

HEALTH WEALTH CAREER

MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS 2015

Presentation for WACABA

March 17, 2016

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

Oldest

Marking 30 years of measuring health plan trends

Largest

2,486 employers participated in 2015

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

THE YEAR'S TOP STORIES

1

Cost growth moderate, at 3.8% in 2015 with 4.3% projected for 2016

But while large employers held increase to 2.9%, small employers saw cost rise 5.9%

4

Consumer empowerment is building, supported by new programs and technology

Telemedicine, cost transparency tools and mobile devices are all on the rise.

2

One in four covered employees is now in a CDHP

Consumerism tools are helping employees make the best plan choice.

5

New clinical models—ACOs and medical homes—lead the evolution to value-based care

Centers of Excellence and narrow networks are first steps for some employers

3

Analysis: 25 strategies that helped employers achieve lower cost and trend in 2015

Successful practices spanned program design, care delivery, workforce health

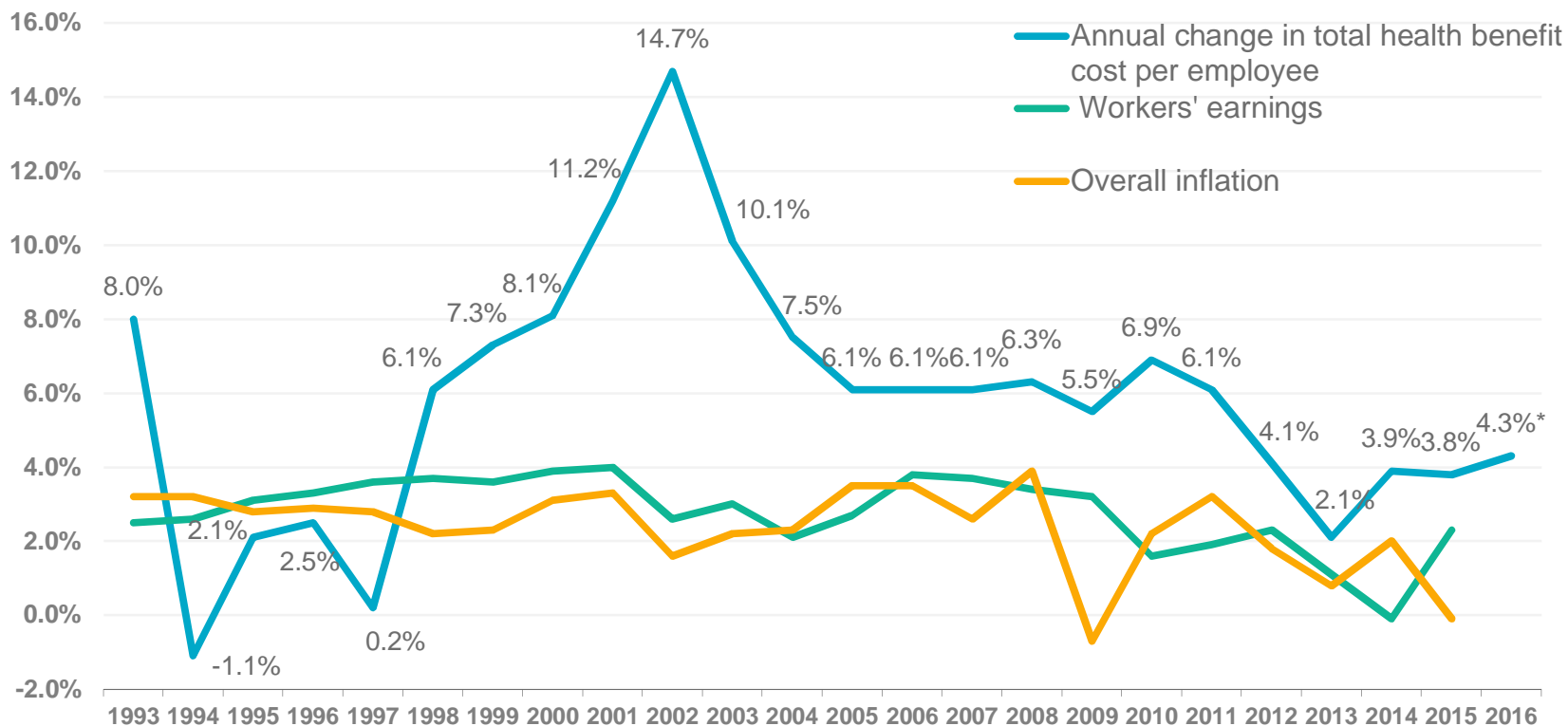
6

Private exchanges will be used by 6% of large employers for 2017 open enrollment, with rapid growth expected to continue through 2020

Employers seek to add choice, ease administration, manage cost, and more easily transition to CDHPs

COST ROSE A MODERATE 3.8% IN 2015, WITH A SIMILAR INCREASE OF 4.3% PREDICTED FOR 2016

Change in total health benefit cost per employee compared to CPI, workers' earnings

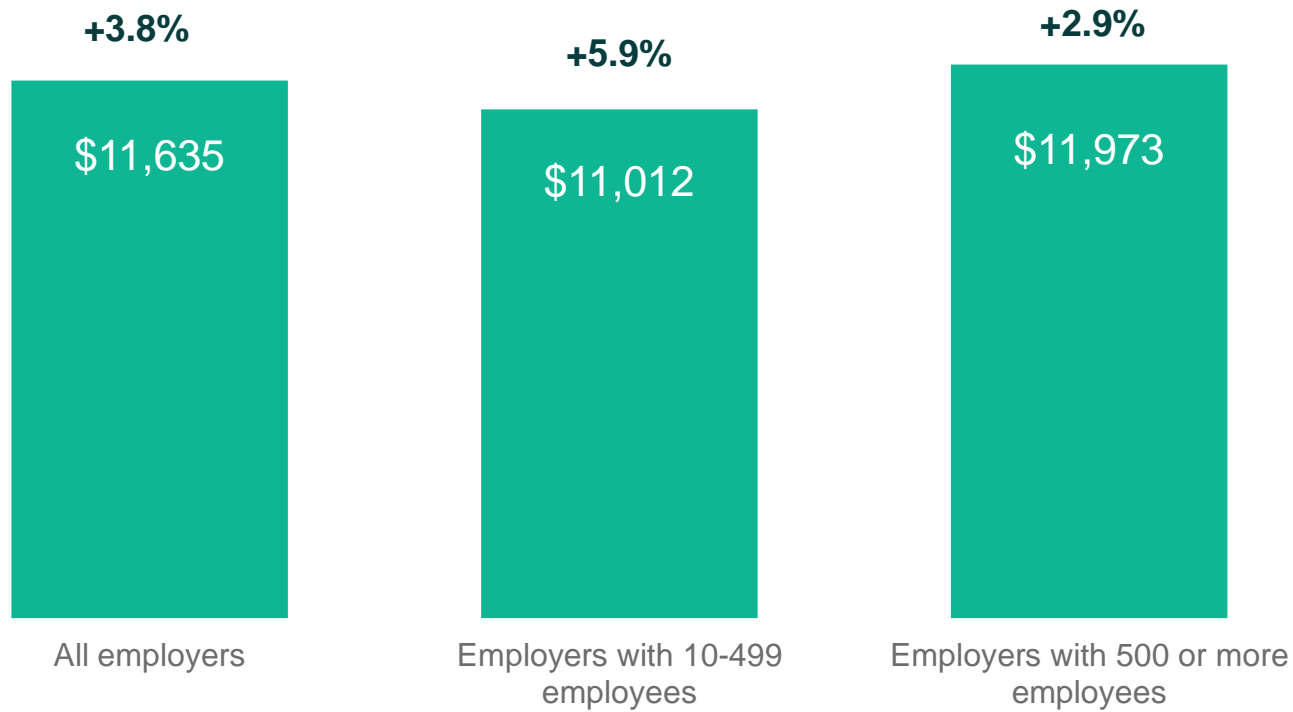


* Projected

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) 1993-2015; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1993-2015.

SHARPER INCREASE BUT LOWER PER-EMPLOYEE COST FOR SMALL EMPLOYERS

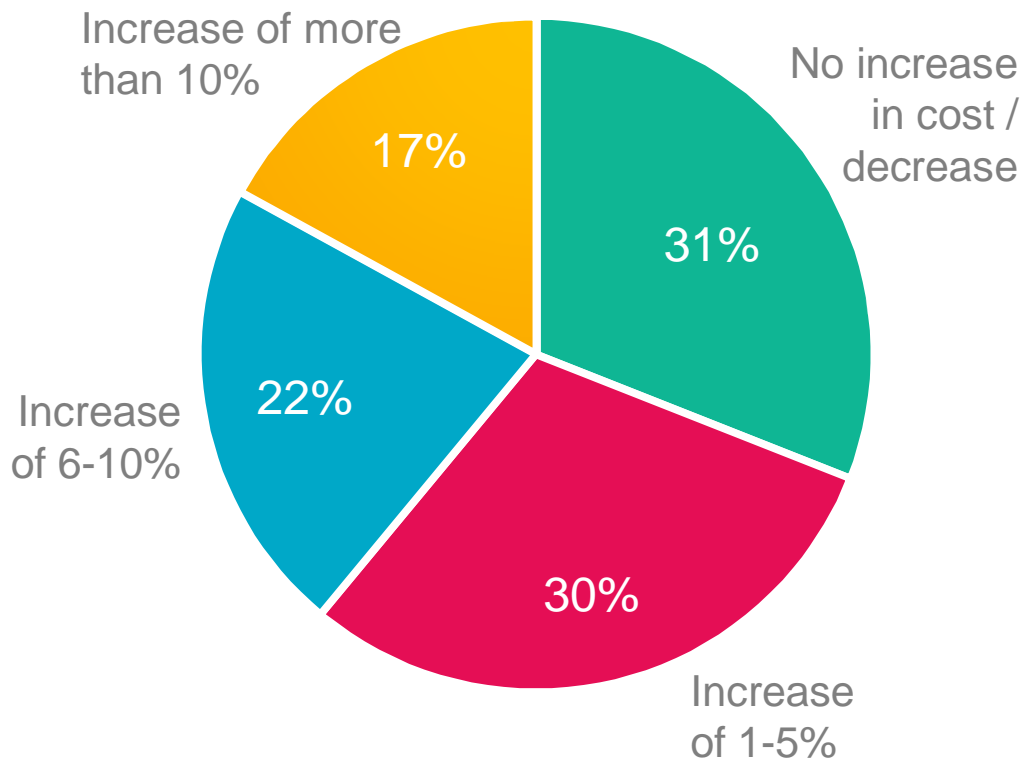
Average total health benefit cost per employee in 2015



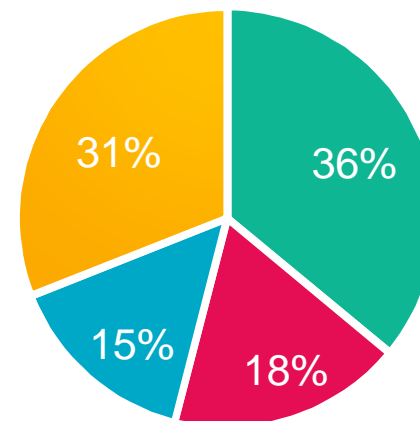
BEHIND THE AVERAGE: COST INCREASES VARIED WIDELY BY EMPLOYER IN 2015

Based on employers providing cost for 2014 and 2015

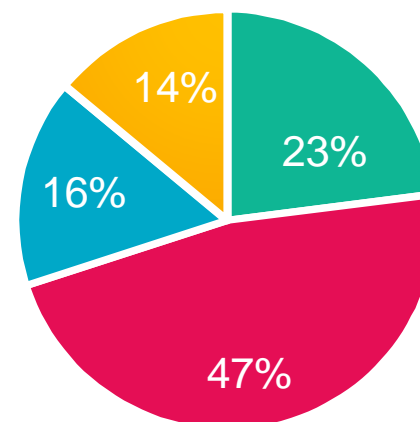
Employers with 500+ employees



Employers with 10-499 employees

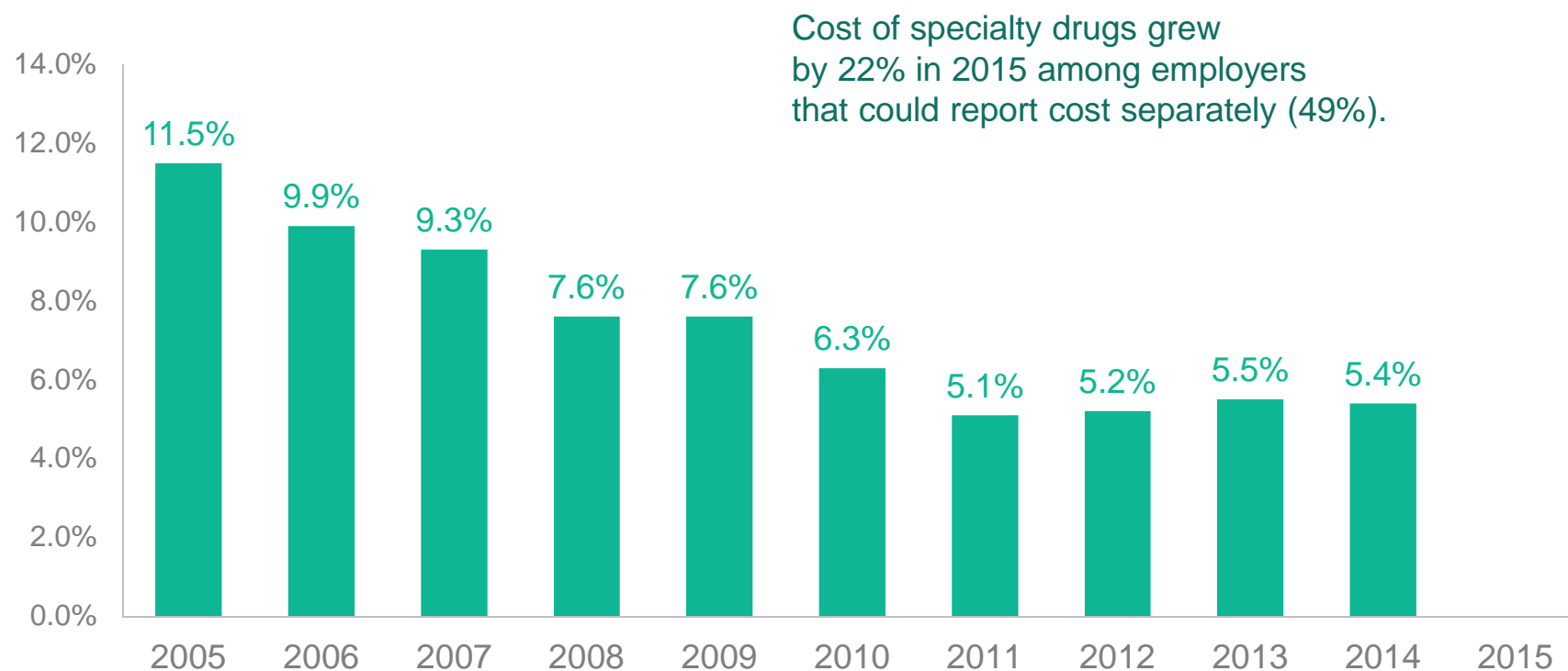


Employers with 20,000+ employees



ONE KEY COST DRIVER IN 2015: A JUMP IN PRESCRIPTION DRUG BENEFIT COST

Cost change for prescription drug benefits in primary medical plan for large employers





