

Mercer Employer Survey Results

Close Up on Employee Engagement

March 14, 2013 Orlando



About the survey

- Now in its 27th year, the survey was established in 1986
- A national probability sample has been used since 1993. This means that survey results are representative of all employer health plan sponsors in the US with 10 or more employees
- 2,809 employers participated in 2012
- In this presentation, we refer to:
 - small employers – 10-499 employees
 - large employers – 500+ employees
 - very large employers – 5,000+ employees

“The End of Health Insurance Companies” New York Times, January 30, 2012

- “By, 2020, the American health insurance industry will be extinct. Insurance Companies will be replaced by accountable care organizations...”
- “Accountable care organizations will increase coordination of patient’s care and shift the focus of medicine away from treating sickness and toward keeping people healthy.”

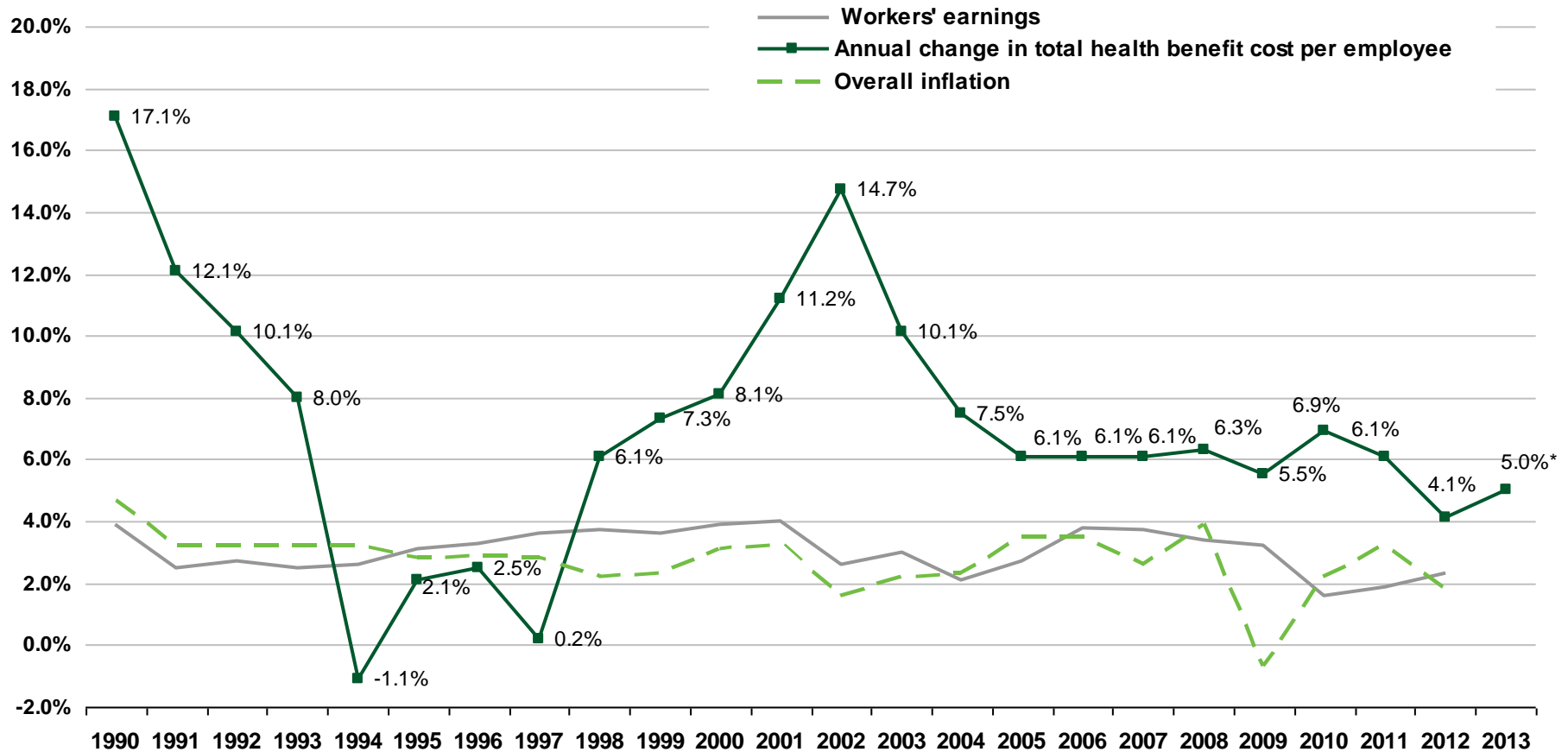
Ezekiel J. Emanuel is Head of the Department of Bioethics at The Clinical Center of the National Institutes of Health and a breast oncologist. He is on extended detail as a special advisor for health policy to the director of the White House Office of Management and Budget.

Our headline stories!

- Health care reform is sharpening employers' focus on *cost management* and providing the business case for *bold strategies*
- *CDHPs* are becoming a mainstream strategy by creating more cost-conscious consumers
- The big challenge in workforce health management is building *employee engagement*. Incentives clearly work to drive participation, and employers are starting to test their ability to improve health outcomes as well

