UTAH SCHOOL BOARDS ASSOCIATION

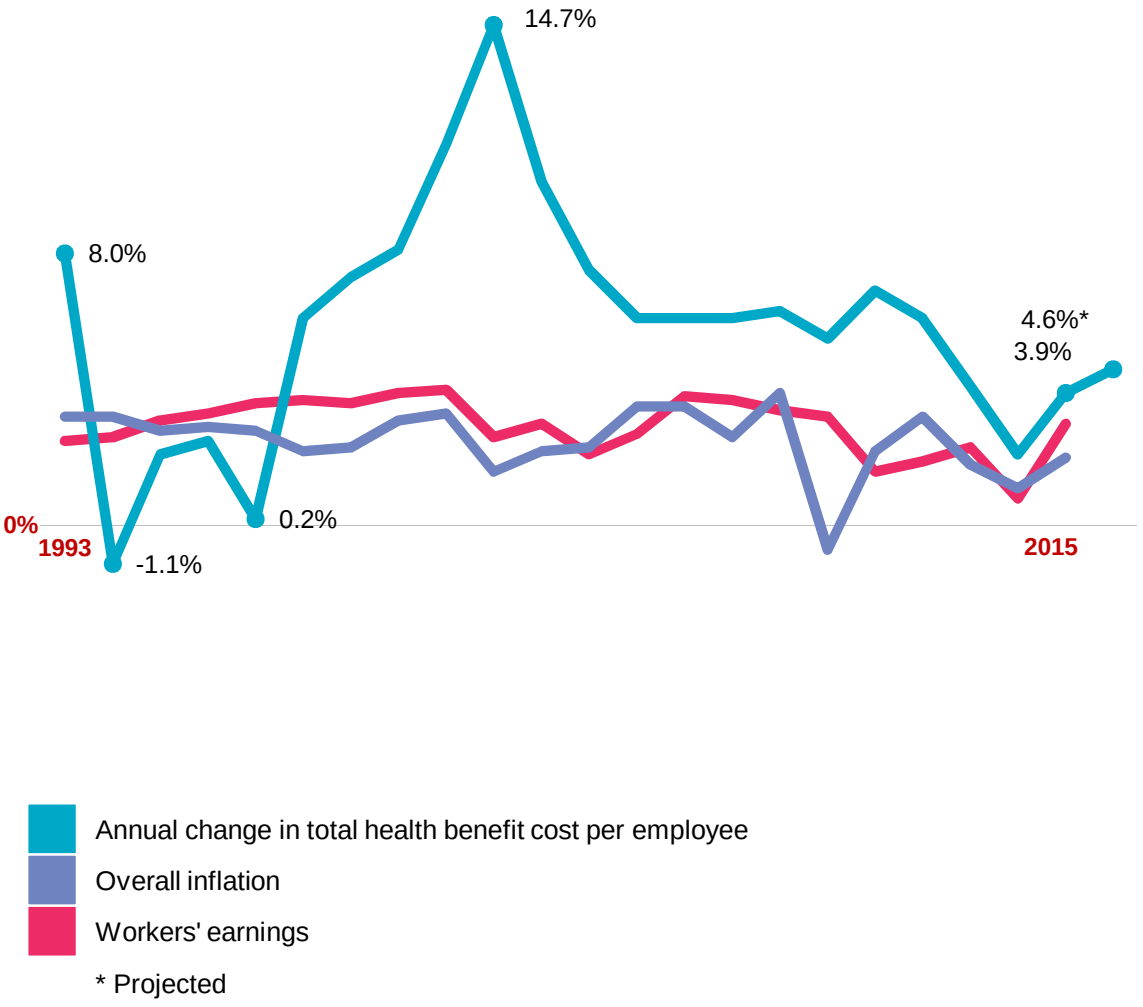
EMERGING STRATEGIES IN HEALTH BENEFIT MANAGEMENT

JULY 21, 2015

Chris Watts

CURRENT HEALTH BENEFIT ENVIRONMENT

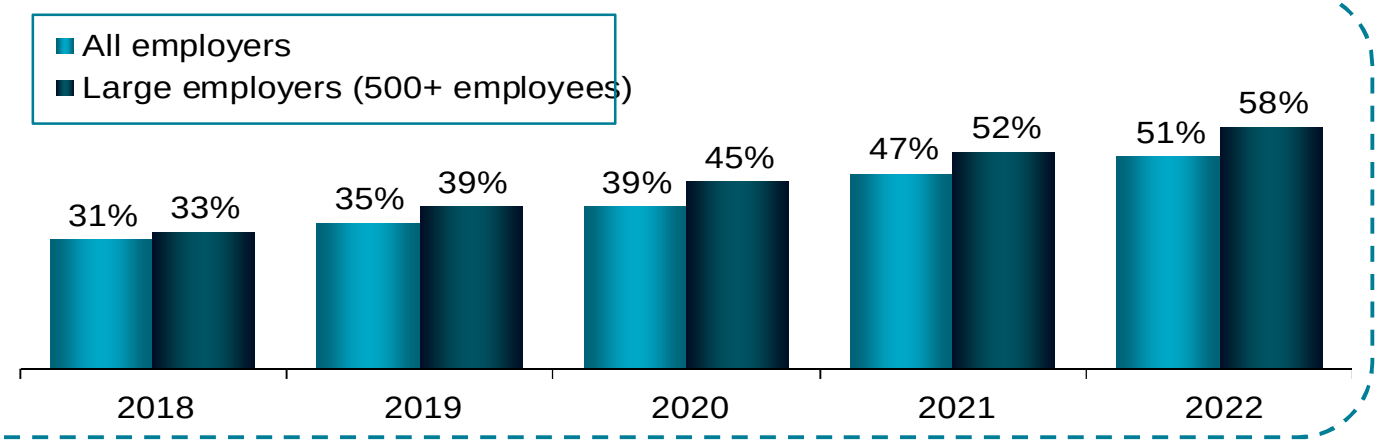
- Continued employer actions hold down per-employee health cost growth, but enrollment is rising
- Private exchanges gain a foothold
- CDHP use accelerates; enrollment jumps 5 points
- Employers struggle with ACA administrative burden and threat of excise tax in 2018
- Employee engagement still lagging
- Provider networks evolving in new directions
- Industry continues to innovate
- Global view on health care & wellness engagement



