

MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS 2018

AUGUST 20, 2019

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 midsize: 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



KEY HIGHLIGHTS

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

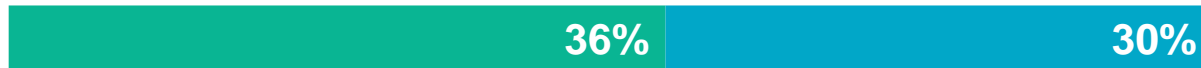
Focused action to manage cost for specialty pharmacy



Monitoring and managing high-cost claimants



Focused strategy for creating a culture of health



Focused strategies for behavioral health



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



■ % employers rating strategy
"Very important"

■ % employers rating strategy
"Important"

EMPLOYERS' TOP PRIORITIES FOR THE NEXT 5 YEARS(CONTINUED)

AMONG EMPLOYERS WITH 20,000+ EMPLOYEES

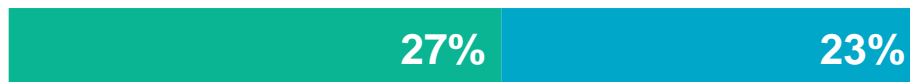
“Point solutions” – high-tech or high-touch support for condition management



■ % employers rating strategy
"Very important"

■ % employers rating strategy
"Important"

ACO or other high-performance network strategies



Offering employees more plan or benefit options with decision support tools



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



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

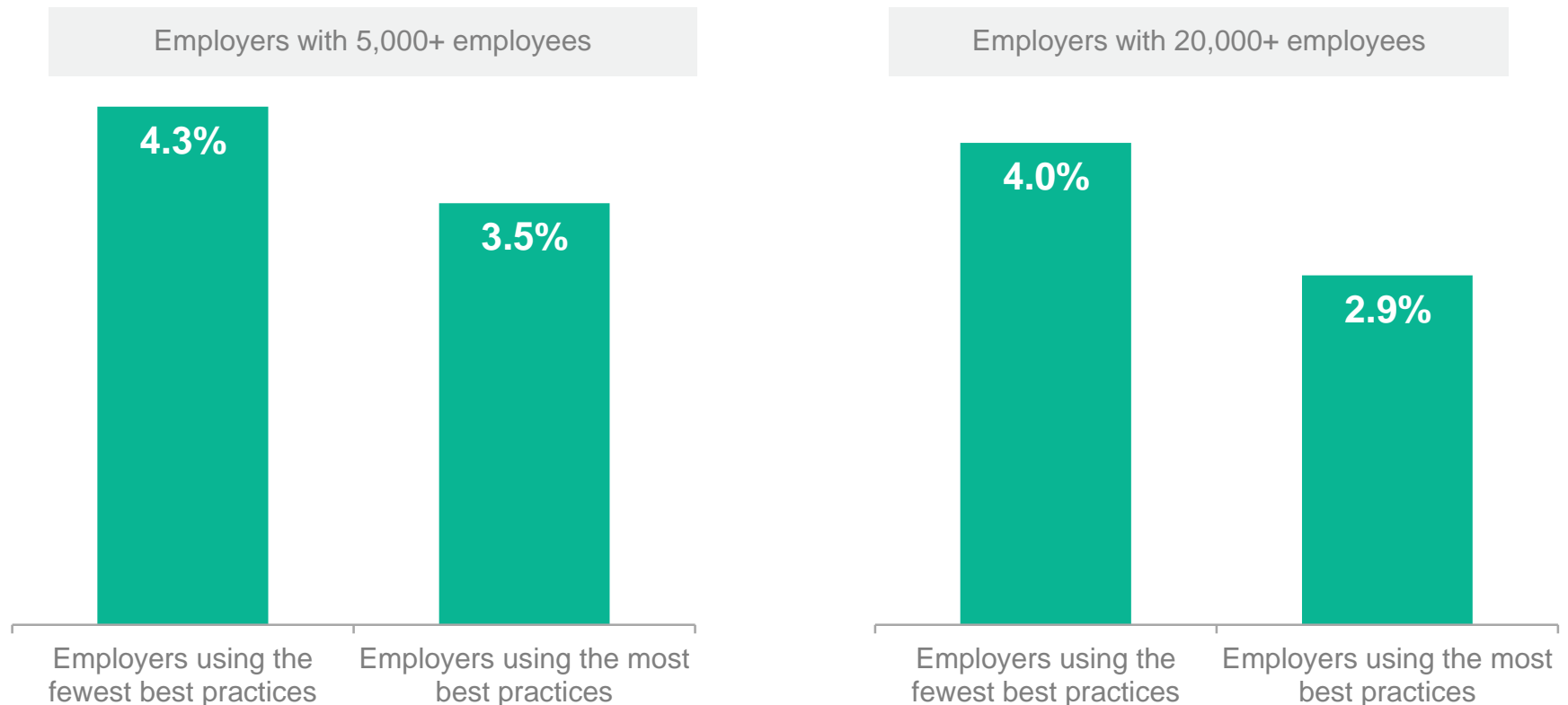
QUALITY AND VALUE

- ✓ 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

AVERAGE COST INCREASE BASED ON NUMBER OF BEST PRACTICES USED

AVERAGE INCREASE IN TOTAL HEALTH BENEFIT COST IN 2018

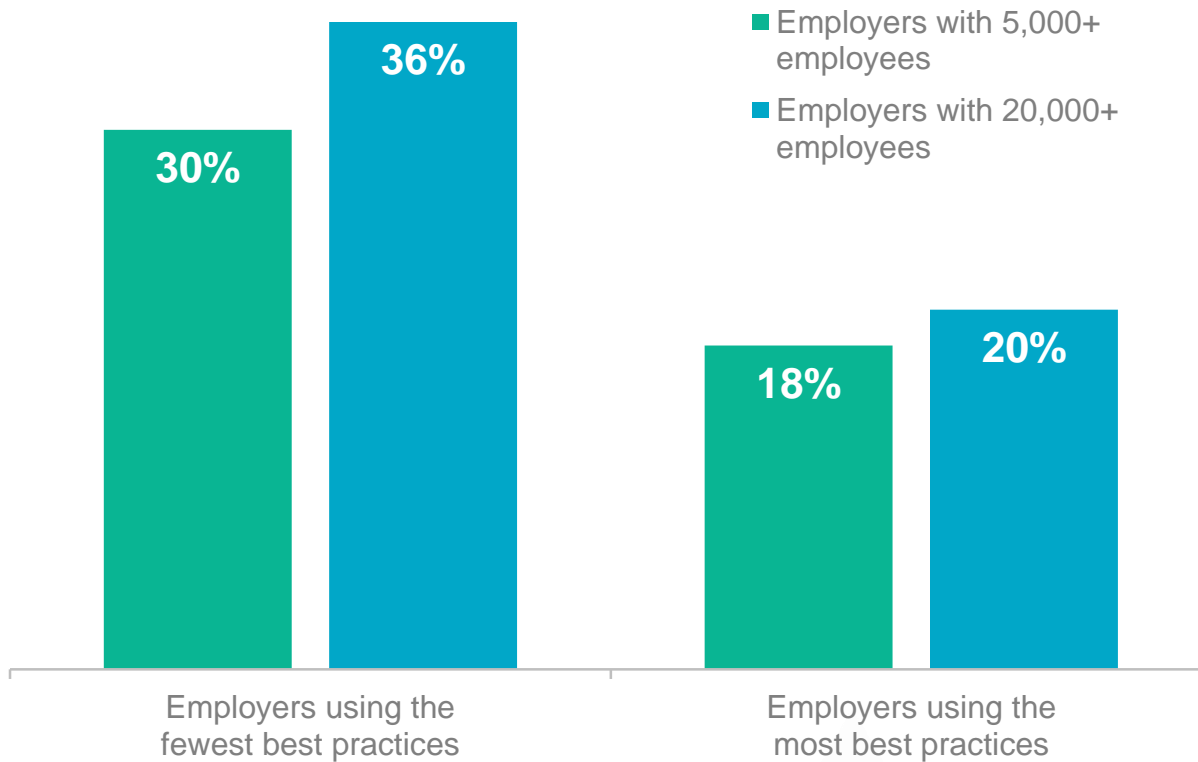
Respondents were divided into groups based on how many best practices they used



Based on unweighted data.

TURNOVER IS LOWER AMONG EMPLOYERS THAT DO THE MOST TO PROMOTE WELL-BEING

AVERAGE TURNOVER RATE IN 2017



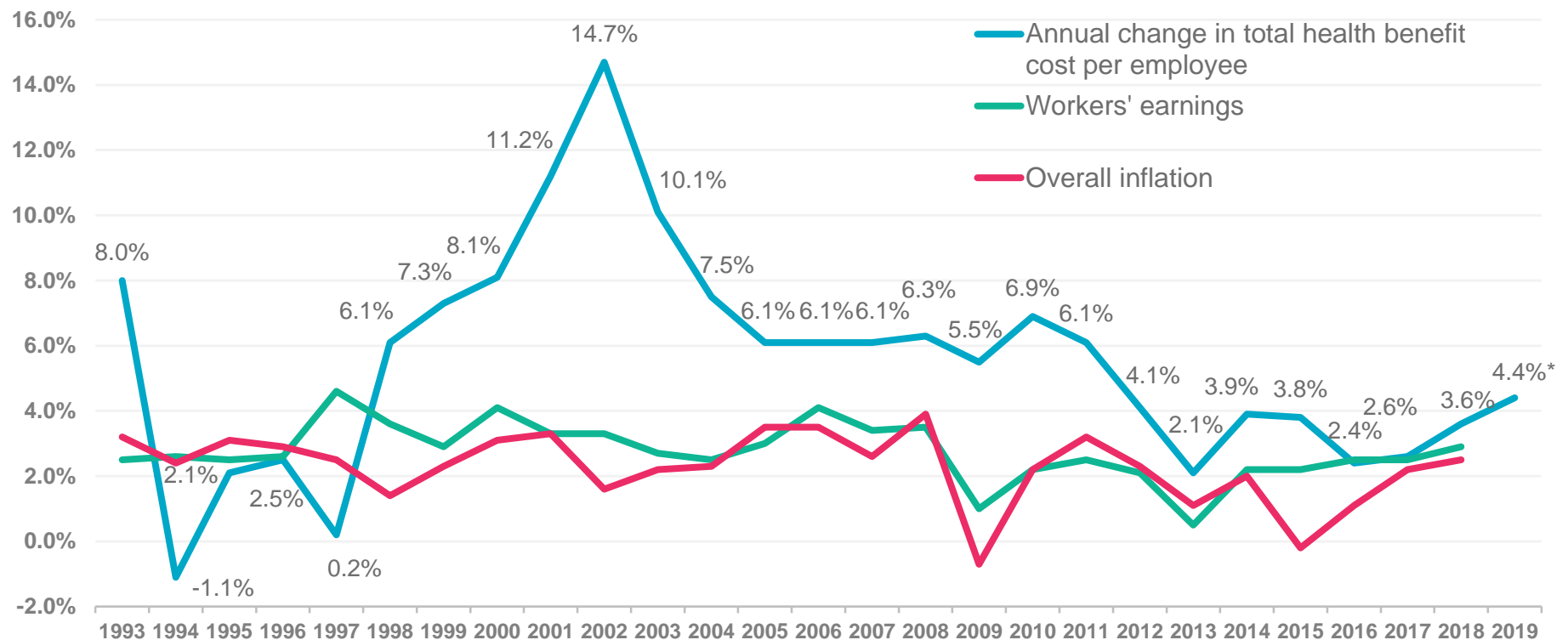
Based on unweighted data.