FLASH! Employers hold cost increase to lowest level in 15 years

Health benefit cost growth dips to 4.1% after employer actions

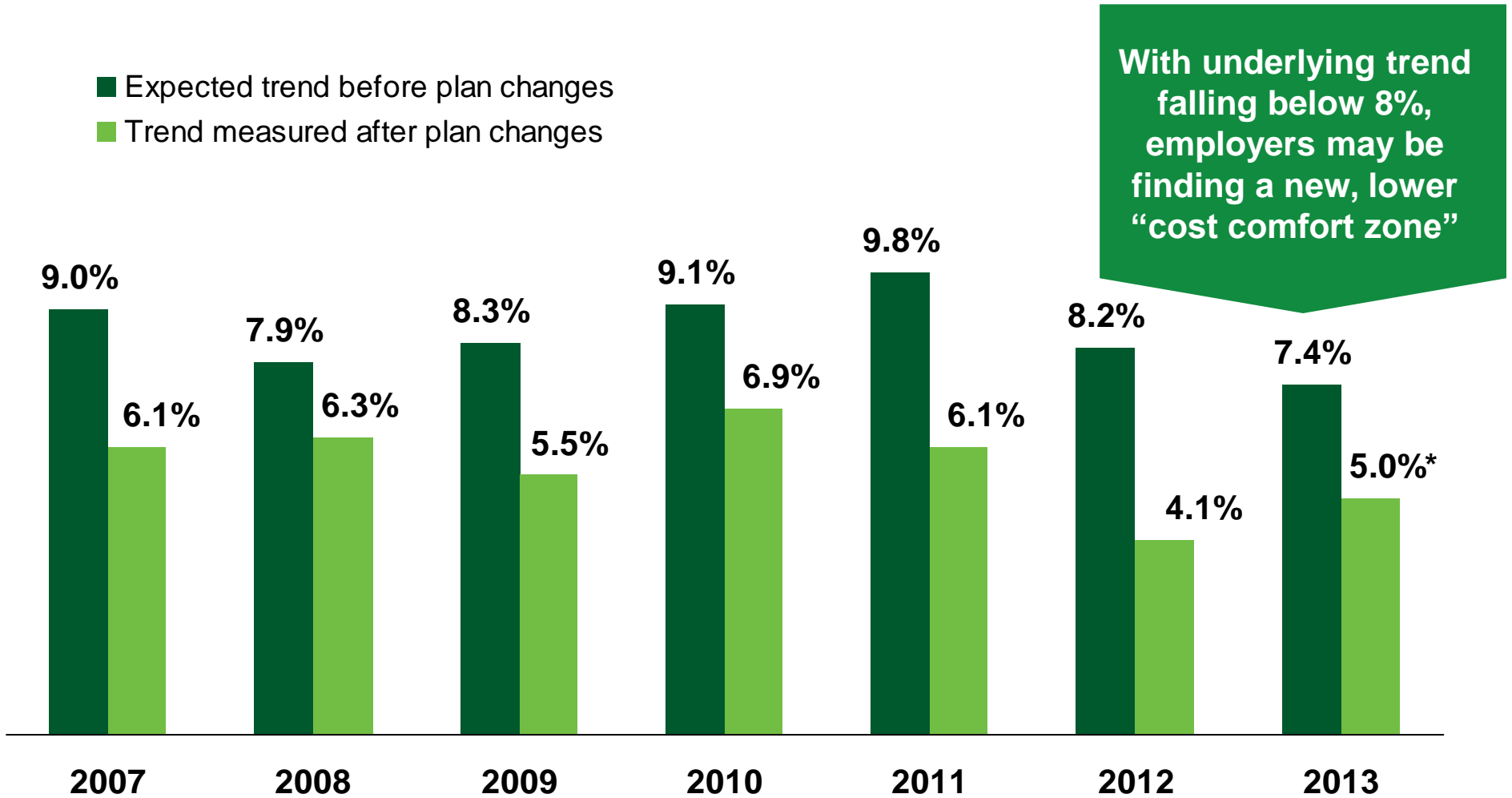


*Projected

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) 1990-2012; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1990-2012.

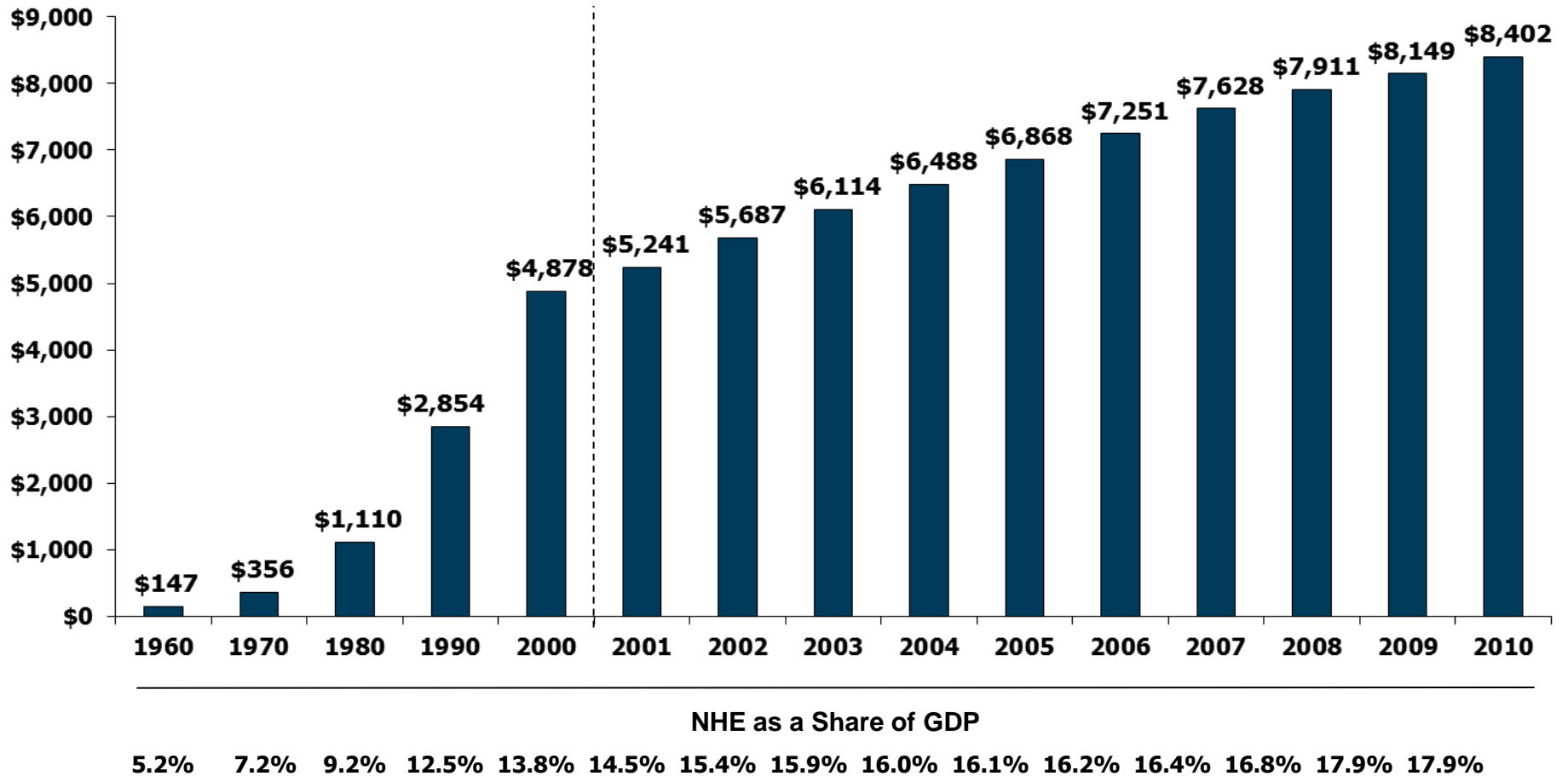
Employers see underlying cost trend falling below 8%