© MERCER 2015

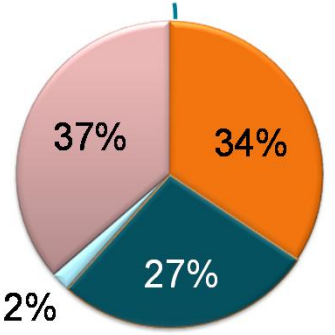
CURRENT HEALTH BENEFIT ENVIRONMENT
ACA IMPACT

% of employers that will be subject to the excise tax if no changes are made

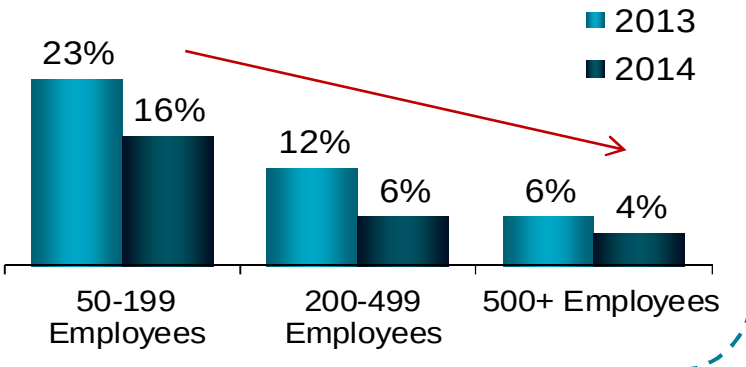


Employer response to excise tax

- Will do whatever is necessary to bring cost below the threshold
- Will attempt to bring cost below the threshold, but it may not be possible
- Will take no special steps to reduce cost below the threshold
- Plan(s) are unlikely to ever trigger the excise tax



% of employers who are "likely" or "very likely" to terminate plans within 5 years

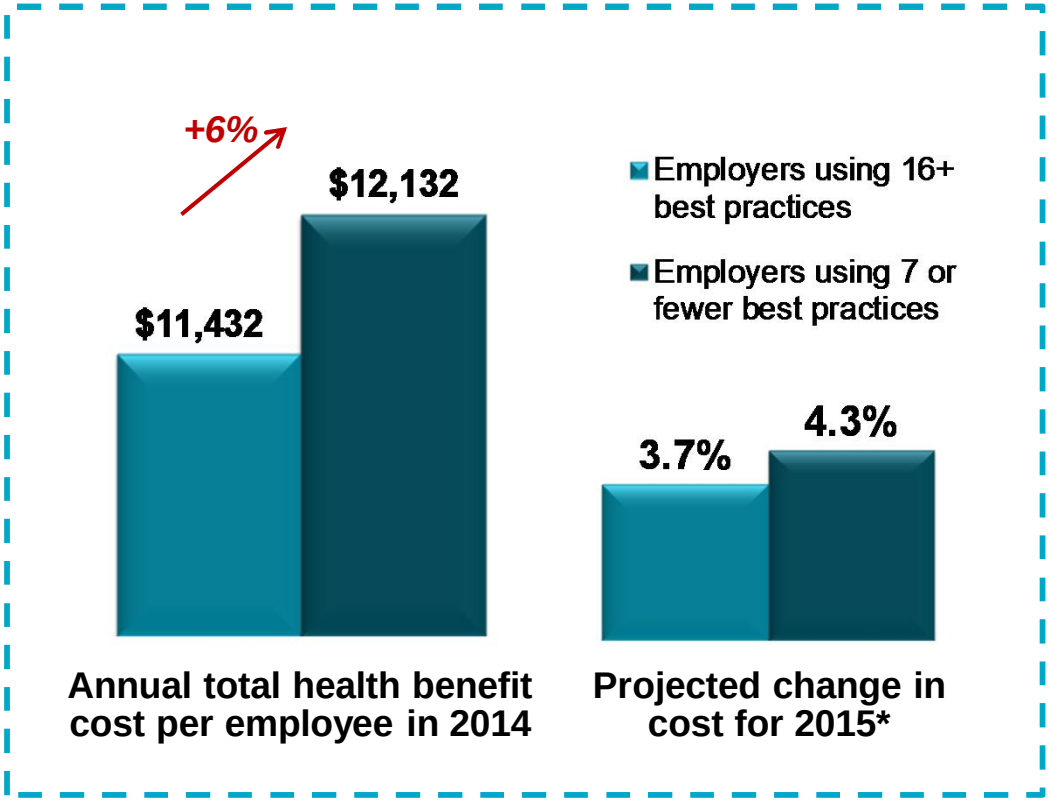


© MERCER 2015

CURRENT HEALTH BENEFIT ENVIRONMENT
COST MANAGEMENT STRATEGIES

Respondents' costs were analyzed based on their use of more than 25 cost-management best practices across three categories

