

Current Trends in Health Plan Management and Population Health Improvement



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About Mercer's National Survey of Employer-Sponsored Health Plans

Oldest

Marking 29 years of measuring health plan trends

Largest

2,842 employers participated in 2013 - 102 hospitals, from 200 to 200,000+ employees

Most comprehensive

Extensive questionnaire covers a full range of health benefit issues and strategies

Statistically valid

Based on a probability sample -- only Mercer and Kaiser survey this way

Covers 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 / Very large: 5,000+ employees

Highlights of the Top Trends

Health benefit cost grew 2.1% in 2013 – a 16-year low
Employers warn of a rebound in 2014

Most employers say health reform will increase their spending in 2014
Many take action to counter ACA cost challenges

CDHP enrollment continues to grow, matching enrollment in HMOs
Employers use CDHPs to meet cost, choice and compliance goals

Widespread interest in private exchanges as a way to add choice
While controlling cost and simplifying administration

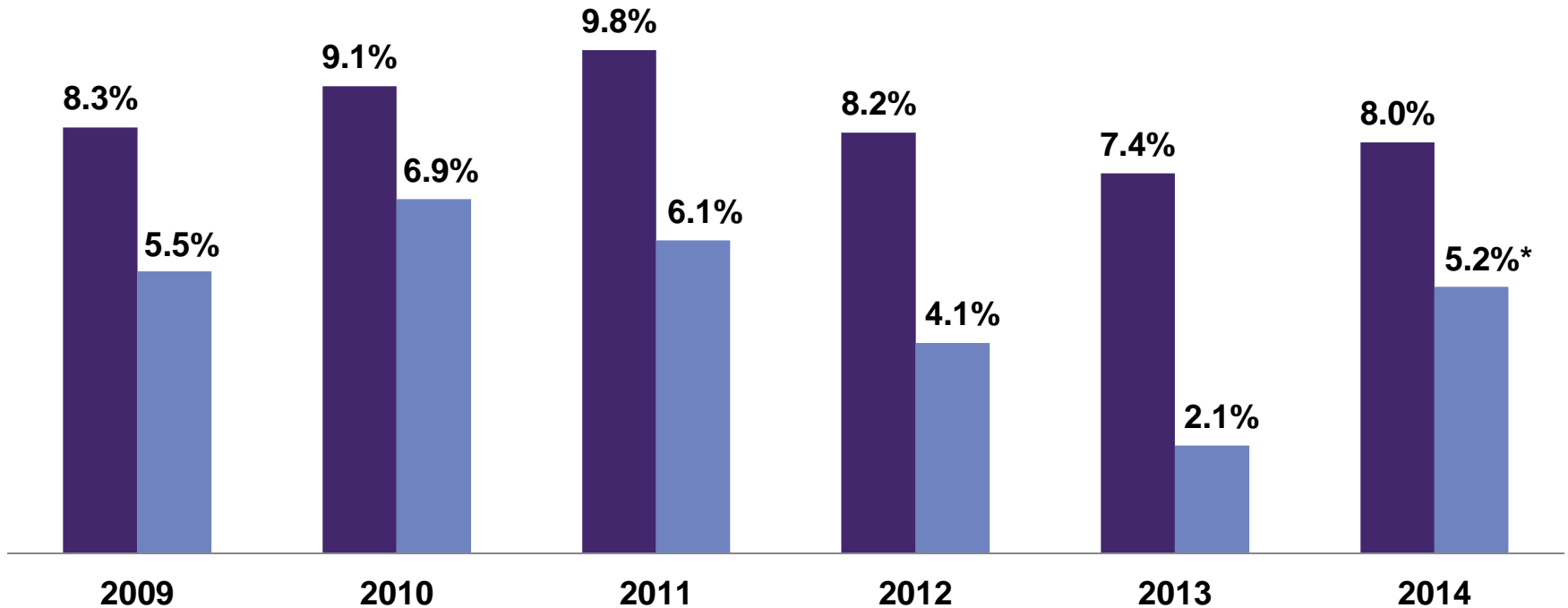
Health management programs stress innovation and engagement
Most employers that measure ROI see lower trends

Employers remain committed to sponsoring health benefits
Sustainable health programs will require workforce planning, proven strategies

Underlying cost trend still high at 8%, but employers plan to hold the average increase in per-employee cost to about 5%

Estimated cost increase to renew plans with no changes vs. actual increase after plan changes

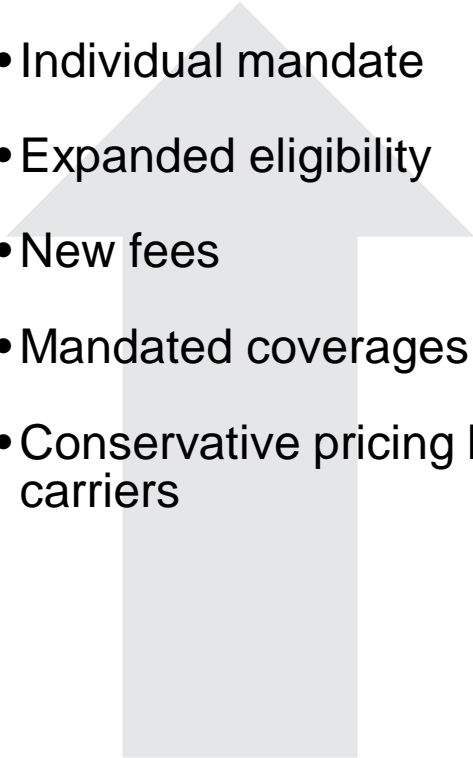
- Expected trend before plan changes
- Trend measured after plan changes