They plan to hold their actual cost increase to around 5% in 2013



* Projected

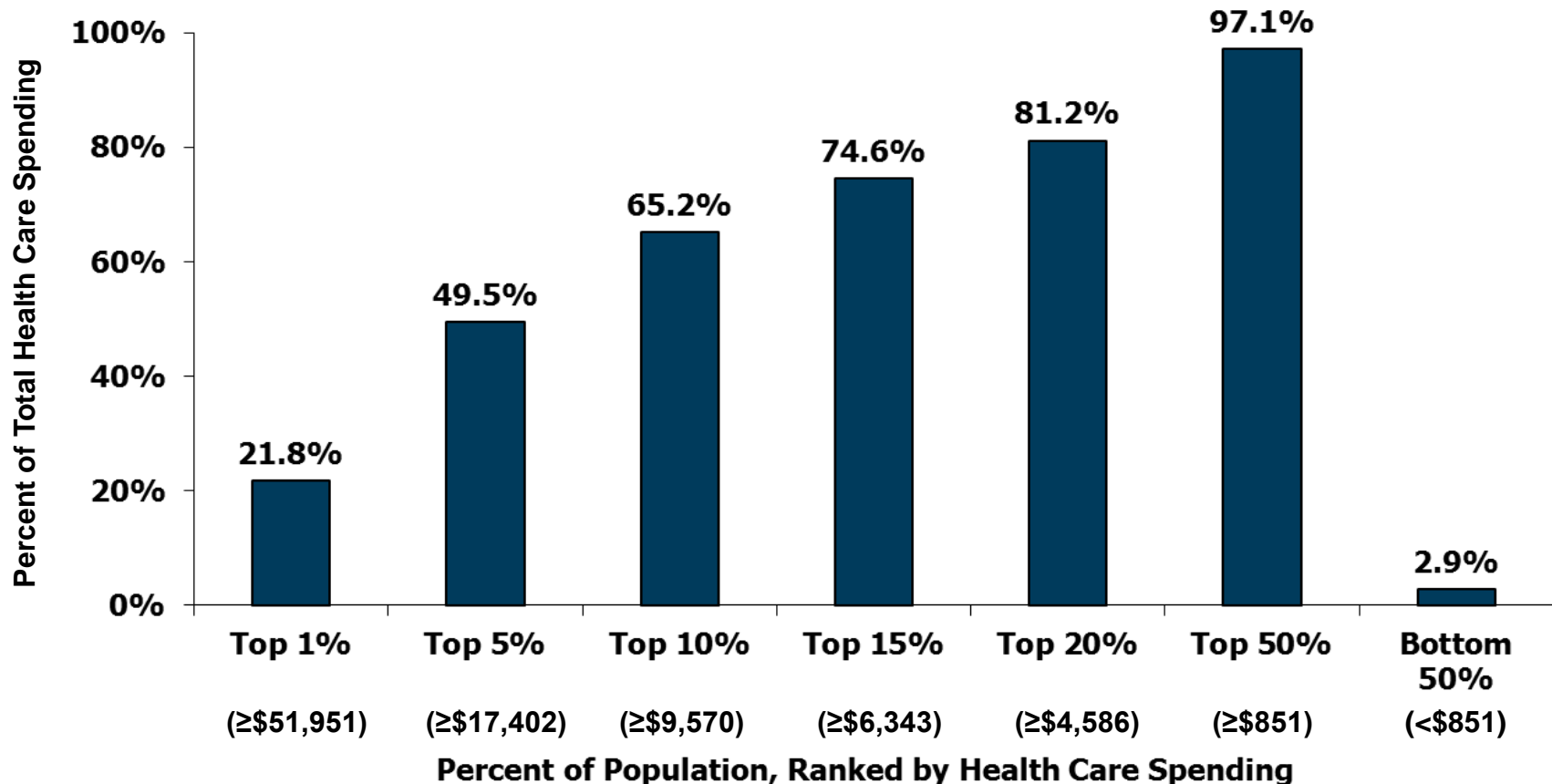
National Health Expenditures per Capita, 1960-2010



Notes: According to CMS, population is the U.S. Bureau of the Census resident-based population, less armed forces overseas.

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; NHE summary including share of GDP, CY 1960-2010; file nhegdp10.zip).

Concentration of Health Care Spending in the U.S. Population, 2009



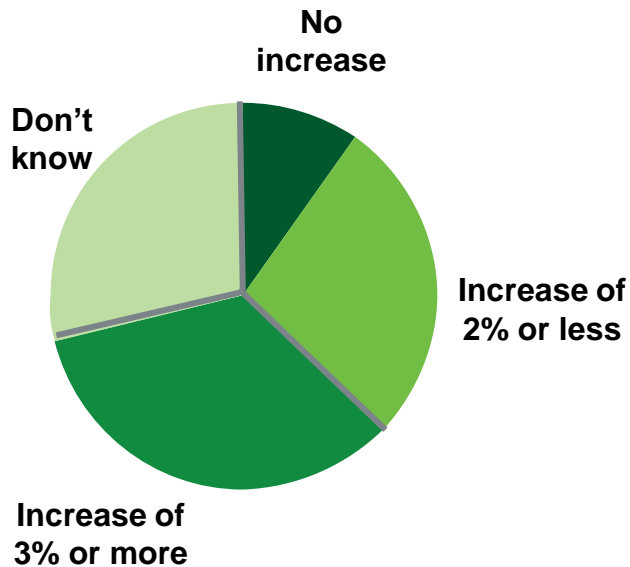
Note: Dollar amounts in parentheses are the annual expenses per person in each percentile. Population is the civilian noninstitutionalized population, including those without any health care spending. Health care spending is total payments from all sources (including direct payments from individuals and families, private insurance, Medicare, Medicaid, and miscellaneous other sources) to hospitals, physicians, other providers (including dental care), and pharmacies; health insurance premiums are not included.

Source: Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), Household Component, 2009.

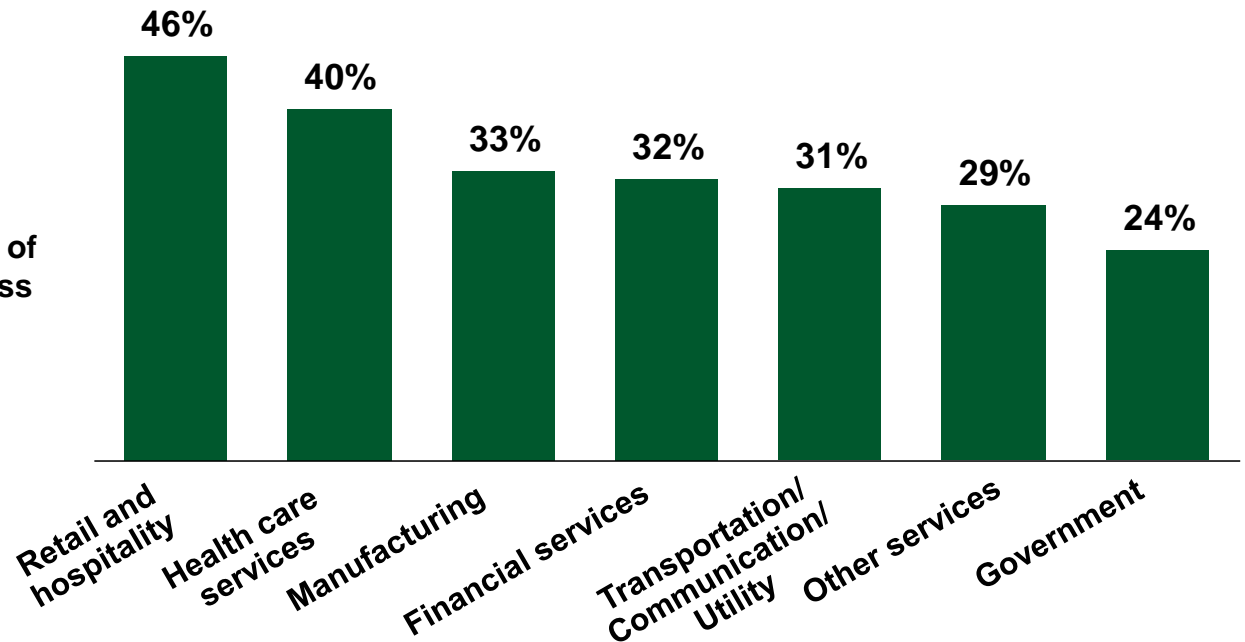
Most employers say reform will raise costs in 2014

Expect bigger increases for retailers, others facing large enrollment growth

Expected cost increase due to PPACA requirements effective in 2014



Expect cost increase of 3% or more due to PPACA requirements effective in 2014, by industry