National (500+ employees): $11,641



*After changes to plan design

© MERCER 2015

CURRENT HEALTH BENEFIT ENVIRONMENT
COST MANAGEMENT STRATEGIES

Plan design	Employee well-being	More advanced cost-management strategies
Contribution for family coverage in primary plan is at least 20% of premium	Offer optional (paid) wellbeing programs through plan or vendor	High-performance networks
PPO in-network deductible is $500+	Provide opportunity to participate in personal/group health challenges	Data warehousing
Offer Consumer Directed Health Plan (CDHP)	Offer technology-based wellbeing resources (apps, devices, web-based)	Collective purchasing of medical or Rx benefits
HSA sponsor makes a contribution to employees' accounts	Worksite biometric screening	Surgical centers of excellence
Voluntary benefits integrated with core benefits	Encourage physical activity at work (gym, walking trails, standing desks, etc.)	Transparency tool provided by specialty vendor and/or used by 10% of members
Mandatory generics or other Rx strategies	Use incentives for wellbeing programs	On-site clinic
Steer members to specialty pharmacy for specialty drugs	Spouses and/or children may participate in programs	Telemedicine
	Smoker surcharge	Value-based design
	Offer EAP	Reference-based pricing
		Medical homes
		Accountable care organizations

© MERCER 2015

INNOVATIVE APPROACHES PROVIDE ACTIONABLE COST CONTAINMENT LEVERS FOR EMPLOYERS

"TAKE ACTION" LEVERS

Important Objective for All Employers:

- Save money
- Improve health
- Simplify delivery
- Enhance value
- Better quality

Workforce Health

- Culture of health
- Behavioral economics of incentives
- Whole person view of wellness

Delivery Infrastructure

- Exchange solutions
- Contribution equity
- Vendor partners

Absence and Disability

- Disability insurance
- Leave management
- Productivity measures

Care Delivery

- Prevention
- Retail and technology providers
- ACOs and tiered networks

Consumer Accountability

- Design and accounts
- Transparency tools
- Voluntary customization

Areas for Continued Focus:

1.
2.
3.
4.
5.

Innovation Spectrum

BLOCKING & TACKLING → PROVEN INNOVATION → LEADING EDGE

© MERCER 2015

ACTIONABLE COST CONTAINMENT LEVERS FOR EMPLOYERS
WORKFORCE HEALTH

Workforce Health

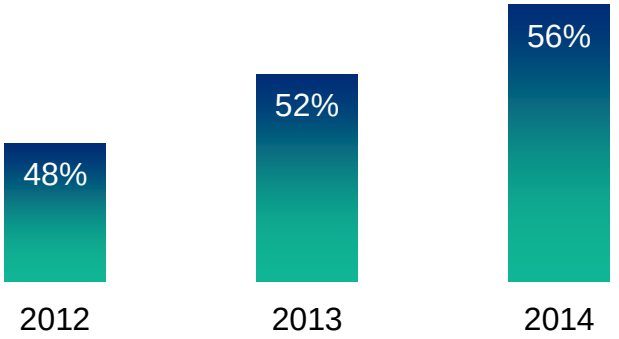
"TAKE ACTION" LEVERS

BEST PRACTICE ELEMENTS

- WORKPLACE ENVIRONMENT THAT SUPPORTS CULTURE OF HEALTH
- PLAN-BASED AND/OR OUTCOMES-BASED INCENTIVES
- EFFECTIVE PROGRAM & VENDOR INTEGRATION
- DATA-DRIVEN SOLUTIONS TO ADDRESS KEY HEALTH RISKS
- PERSONALIZED INCENTIVES TO DRIVE ENGAGEMENT
- COMPREHENSIVE, 3–5 YEAR STRATEGIC PLAN IN PLACE TO EVOLVE PROGRAM

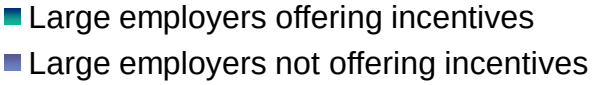
© MERCER 2015

Financial incentives clearly improve participation rates in key health management programs



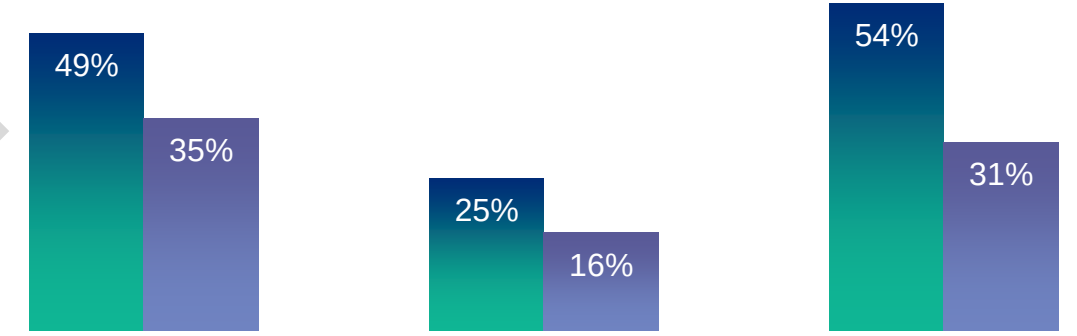
Offer financial incentives (among employers with programs)

More employers are driving engagement through financial incentives, most often cash or contribution reductions