ACA IMPACT: WHEN THE DUST SETTLED FROM “PLAY OR PAY”, ENROLLMENT LEVELS WERE LARGELY UNCHANGED

Large employers

- Only **37%** of large employers had to take action to comply with the ACA requirement to offer coverage to all employees working 30+ hours per week – most were in compliance prior to the ACA requirement.
- Of those taking action, only about **one in five** experienced an increase in enrollment as a result (or 8% of all large employers).
- Of those in compliance prior to ACA, **10%** made eligibility requirements tougher:
 - **5%** eliminated coverage for PTEs
 - **4%** increased hours required for coverage

Threshold for offering coverage to “substantially all” employees rose to 95% as of January 2016 – employers need to consider implications

ACA IMPACT: EMPLOYERS TOOK STEPS TO REDUCE EXCISE TAX EXPOSURE

Large employers

- Consumer-directed health plans: **39%** added a plan or took steps to build enrollment in existing plan
- Dropping a high-cost plan: **11%**
- Plan design changes to shift cost to employees: **19%**
- Eliminating health care FSAs: **3%**

The delay in the excise tax may slow the pace of change, but employers will continue to take action to manage long-term cost growth

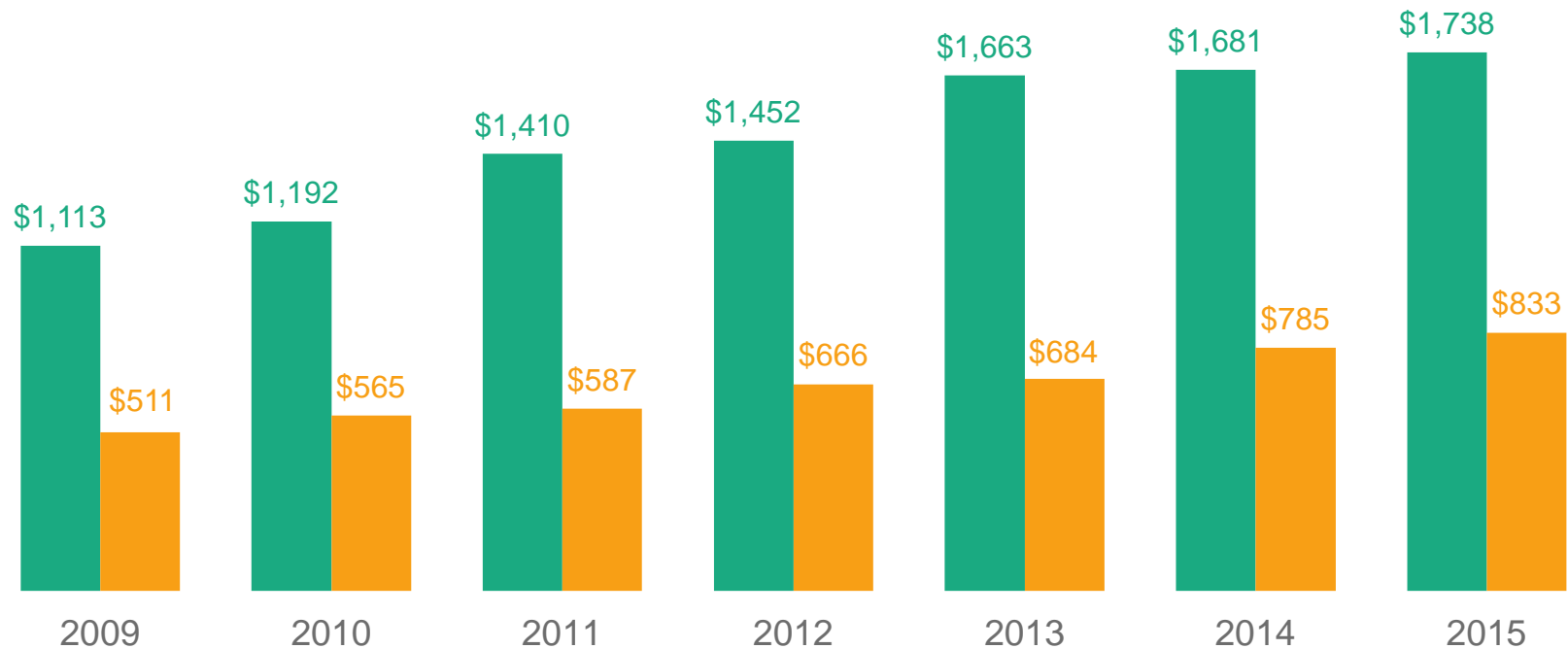
COST-SHIFTING HAS ACCELERATED IN THE HEALTH REFORM ERA, CHALLENGING EMPLOYERS TO HELP EMPLOYEES MANAGE GROWING FINANCIAL RISK

Average PPO deductible for individual, in-network coverage

■ Small employers
■ Large employers

Small employers: deductibles have risen 46% since 2010

Large employers: deductibles have risen 47% since 2010



WHAT'S WORKING TO HOLD DOWN COST?

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

Plan design and delivery infrastructure

- Contribution for family coverage in primary plan is 20%+ of premium
- PPO in-network deductible is \$500+
- Offer CDHP
- HSA sponsor makes a contribution to employees' accounts
- Voluntary benefits integrated with core
- Mandatory generics or other Rx strategies
- Steer members to specialty pharmacy for specialty drugs
- Reference-based pricing
- Data warehousing
- Collective purchasing of medical or Rx benefits
- Transparency tool provided by specialty vendor and/or used by 10% of members
- Use private health benefits exchange

Employee well-being

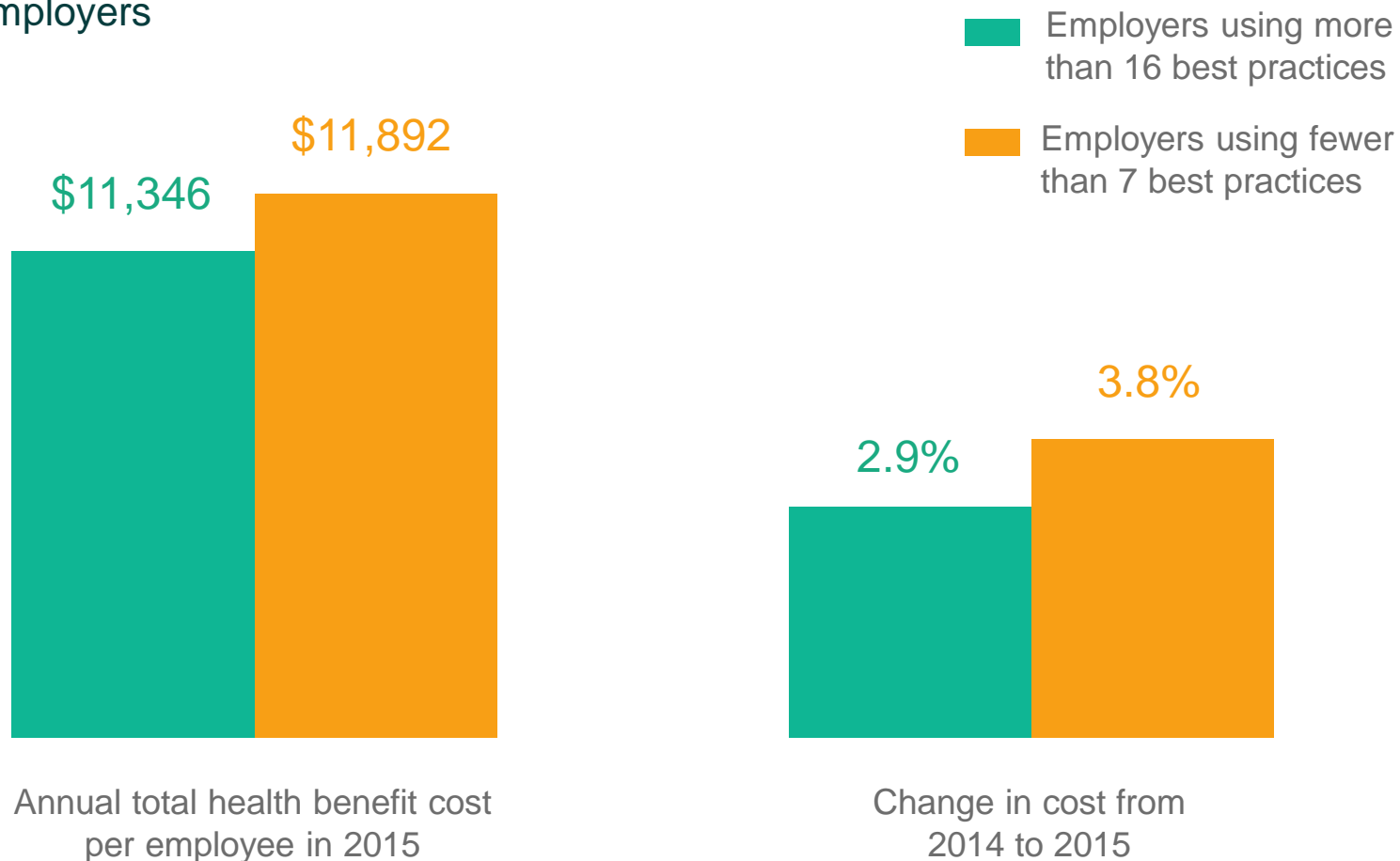
- Offer optional (paid) well-being programs through plan or vendor
- Provide opportunity to participate in personal/group health challenges
- Offer technology-based well-being resources (apps, devices, web-based)
- Worksite biometric screening
- Encourage physical activity at work (gym, walking trails, standing desks, etc.)
- Use incentives for well-being programs
- Spouses and/or children may participate in programs
- Smoker surcharge
- Offer EAP

Care delivery

- High-performance networks
- Surgical centers of excellence
- On-site clinic
- Telemedicine
- Value-based design
- Medical homes
- Accountable care organizations

COMPARISON OF EMPLOYERS USING THE MOST VS. THE FEWEST BEST PRACTICES AGAIN FINDS DIFFERENCES IN COST AND COST GROWTH

Large employers



*Analysis based on unweighted cost data from respondents providing cost for both 2014 and 2015.

