AUGUST 2018

National Business Group on Health®

2019

LARGE EMPLOYERS’

HEALTH CARE STRATEGY AND PLAN DESIGN SURVEY

A *National Business Group on Health*® Publication

EXECUTIVE SUMMARY

This year, the *Large Employers' Health Care Strategy and Plan Design Survey* was redesigned to provide insight into large employers' views on the rapidly changing health care environment. This new information accompanies tried- and- true elements of the survey: critical benchmarking information on health care costs, plan design trends and employer initiatives. These results reflect the perspectives and plan designs of 170 large employers, who collectively employ 13 million people and cover more than 19 million lives.

KEY FINDINGS

The Role of the Employer

We asked employers what role their health care strategy plays in their organization. Is it primarily a means to manage their health care costs, or is it part of a broader organizational strategy (**Figure 1**)?

Twenty-seven percent stated that their health care strategy plays an integral role in deploying the most engaged, productive and competitive workforce possible and in boosting business performance. Only 19% of employers stated that the primary goal of their health care strategy was to manage their health care costs. More companies view their investments in employee health and well-being as an important element of their overall workforce strategy.

Figure 1: The Role of Employers

19% **A. Wait and See Approach**
Implement only once proven results can be seen and solutions are mature

32% **B. Defer to Partners Approach**
Make adjustments as the market changes and implement what my health plan(s) and PBM present as the latest developments

16% **C. Drive Delivery System Change Approach**
By pursuing the implementation of alternative payment and delivery models such as ACOs, performance networks and COEs directly or through my health plans

6% **D. Won't Wait for Delivery System to Change Approach**
Circumvent the delivery system to improve access, convenience, experience and efficiency by deploying virtual and digital care point solutions, navigation and concierge services

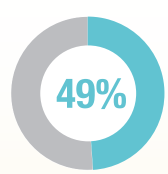
27% **E. Both C & D**
Circumvent the delivery system to improve access, convenience, experience and efficiency by deploying virtual and digital care point solutions, navigation and concierge services

Driving Change in Health Care Delivery

Employers are playing an activist role in changing the delivery system. In total, 49% of employers are driving change within the health care delivery system, circumventing the delivery system or both (**Figure 2**).

As **evidence of this more activist role, 35% of employers will have alternative payment and delivery models such as Accountable Care Organizations (ACOs) and High-Performance Networks (HPNs) in place in 2019**, either by contracting directly with providers or through their health plans. Employers are also expanding their use of Centers of Excellence (COEs). Cancer, cardiovascular and fertility COEs are experiencing the greatest growth. Employer use of COEs for cancer treatment will jump from 30% in 2018 to nearly 40% in 2019.

Figure 2: The Role of Employers



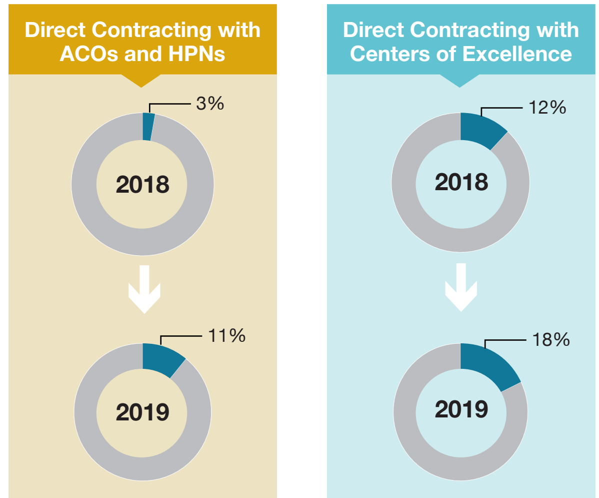
More employers are playing an activist role in driving delivery system change.

Direct contracting is on the rise. Direct contracting in local markets with ACOs and HPNs jumped from 3% in 2018 to 11% for 2019, and COE direct contracting increased from 12% to 18% (Figure 3).

As employers look to become more involved in delivery reform through greater use of ACOs and HPNs, they indicated that the most influential action their health plans could take would be to accelerate their adoption of these innovations by including the highest-quality, cost- effective providers in the networks. Secondly, they could provide better market-specific information on how ACOs/HPNs will improve the employee experience and reduce costs.

Across the board, **employers are increasing their offerings to better enable access to mental/behavioral health services.** There is an increase in tools and resources, but potentially more important is the growing trend of employers conducting anti-stigma campaigns (18% to 30%) and manager training (23% to 30%) focused on mental health conditions and treatments.