Large employers using incentives report higher participation rates

*Average % of identified persons actively engaged in program



© MERCER 2015

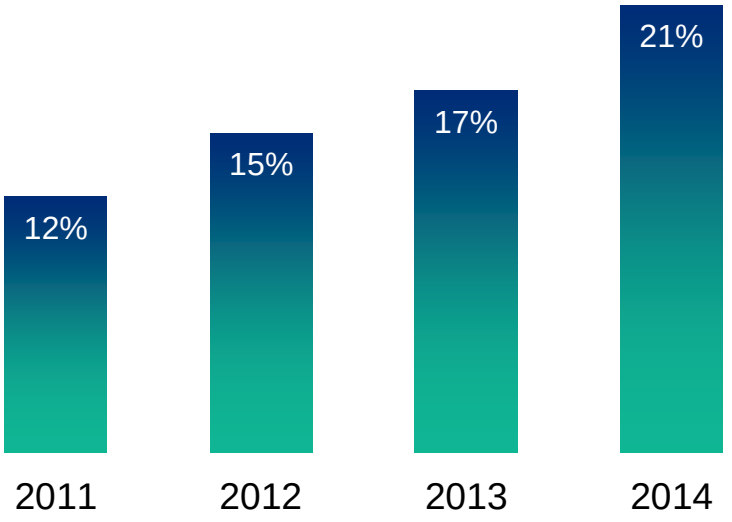
WORKFORCE HEALTH INCENTIVES

Workforce Health

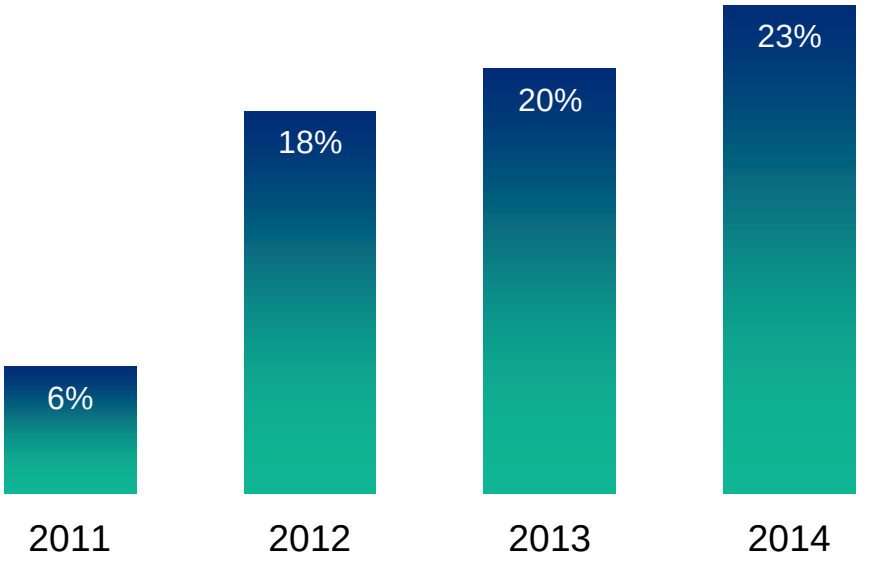
Large employers are moving more slowly to add outcomes-based incentives

Offer lower premium contributions to non-tobacco users

Median reduction in annual premium: $480



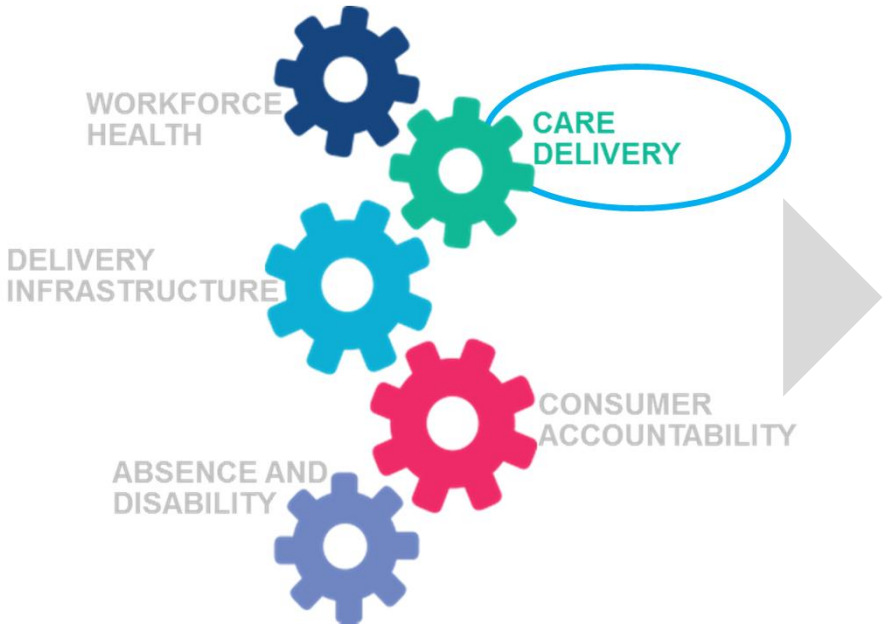
Provide incentives for achieving or maintaining targets for BP, BMI, cholesterol