PROGRAM DESIGN: WHO IS OFFERED WHAT BENEFITS, AND HOW THEY PAY FOR THEM

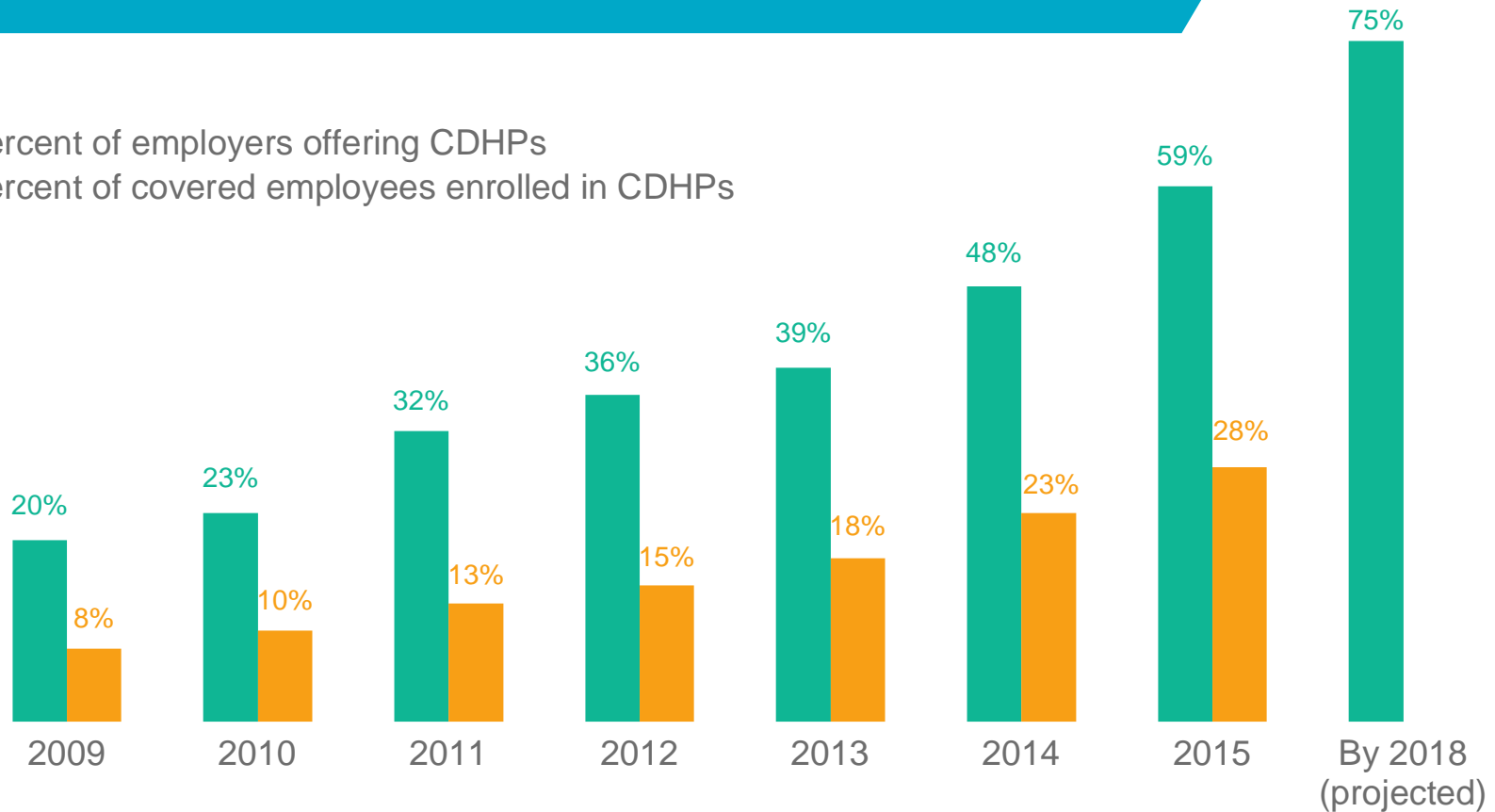


OVER A FOURTH OF ALL COVERED EMPLOYEES ARE ENROLLED IN A CONSUMER-DIRECTED HEALTH PLAN

Large employers

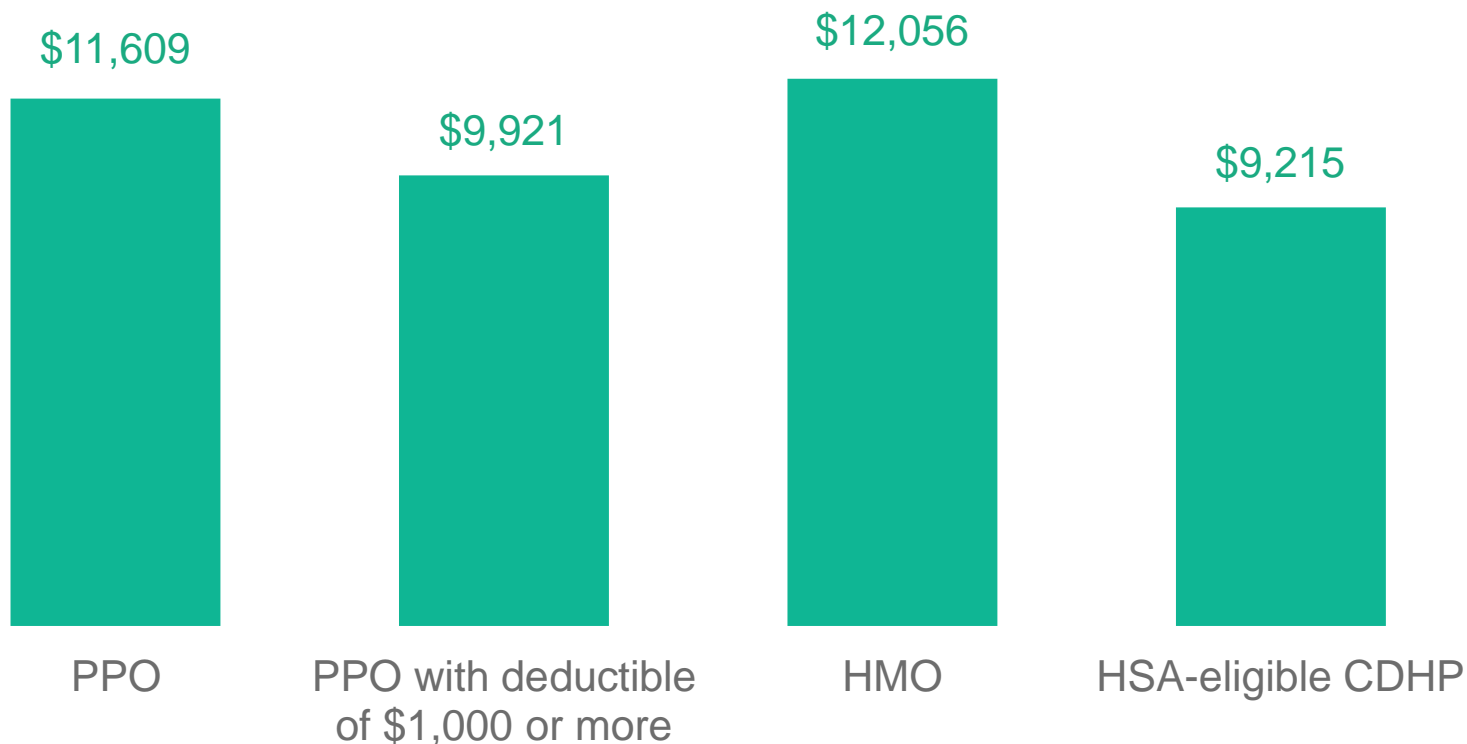
By 2018, 75% of large employers expect to offer a CDHP

- Percent of employers offering CDHPs
- Percent of covered employees enrolled in CDHPs



EMPLOYERS SAVE WITH HSA-BASED CDHPs: AVERAGE COST WAS MORE THAN 20% LOWER THAN FOR EITHER PPOs OR HMOs IN 2015

Medical plan cost per employee (includes employer contributions to HSA accounts)
among large employers

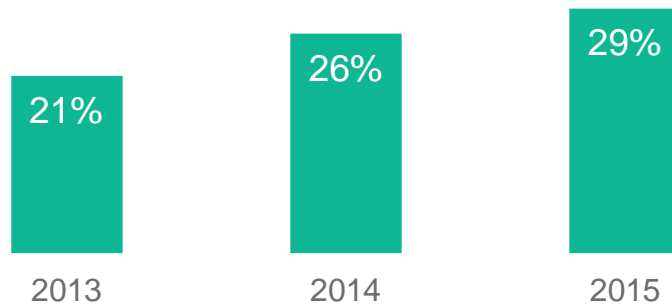


ENROLLMENT IN CDHPs GROWS SLOWLY OVER TIME, AND EMPLOYER ACCOUNT CONTRIBUTION IS CRITICAL

Large employers offering HSA-based CDHPs

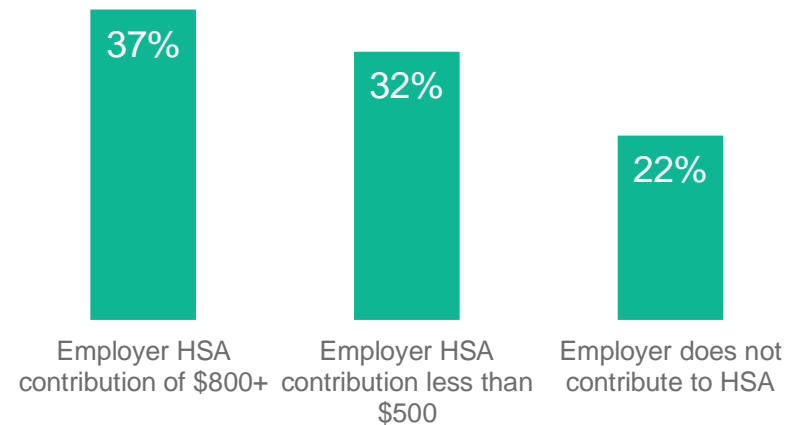
Enrollment growth over time

% eligible employees choosing HSA-based CDHP when offered w/other medical plans*



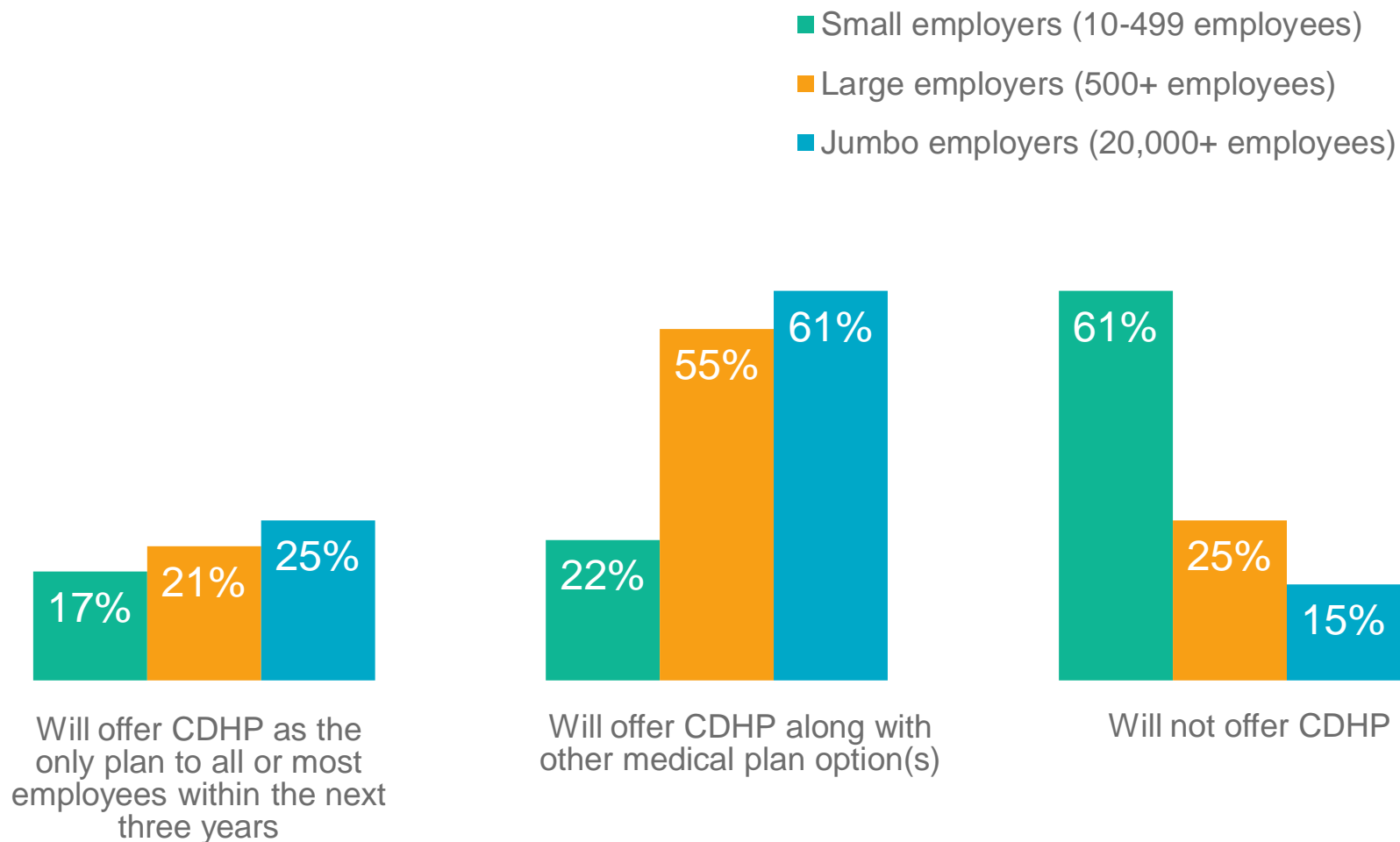
Employer HSA funding affects enrollment

% eligible employees choosing HSA when offered with other medical plans



*Among employers offering the plan for three years

MAJORITY OF LARGE EMPLOYERS EXPECT TO OFFER A CDHP BY 2018 – BUT MOST SEE IT AS AN OPTION, RATHER THAN A FULL REPLACEMENT



EMPLOYERS USING VOLUNTARY BENEFITS TO FILL GAPS IN CORE BENEFITS

Objectives for program, based on large employers offering VBs

To give employees opportunity to fill gaps in employer-paid benefits



To offer additional benefits at no cost to employer



To accommodate employee requests



To help employees reduce financial stress / improve financial health



To maintain employee benefit options as core benefits change



To help drive participation in lower-cost plans



76% of employers with voluntary benefits say their objectives have been met

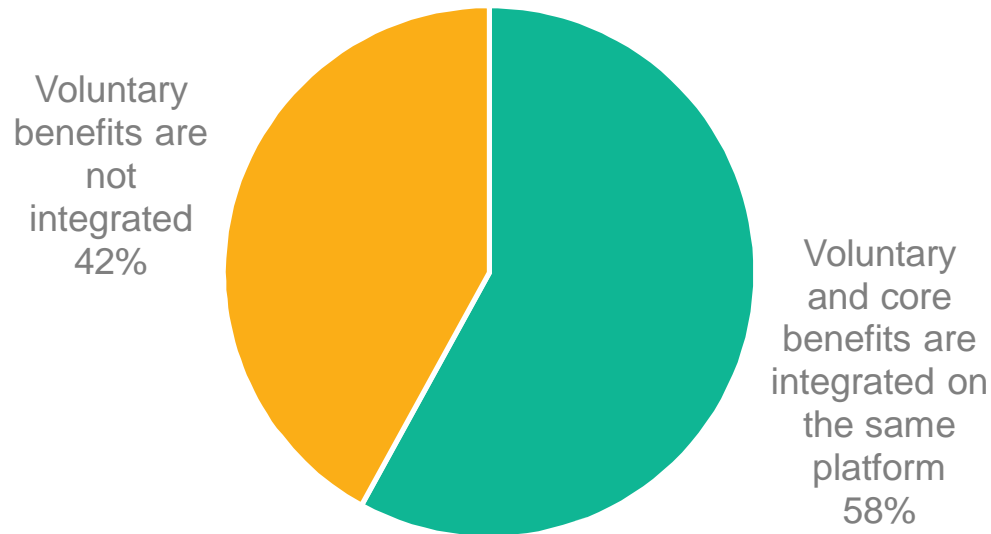
EXPANDING EMPLOYEES' VIEW OF THE WHOLE BENEFIT PACKAGE

