employees

Employers with 20,000+ employees

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METHODS USED TO ENCOURAGE EMPLOYEES TO SELECT THE ACO (BEYOND COMMUNICATION)

- Lower cost-sharing at point of service (deductibles, coinsurance, copays)
  - Employers with 20,000+ employees: 21%
  - Employers with 5,000+ employees: 14%

- Lower premium contribution in the ACO-based plan
  - Employers with 20,000+ employees: 6%
  - Employers with 5,000+ employees: 9%

- The ACO is the only choice
  - Employers with 20,000+ employees: 0%
  - Employers with 5,000+ employees: 1%
Center of Excellence Vendor Strategy

- **Work directly with carrier for customization**: 9% (5,000+ employees), 12% (20,000+ employees)
- **Contract directly with providers**: 6% (5,000+ employees), 10% (20,000+ employees)
- **Carve-out from carrier / offer through specialty vendor**: 3% (5,000+ employees), 6% (20,000+ employees)

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OTHER HIGH PERFORMANCE NETWORK VENDOR STRATEGY

- Work directly with carrier for customization: 13%
- Contract directly with providers: 6%
- Carve-out from carrier / offer through specialty vendor:
  - Employers with 5,000+ employees: 3%
  - Employers with 20,000+ employees: 1%
**Use Value-Based Plan Design Provisions in Which Patient Cost Sharing is Eliminated or Reduced**

- Currently use one or more value-based design provisions: 6%
- Considering using value-based design provisions: 57%
- Employers with 5,000+ employees: 61%
- Employers with 20,000+ employees: 37%
- Not considering: 29%

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CHOICE AND CONSUMER SUPPORT
Likelihood of offering CDHP as a full replacement to most employees within next three years

27% have already moved to strategy for the majority of employees.

Very likely / likely:
- Employers with 5,000+ employees: 33%
- Employers with 20,000+ employees: 12%

Unlikely / Very unlikely:
- Employers with 5,000+ employees: 62%
- Employers with 20,000+ employees: 58%
In an enhanced advocacy program, the advocate assists the member with finding providers, care coordination, post-treatment follow-up, claims issues, and more.
BENEFITS OF OFFERING ENHANCED HEALTH ADVOCACY SERVICES

AMONG EMPLOYERS WITH 20,000+ EMPLOYEES

Higher employee satisfaction: 43%
Better management of high-cost claimants: 32%
Increased participation in health improvement programs: 25%
Lower cost or cost trends: 21%
Higher use of high-quality providers: 17%
Other benefits: 19%
No benefit seen yet: 37%
Accessing all programs in one location — a “health engagement hub” — makes the experience more immediate and personalized, building employee engagement.
EMPLOYERS SLOWLY EXPANDING INFERTILITY TREATMENT COVERAGE, INCLUDING EGG FREEZING

Evaluation by a reproductive endocrinologist or infertility specialist
- 70%

Drug therapy
- 46%

In vitro fertilization
- 39%

In-vivo fertilization (intrauterine insemination)
- 38%

Egg freezing
- 13%

No infertility services are covered
- 27%

LIMITS ON INFERTILITY BENEFITS
Among respondents with 5,000+ employees that provide coverage beyond an evaluation

- Have lifetime benefit maximum on infertility treatment: 53%
- Median benefit maximum: $15,000
- Other coverage limitation in place: 21%
COVER GENDER REASSIGNMENT SURGERY, BY EMPLOYER SIZE

Currently cover

Considering covering

<table>
<thead>
<tr>
<th>Employee Size</th>
<th>Currently Cover</th>
<th>Considering Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>500-4,999 employees</td>
<td>31%</td>
<td>7%</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>59%</td>
<td>7%</td>
</tr>
<tr>
<td>10,000-19,999</td>
<td>55%</td>
<td>6%</td>
</tr>
<tr>
<td>20,000 or more</td>
<td>69%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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CONVENIENCE SERVICES OFFERED ONSITE
AMONG EMPLOYERS WITH 20,000+ EMPLOYEES

- Gym or fitness facility: 58% (54% at all locations, 10% at HQ/largest location only)
- ATM: 47% (43% at all locations, 4% at HQ/largest location only)
- Dry cleaning: 31% (28% at all locations, 4% at HQ/largest location only)
- Convenience store: 30% (27% at all locations, 4% at HQ/largest location only)
- Childcare services: 6% (2% at all locations, 6% at HQ/largest location only)

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DATA SOURCES USED TO SELECT AND MANAGE WELL-BEING PROGRAMS

- Program utilization data: 58% for 5,000+ employees, 54% for 20,000+ employees
- Claims data: 58% for 5,000+ employees, 55% for 20,000+ employees
- Health risk assessment data: 47% for 5,000+ employees, 45% for 20,000+ employees
- Employee surveys: 28% for 5,000+ employees, 26% for 20,000+ employees
- Other: 4% for 5,000+ employees, 3% for 20,000+ employees
- We don't use data analytics for this purpose: 24% for 5,000+ employees, 27% for 20,000+ employees
**EMPLOYEES HAVE ACCESS TO SUPPORT FOR BEHAVIORAL HEALTH**

<table>
<thead>
<tr>
<th>Service</th>
<th>5,000 or more employees</th>
<th>20,000 or more employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress management</td>
<td>76%</td>
<td>75%</td>
</tr>
<tr>
<td>Resiliency</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Mindfulness</td>
<td>50%</td>
<td>47%</td>
</tr>
<tr>
<td>Tele-therapy</td>
<td>51%</td>
<td>58%</td>
</tr>
<tr>
<td>Texting/online coaching with mental health experts</td>
<td>34%</td>
<td>32%</td>
</tr>
<tr>
<td>Family support services for children with disabilities</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>No programs offered</td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>
**HAVE ADDED VENDORS TO IMPROVE EMPLOYEES’ ACCESS TO BEHAVIORAL HEALTH WITHIN PAST 5 YEARS**

![Bar chart showing percentage of employers with 5,000+ employees and 20,000+ employees who have added one additional vendor, have added more than one vendor, no vendor added but considering, and no vendors added.]

- Employers with 5,000+ employees:
  - Have added one additional vendor: 10%
  - Have added more than one vendor: 4%
  - No vendor added, but considering: 24%
  - No vendors added: 62%

- Employers with 20,000+ employees:
  - Have added one additional vendor: 10%
  - Have added more than one vendor: 7%
  - No vendor added, but considering: 27%
  - No vendors added: 56%
Utilization of Employee Assistance Program (EAP)

- Average annual utilization of EAP:
  - Employers with 5,000+ employees: 9%
  - Employers with 20,000+ employees: 8%

- Median annual utilization of EAP:
  - Employers with 5,000+ employees: 7%
  - Employers with 20,000+ employees: 6%