© MERCER 2015

ACTIONABLE COST CONTAINMENT LEVERS FOR EMPLOYERS
CARE DELIVERY

"TAKE ACTION" LEVERS



BEST PRACTICE ELEMENTS

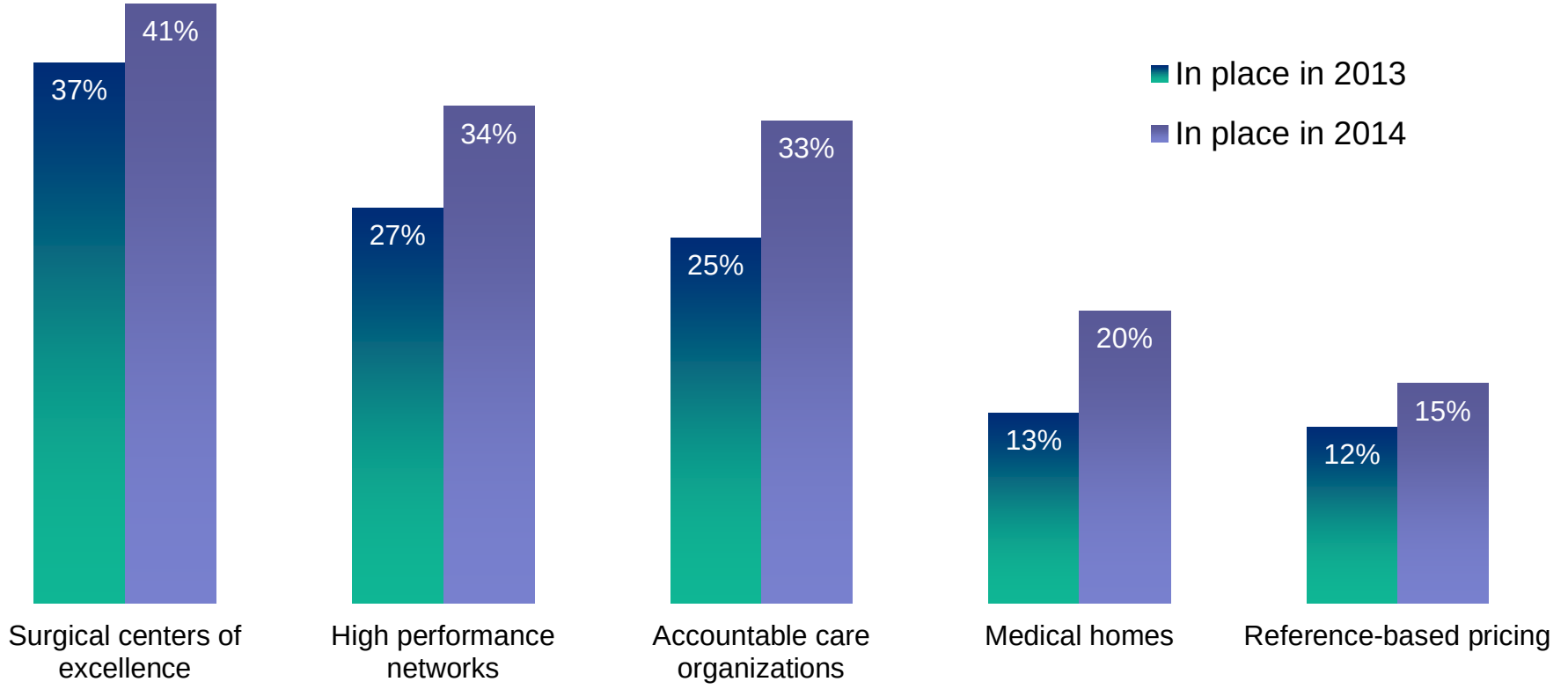
- HIGH PERFORMANCE NETWORK WITH INCENTIVES
- CENTER OF EXCELLENCE STEERAGE
- PAY FOR PERFORMANCE AND PROMOTION OF ACOS
- ONSITE CLINICS (WHERE APPROPRIATE)

© MERCER 2015

CARE DELIVERY INNOVATIONS

Care Delivery

Innovations that reward high-quality, efficient providers are growing among the largest employers