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

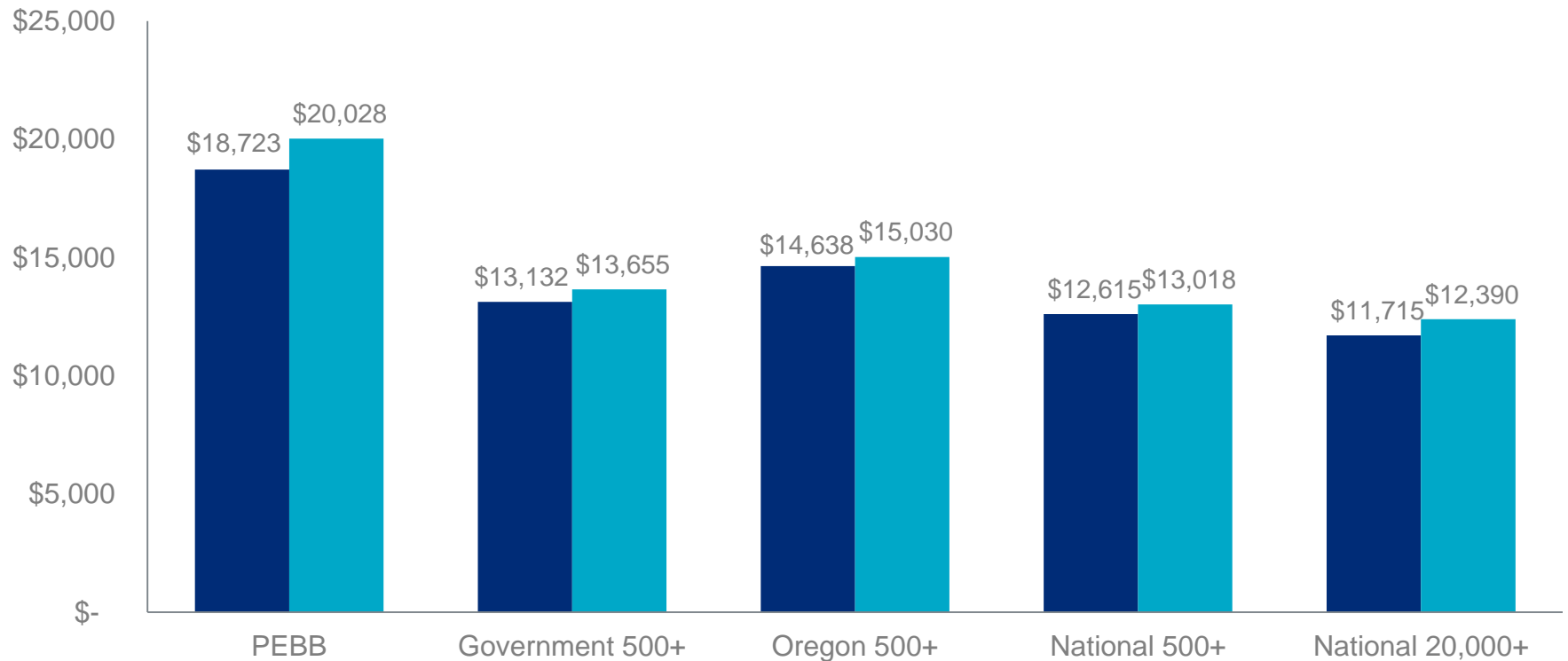


* Projected

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) 1993-2018; Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April) 1993-2018.

TOTAL ANNUAL HEALTHCARE COST PER COVERED EMPLOYEE

PEBB PER CAPITA COSTS CONTINUE TO EXCEED BENCHMARKS



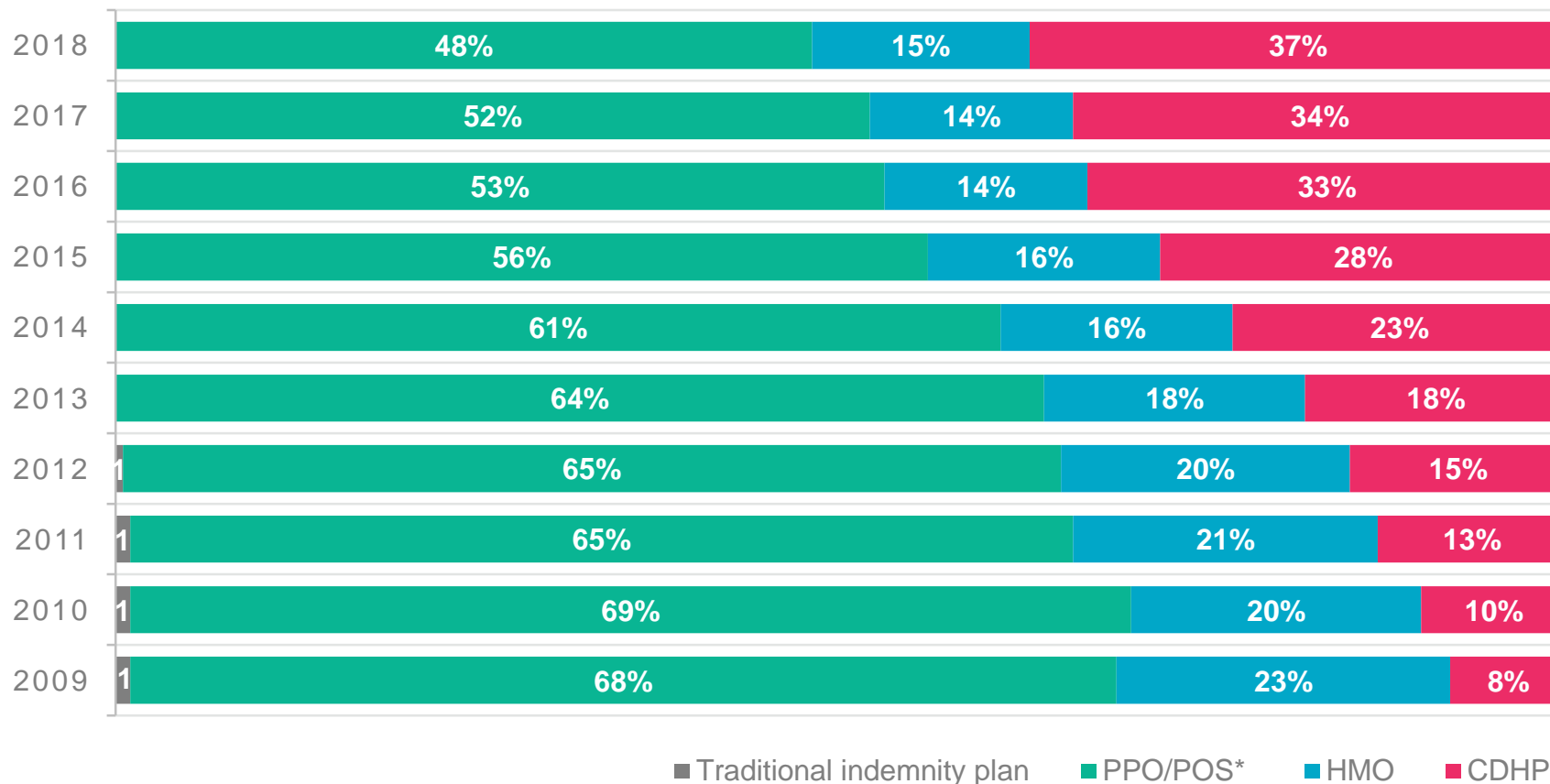
*Total health benefit cost includes medical, dental, Rx, vision and hearing benefits

*Oregon PEBB includes Providence Statewide, Delta Dental of Oregon, and VSP

■ 2017: Active Employees
■ 2018: Active Employees

CDHP ENROLLMENT GROWS AT THE EXPENSE OF PPO ENROLLMENT IN 2018

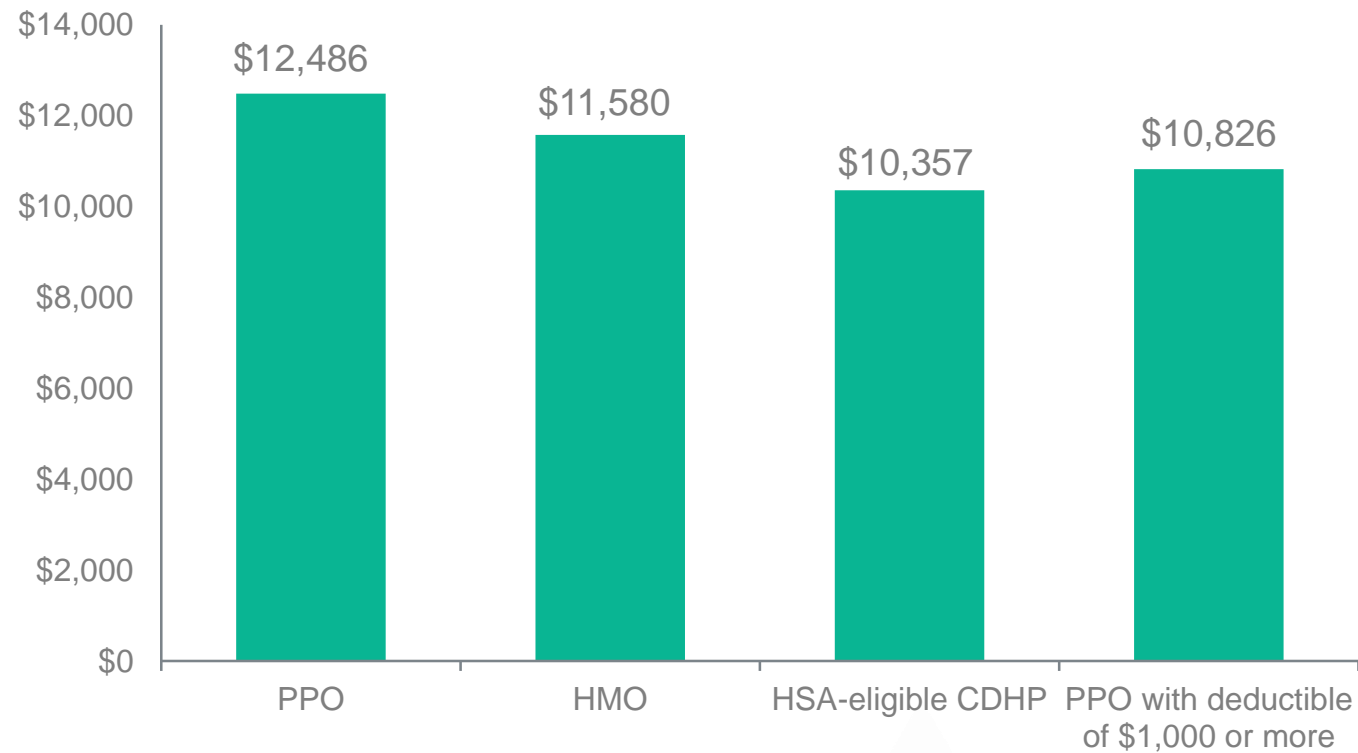
PERCENTAGE OF COVERED EMPLOYEES ENROLLED IN EACH PLAN TYPE, AMONG EMPLOYERS WITH 500 OR MORE EMPLOYEES



*Includes traditional indemnity plans beginning in 2013.