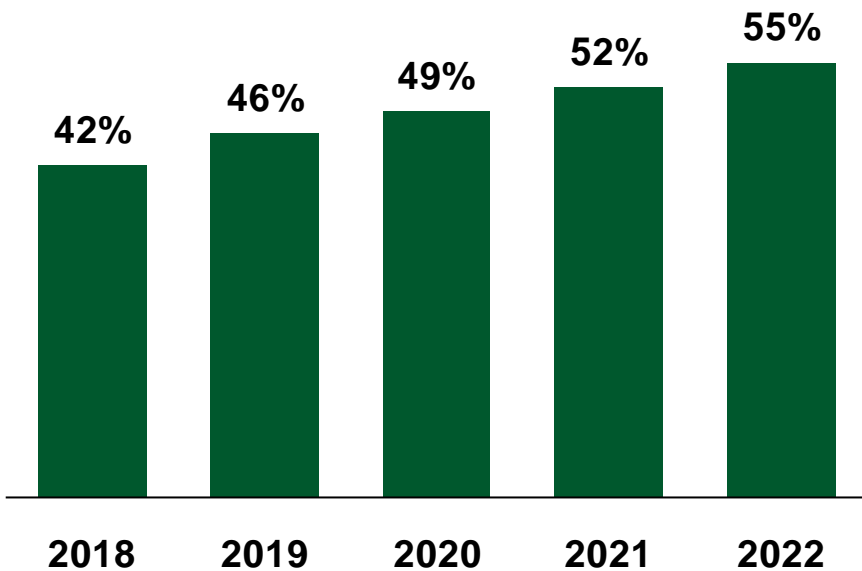


Source: Mercer's Survey on Health Care Reform After the Decision

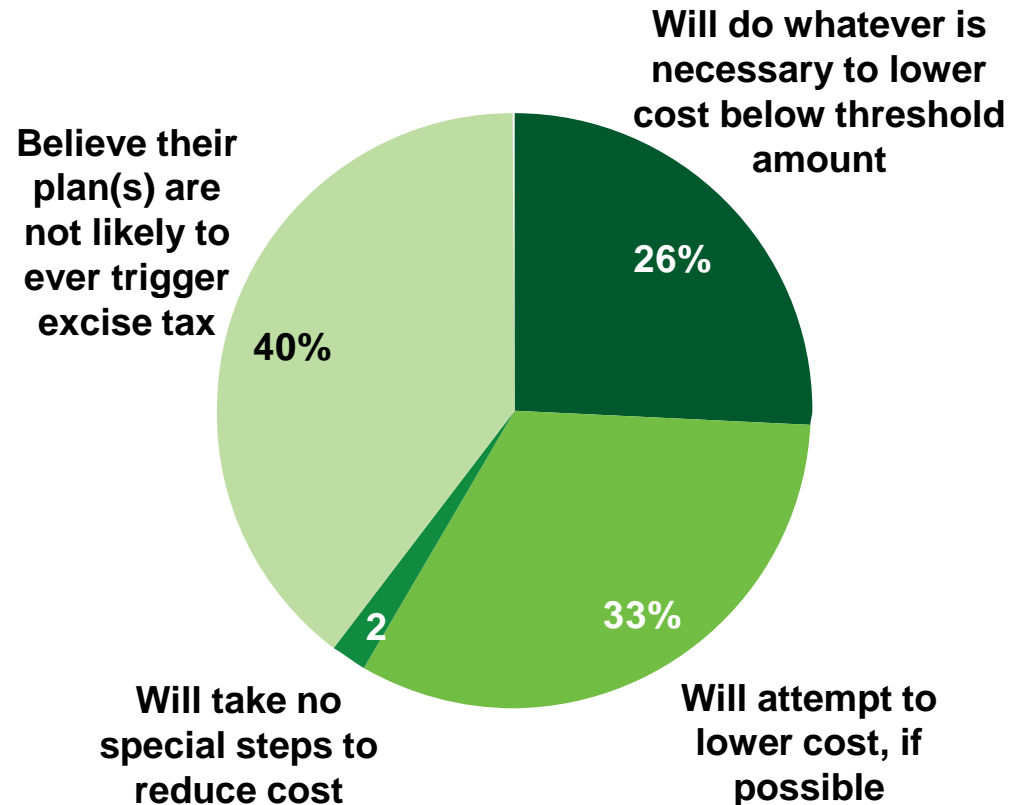
And the 2014 requirements are just the beginning

Majority of employers in danger of getting hit with excise tax by 2020

Percent of employers that would be subject to the excise tax *if they made no changes to their current plan...*



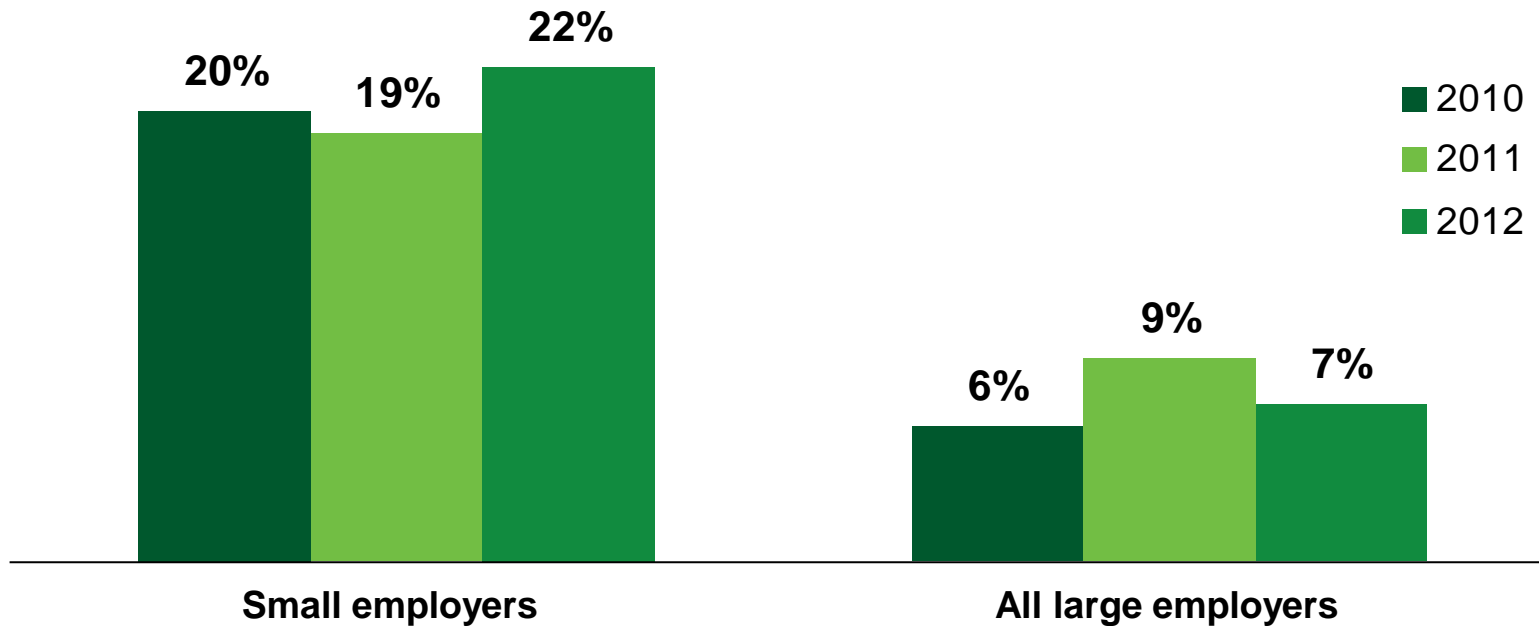
...but most say they will take steps to avoid the tax