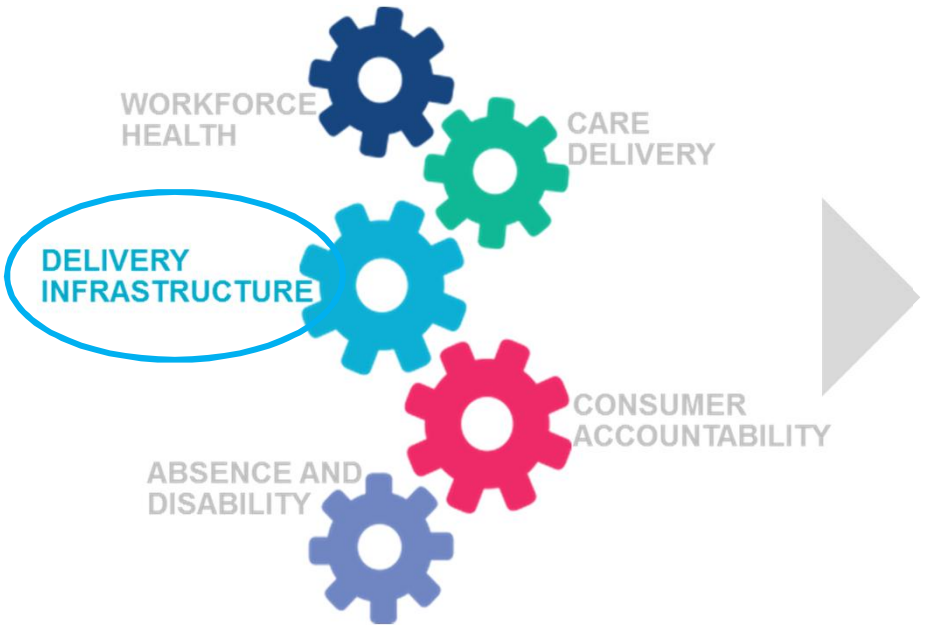


*Employers with 20,000 or more employees

© MERCER 2015

ACTIONABLE COST CONTAINMENT LEVERS FOR EMPLOYERS
DELIVERY INFRASTRUCTURE

"TAKE ACTION" LEVERS



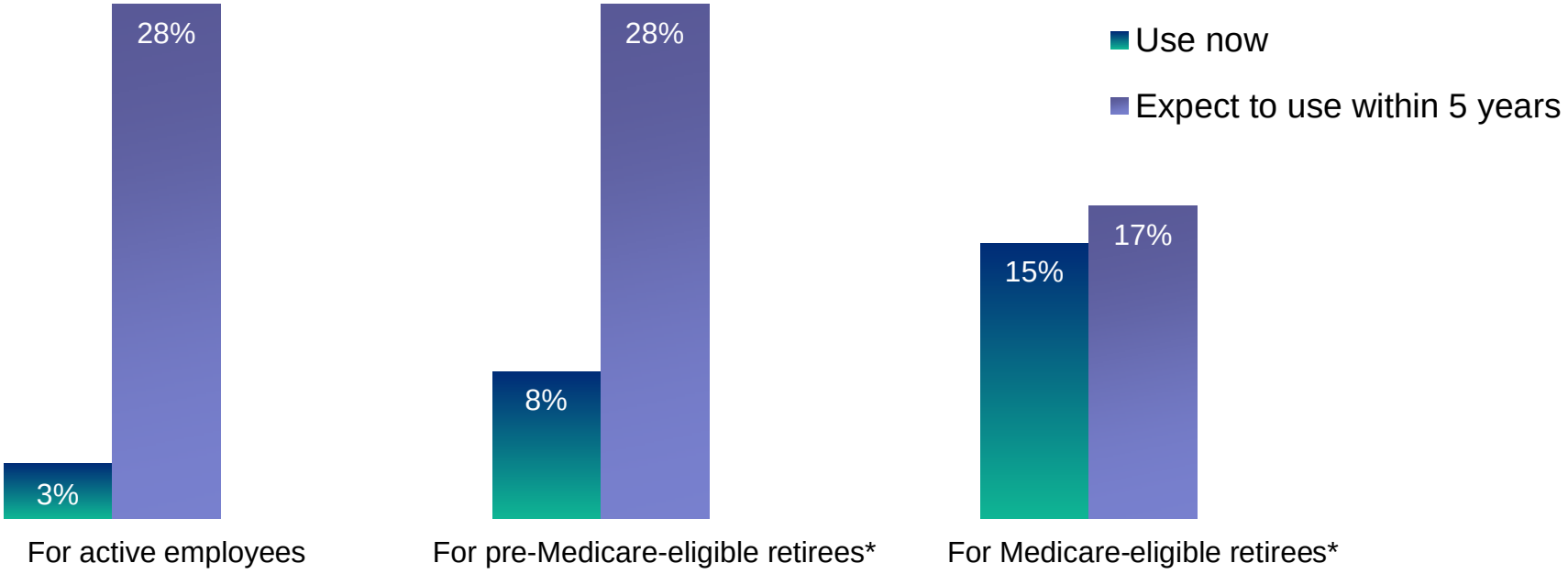
BEST PRACTICE ELEMENTS

- STRATEGIC MARKETING & CONTRACTING
- REGULAR AUDITS OF MAJOR VENDORS
- DATA WAREHOUSE FOR PROGRAM MANAGEMENT
- CONFIGURED BENEFITS PLATFORM WITH MEMBER ADVOCACY TOOLS
- ANNUAL VENDOR SUMMITS
- LEADERSHIP DASHBOARDS ON PROGRAM PERFORMANCE

© MERCER 2015

PRIVATE EXCHANGES

Private health benefit exchanges gain a foothold as interest continues to build



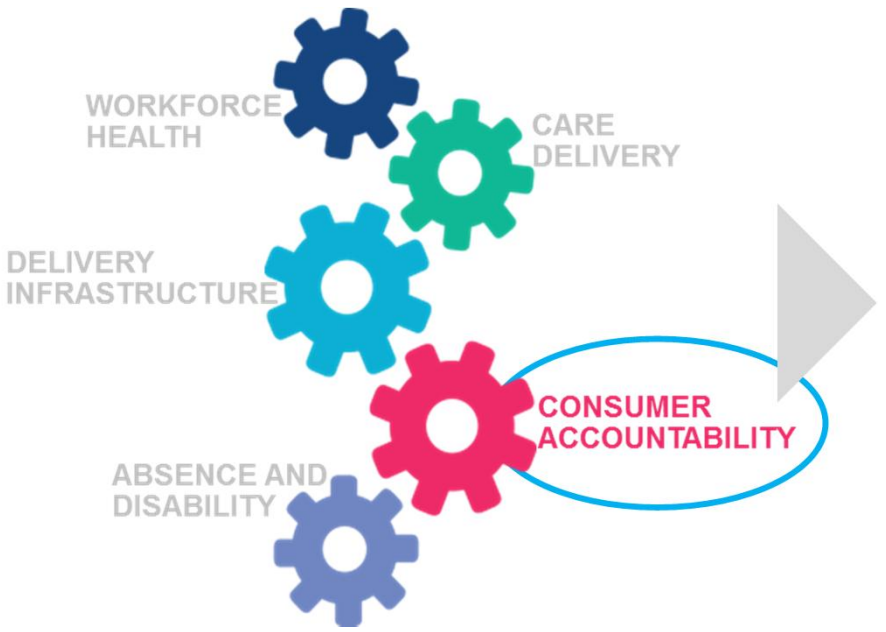
* Among current retiree medical plan sponsors; data reflects large employers