HSA-ELIGIBLE CDHPs COST LESS THAN OTHER PLANS

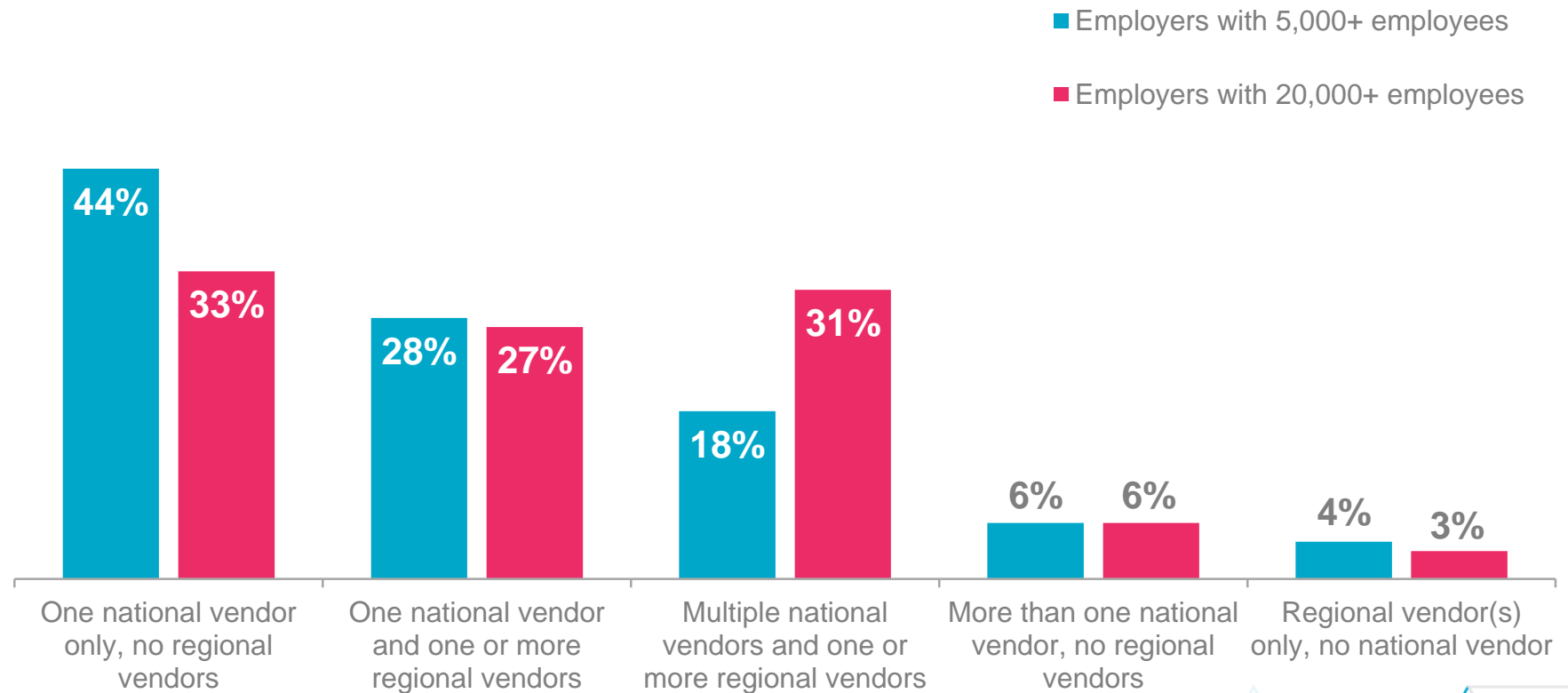
AVERAGE MEDICAL PLAN COST PER EMPLOYEE





MEDICAL PLAN MANAGEMENT

MANY EMPLOYERS USE REGIONAL VENDORS AS PART OF THEIR NETWORK STRATEGY



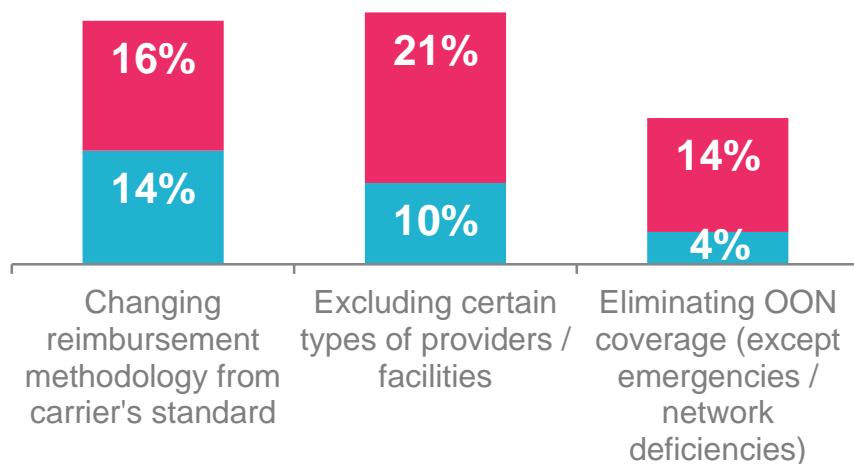
REASONS FOR USING A SINGLE VS MULTIPLE MEDICAL VENDORS

EMPLOYERS USING MULTIPLE VENDORS	5,000+ EMPLOYEES	20,000+ EMPLOYEES
Deliver best cost / savings overall	65%	69%
Meet employee access needs	61%	57%
Drive employees to health systems with better cost-management and quality of care results	43%	55%
Address local dynamics (e.g., key local health system doesn't participate in primary network)	31%	33%

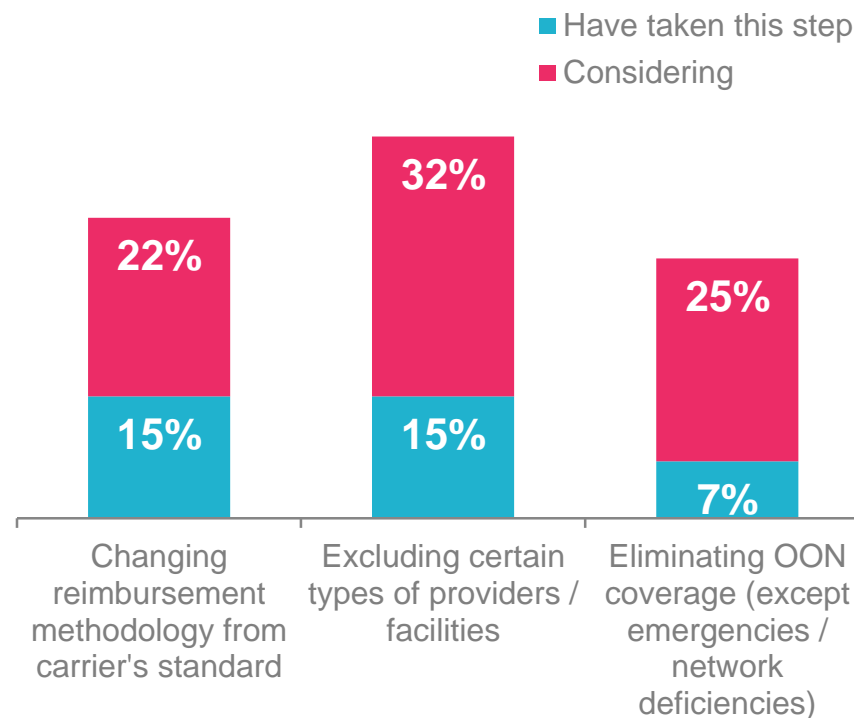
EMPLOYERS USING ONE NATIONAL VENDOR	5,000+ EMPLOYEES	20,000+ EMPLOYEES
One national vendor meets all needs for access, cost management, and patient experience	82%	73%
Don't want to take on added complexity of multiple vendors	11%	12%
Some other reason	7%	15%