Meeting diverse needs without driving up employer costs

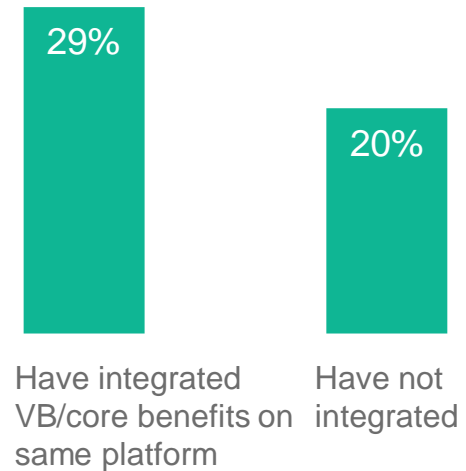
VOLUNTARY BENEFITS		
Percent of large employers offering the benefit	Individual disability	61%
	Accident	59%
	Cancer / critical illness	45%
	Whole / universal life	43%
	Legal benefit	30%
	Discount purchase program	26%
	Long-term care	25%
	Hospital indemnity	21%
	Auto / Homeowners	20%
	Investment advisory	19%
	Telemedicine	18%
	ID theft	17%
Pet insurance	10%	

INTEGRATING VOLUNTARY AND CORE BENEFITS ON SAME PLATFORM IMPROVES EMPLOYEE TAKE-UP

Large employers



VB sponsors reporting growth in take-up over past two years



COST TRANSPARENCY TOOLS

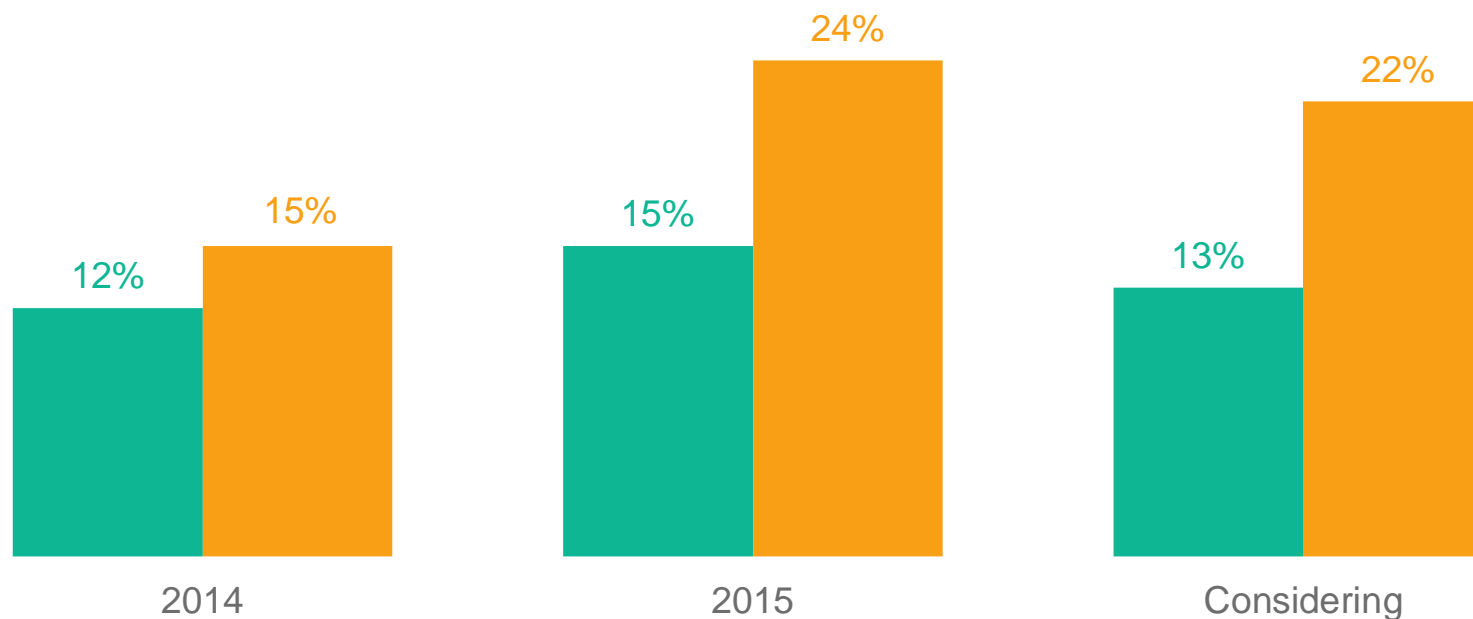
Percentage of employers that contract with a specialty vendor outside the health plan to provide transparency tool

Among large employers who provide transparency tools:

- 13% provide incentives to encourage employees to use them.
- 27% track utilization. Of those, about 1 in 5 report utilization of 20% or more, but nearly half report utilization of less than 5%.

■ All large employers

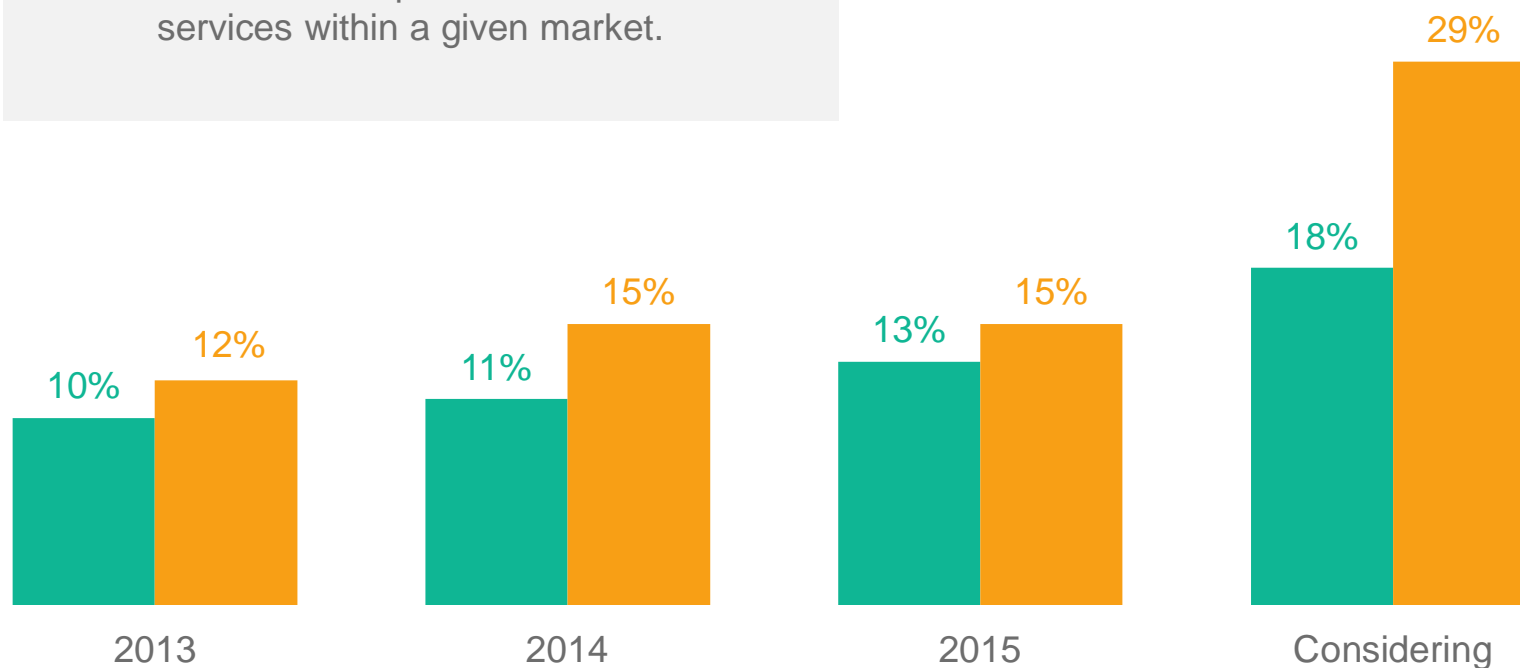
■ Employers with 20,000+ employees



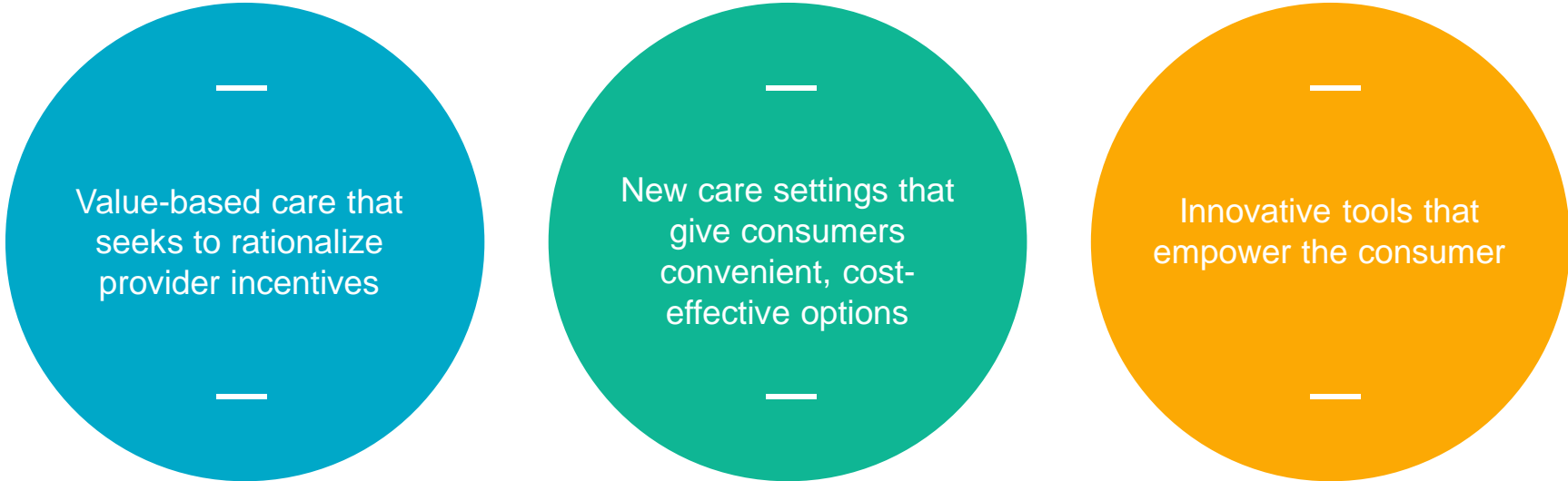
STRONG INTEREST IN REFERENCE-BASED PRICING AMONG THE LARGEST EMPLOYERS

Reference-based pricing addresses the broad variation in prices for health care services within a given market.

- All large employers
- Employers with 20,000+ employees



CARE DELIVERY: HOW AND WHERE A MEMBER ACCESSES CARE



Value-based care that
seeks to rationalize
provider incentives

New care settings that
give consumers
convenient, cost-
effective options

Innovative tools that
empower the consumer

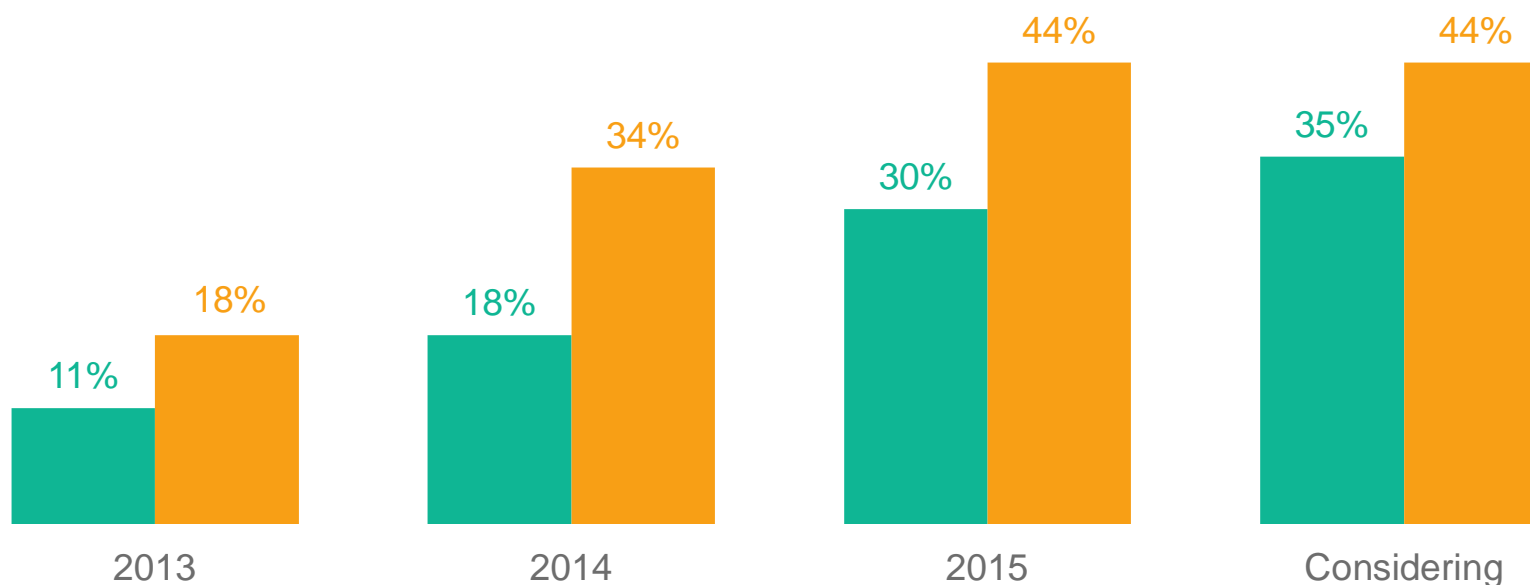
TELEMEDICINE IS THE FASTEST GROWING TREND IN CARE DELIVERY

Among large employers offering telemedicine:

- 26% reported a utilization rate of 5% or higher in 2014.
- 47% agree that the telemedicine program has met their objectives.
- 85% say that the most important reason for offering telemedicine is to provide employees with a more affordable, convenient source of care.