* Projected

Employers' success in bringing cost growth under control will be challenged by health reform

ACA impacts pushing cost up

- 
- Individual mandate
 - Expanded eligibility
 - New fees
 - Mandated coverages
 - Conservative pricing by carriers

Employer actions holding cost down

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- Resetting benefit value
 - Consumer-directed health plans
 - Greater employee cost-sharing
 - New focus on employee choice
 - More sophisticated health management programs
 - Market innovations creating more efficient health care delivery

Cost

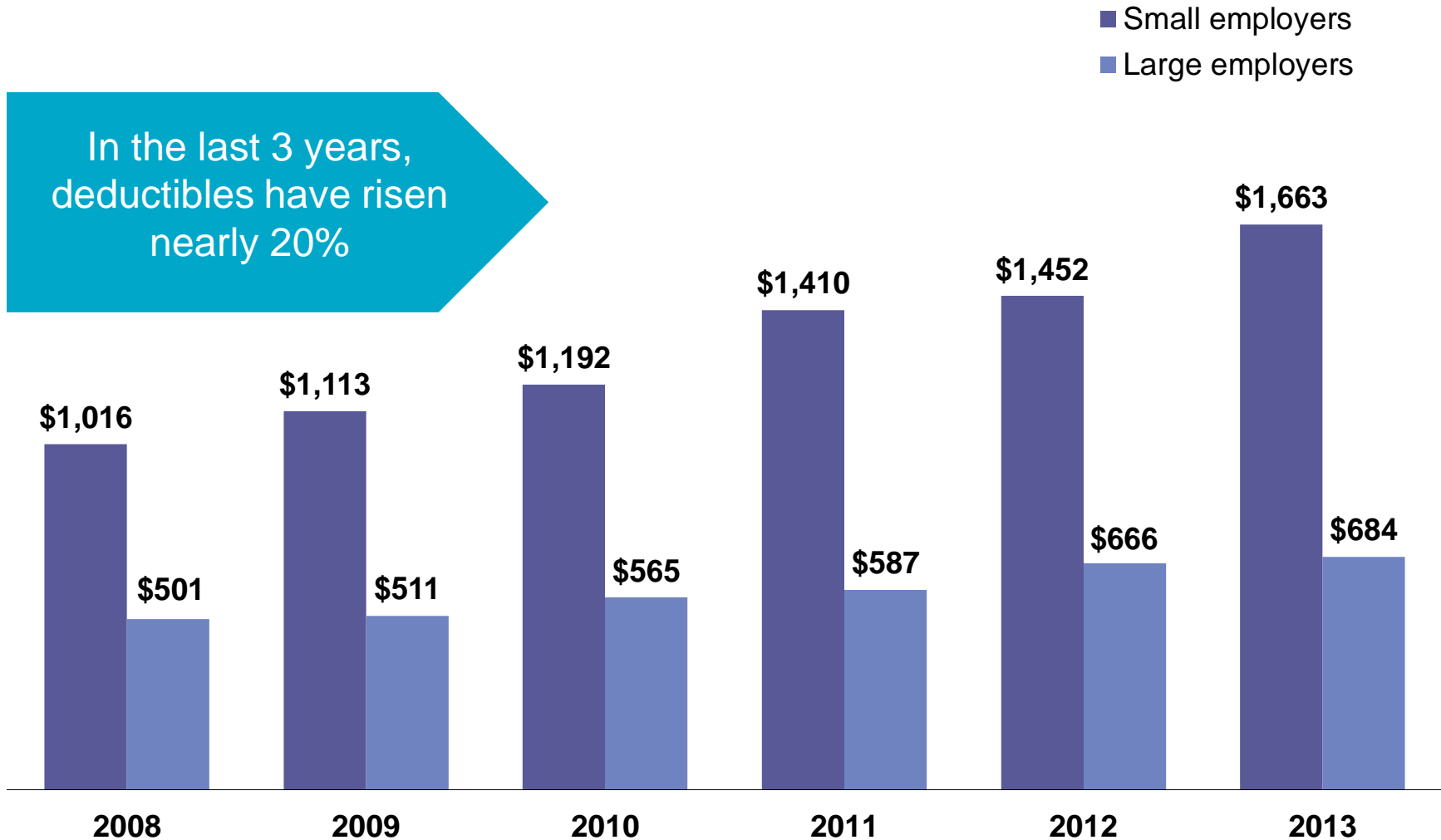
The typical employer plan still meets the ACA's plan value requirement of 60% of covered expenses – with room for further cost shifting
Large employers

		Median cost sharing* amounts for:		
	60% plan	PPO	HMO	HSA-eligible CDHP
Deductible	\$2,000	\$500	\$500	\$1,500
Hospital coinsurance/copay	50%	20%	\$250	--
Out-of-pocket maximum	\$6,000	\$2,250	--	\$3,000