© MERCER 2015

ACTIONABLE COST CONTAINMENT LEVERS FOR EMPLOYERS
CONSUMER ACCOUNTABILITY

Consumer Accountability

"TAKE ACTION" LEVERS



BEST PRACTICE ELEMENTS

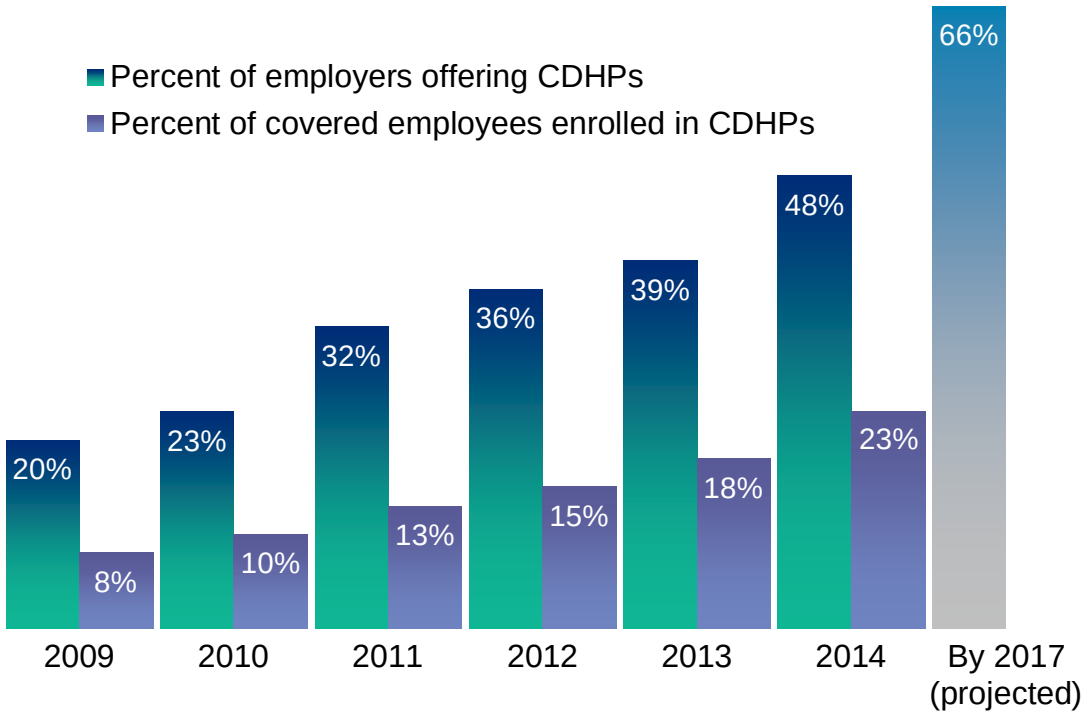
- CDHP WITH HSA
- DEFINED CONTRIBUTION APPROACH WITH RANGE OF PLAN OPTIONS
- SPOUSAL COVERAGE PROVISIONS
- TRANSPARENCY TOOLS
- HIGHER COST-SHARE FOR DEPENDENT COVERAGE TIERS
- VOLUNTARY BENEFIT PROGRAMS

© MERCER 2015

CONSUMER ACCOUNTABILITY
CDHP GROWTH

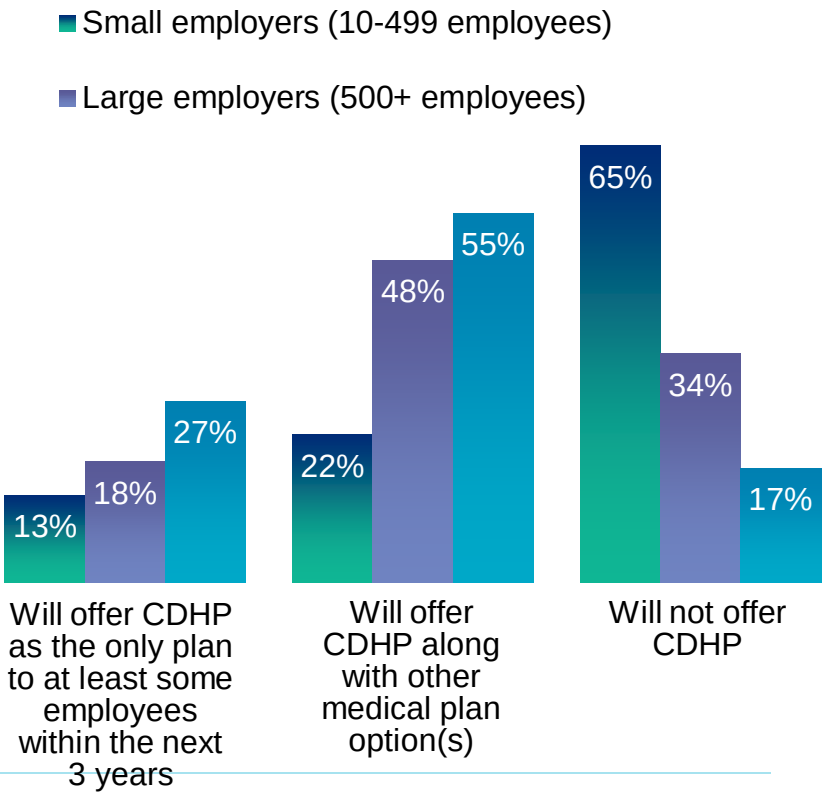
Consumer Accountability

Nearly a fourth of all covered employees are enrolled in a consumer-directed health plan (large employers)



By 2017, 66% of large employers expect to offer a CDHP

Majority of large employers expect to offer a CDHP by 2017 – but most see it as an option, rather than a full replacement



© MERCER 2015

CONSUMER ACCOUNTABILITY
VOLUNTARY BENEFITS

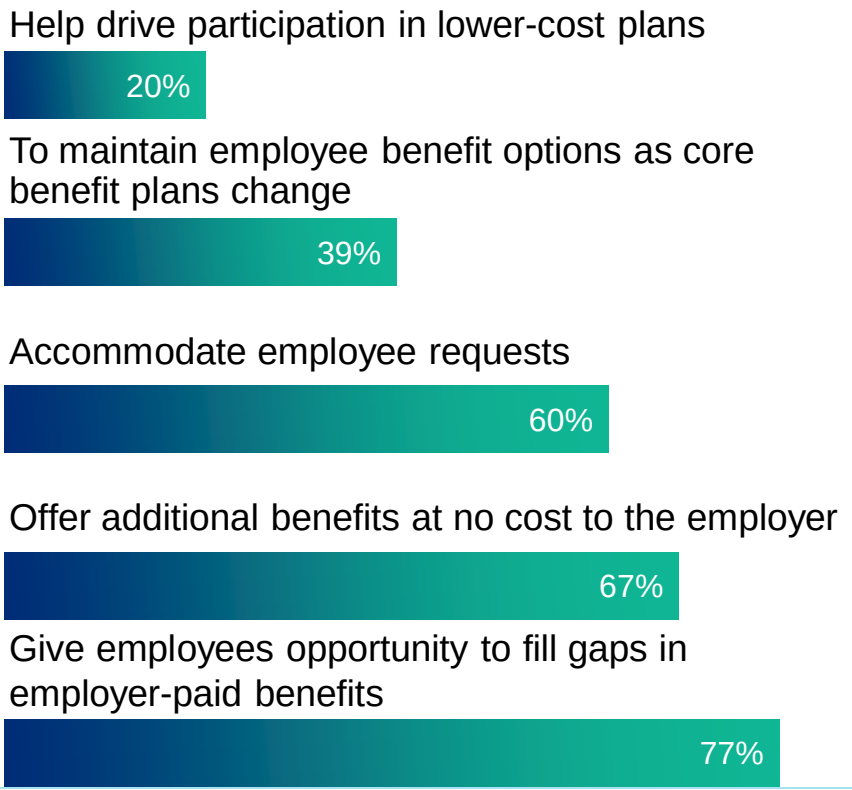
Consumer Accountability

As employers add lower-cost plan choices, voluntary benefits provide employees the opportunity to supplement them