■ All large employers

■ Employers with 20,000+ employees



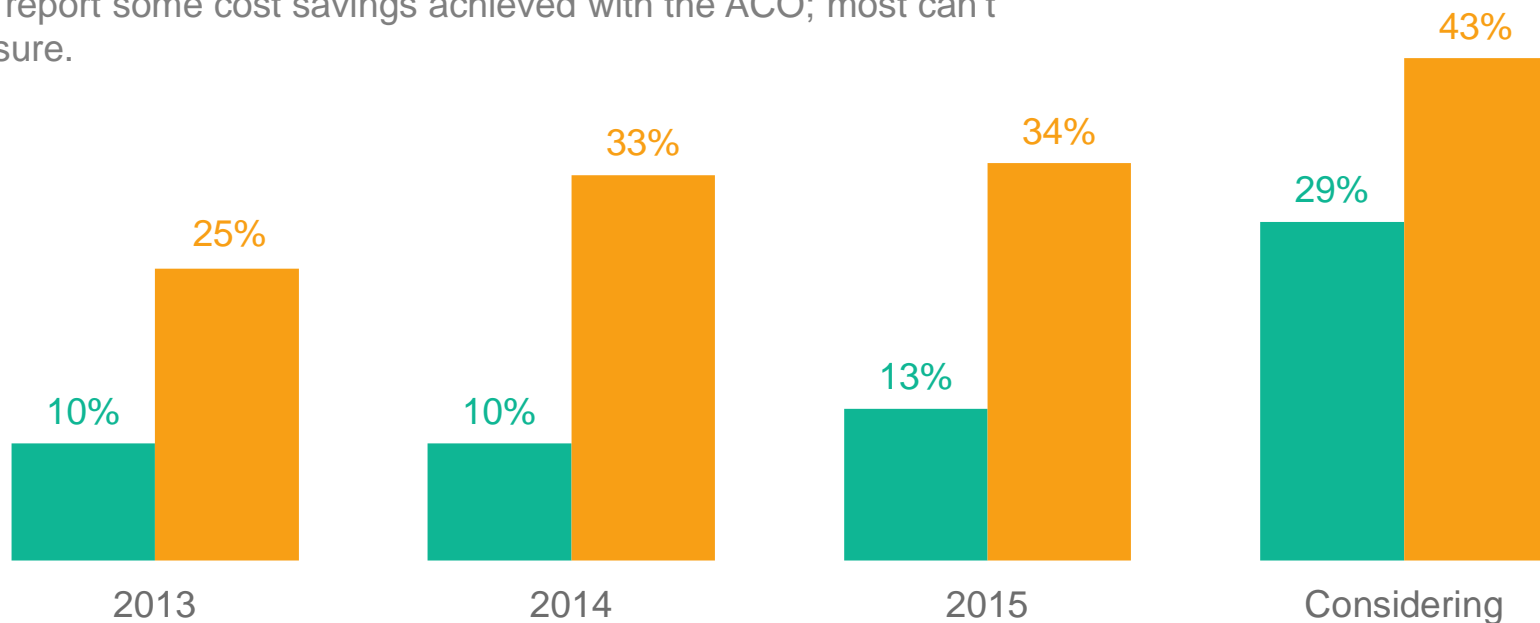
USE OF ACCOUNTABLE CARE ORGANIZATIONS (ACOs) IS RISING, BUT COST IMPACT NOT CLEAR TO MOST

Among employers currently offering ACOs*:

- 80% offer the ACO through their health plan (as a standard offering) rather than through a direct contract.
- 28% actively encourage members to seek care from the ACO.
- 16% report some cost savings achieved with the ACO; most can't measure.

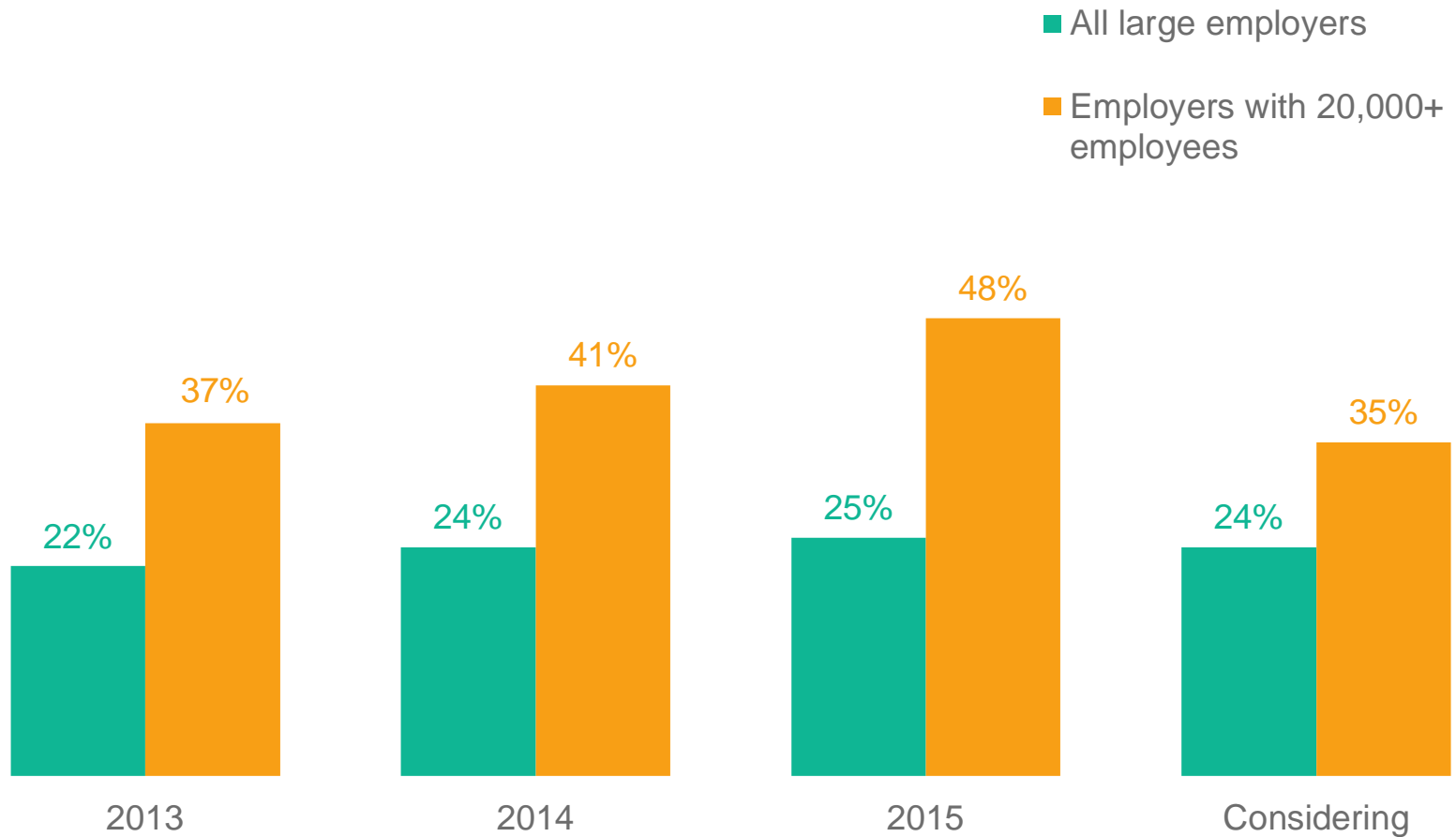
■ All large employers

■ Employers with 20,000+ employees



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

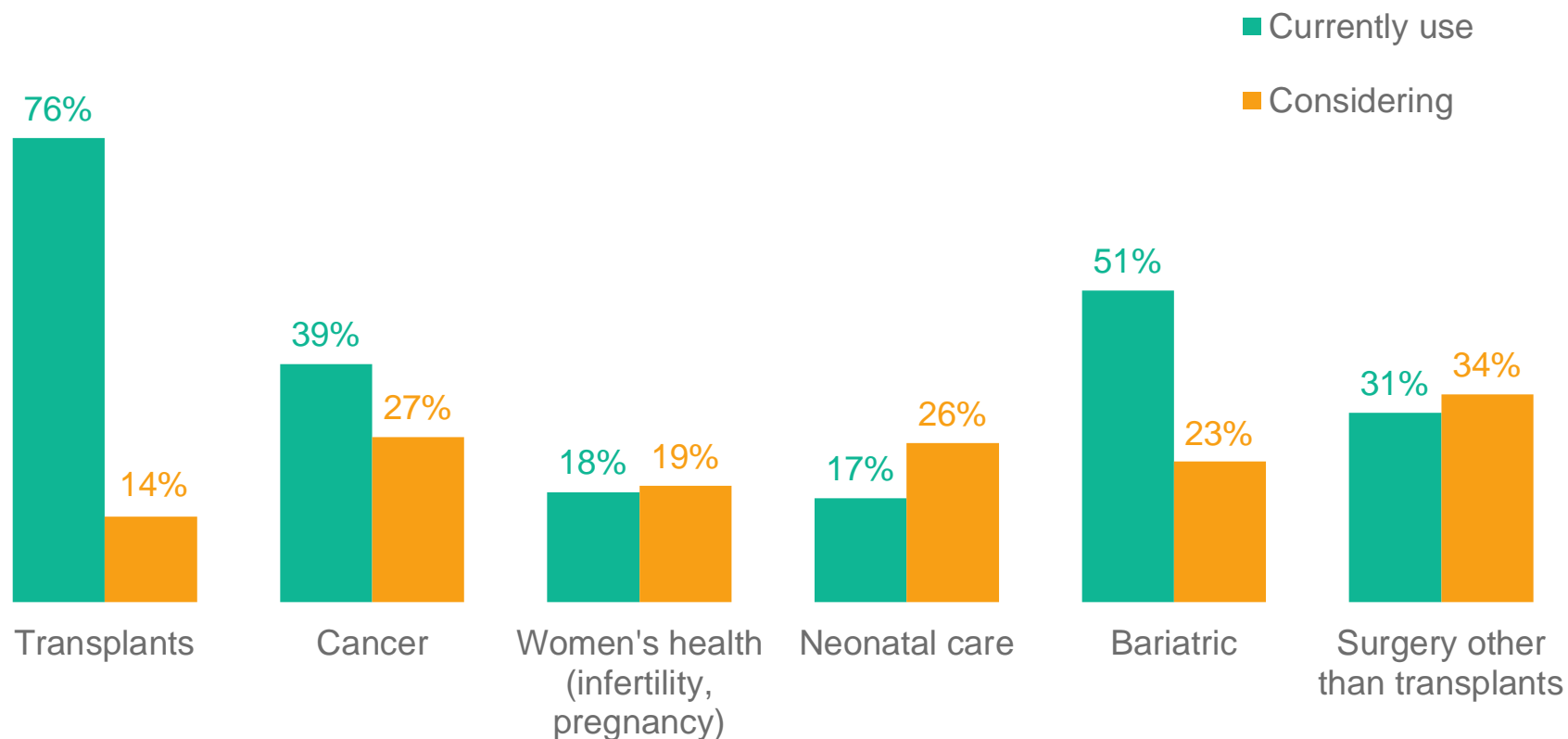
GROWTH IN USE OF “CENTERS OF EXCELLENCE” AMONG LARGEST EMPLOYERS



TYPES OF COEs CURRENTLY USED OR BEING CONSIDERED

Among employers with 5,000+ employees offering COEs*:

- 79% say they are likely to expand COE use in the future

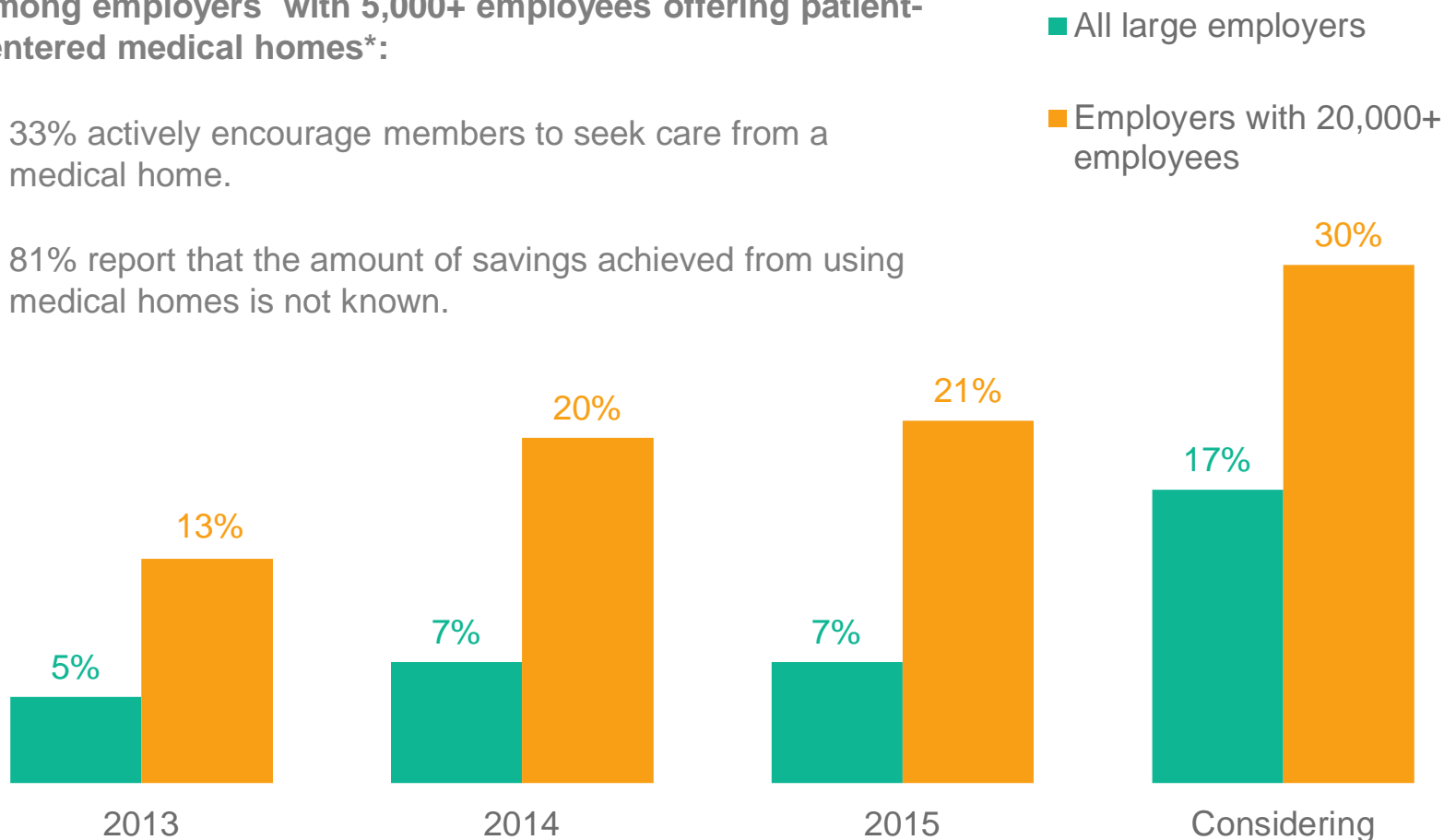


*Results from supplemental survey of employers with 5,000 or more employees

MEDICAL HOMES GROWING MORE SLOWLY, BUT THE LARGEST EMPLOYERS SHOW STRONG INTEREST

Among employers with 5,000+ employees offering patient-centered medical homes*:

- 33% actively encourage members to seek care from a medical home.
- 81% report that the amount of savings achieved from using medical homes is not known.



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

WORKFORCE HEALTH: HOW AN EMPLOYER INFLUENCES BEHAVIOR, HEALTH AND WELL-BEING

—
Three pillars of well-being: physical, emotional, financial
—

—
Activity trackers, mobile apps bring health consciousness into daily life
—

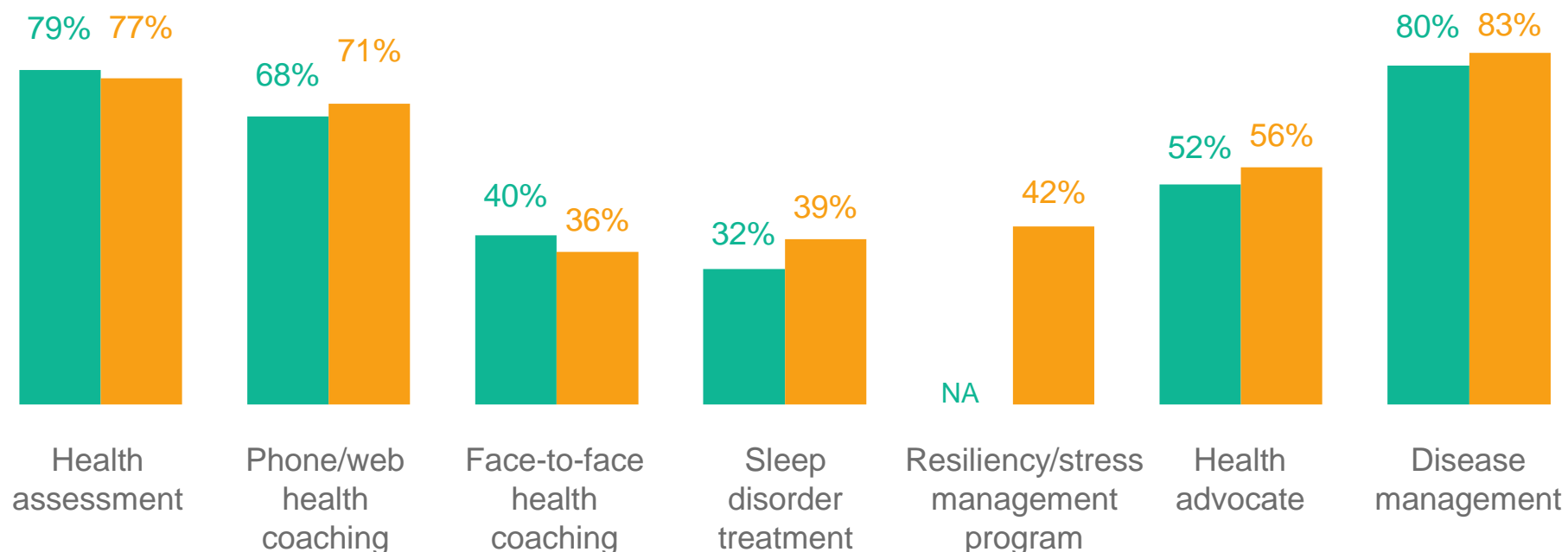
—
Culture of health and social connections key to building intrinsic motivation
—

—
Employers starting to measure well-being VOI as well as ROI.
—

HEALTH ADVOCACY IS INCREASINGLY RECOGNIZED AS A CRITICAL RESOURCE IN A COMPLEX HEALTH CARE SYSTEM

Percent of large employers offering program

■ 2014 ■ 2015



Addressing the continuum of health needs

RESOURCES TO HELP EMPLOYEES IMPROVE THEIR FINANCIAL HEALTH

Large employers

Tools or resources for retirement planning



Financial planning tools for budgeting or debt management



Financial calculators to assist with managing personal/family expenses



Other financial resources



No financial resources provided



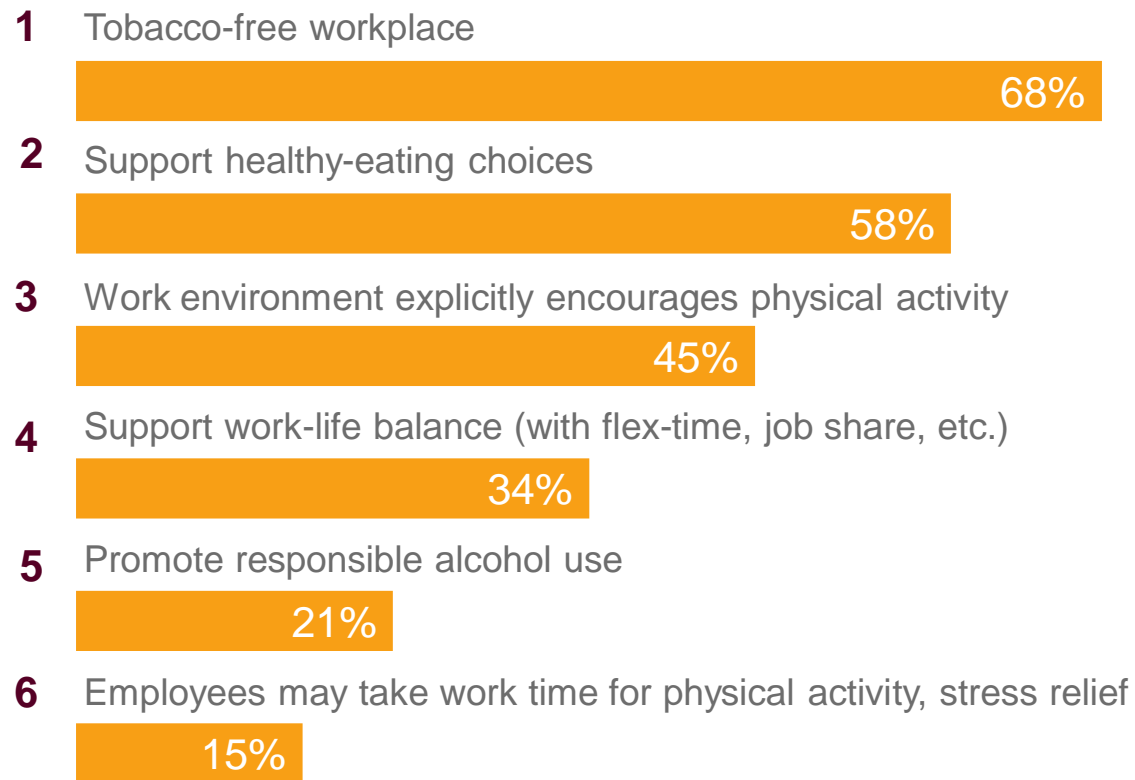
INNOVATIVE TECHNOLOGIES AND ACTIVITIES FOR A MORE ENGAGING MEMBER EXPERIENCE

ACTIVITIES		
	All large employers	Employers with 20,000+ employees
Worksite biometric screening event	56%	71%
Business unit/location group challenges	45%	57%
Onsite exercise or yoga classes or weight loss programs (such as Weight Watchers)	43%	76%
Personal challenges	40%	55%
Peer-to-peer support	19%	33%

TECHNOLOGY-BASED RESOURCES		
	All large employers	Employers with 20,000+ employees
Mobile apps	30%	44%
Wearables / apps to monitor activity	24%	38%
Devices to transmit health measures to providers	4%	11%
Onsite kiosks	7%	12%
Other web-based resources/tools	40%	63%

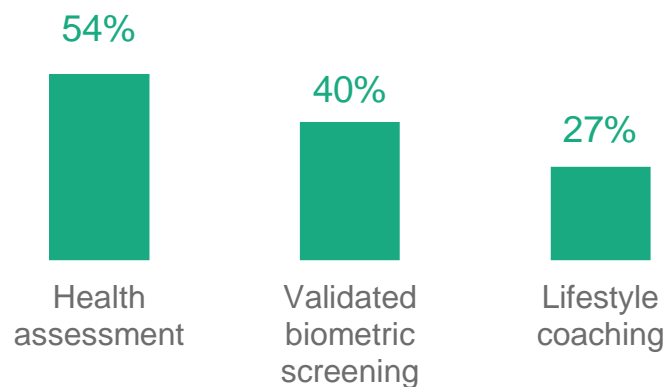
BUILDING A CULTURE OF HEALTH: SIX POLICIES THAT PROMOTE EMPLOYEE WELL-BEING

Large employers



EMPLOYERS USE FINANCIAL INCENTIVES TO DRIVE PARTICIPATION RATES IN KEY PROGRAMS

Large employers



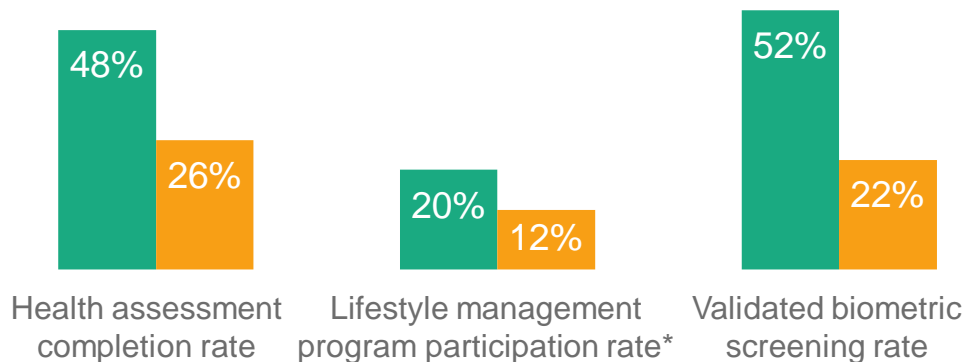
Including spouses builds engagement:

- 62% of employers make key elements of program available to spouses (up from 56% in 2014)
- Half of those make spouses eligible for incentives

Offer incentives (among employers with programs)

Large employers using incentives report higher participation rates.