MANAGING OON SPEND: EMPLOYERS ARE CONSIDERING CHANGES TO REIMBURSEMENT AND EVEN ELIMINATING COVERAGE

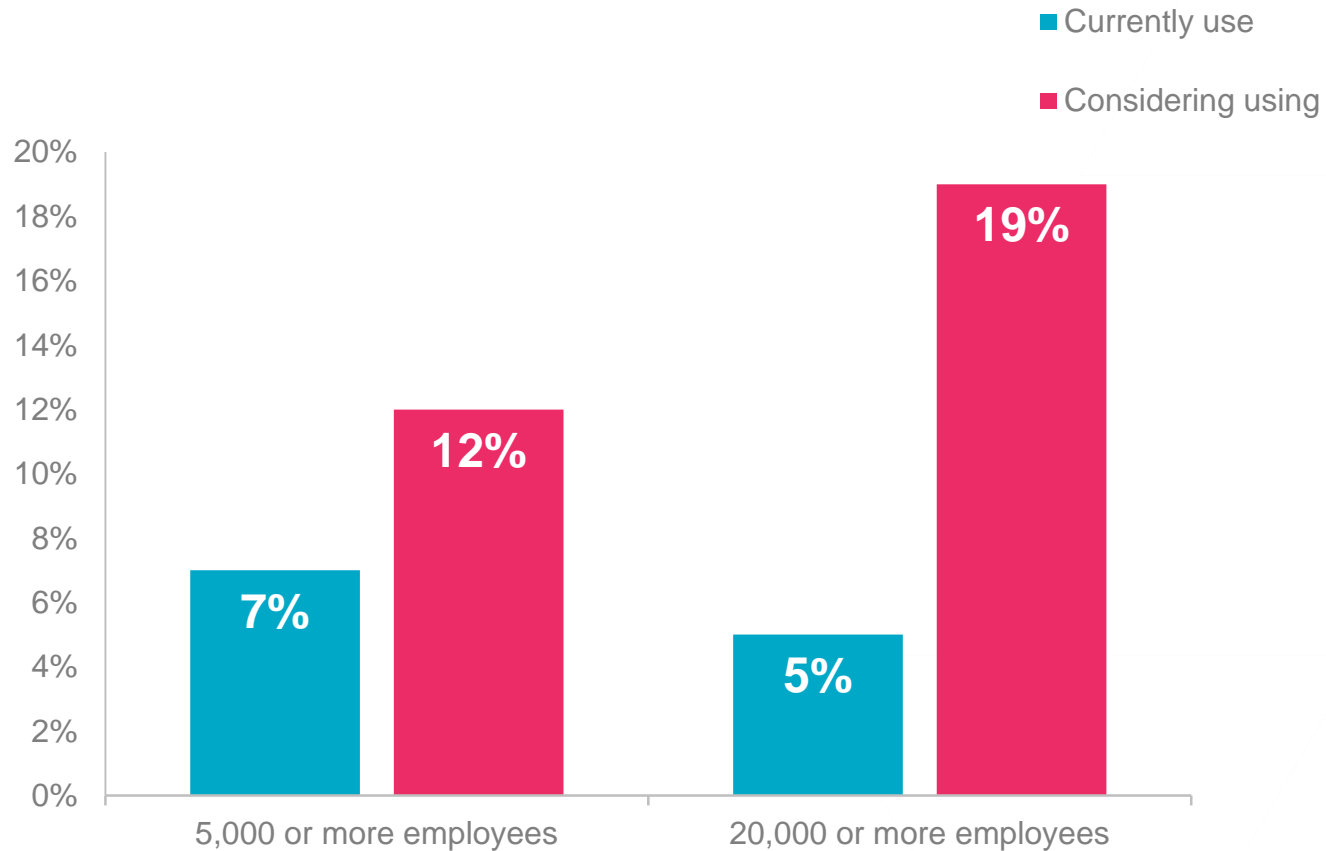
Employers with 5,000+ employees



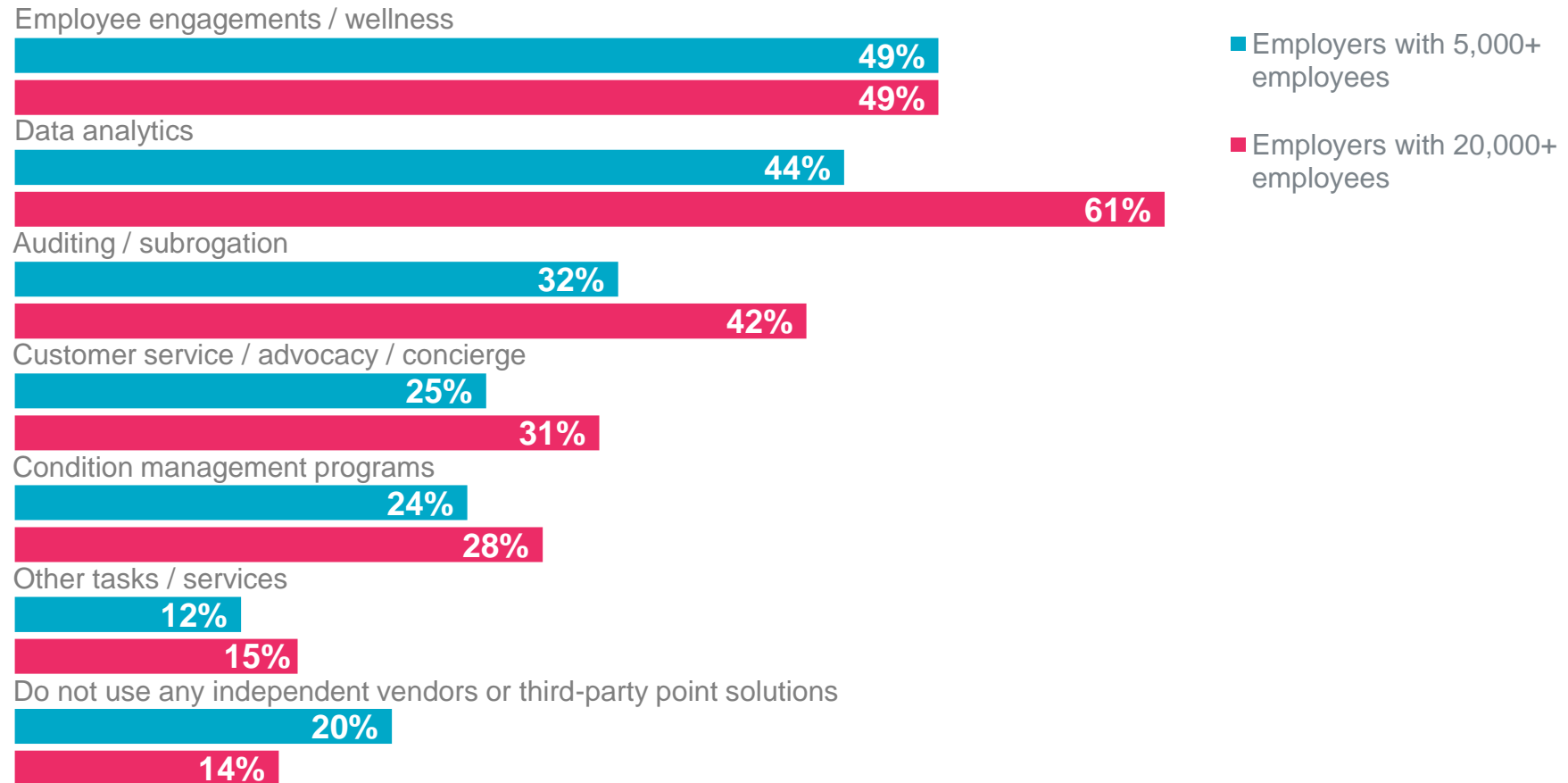
Employers with 20,000+ employees



REFERENCE-BASED PRICING



USE INDEPENDENT VENDORS OR POINT SOLUTIONS TO PERFORM SERVICES THAT PRIMARY HEALTH PLAN WOULD OTHERWISE HANDLE

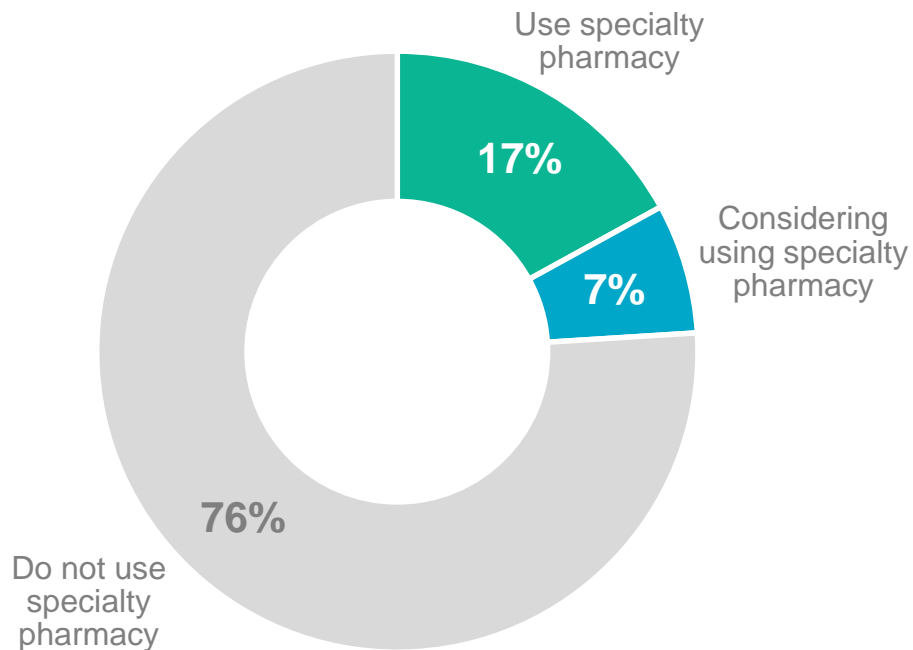


NETWORK STRATEGIES AND VALUE-BASED CARE