Source: 2011 National Survey of Employer-Sponsored Health Plans

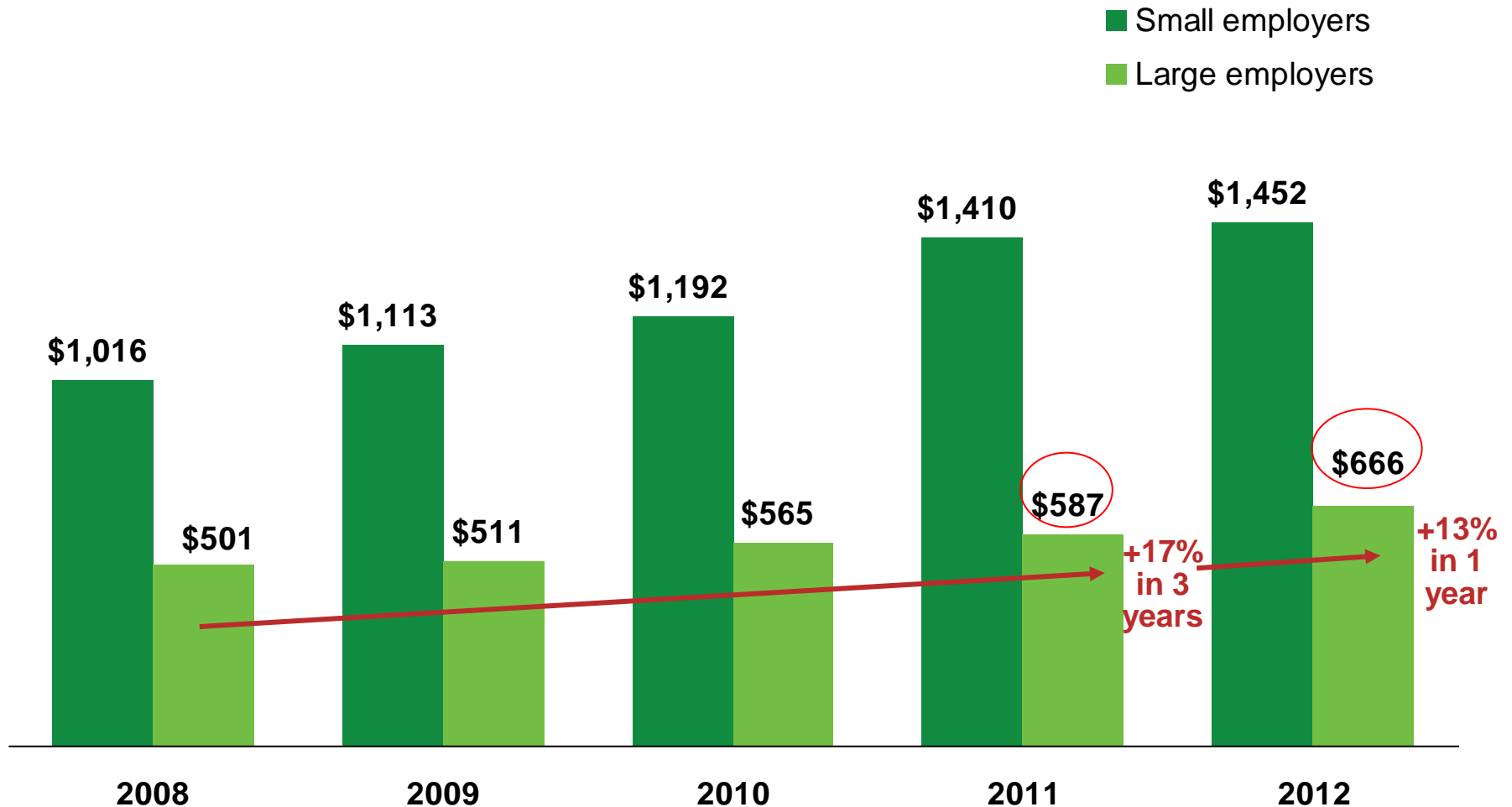
Despite added cost pressure, most employers will continue to provide health benefits...

Percent of employers that are likely to terminate plans within the next five years



Large employers dramatically raised PPO deductibles in 2012 compared to recent years' increases