* Cost sharing for individual, in-network coverage

Cost shifting has been considerable

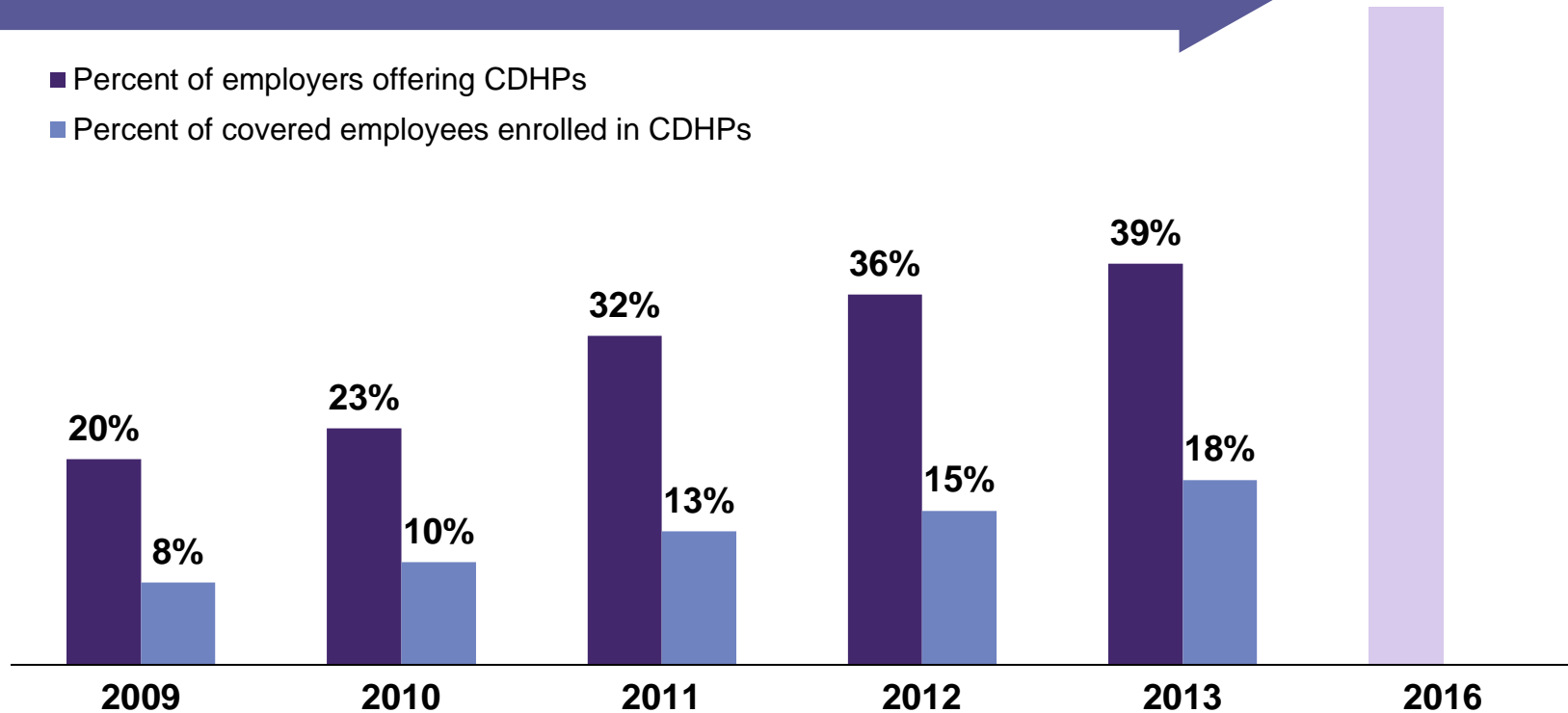
Average PPO deductible for individual, in-network coverage



Use of consumer-directed health plans is likely to accelerate over the next three years

Large employers

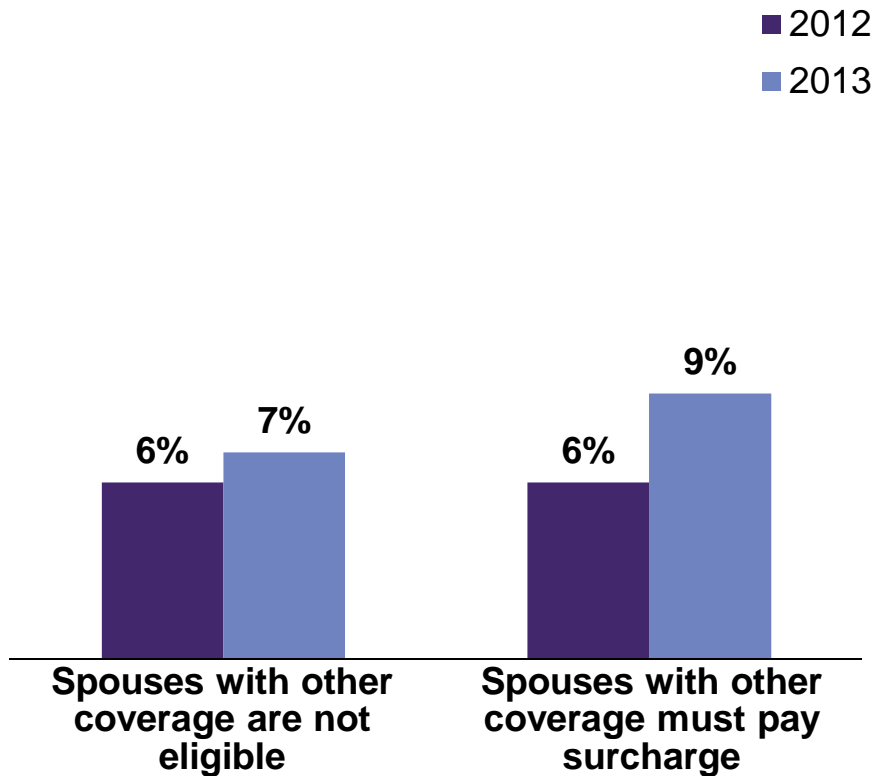
By 2016, 64% of large employers expect to offer a CDHP