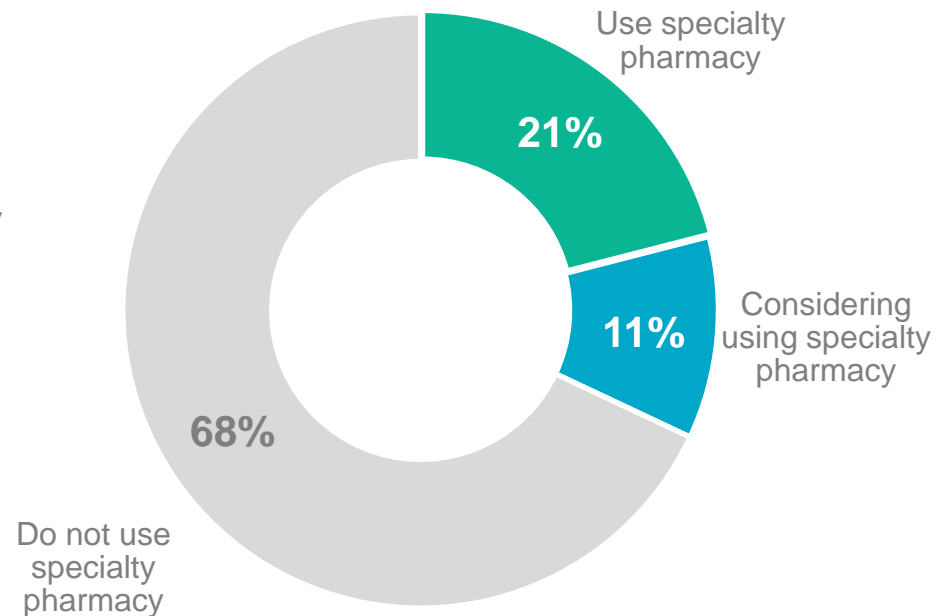


USE A SPECIALTY PHARMACY* TO MANAGE SPECIALTY RX

Employers with 5,000+ employees

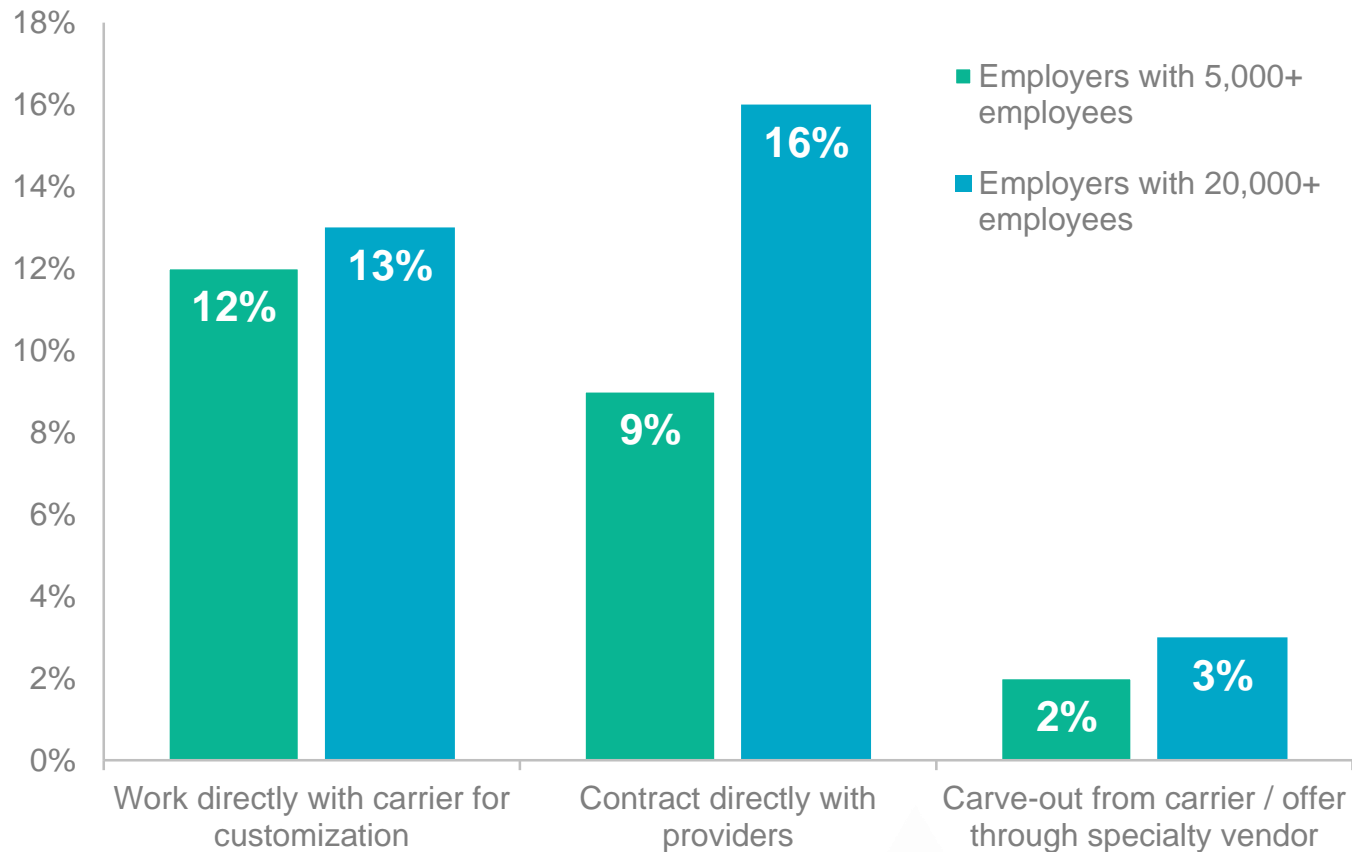


Employers with 20,000+ employees

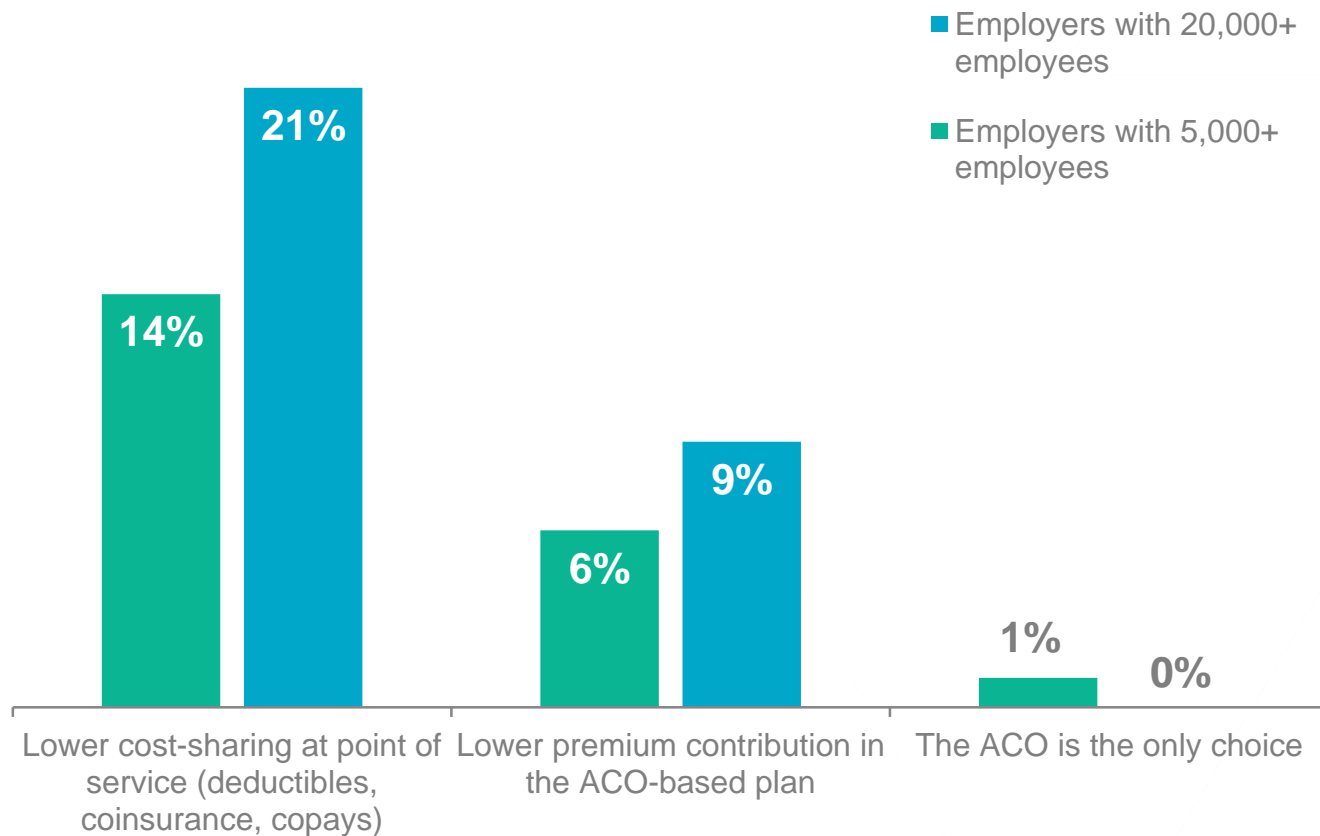


* Separate from medical carrier or PBM

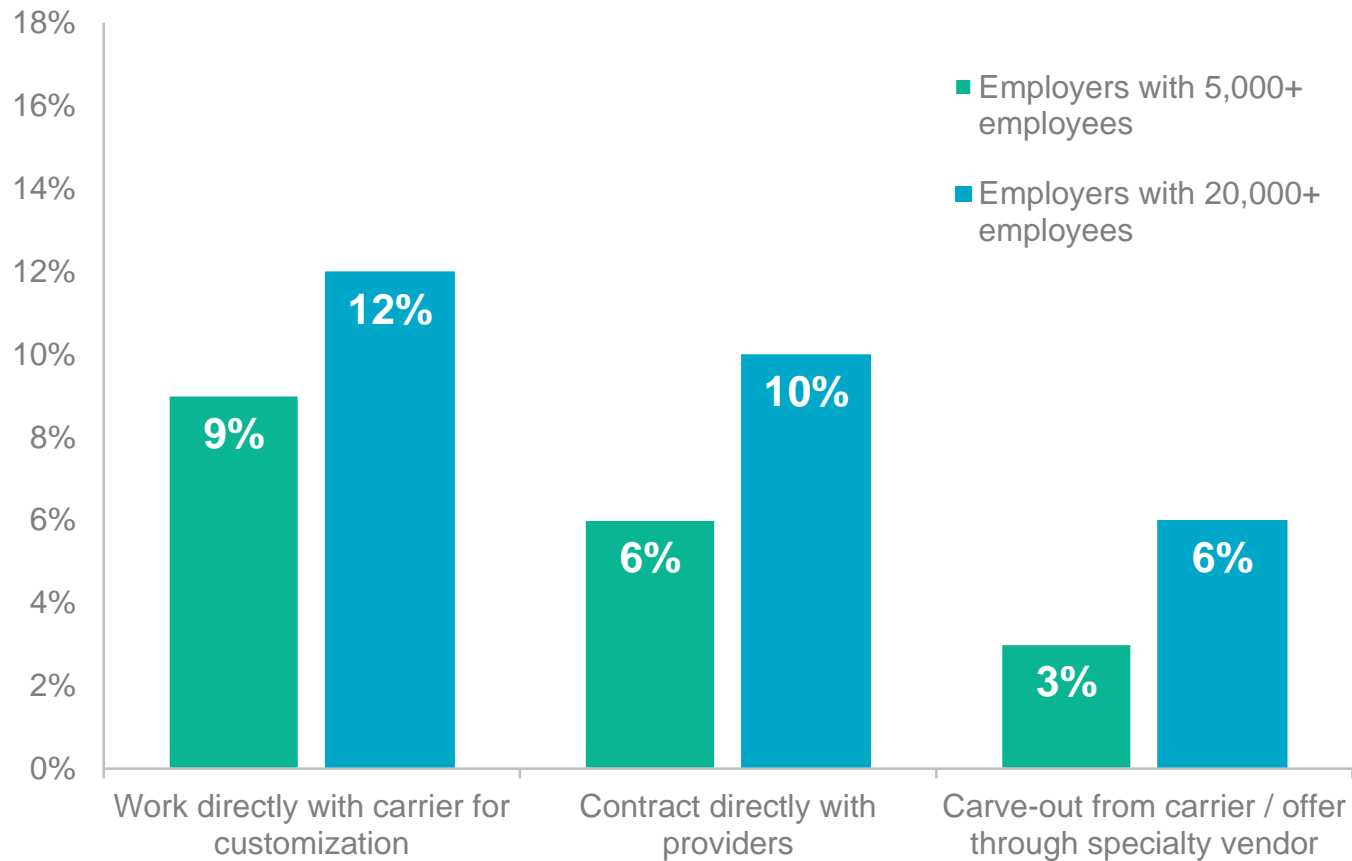
ACCOUNTABLE CARE ORGANIZATION VENDOR STRATEGY



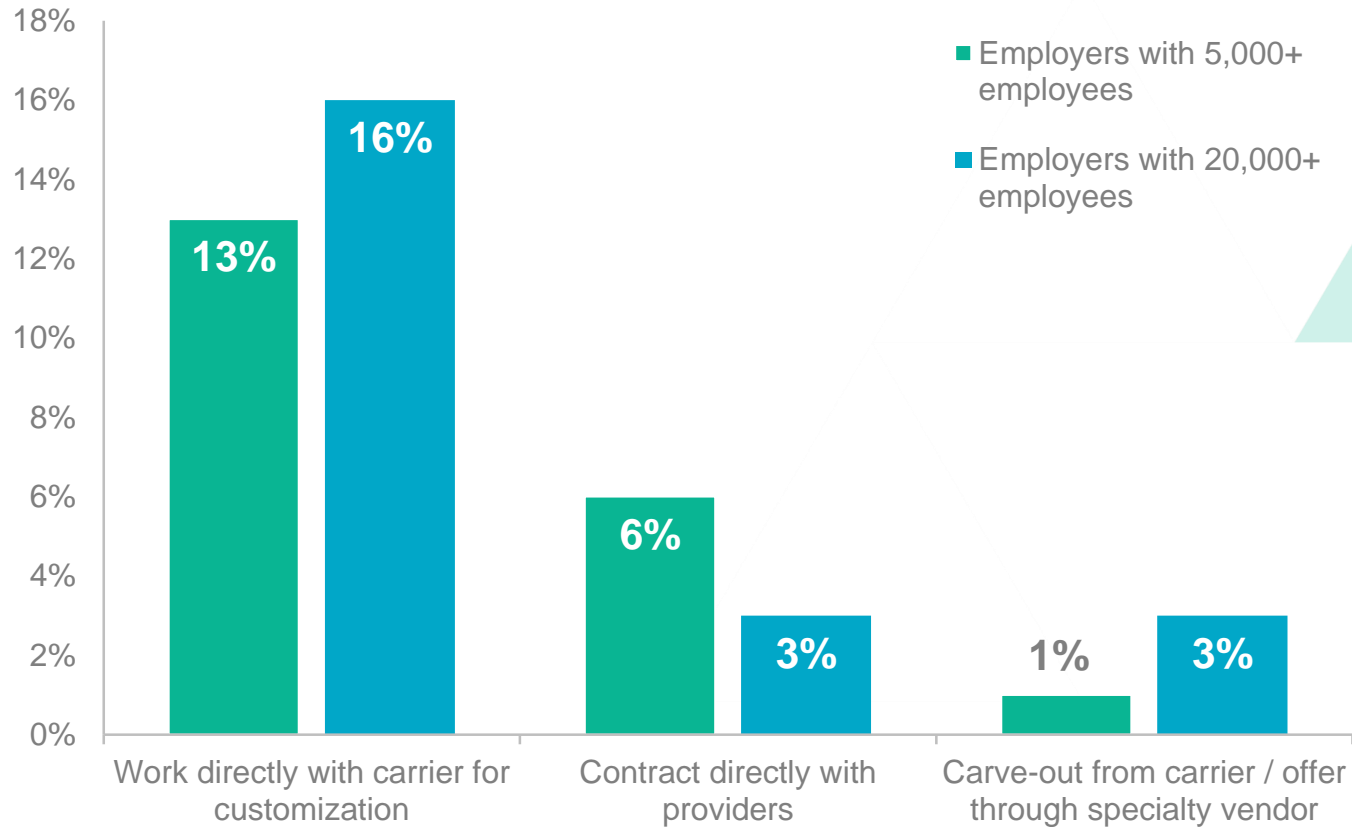
METHODS USED TO ENCOURAGE EMPLOYEES TO SELECT THE ACO (BEYOND COMMUNICATION)