Average PPO deductible for individual, in-network coverage

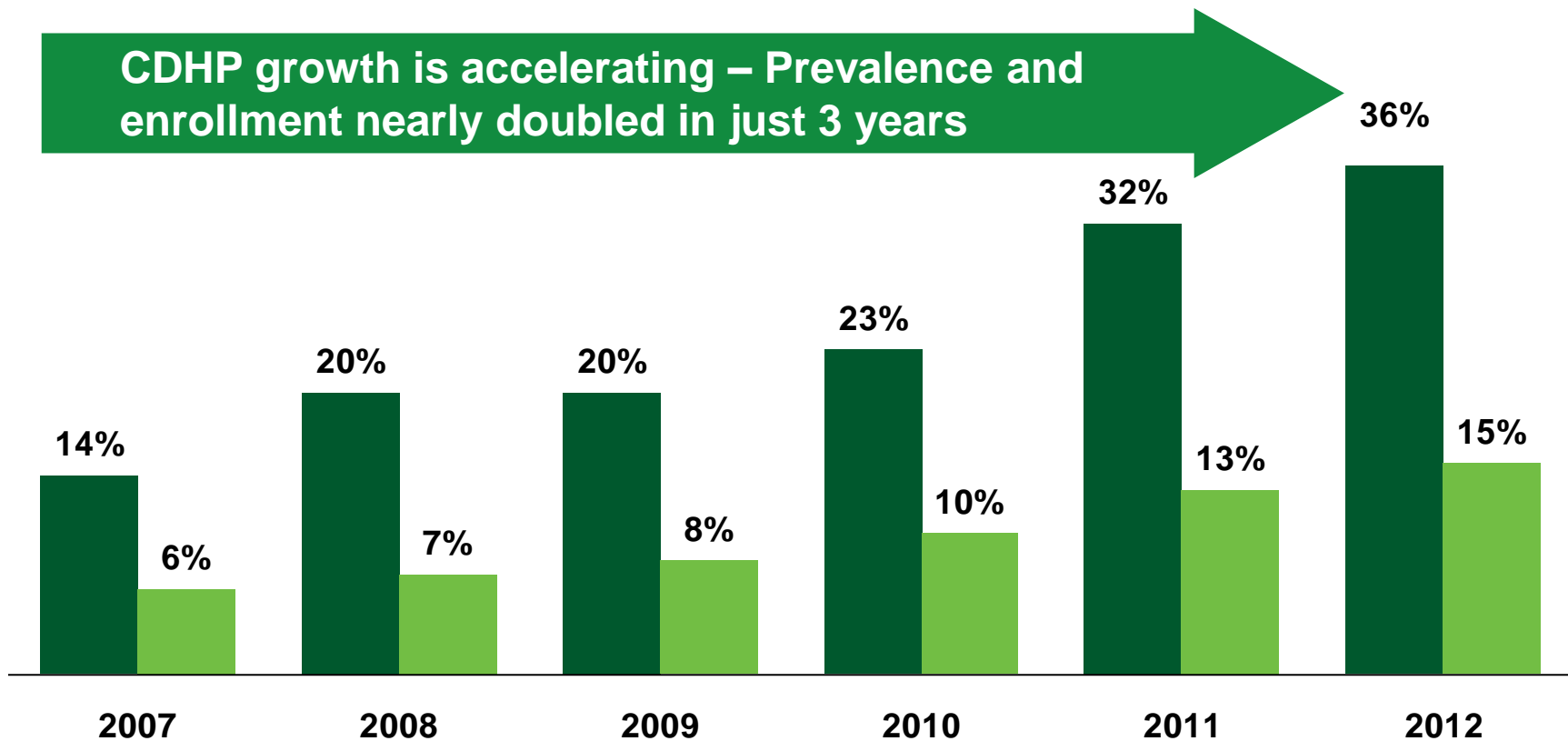


Many employers see CDHPs as central to their response to health reform

Large employers

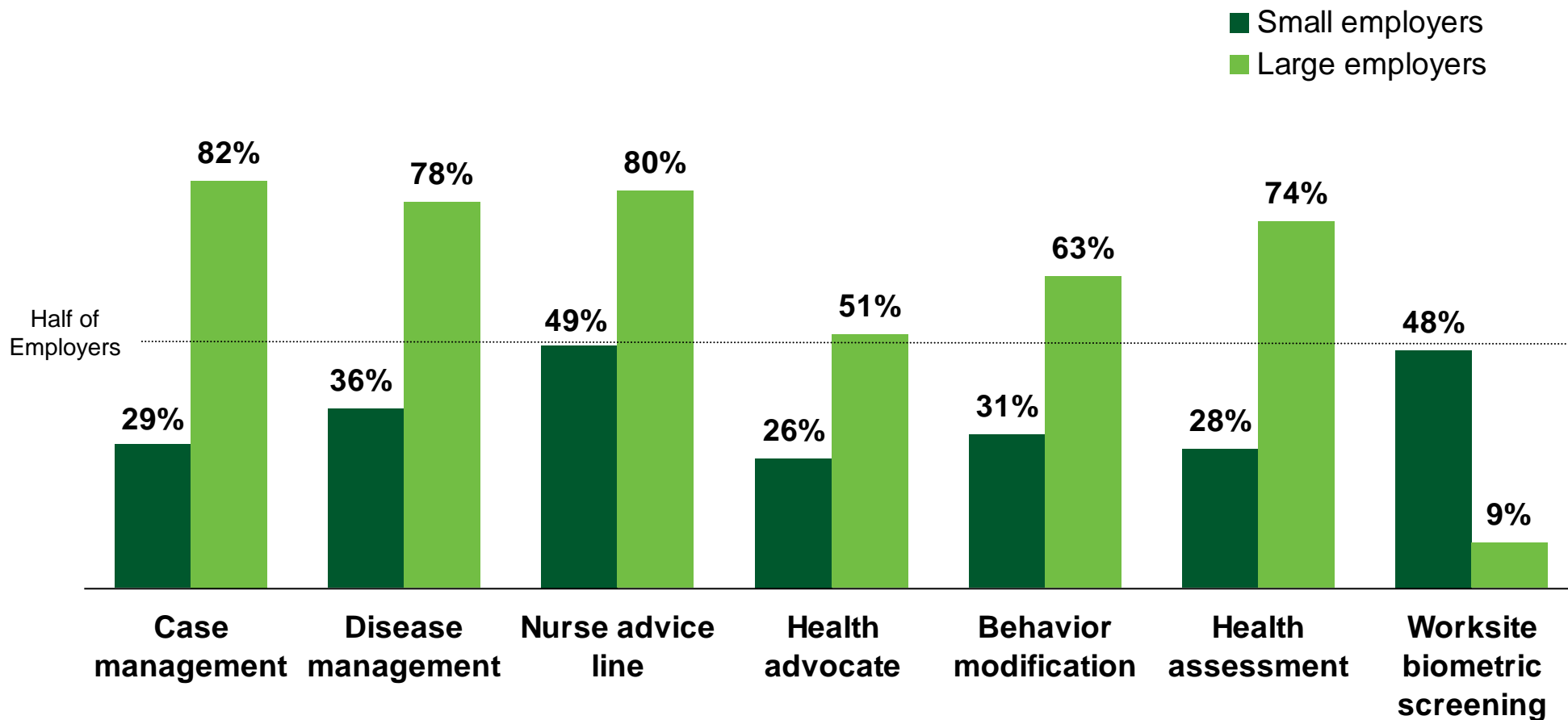
- Percent of employers offering CDHPs
- Percent of covered employees enrolled in CDHPs

CDHP growth is accelerating – Prevalence and enrollment nearly doubled in just 3 years



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

Percent of employers offering program



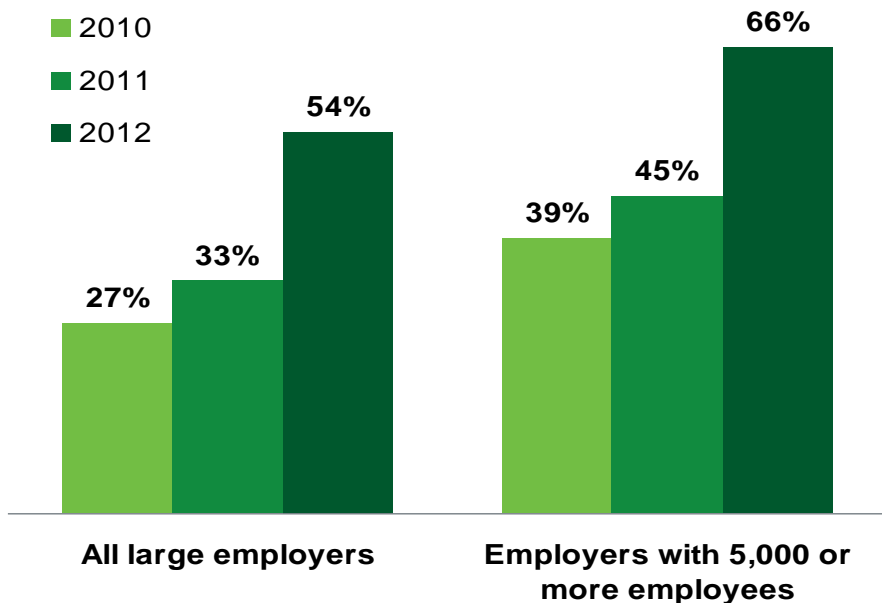
Addressing the continuum of health management

REACTIVE



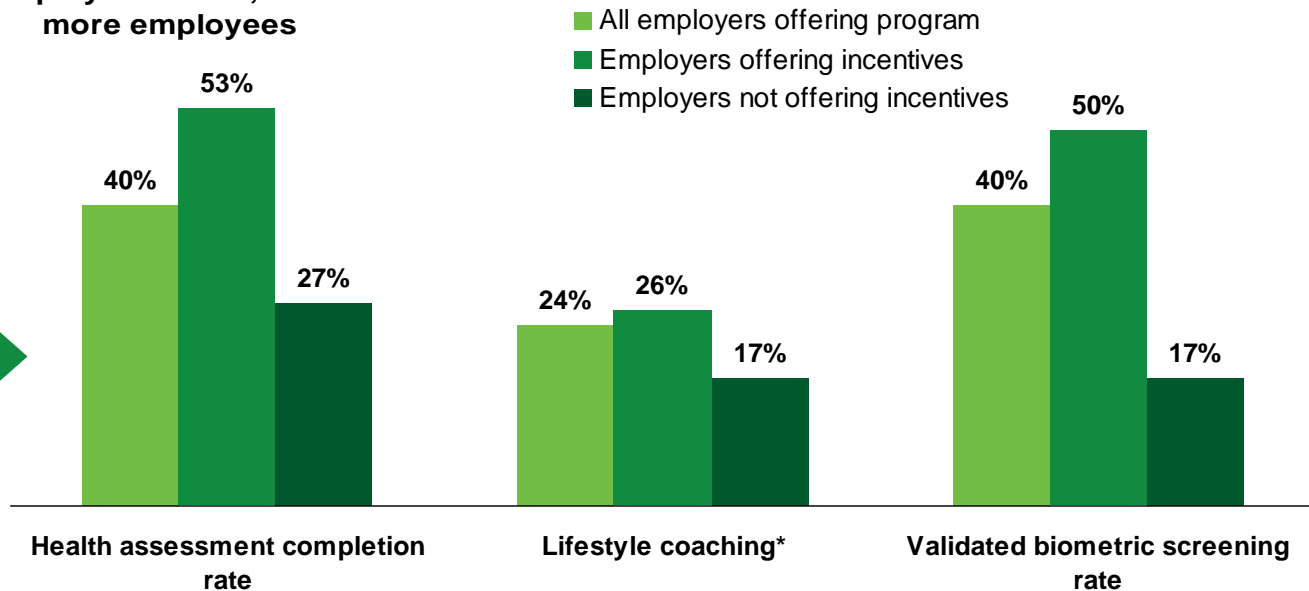
PROACTIVE

Employers are now focused on building employee engagement – and are seeing results



