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Trends in large employer-sponsored health plans:
Findings from Mercer’s National Survey of Employer-Sponsored Health Plans 2009

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EBRI Policy Forum, Washington, DC
Today’s presentation

- About the survey
- Large employer cost trends
- Top cost-management strategies
  - Consumerism and CDHPs
  - Health management
  - Promoting quality and cost-efficiency
- Will health care reform bring new cost pressures?
About the survey

- Established in 1986, national probability sample used since 1993
- 2,914 employers participated in 2009
- All employers with 10 or more employees are surveyed using a stratified random sample; large employers are oversampled to permit robust break-outs by size.

In this presentation, we refer to:
- small employers – 10-499 employees
- large employers – 500+ employees
- jumbo employers – 20,000+ employees
Annual growth in average total health benefit cost per employee relatively stable for the past five years

Large employers
Average total health benefit cost per employee, by employer size

Number of employees

- 10-49: $7,720
- 50-499: $8,779
- 500-999: $9,276
- 1,000-4,999: $9,412
- 5,000-9,999: $9,589
- 10,000-19,999: $9,067
- 20,000 or more: $9,146
Back in 2006: Health management and consumerism emerge as large employers most important cost-management strategies for the next five years*

<table>
<thead>
<tr>
<th>Strategy</th>
<th>All large employers</th>
<th>Jumbo employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health management</td>
<td>71%</td>
<td>85%</td>
</tr>
<tr>
<td>Consumerism</td>
<td>64%</td>
<td>77%</td>
</tr>
<tr>
<td>High-performance networks</td>
<td>41%</td>
<td>51%</td>
</tr>
<tr>
<td>Collective purchasing</td>
<td>37%</td>
<td>29%</td>
</tr>
<tr>
<td>Scaling back benefits/shifting cost to employees</td>
<td>37%</td>
<td>21%</td>
</tr>
</tbody>
</table>

* Employers indicating strategy will be significant in efforts to manage health benefit cost.

Source: Mercer’s National Survey of Employer-Sponsored Health Plans 2006
Cost-shifting among large employers more moderate than among small employers
PPO individual in-network deductible

- 2000 Small employers: 49% require an NO in-network deductible, $250 deductible
- 2009 Small employers: 22% require an NO in-network deductible, $1,000 deductible
- 2000 Large employers: 37% require an NO in-network deductible, $250 deductible
- 2009 Large employers: 19% require an NO in-network deductible, $400 deductible

Percent of employers requiring NO in-network deductible
Median individual deductible amount
## Growth in CDHP offerings by large employers stalls in 2009

Percent of employers

<table>
<thead>
<tr>
<th>CDHP* offered in:</th>
<th>Very likely to offer in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>Small employers</td>
<td>2%</td>
</tr>
<tr>
<td>Large employers</td>
<td>5%</td>
</tr>
<tr>
<td>Jumbo employers</td>
<td>22%</td>
</tr>
</tbody>
</table>

*Based on either a health savings account or health reimbursement arrangement.
Large employers rarely offer CDHP as the only medical plan choice.

- **Small employers**
  - Offer CDHP only: 8%
  - Offer CDHP and another type of medical plan: 19%

- **Large employers**
  - Offer CDHP only: 2%
  - Offer CDHP and another type of medical plan: 8%
Encouraging CDHP enrollment remains a challenge
Percentage of eligible employees enrolled in CDHP, among plans offered by large employers as a choice for at least 3 years

- 2007: HRA-based CDHP 24%, HSA-eligible CDHP 12%
- 2008: HRA-based CDHP 26%, HSA-eligible CDHP 13%
- 2009: HRA-based CDHP 28%, HSA-eligible CDHP 15%
Enrollment in CDHPs among small employers surpasses that of large employers in 2009

- **Small employers**
  - 2005: 1%
  - 2006: 3%
  - 2007: 4%
  - 2008: 6%
  - 2009: 10%