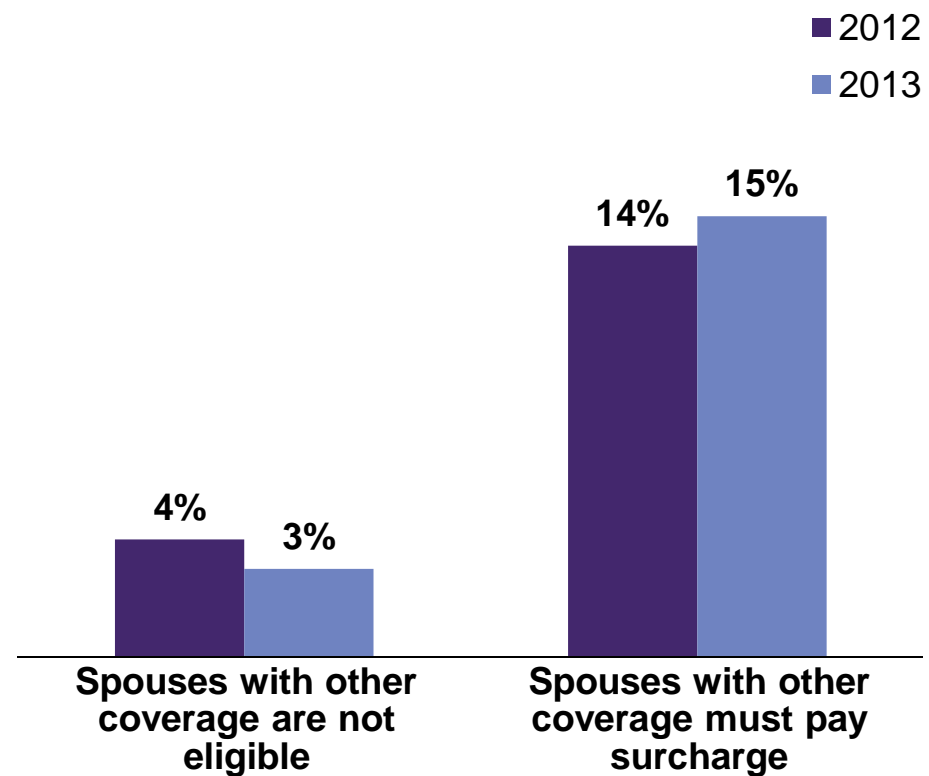
Employers taking bolder action to steer spouses to other coverage