PROFILE OF A SUCCESSFUL VOLUNTARY PROGRAM

- ✓ Employee-valued products
- ✓ User-friendly platform
- ✓ Multi-faceted enrollment solutions
- ✓ Robust education and communication program
- ✓ Program coordination

Why employers offer a voluntary benefits program

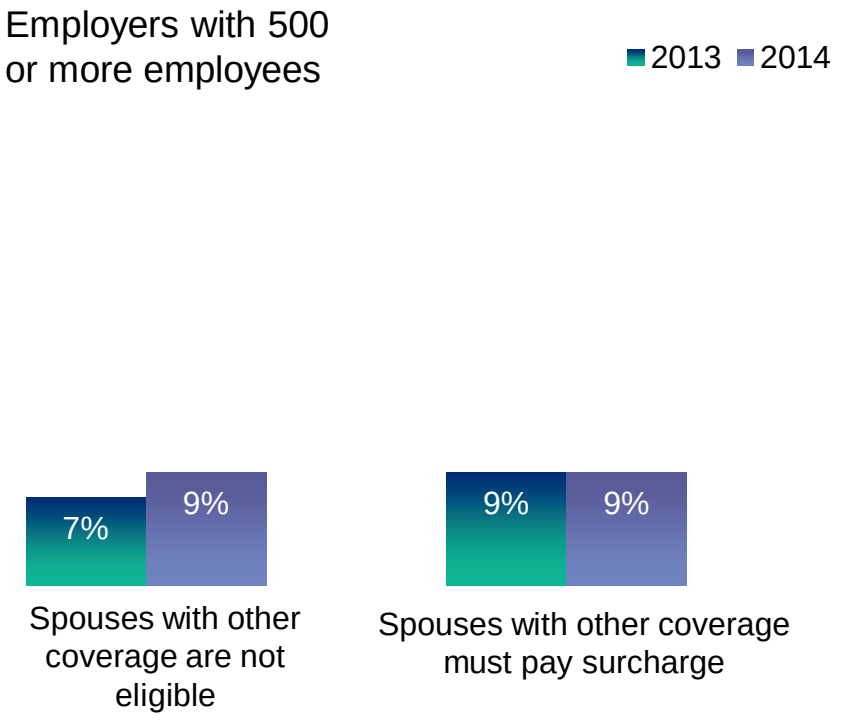


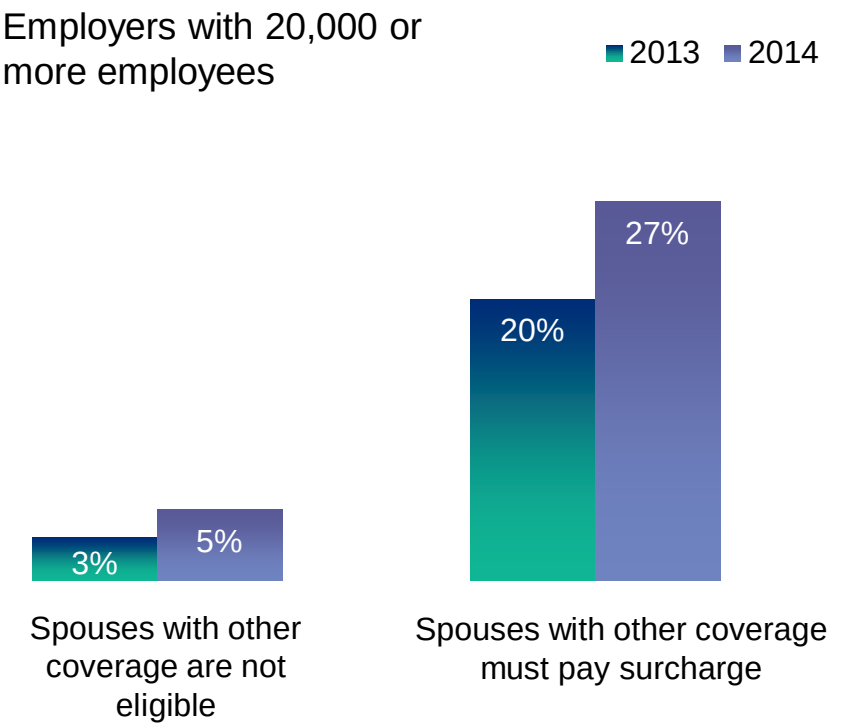
© MERCER 2015

CONSUMER ACCOUNTABILITY
SPOUSAL COVERAGE PROVISIONS

Consumer Accountability

The largest employers are adding surcharges for employees' spouses with other coverage available





© MERCER 2015

ACTIONABLE COST CONTAINMENT LEVERS FOR EMPLOYERS
ABSENCE AND DISABILITY

"TAKE ACTION" LEVERS

BEST PRACTICE ELEMENTS

- INTEGRATION WITH WELL-BEING PROGRAMS
- WORK ENABLING BENEFITS
- ENCOURAGE RETURN TO WORK THROUGH INCENTIVES
- ROBUST DISABILITY/LEAVE TRACKING & REPORTING

© MERCER 2015

MAKE TOMORROW, TODAY

© MERCER 2015