- **Large employers**
  - 2005: 2%
  - 2006: 3%
  - 2007: 6%
  - 2008: 7%
  - 2009: 8%

Years:
- 2005
- 2006
- 2007
- 2008
- 2009
Majority of large employers expect to offer an account-based CDHP five years from now

Large employers

- Expect to offer as the only type of medical plan, 9%
- Expect to offer alongside other medical plan choices, 52%
- Do not expect to offer a CDHP, 40%
Sharp growth in use of health management programs

Percent of large employers offering programs

- **Health risk assessment**
  - 2006: 53%
  - 2009: 73%

- **Disease management program**
  - 2006: 65%
  - 2009: 71%

- **Behavior modification**
  - 2006: 30%
  - 2009: 51%

- **Health advocate services**
  - 2006: 35%
  - 2009: 53%

- **Nurse advice line**
  - 2006: 67%
  - 2009: 78%
Use incentives with specific health management programs offered
Among large employers offering program

<table>
<thead>
<tr>
<th>Activity</th>
<th>Large employers</th>
<th>Jumbo employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completing a Health Risk Assessment</td>
<td>23%</td>
<td>51%</td>
</tr>
<tr>
<td>Participation in a disease management program</td>
<td>15%</td>
<td>37%</td>
</tr>
<tr>
<td>Participation in or completion of a behavior modification program</td>
<td>19%</td>
<td>52%</td>
</tr>
<tr>
<td>Seeking preventive care / screenings</td>
<td>13%</td>
<td>37%</td>
</tr>
</tbody>
</table>
# Health Risk Assessment incentives used

Among large employers offering HRA with incentives

<table>
<thead>
<tr>
<th>Type of incentive used</th>
<th>Employers using incentive</th>
<th>Employers reporting the incentive was “very successful” in increasing participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash/gift cards</td>
<td>45%</td>
<td>36%</td>
</tr>
<tr>
<td>Lower premium contribution</td>
<td>32%</td>
<td>46%</td>
</tr>
<tr>
<td>Financial contribution to employee account</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Token non-cash reward</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Lower cost-sharing</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Required for coverage eligibility</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Incentive was “very successful” in increasing participation</strong></td>
<td><strong>28%</strong></td>
<td><strong>--</strong></td>
</tr>
<tr>
<td><strong>Average value of incentive</strong></td>
<td><strong>$227</strong></td>
<td><strong>$297</strong></td>
</tr>
</tbody>
</table>
# Return on investment in health management

## Large employers

<table>
<thead>
<tr>
<th>Provide health management programs through specialty vendor/ request optional services from health plan vendor</th>
<th>All large employers</th>
<th>Jumbo employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>73%</td>
<td></td>
</tr>
</tbody>
</table>

| Of those, % of employers that have attempted to measure return on investment (ROI)* | 45% | 69% |

| Of those, % of employers that are satisfied with ROI | 74% | 75% |

*Among employers that offer disease or health management programs*
New data source: The HERO Employer Health Management Best Practices Scorecard

- Mercer has collaborated with non-profit HERO to maintain online employer survey and database for benchmarking and research in EHM program design, management and outcomes.
- Assesses and scores an employer's health management program based on best practice standards.
- The Scorecard content and scoring system were developed and tested by a broad panel of industry experts.
- Employers use the Scorecard as an inventory of best practices and their score as a way to identify opportunity for improvement.
- Research goal for database is to learn how program structure and management affect outcomes.
- Scorecard may be accessed at www.the-hero.org. Participation and auto-generated score report is free of charge.
EHM elements covered in the HERO Scorecard

**Strategic Planning**
- Needs assessments, Measurable goals, Total population health strategy, targeted eligible populations

**Leadership Engagement**
- Senior leadership commitment, Manager support, Ambassadors, Physical work environment, Policies