Special provisions concerning spouses with other coverage available

Large employers



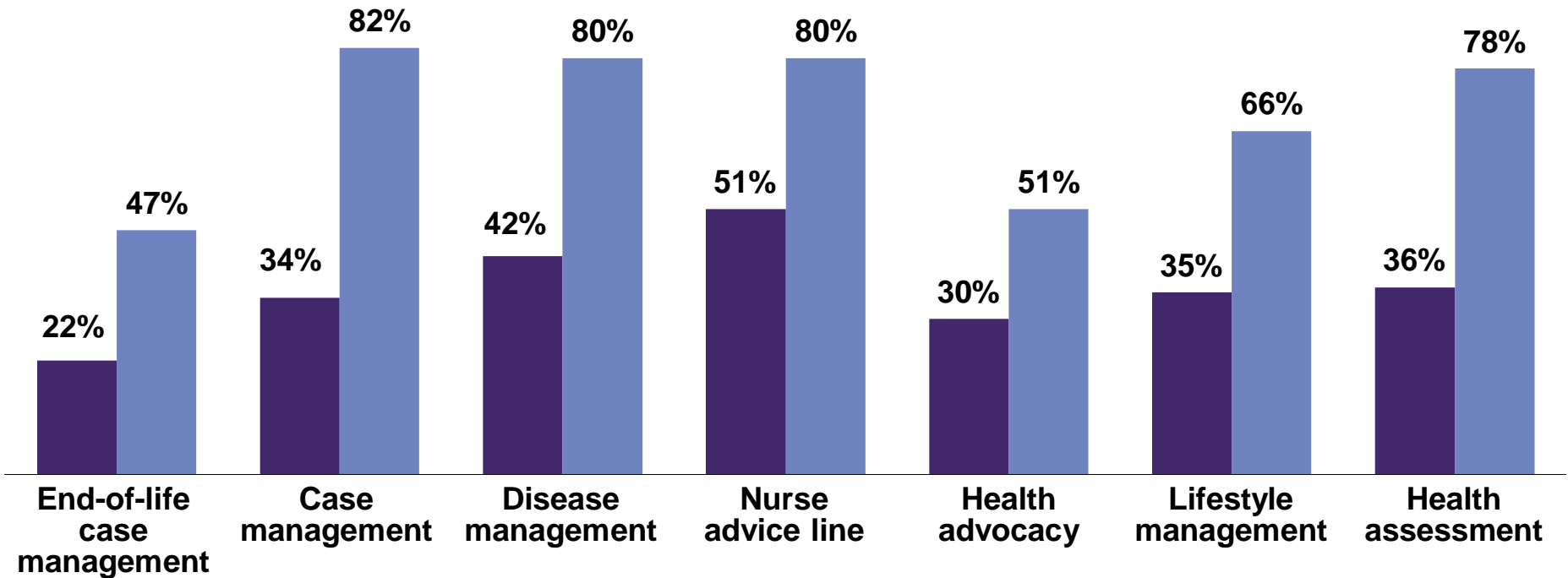
Very large employers



Health management is now the norm, addressing a full range of needs

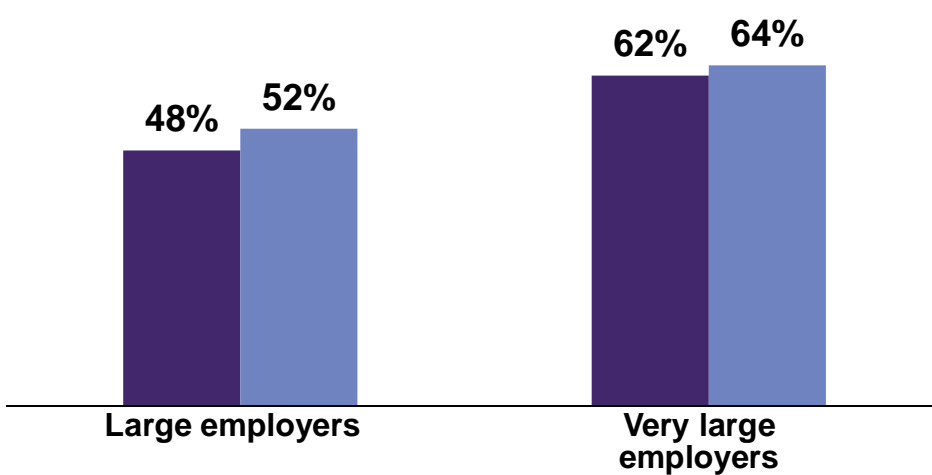
Percent of employers offering program

■ Small employers
■ Large employers



Financial incentives are becoming the norm in health management programs, and participation rates are rising as a result

- 2012
- 2013

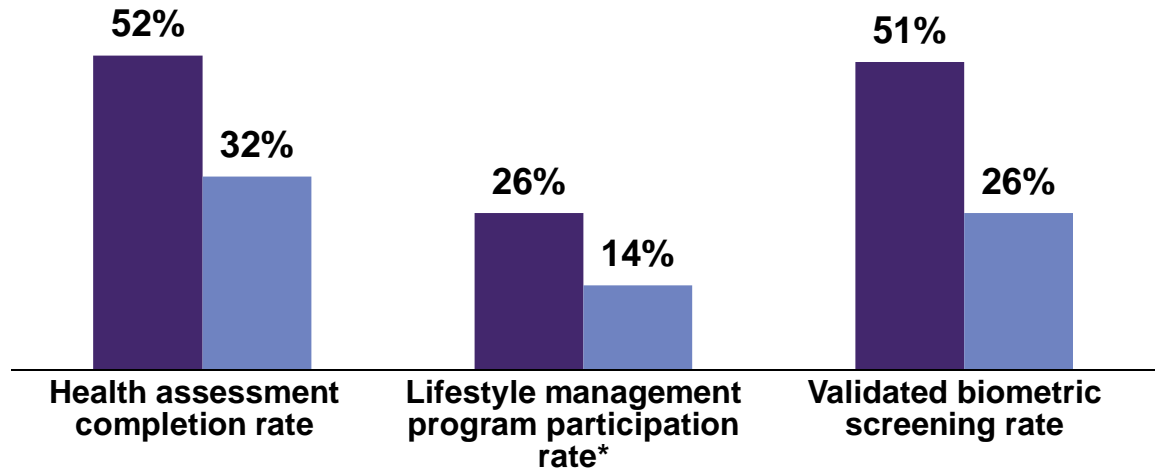


More employers are driving engagement through financial incentives, most often cash or contribution reductions