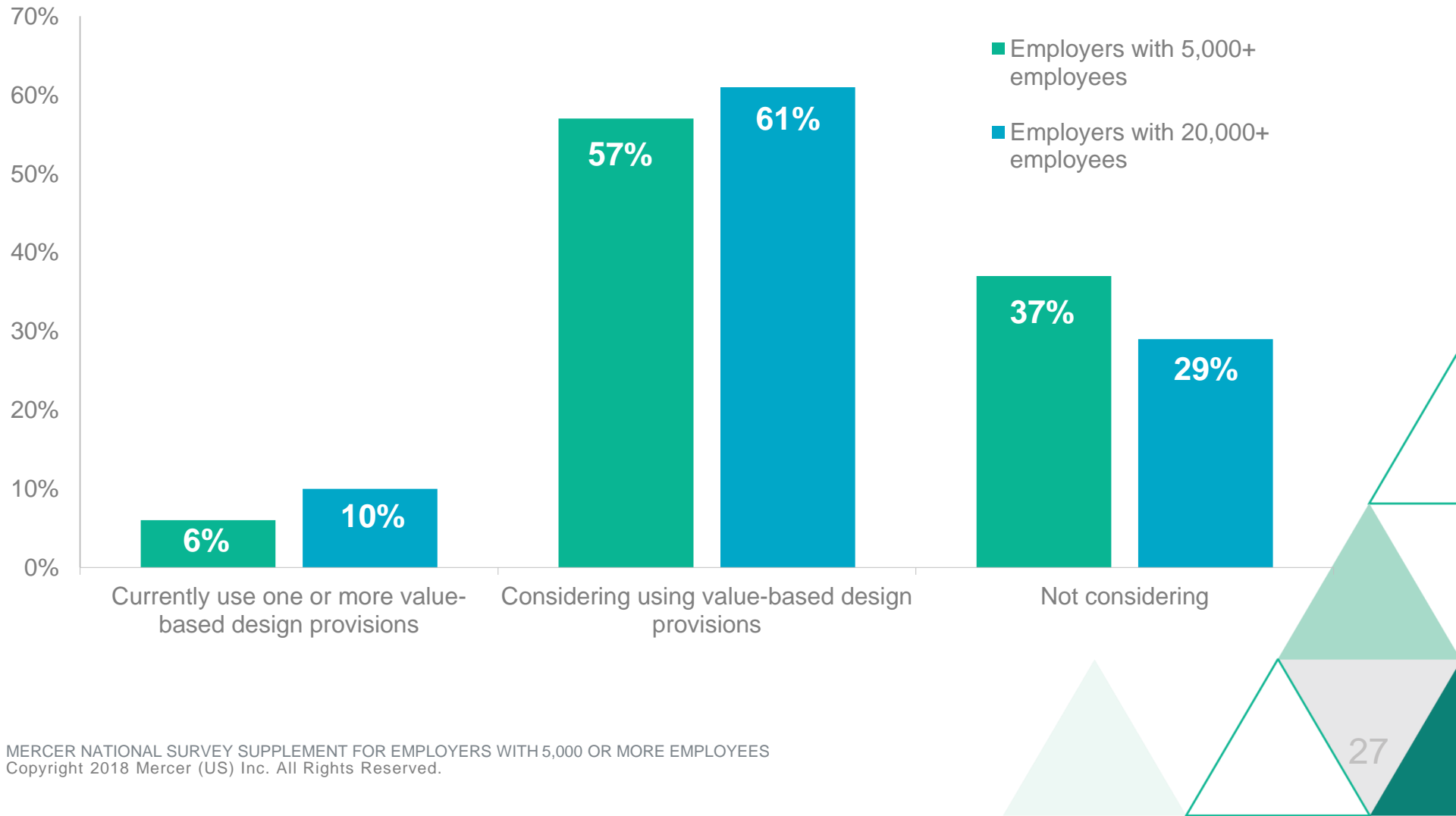
CENTER OF EXCELLENCE VENDOR STRATEGY



OTHER HIGH PERFORMANCE NETWORK VENDOR STRATEGY

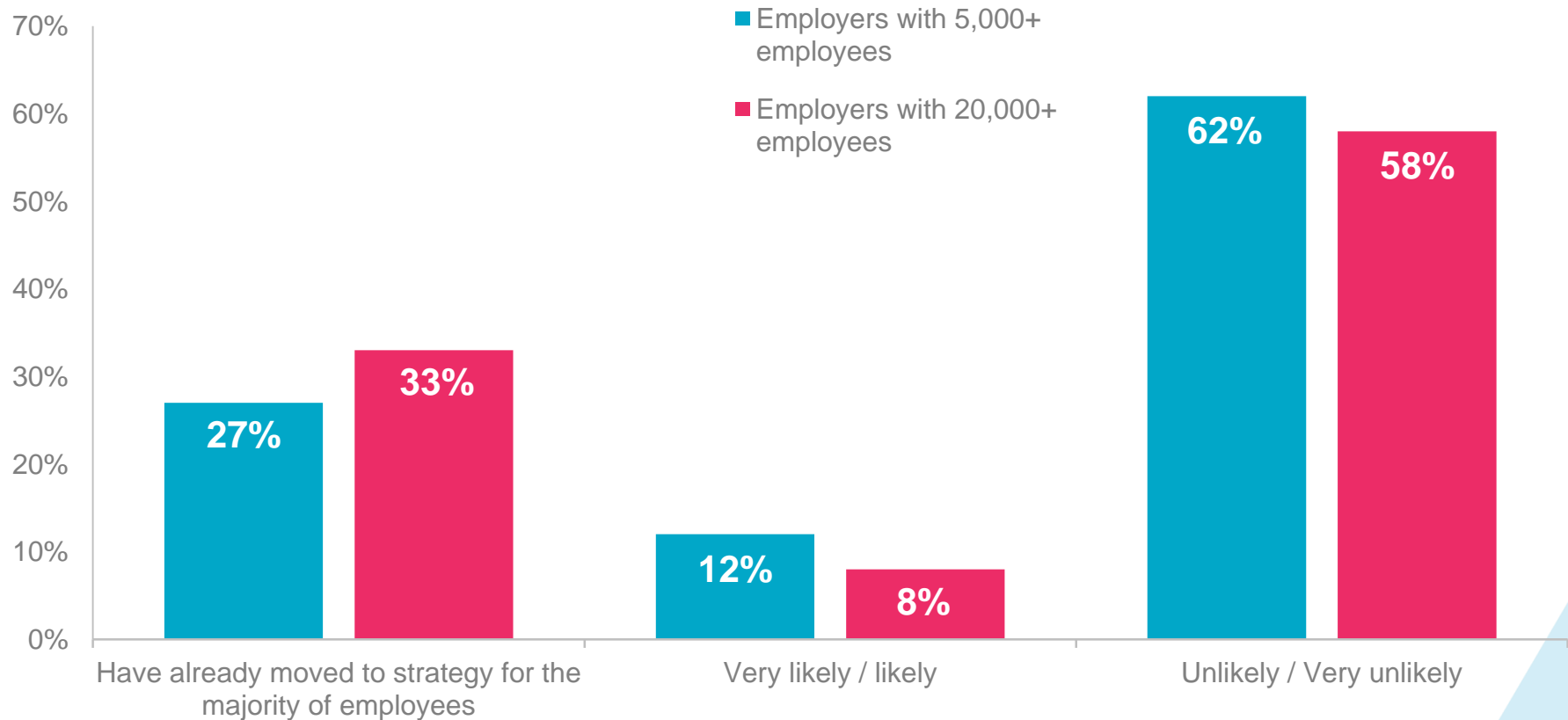


USE VALUE-BASED PLAN DESIGN PROVISIONS IN WHICH PATIENT COST SHARING IS ELIMINATED OR REDUCED



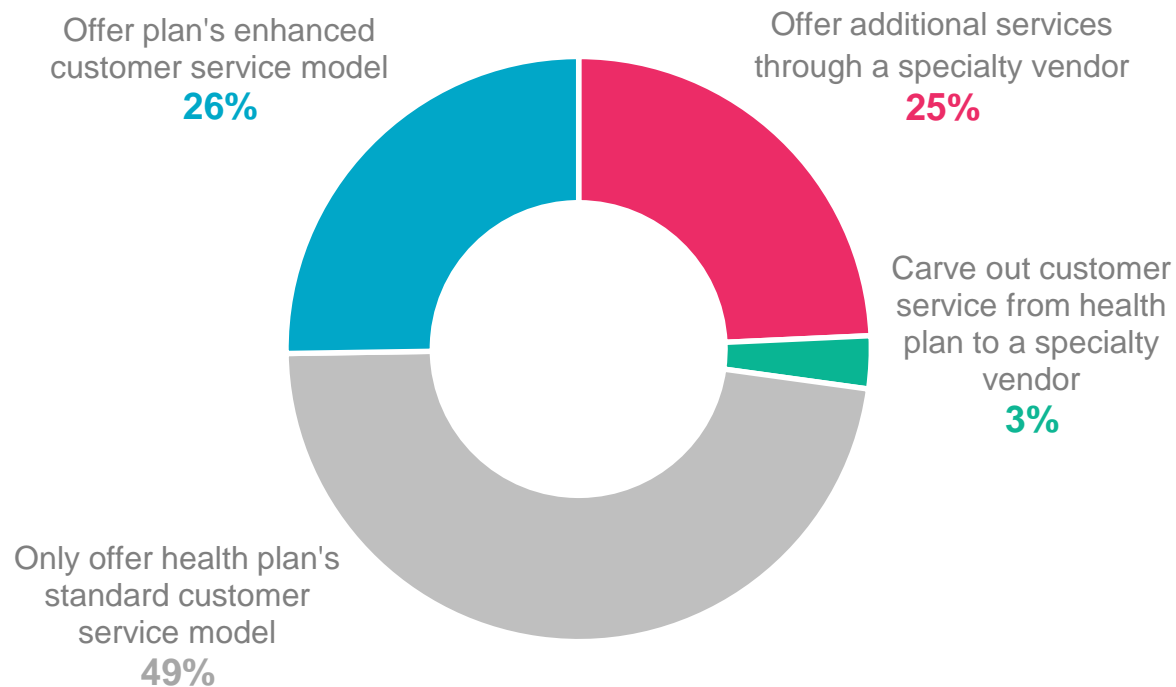
CHOICE AND CONSUMER SUPPORT

LIKELIHOOD OF OFFERING CDHP AS A FULL REPLACEMENT TO MOST EMPLOYEES WITHIN NEXT THREE YEARS



PROVIDE ENHANCED HEALTH ADVOCACY SERVICES

AMONG EMPLOYERS WITH 20,000+ EMPLOYEES



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%

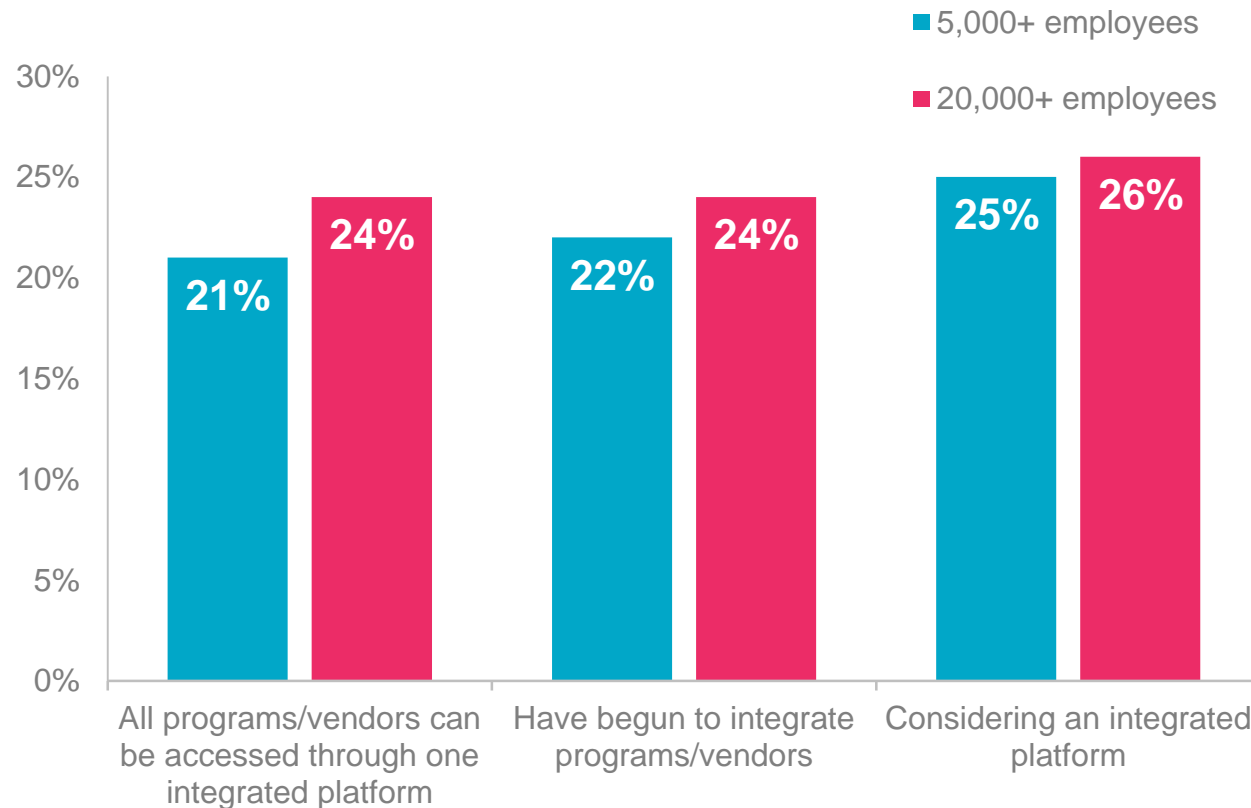
Other benefits

19%

No benefit seen yet

37%