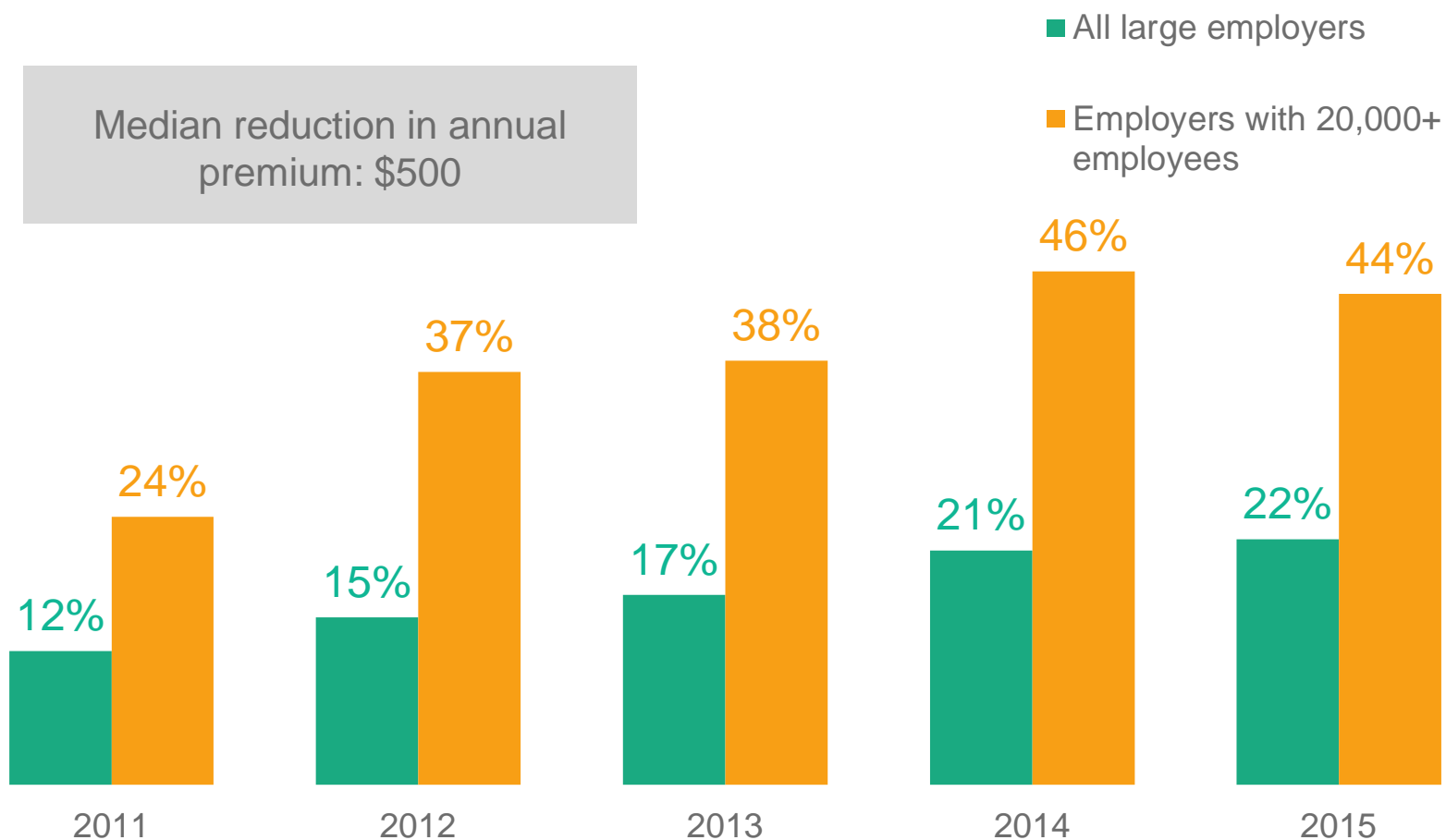
- Large employers offering incentives
- Large employers not offering incentives



*Average % of identified persons actively engaged in program

EMPLOYERS MAY BE COOLING ON TOBACCO-USE INCENTIVES IN WAKE OF REGULATORY QUESTIONS

Offer lower premium contributions to non-tobacco users

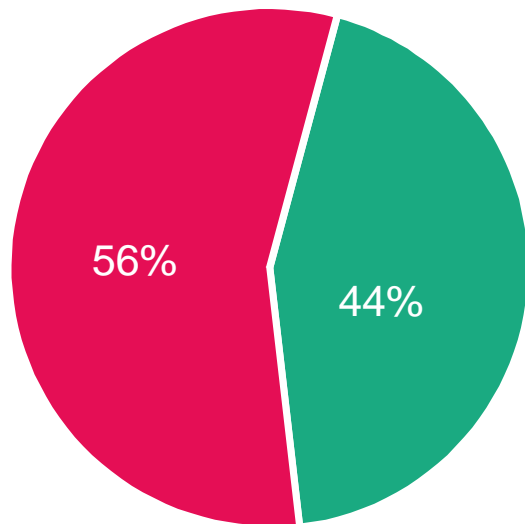


CONSIDERING “VALUE OF INVESTMENT” (VOI) AS WELL AS ROI MEANS DEVELOPING NEW METRICS

Employers with 20,000 or more employees

Over two-fifths have attempted to measure program impact...

...with the majority of these reporting improvement in medical plan trend and/or other areas



Have measured VOI

Positive impact on medical cost trend



Improved employee satisfaction



Improved productivity



Improved attraction and retention



Positive impact on disability cost trend



No positive impact was found so far

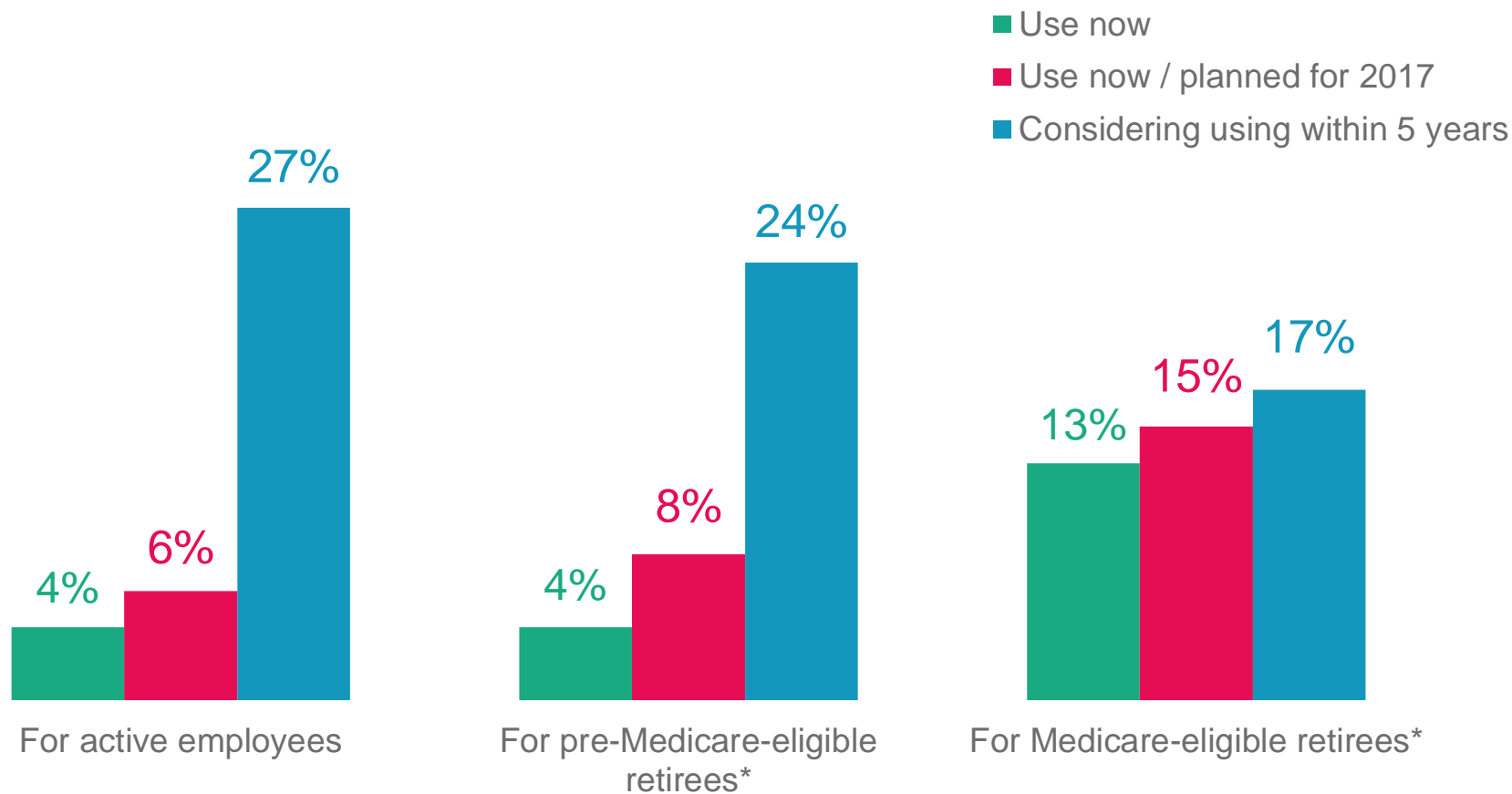


BRINGING IT ALL TOGETHER: PRIVATE BENEFIT EXCHANGE EMPOWERS CONSUMER, ADDING VALUE BY ADDING CHOICE



PRIVATE HEALTH BENEFIT EXCHANGES GAIN A Foothold AS INTEREST CONTINUES TO BUILD

Large employers



* Among current retiree medical plan sponsors

FROM HIRE TO RETIRE: MERCER MARKETPLACE IS MORE THAN JUST A PRIVATE EXCHANGE



GROUP ACTIVE

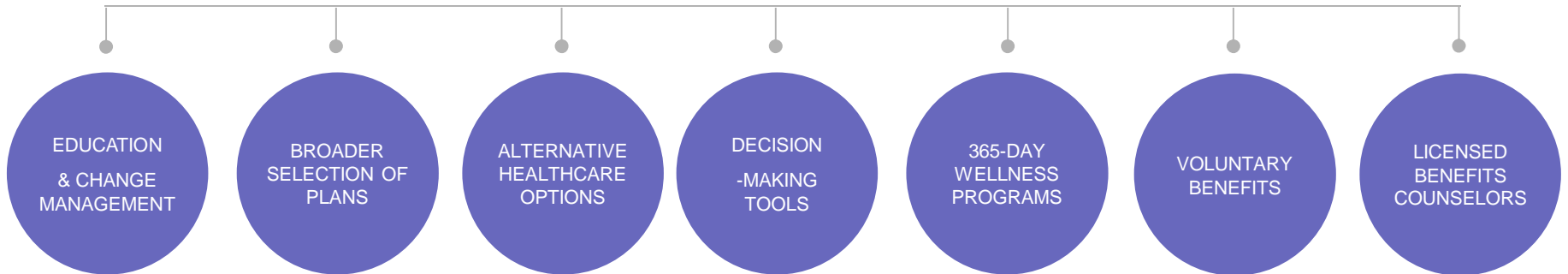


RETIREE



PART TIMERS, PRE-65 RETIREES, COBRA

MERCER MARKETPLACESM
EMPOWERING BENEFITS



MERCER MARKETPLACE FOOTPRINT: UNSURPASSED GROWTH



GROUP ACTIVE CLIENTS

633,000

ELIGIBLE EMPLOYEES (~1.4M LIVES AT 222 EMPLOYERS)