- Large employers offering incentives
- Large employers not offering incentives

Large employers using incentives report higher participation rates

*Average % of identified persons actively engaged in program



Engaging employees to improve health habits

Group activities and technology-based tools offered

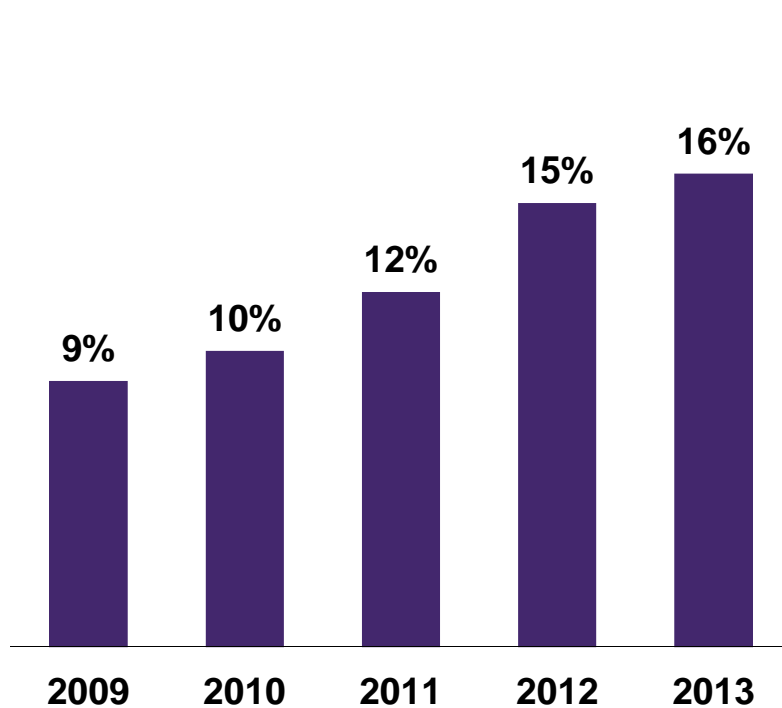
Large employers

Worksite biometric screening event	53%
Business unit / location group challenges	45%
Onsite weight loss programs (such as Weight Watchers)	40%
Web-based portal with activity / incentive tracking	40%
Onsite exercise or yoga classes	39%
Personal challenges	33%
Peer-to-peer support	21%
Mobile apps for activity tracking / peer interactions	15%
None of these	22%

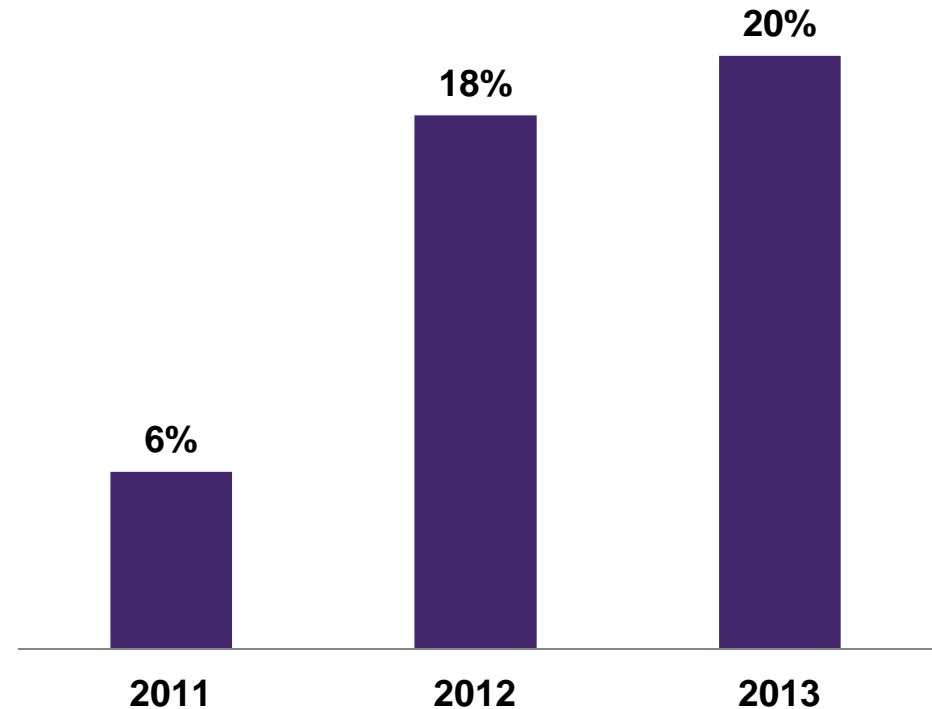
Continued growth in use of outcomes-based incentives

More large employers linking incentives to what employees *do about their health*