USE AN INTEGRATED PLATFORM FOR ALL HEALTH AND WELL-BEING PROGRAMS/VENDORS

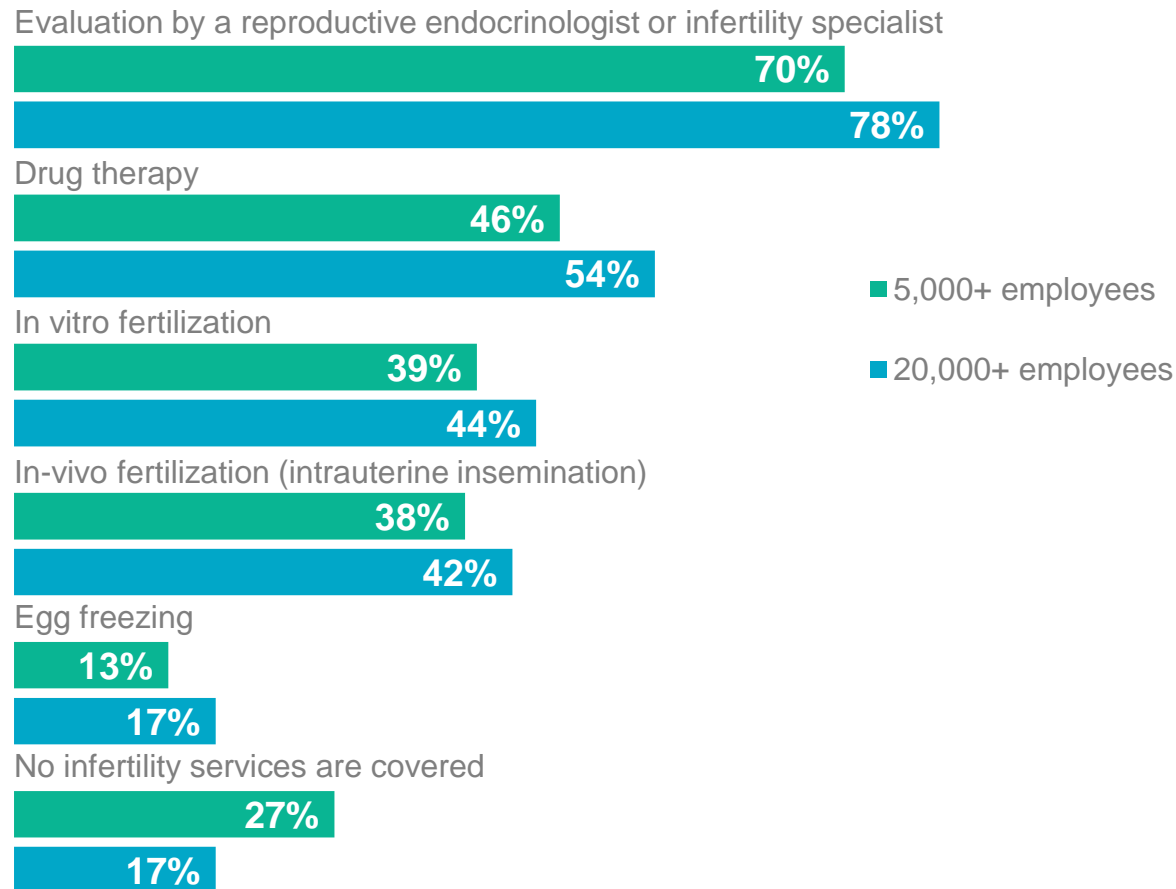


Accessing all programs in one location – a “health engagement hub” -- makes the experience more immediate and personalized, building employee engagement

SPECIAL COVERAGES AND SERVICES



EMPLOYERS SLOWLY EXPANDING INFERTILITY TREATMENT COVERAGE, INCLUDING EGG FREEZING

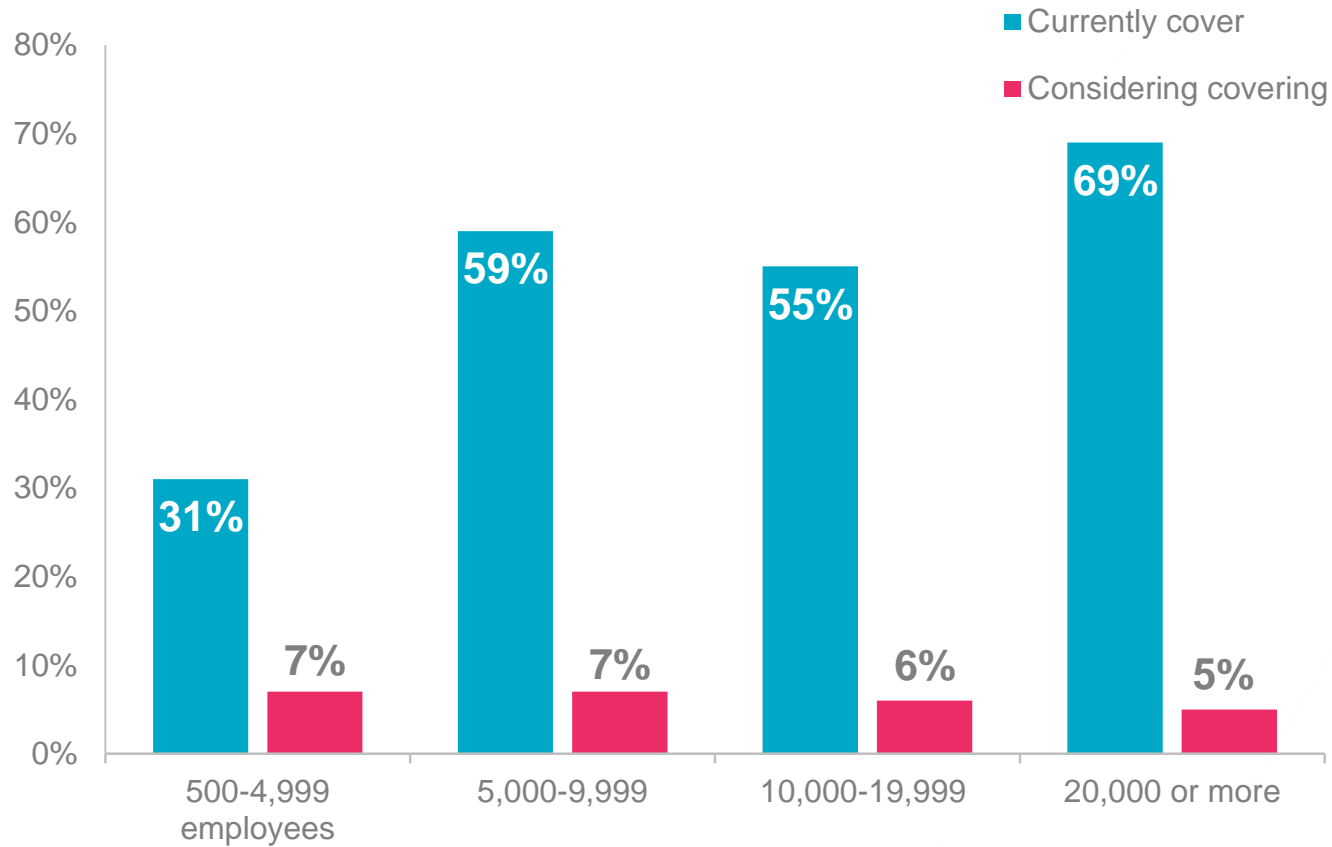


LIMITS ON INFERTILITY BENEFITS

Among respondents with 5,000+ employees that provide coverage beyond an evaluation

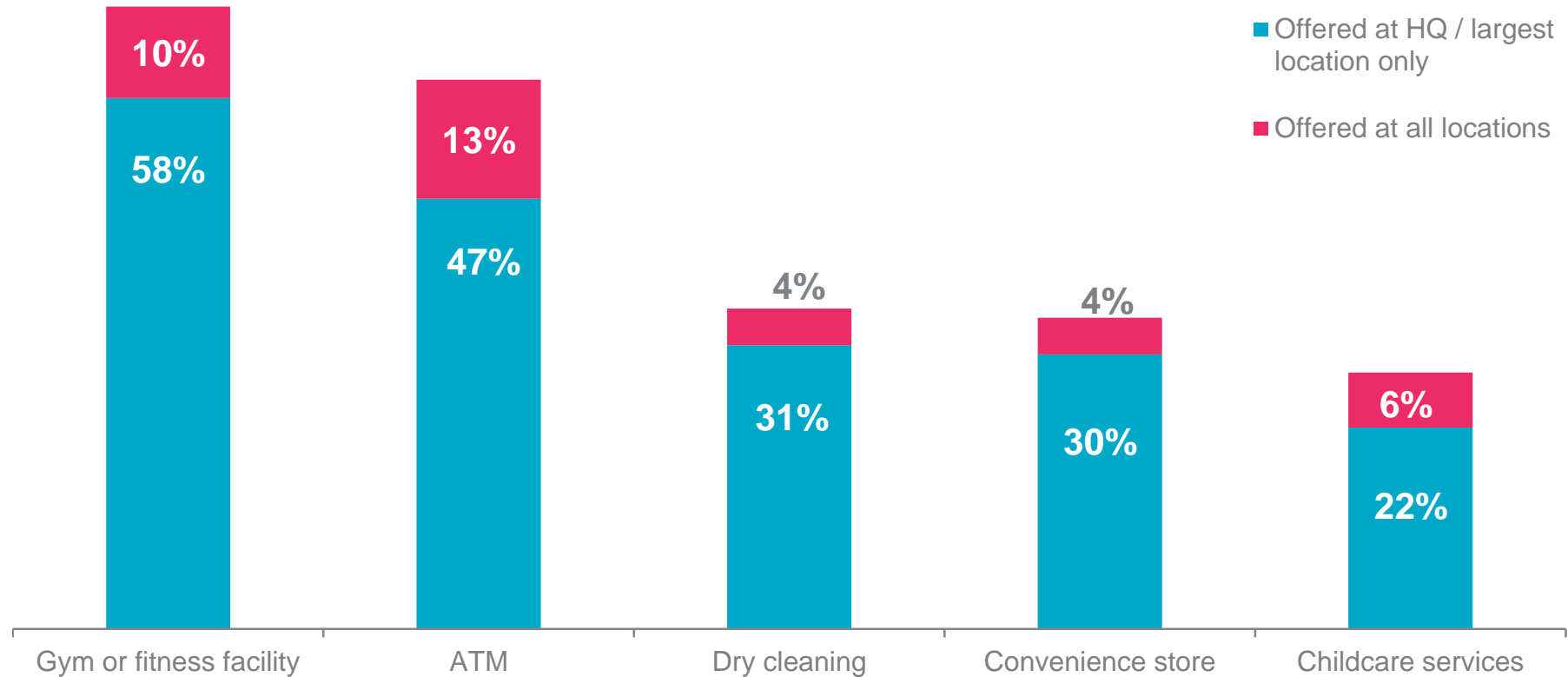
Have lifetime benefit maximum on infertility treatment	53%
Median benefit maximum	\$15,000
Other coverage limitation in place	21%