VOLUNTARY BENEFIT ONLY CLIENTS

500,000

ELIGIBLE EMPLOYEES AT 3 EMPLOYERS

25+

INDUSTRIES

100-100K+

COMPANY SIZE

RETIREES

70,000

LIVES AT 84 EMPLOYERS

25

LINES OF COVERAGE:
TRADITIONAL, ANCILLARY,
VOLUNTARY

60+

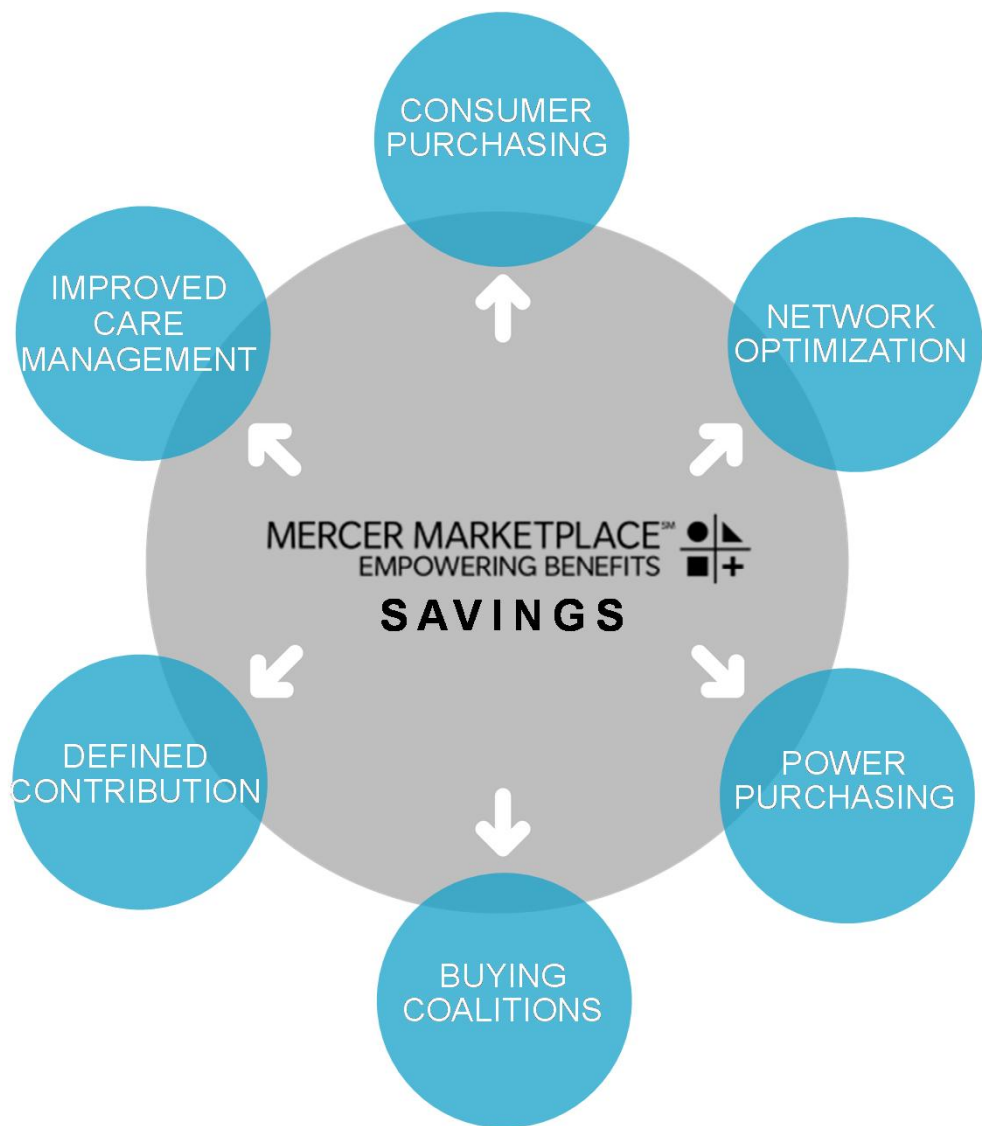
CARRIERS

INDIVIDUALS

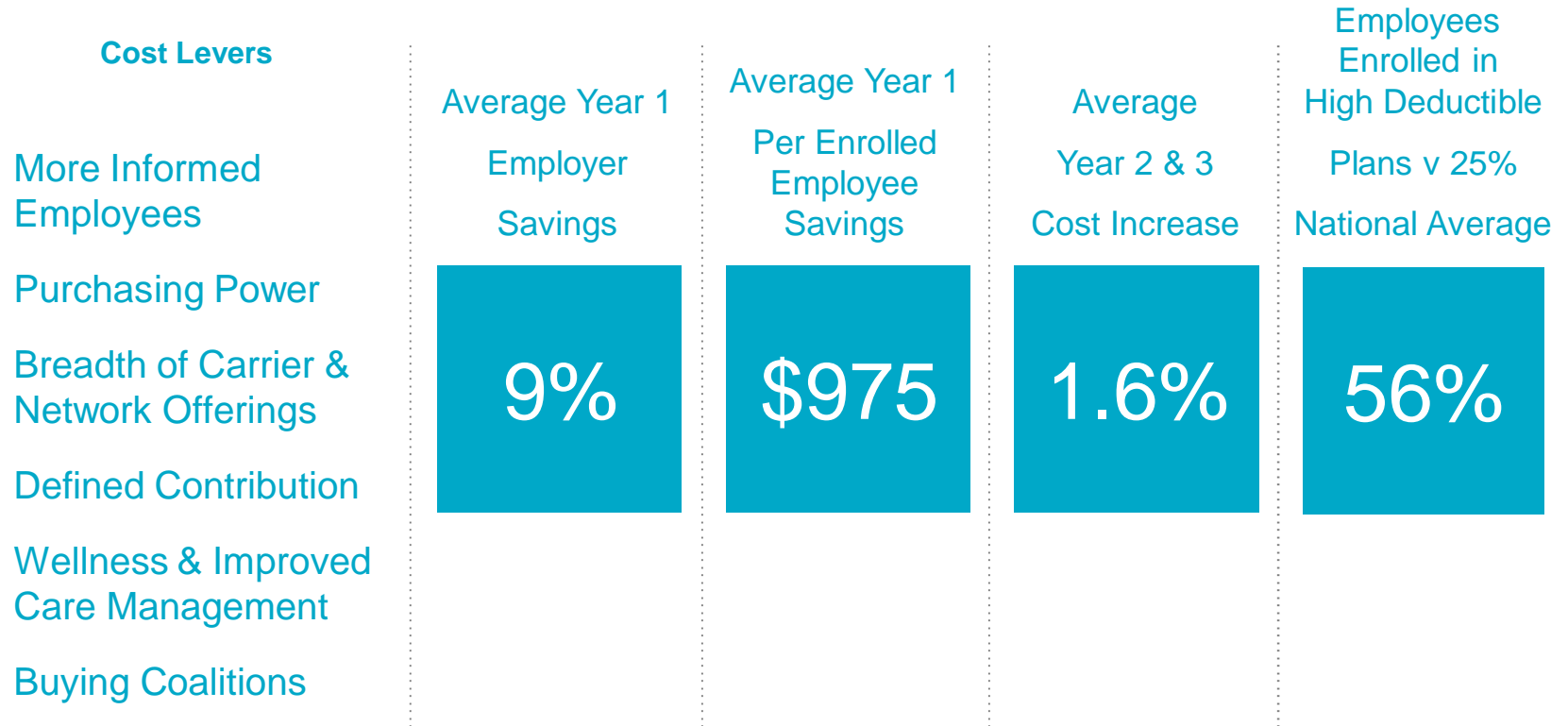
750,000

LIVES AT 44 EMPLOYERS

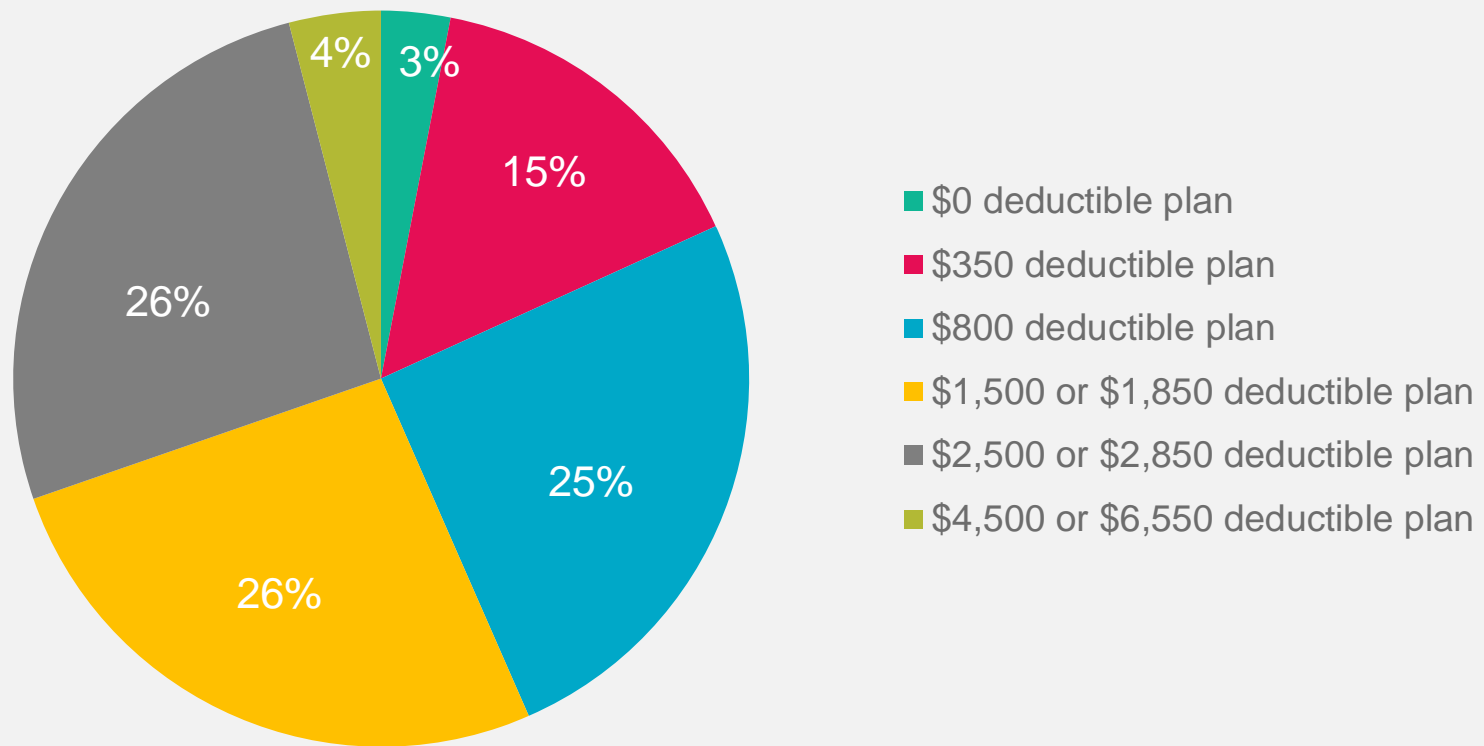
MERCER MARKETPLACE: SAVE UP TO 15%



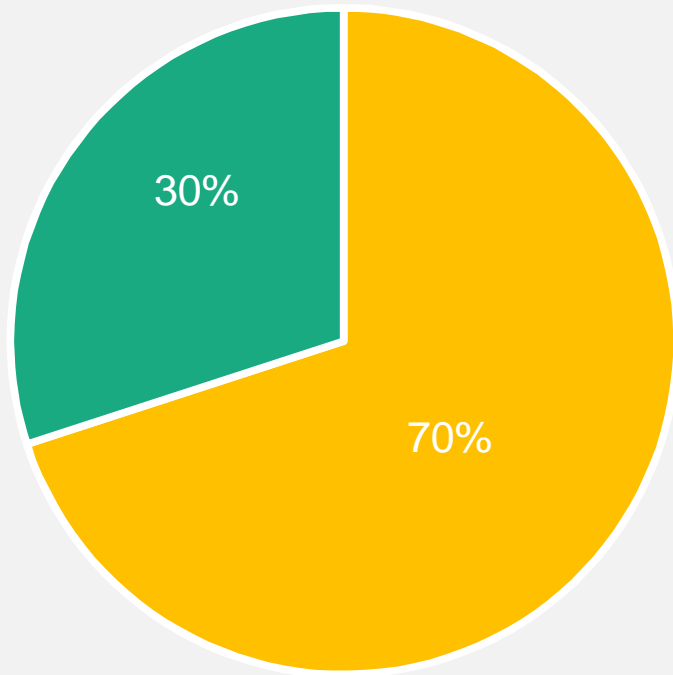
MERCER MARKETPLACE: AVERAGE SAVINGS RESULTS



56% OF EMPLOYEES ARE ELECTING HIGH DEDUCTIBLE PLANS



ABOUT 1/3 OF EMPLOYERS ARE USING A DEFINED CONTRIBUTION STRATEGY



■ Defined Benefit ■ Defined Contribution

Defined contribution amounts provided by employers often vary within their population.

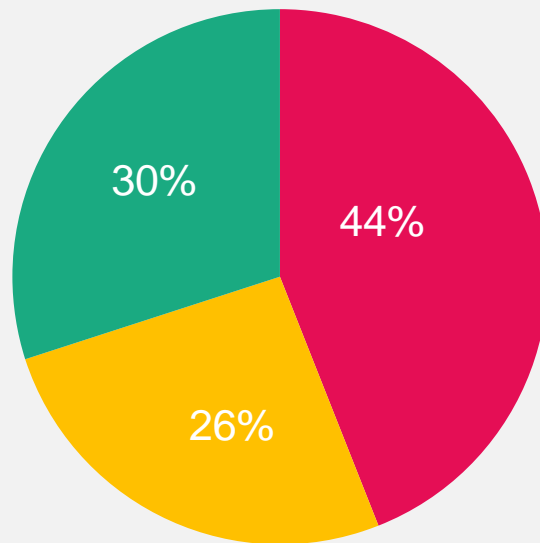
Most common differences are:

- Family tier
- Employee salary
- Employee category

Employer subsidy strategies in place as of January 2016

SUPPLEMENTAL HEALTH COVERAGE SUPPORTS CONSUMER PURCHASE OF HIGHER-DEDUCTIBLE PLANS

Supplemental Health Purchases



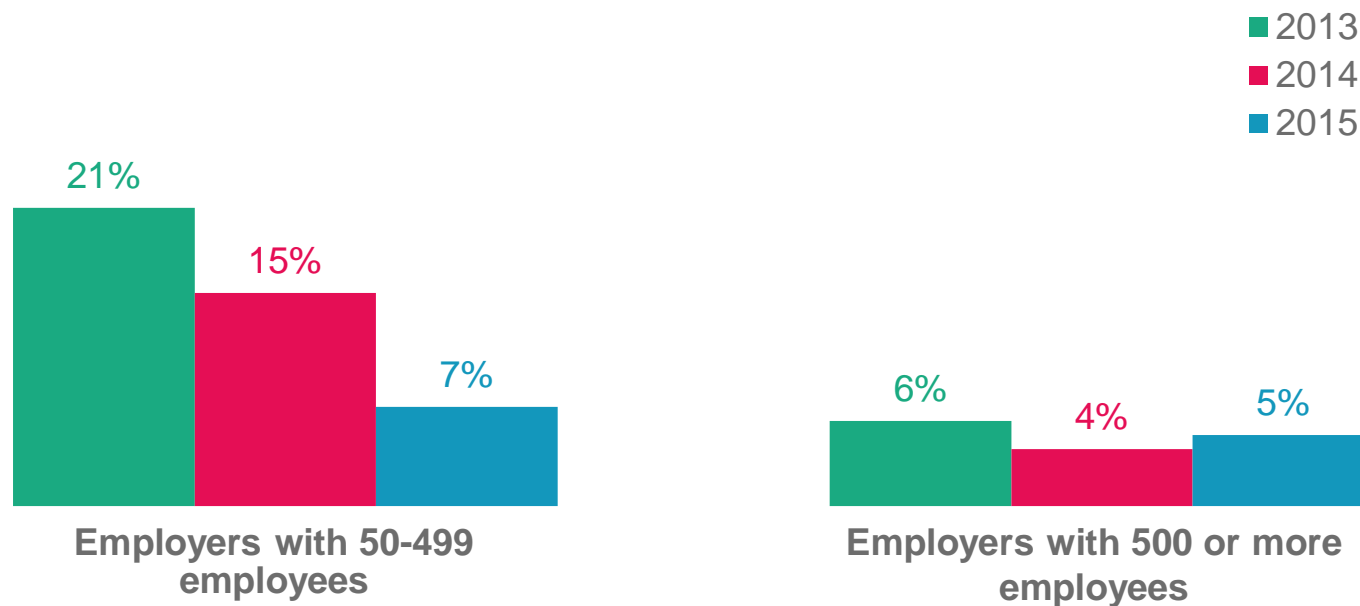
■ Accident ■ Hospital Indemnity ■ Critical Illness

36% of employees enrolled in an \$800 or greater deductible medical plan also purchase at least one supplemental health policy.

Summary of January 2016 elections. Percentages represent the prevalence of election within the supplemental health policies.

GIVEN HOW STRONGLY EMPLOYEES VALUE HEALTH BENEFITS, EVEN SMALL EMPLOYERS PLAN TO STAY IN THE GAME

Percent of employers that say they are “very likely” or “likely” to terminate plans within the next five years



Thank You!!

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