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

Large employers using incentives report higher participation rates

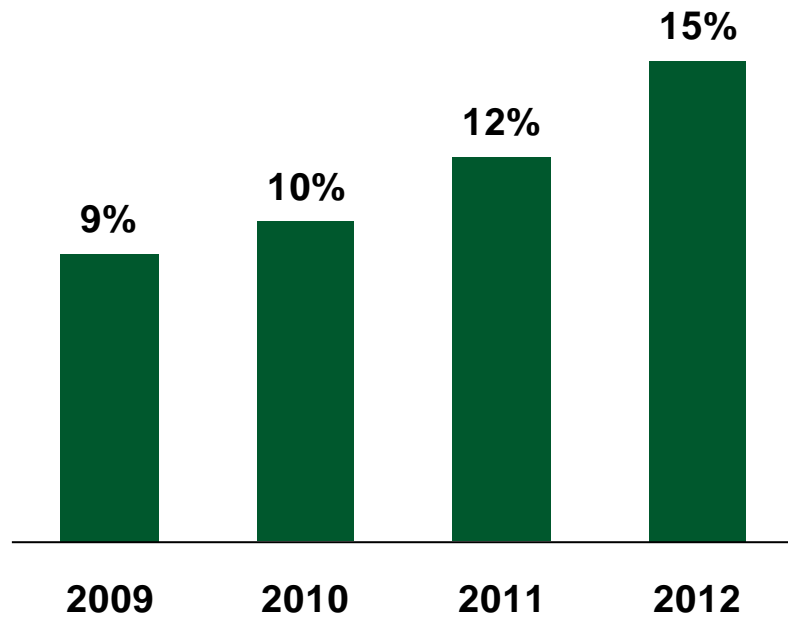


*Average % of identified persons actively engaged in program

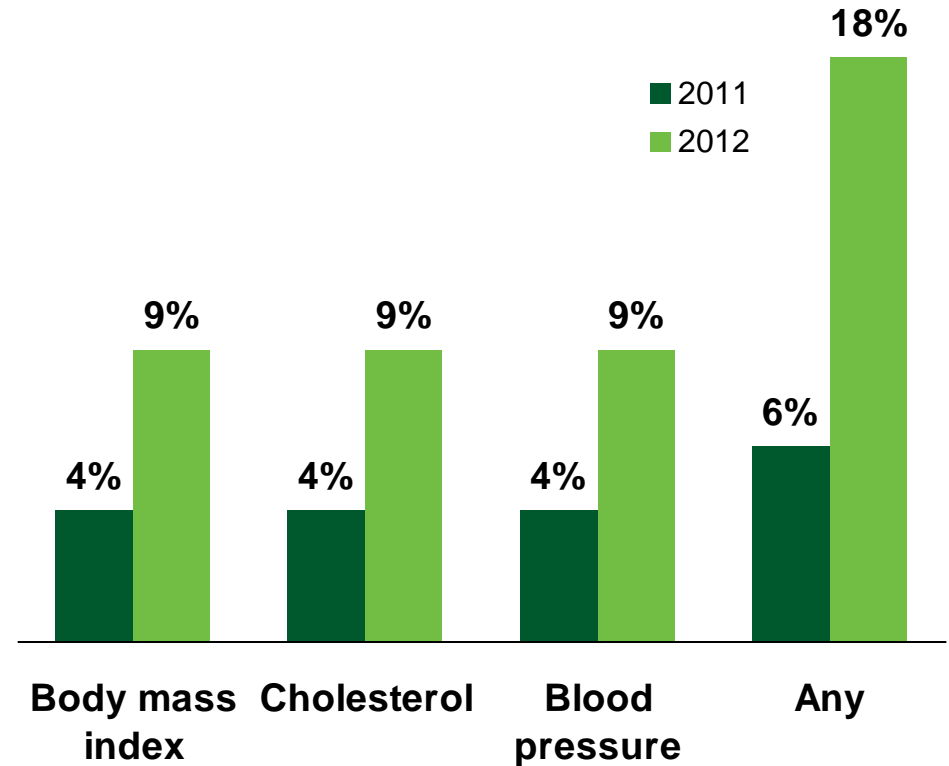
Sharp growth in use of outcomes-based incentives