**Program Level Management**
- EHM program integration, Benefit plan design and inclusions

**Programs**
- HRQ, Campaigns, Lifestyle & DM, TDS, Modalities, EAP, Onsite clinics

**Engagement Methods**
- Communications, Incentives

**Measurement and Evaluation**
- Performance data capture and use
Separate outcomes section

- Does not contribute to the respondent’s best practice score
- Data vital to explore the relationship between outcomes and program design; will be used to adjust component weights
- Decision was made to capture modest data with greatest consistency:
  - Participation rates for HRQ, Biometric screenings, DM and behavior modification
  - Total EHM program costs per eligible per month
  - Program-specific costs per eligible per month
  - Program impact on health risks
  - Program impact on medical plan costs
**Program outcomes: Average participation rates**
Among HERO Scorecard respondents with low, average, and high health management best practice scores

<table>
<thead>
<tr>
<th>Health Management Practice</th>
<th>Low Scores</th>
<th>Average Scores</th>
<th>High Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Risk Assessment</td>
<td>18%</td>
<td>47%</td>
<td>64%</td>
</tr>
<tr>
<td>Biometric screening</td>
<td>45%</td>
<td>45%</td>
<td>52%</td>
</tr>
<tr>
<td>Disease management</td>
<td>21%</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Lifestyle management</td>
<td>ID</td>
<td>23%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*ID = Insufficient data*

Source: HERO Best Practice Scorecard in Collaboration with Mercer
**Program outcomes: Improvement in medical plan cost trend**
Among HERO Scorecard respondents with low, average, and high health management best practice scores

<table>
<thead>
<tr>
<th>Employers with:</th>
<th>Low scores</th>
<th>Average scores</th>
<th>High scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>No improvement in medical cost trend was found so far</td>
<td>38%</td>
<td>28%</td>
<td>2%</td>
</tr>
<tr>
<td>Small positive impact on medical trend (less than the cost of the EHM program)</td>
<td>5%</td>
<td>21%</td>
<td>37%</td>
</tr>
<tr>
<td>Substantial positive impact on medical trend (greater than the cost of the EHM</td>
<td>5%</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>program)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have not attempted to impact on medical cost trend</td>
<td>48%</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>We have attempted to measure impact on cost, but we’re not confident the</td>
<td>5%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>results are valid</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: HERO Best Practice Scorecard in Collaboration with Mercer
Have incorporated evidence-based (or value-based) design in one or more medical plans

Jumbo employers

Employers that waive/reduce cost-sharing for:

- Maintenance drugs: 17%
- Specific drug therapies proven to be cost-effective: 11%
- Non-drug treatments proven to be effective: 2%
- Other form of EBD used: 6%
Use high-performance networks

- **Use HPM**
  - All large employers: 14%
  - Jumbo employers: 32%

- **Considering**
  - All large employers: 23%
  - Jumbo employers: 18%
## What the largest employers are considering for the next five years

Employers with 5,000 or more employees

<table>
<thead>
<tr>
<th>Service</th>
<th>Interested/very interested</th>
<th>Very interested</th>
<th>Already use strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgical centers of excellence</td>
<td>57%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Retail clinics for chronic care mgmt</td>
<td>45%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Treating telemediated physician care as eligible expense</td>
<td>43%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Medical homes (A-ICU model)</td>
<td>53%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Tiering of non-drug treatments</td>
<td>49%</td>
<td>6%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Will reform create additional pressure to manage trend?
Coverage for part-time employees among large employers

- Make coverage available to PTEs: 66%
- Average number of hours required for eligibility: 23/week
- In some industries, PTEs make up significant portion of the workforce:
  - Wholesale/retail: PTEs make up 32% of workforce (but only 47% of employers cover them)
  - Services: PTEs make up 27% of workforce (but only 63% of employers cover them)

Note: Based on large employers with at least some PTEs
Will reform create additional pressure to manage trend?
Estimated % of employers with plans that will trigger excise tax on high-cost plans if no changes are made

Source: 2008 Mercer Survey of Employer Sponsored Health Plans; premium trended at 6%, CPI + 1% = 4%