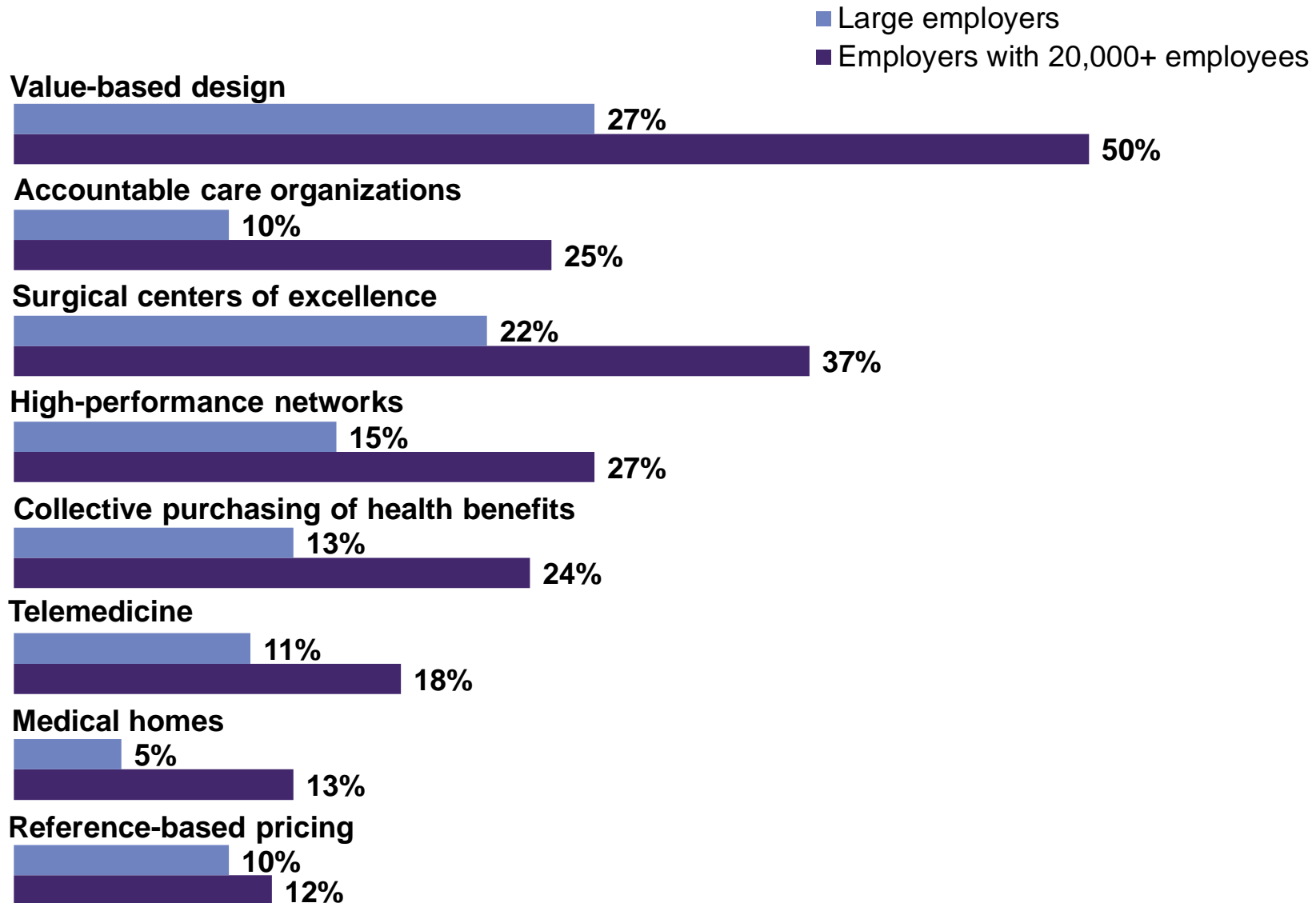
Offer lower premium contributions to non-tobacco users



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



The largest employers lead the way with innovations that reward high-quality, efficient providers