COVER GENDER REASSIGNMENT SURGERY, BY EMPLOYER SIZE



CONVENIENCE SERVICES OFFERED ONSITE

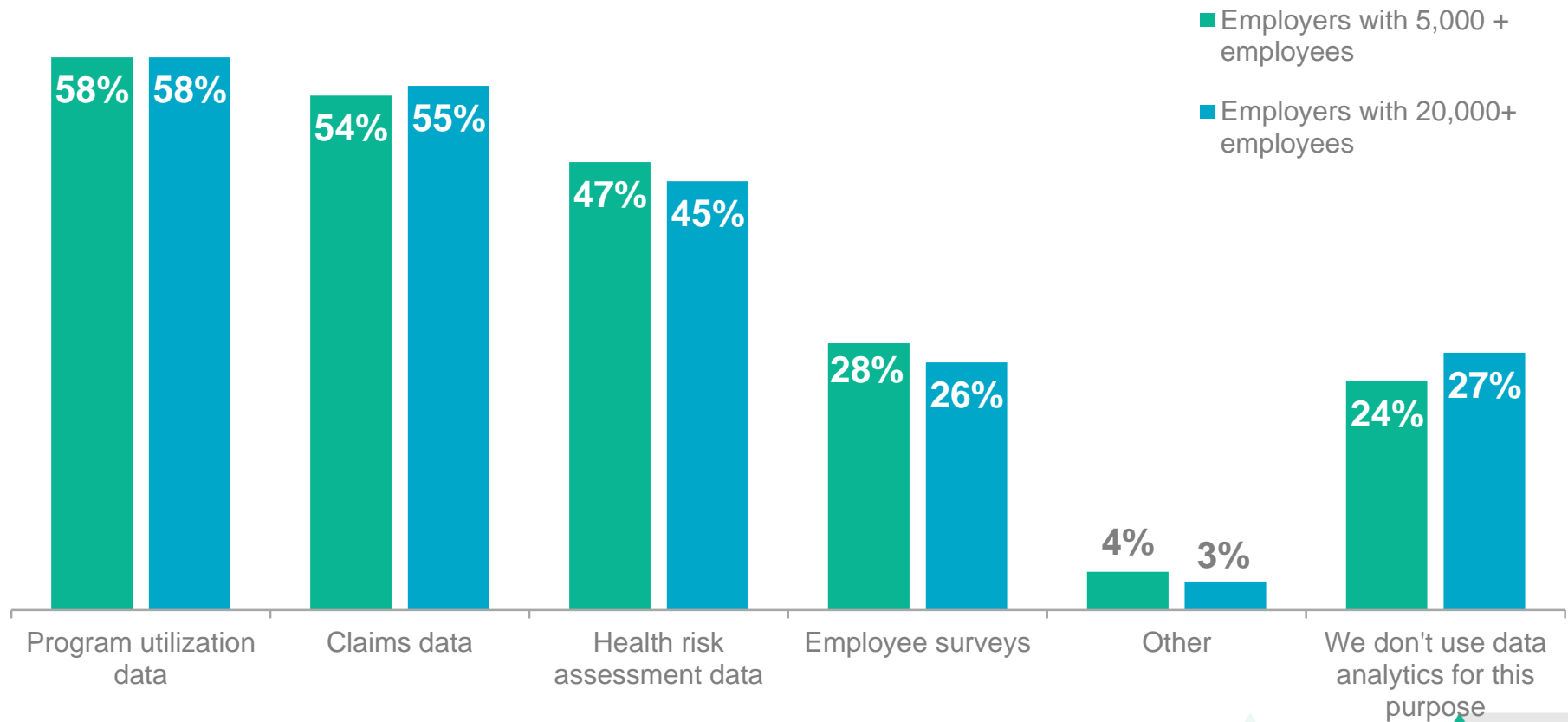
AMONG EMPLOYERS WITH 20,000+ EMPLOYEES



BEHAVIORAL HEALTH SERVICES



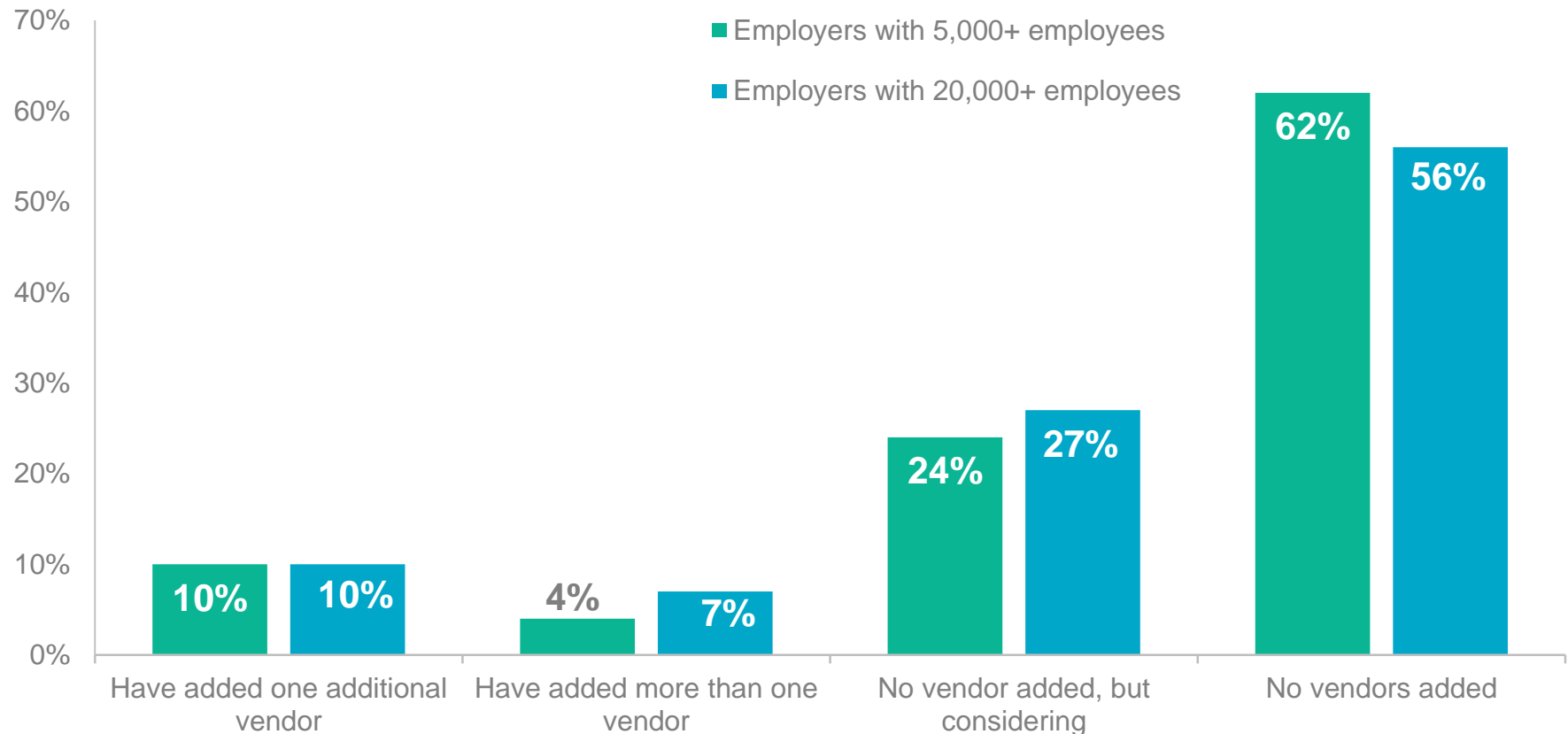
DATA SOURCES USED TO SELECT AND MANAGE WELL-BEING PROGRAMS



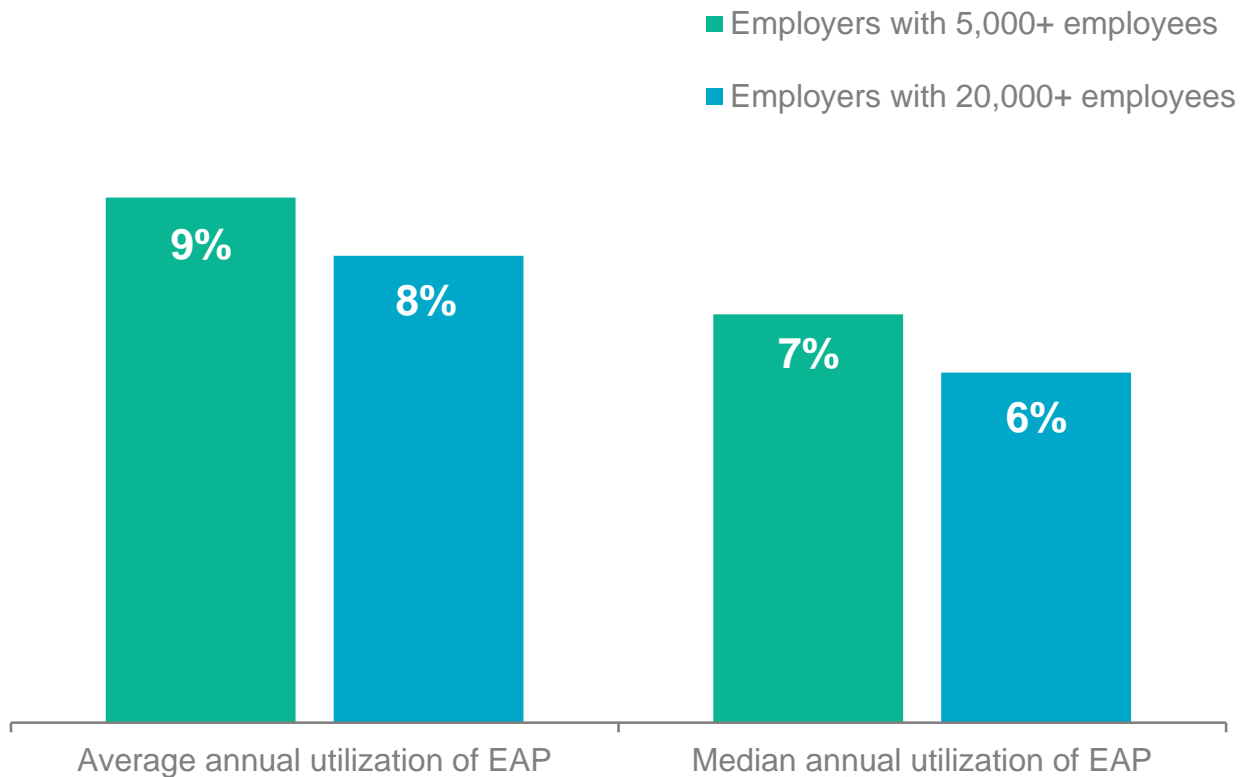
EMPLOYEES HAVE ACCESS TO SUPPORT FOR BEHAVIORAL HEALTH

	5,000 or more employees	20,000 or more employees
Stress management	76%	75%
Resiliency	44%	43%
Mindfulness	50%	47%
Tele-therapy	51%	58%
Texting/online coaching with mental health experts	34%	32%
Family support services for children with disabilities	41%	41%
No programs offered	15%	13%

HAVE ADDED VENDORS TO IMPROVE EMPLOYEES' ACCESS TO BEHAVIORAL HEALTH WITHIN PAST 5 YEARS



UTILIZATION OF EMPLOYEE ASSISTANCE PROGRAM (EAP)





MERCER

MAKE TOMORROW, TODAY