Figure 3: Direct Contracting



Industry Consolidation and New Market Entrants

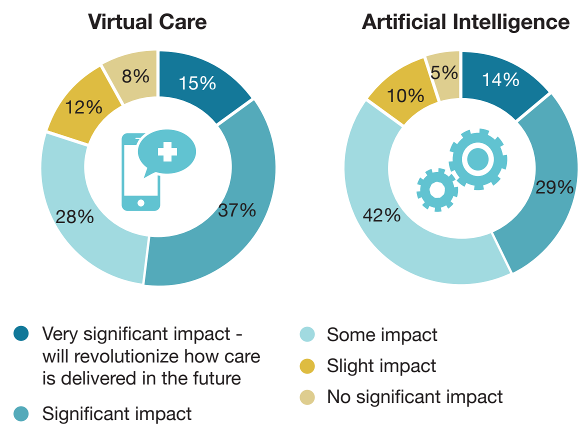
We asked employers questions regarding their impression of changes in the health care industry, such as their experience with provider consolidation and their thoughts on industry mergers and new market entrants.

Regarding provider consolidation (e.g., hospitals acquiring hospitals or physician groups), we asked employers whether cost, quality and the consumer experience were better, the same or worse because of provider consolidation. **Employers felt that in most cases, provider consolidation has not resulted in lower health care costs and often results in higher costs.**

Survey participants were also asked for their thoughts on how proposed mergers between health plans and Prescription Benefit Managers (PBMs) will impact health care cost, quality and the consumer experience, referred to as the Triple Aim, in the future, 3 to 5 years down the road. **While 26% of employers are optimistic that these mergers will have a positive impact on cost, quality and consumer experience, most employers are skeptical that they will see improvement in the Triple Aim.**

Additionally, most employers (70%) believe new market entrants (e.g., Silicon Valley, employer coalitions) are necessary to disrupt the market in a positive way.

Figure 4: Impact of Technology on Health Care Delivery



51%

of employers state that implementing more virtual solutions is their top initiative in 2019.

Most new market entrants come in the form of virtual care solutions. The growth in digital point solutions in telehealth, virtual coaching, diabetes management, physical therapy and cognitive behavioral therapy prompted us to ask employers how significant a role virtual care and artificial intelligence (A.I.) will play in how health care is delivered in the future.

Most employers (52%) believe virtual care solutions will play a significant role in how health care is delivered in the future. Almost as many (43%) believe A.I. will have a similar impact (**Figure 4**).

Rethinking Existing Models

Pharmaceutical Supply Chain

Nearly all employers believe that the pharmaceutical supply chain model needs to change; 14% said it needs to be more transparent, 35% stated rebates need to be reduced and half of employers stated that the pharmaceutical supply chain is too complex and needs to be overhauled and simplified.

Three-quarters of employers do not believe drug manufacturer rebates are an effective tool for helping to drive down pharmaceutical costs, and **more than 90% of employers would welcome an alternative to the rebate-driven approach to managing drug costs.**

Rebates have become an issue given the growth in high-deductible plans. More than half of large employers are concerned that rebates do not benefit consumers at the point of sale (POS). To correct this problem, PBMs have recently developed the capability to pull rebates forward at the POS to benefit consumers. **Twenty-seven percent of employers will have POS rebate programs in place in 2019. Another 31% are considering implementing POS rebates over the next two years.** While POS rebates don't solve all of the problems with rebates, they are a temporary measure that benefits consumers. A more permanent solution is still needed.

Nearly all employers believe the pharmaceutical supply chain model needs to change.

14% believe it needs to be more transparent

35% believe rebates need to be reduced

49% believe the model needs to be overhauled and simplified

75% Do not believe drug manufacturer rebates are an effective tool for helping to drive down pharmaceutical costs

91% Would welcome an alternative to the rebate-driven approach to managing drug costs

---

Consumer-Directed Health Plans

Some employers are dialing back their full replacement consumer-directed health plan (CDHP) strategy. While 91% of employers are offering at least one CDHP, for the first time in 4 years, those employers offering CDHPs as the only plan design decreased. **Employers offering full replacement CDHPs decreased from 39% in 2018 to 30% in 2019.**

Medical Trend and Plan Design

For the sixth year in a row, employers expect costs will increase by an average of 5% in 2019. Stable is not necessarily good, and with a 5% increase projected for 2019, the average cost of insuring an employee next year is projected to be **$14,800**, of which approximately 71% will be covered by the employer. However, these cost increases outpace workers' earnings and the consumer price index (CPI), making this trend unsustainable over the long term.

Key drivers of cost are high-cost claims, specialty pharmacy, specific conditions (e.g., cancer, multiple sclerosis) and price increases.

Opioids and the Workforce

As concerns about the impact of opioid abuse grow, it has also become a widespread concern among employers. The issue is not only about costs, but the toll it is taking on employees and their families.

82%

of employers are concerned (55% very concerned) about inappropropriate use/abuse of prescription opioids.

TOP IMPACT AREAS:

- Pharmacy costs (**25%**)
- Absenteeism (**16%**)
- Death of an employee or dependent (**12%**)

TOP EMPLOYER STRATEGIES

- Approve a limited supply (**81%**)
- Implement CDC prescribing guidelines (**56%**)
- Cover alternative therapies (**32%**)