Functions or services supported through in-house or domestic clinical resources

Biometric screening

47%

Identifying and engaging employees and dependents in health management/wellness

38%

Disease/condition management

36%

Health assessment

26%

Cancer screenings

23%

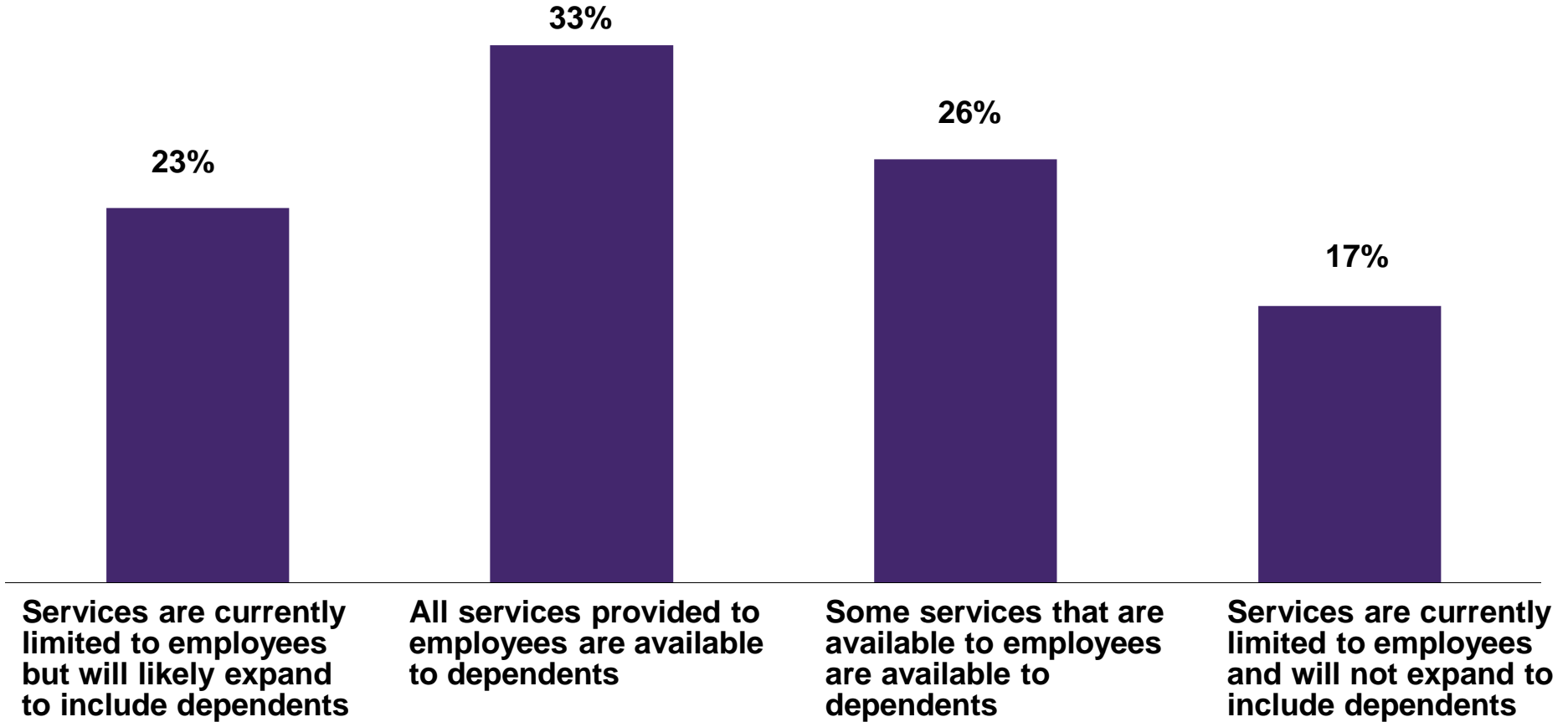
Dedicated health management resources

21%

None – We do not use internal services for these services

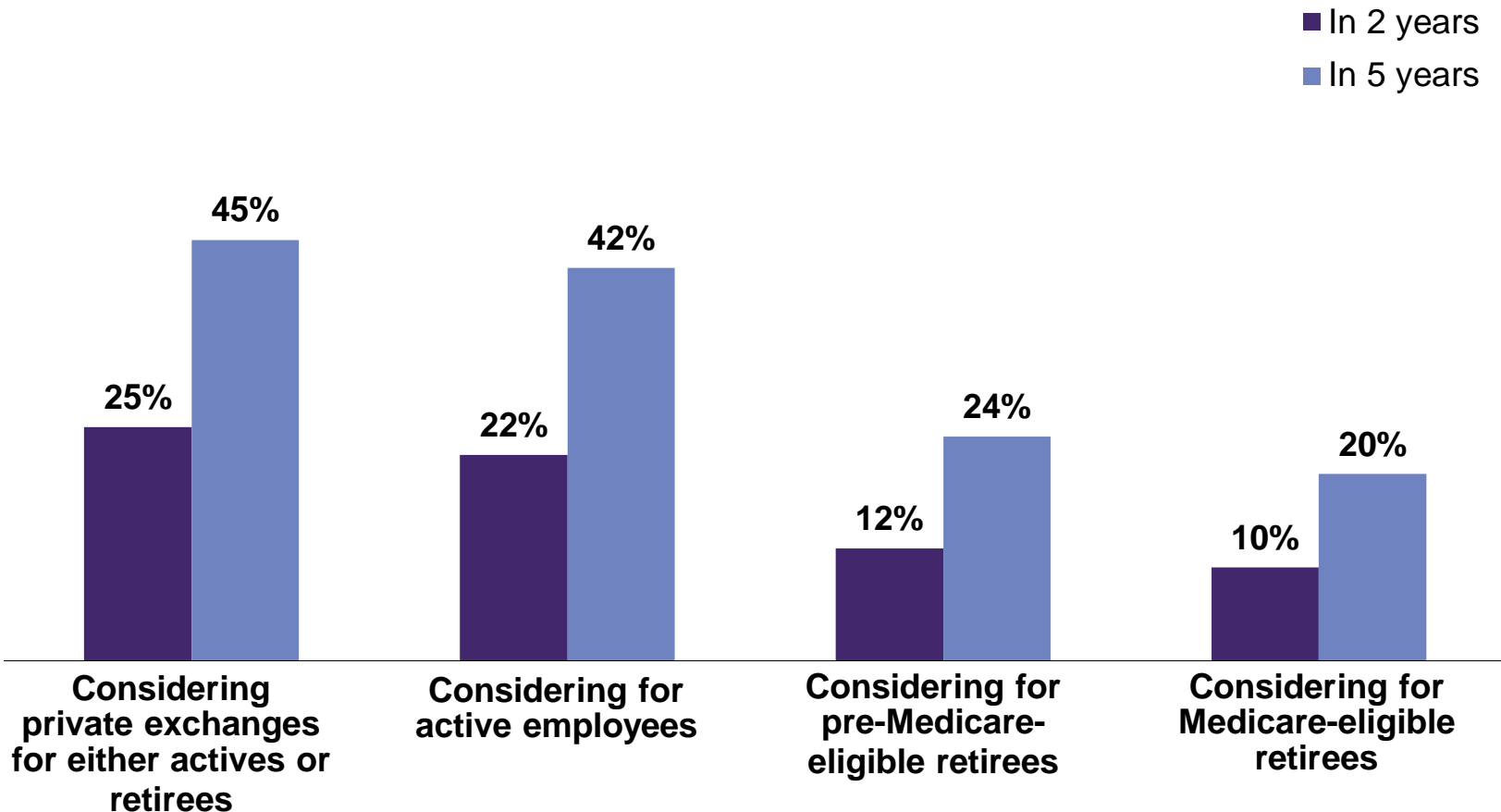
34%

Making in-house or domestic health management/wellness programs and services (e.g. health screenings) available to both employees and dependents



Private health care exchanges poised for rapid growth

One-fourth of employers are considering switching to a private exchange within two years, and 45% would consider switching within five years



Why Exchanges...

Employer Challenges

Cost of providing benefits

Resources required to manage benefit programs

Health care reform

Employee Challenges

Importance of benefits as an attraction/retention factor

Low satisfaction with current benefits

Flexibility to choose benefits that fit their needs

Early results from Mercer Marketplace

Medical right-sizing in first year

80.4% Average value of medical plans pre-Marketplace

71.9% Average value of medical plans post-Marketplace

\$800 Per employee cost reduction from right-sizing