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

Offer lower premium contributions to non-tobacco users

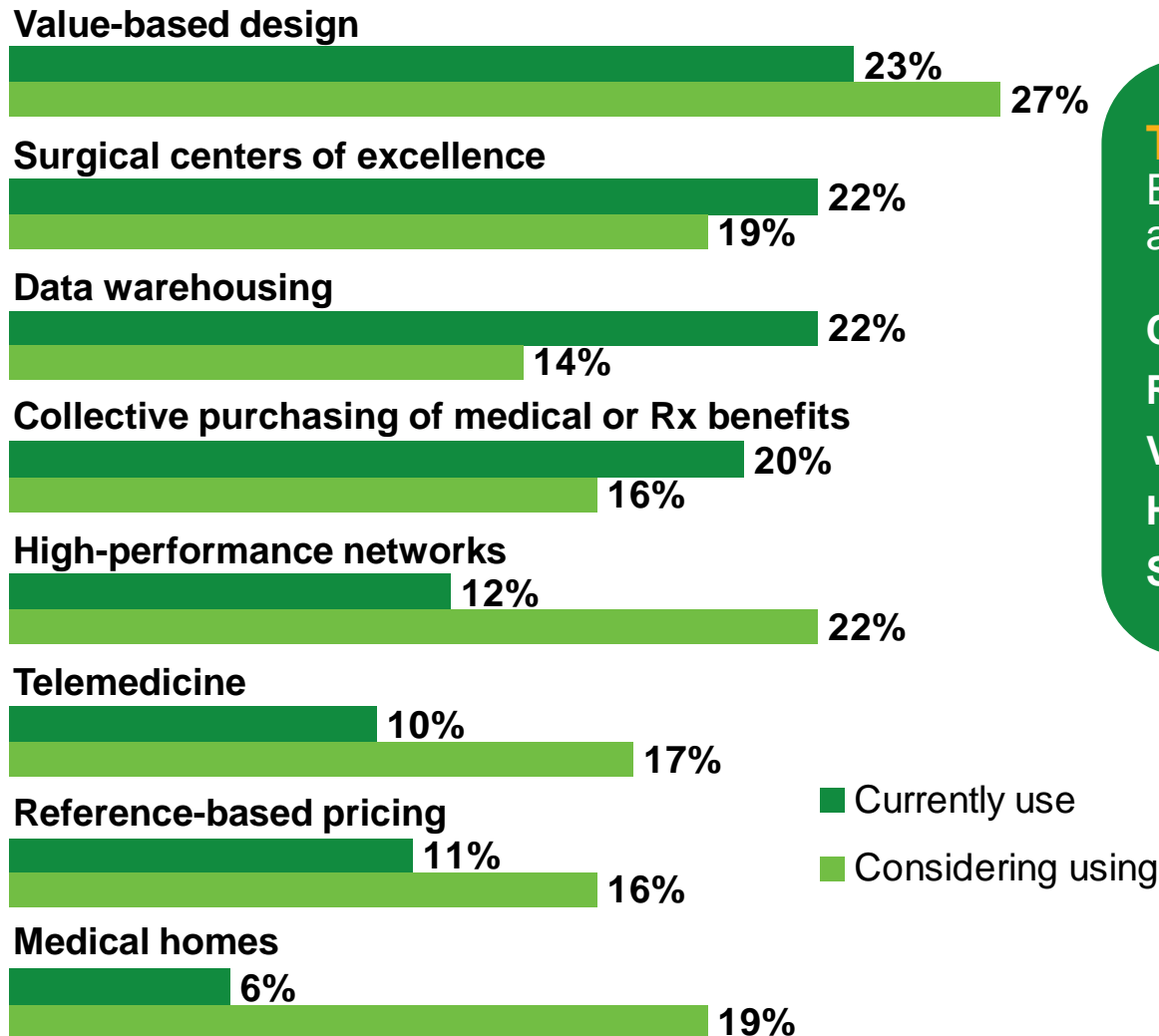


Provide incentives for achieving or maintaining health status targets



Growing use of tools and technology to improve the delivery of care

Large employers



Top 5 cost savers

Employers using strategy that achieved lower cost as a result:

Collective purchasing 70%

Reference-based pricing 57%

Value-based design 56%

High-performance networks 51%

Surgical center of excellence 43%

Delivery system innovations and focused clinical solutions

Delivery system innovation	Focused clinical solutions	
Optimizing the provider relationship	Holistic care management	Behavioral health
<ul style="list-style-type: none"> • Tiered Networks • Telemedicine • “Know your primary care provider” campaign • On- or near-site clinics • New models for better care coordination – Patient centered medical home, accountable care organizations 	<ul style="list-style-type: none"> • Mercer Health Advantage • Carriers’ high touch case and condition management products 	<ul style="list-style-type: none"> • Psychosocial factors integrated with medical and disability case management • Improved safety and productivity through better sleep • New approaches to reducing stress and improving resiliency • Optimal EAP services

Mercer Collectives

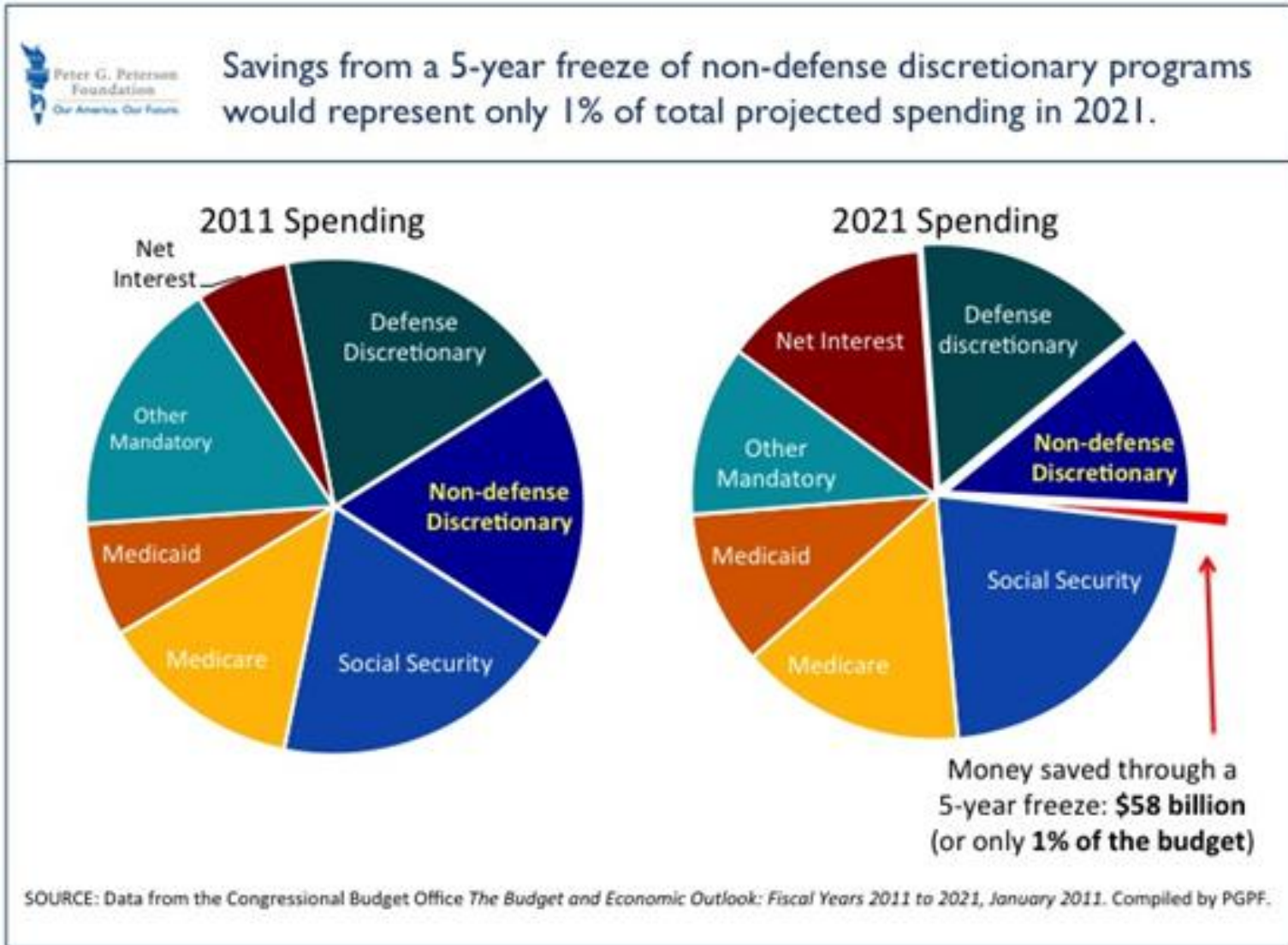
Mercer Health Advantage • Pharmacy • Stop Loss • Portfolio Benefits Alliance

Knotty Challenges in Health Care Costs

New York Times article, March 6, 2012

- “If we solve our health care spending, practically all of our fiscal problems go away.”
- And if we don’t?
- “Then almost anything else we do will not solve our fiscal problems.”
- Victor Fuchs, emeritus professor of economics and health research and policy at Stanford University.

Congressional Budget Office Projection



Solutions According to Fuchs

- Should we go after each of the contributing factors..?
 - No. If we try to pick things off one by one, we will not accomplish much. Little stopgap measures will not do.
- But wouldn't that get rid of fee-for-service and private practices?
 - I am suggesting enormous change. It is revolutionary. But nothing else will help solve the problem of cost, access and quality.

Yes, Those Are Icebergs



