HFMA MANAGED CARE FORUM & UPDATES
EMERGING TRENDS IN HEALTH CARE

Mark Whiting
Kansas City
Today’s Agenda

Looking around
• Where are we?

Looking back
• How did we get here?

Looking forward
• Where are we going?
Perspective
Depends on who you are

EMPLOYER  EMPLOYEE  PERSONAL

My focus
Perspective
Depends on who you are in the company
Perspective
Depends on where you are

30,000 feet

In the weeds
LOOKING AROUND & BACK

THE BEATLES
YESTERDAY

TODAY
The Health Benefit Cost “Roller Coaster”

* The actual cost increase for 2014 will be available later this year. **Projected
Issues with the Current System
Steadily increasing health plan costs

*Average increase projected for 2014 after changes; increase of 7.2% predicted before changes
Issues with the Current System
Health plan costs by industry

Wholesale / Retail: $8,710
Financial services: $11,042
Services: $11,114
Health care: $11,342
Manufacturing: $11,460
Transp. / Comm. / Utility: $12,024
Government: $12,311
Factors Fueling Health Care Cost Increases

- Rising health care costs
- ACA
- Complexity of plans
- Inadequate access to providers
- Aging population
- Technology
- Personal choices
- Cost and quality data
- Insurance companies
Factors Fueling Health Care Cost Increases
Affordable Care Act

Impact on employers
- New fees (Transitional Reinsurance, PCORI, Health Insurer, Excise tax)
- Increased benefits (to age 26 dependent coverage, out of pocket maximum rules)
- New administrative duties

Impact on employees
- Individual mandate

“Cadillac” tax
Factors Fueling Health Care Cost Increases
Insurance companies/complexity of plans

Insurance companies

Reduced competition
  – BUCAs
  – Few regional plans
  – Fewer third-party administrators

Results in higher costs

Insurers have lower than expected profits/margins

Complexity of plans

• PPOs, HMOs/EPOs
• CDHPs (HSAs and HRAs)
• Deductibles, coinsurance, out-of-pocket maximums
• Physician copays
• Multi-tier drug copays
• Network/non-network providers
Factors Fueling Health Care Cost Increases

Inadequate access to providers

Lack of primary care physicians (PCPs)
- 20% of US has insufficient access
- Shortage of 45,000 PCPs by 2020
- Shortage more acute because many don’t accept Medicaid
- PCPs’ salaries trail specialties

Lack of accessible care for rural populations
- Rural hospitals closing or cutting back services
- Lack of urgent care facilities
- Seek care during work hours or at emergency room
- Changes in law may incent more emergency room usage
Factors Fueling Health Care Cost Increases
Aging population
Factors Fueling Health Care Cost Increases

Technology

Medical innovations
- Body parts made through 3D printer
- Bionic eye
- Gene therapy

Specialty medications
- Arthritis
- Multiple sclerosis
- Hepatitis C
- Hemophilia
- Cancer
- Intravenous immunoglobulin (IVIG)

Compound medications

$750,000
Hemophilia

Solvadi
(Hepatitis C)
$1,000 per pill
Factors Fueling Health Care Cost Increases

Personal choices

- Overweight
- Non-exercise
- Smoking
- Non-compliance
- Engagement

1. When your customer is realizing value from your SaaS; different at various stages in the customer lifecycle.
## Factors Fueling Health Care Cost Increases

### Cost and quality data

### The Problems
- Lack of accurate price and quality measures
- Members often assume higher price means higher quality

<table>
<thead>
<tr>
<th>Service</th>
<th>Price Range</th>
<th>Price Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT Scan</td>
<td>$372 - $2,291</td>
<td>6.1x</td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>$2,025 - $8,400</td>
<td>4.2x</td>
</tr>
<tr>
<td>MRI of Lower Back</td>
<td>$413 - $1,269</td>
<td>3.1x</td>
</tr>
</tbody>
</table>
What do we know for sure?

Plenty of blame to go around

There are no easy solutions
LOOKING AHEAD

Tomorrow, tomorrow
Approaches to Strategies

Basic strategies
- Contemporary plan designs
- Optimal funding mechanisms
- Carrier/network optimization

Advanced strategies
- Maintain healthy workforce
- Focus on high cost population
- Encourage member behavior change

Health care costs
Managing Costs and the Excise Tax: The Big Deal to Employers

Percent of employers that will be subject to tax if they make no changes to current plans

Almost a third of employers said avoiding the tax influenced 2014 health plan decisions

Estimates based on data from Mercer’s National Survey of Employer-Sponsored Health Plans 2013; premium trended at 6%, tax threshold trended at 3% (CPI + 1%) in 2019 and 2% for future years

Source: Mercer’s Survey on Health Care Reform, 2013
What Steps Are Employers Taking/Considering to Manage Costs and Minimize the Impact of the Excise Tax?

Source: Mercer’s Survey on Health Care Reform, 2014
Wellness Plans
Conflicting opinions and question marks

Short-term issues
- Wellness plans continue to grow
- Incentives in wellness plans are allowed under HIPAA and ACA
- Yet, EEOC filed a temporary restraining order against Honeywell and other companies’ wellness program
- EEOC claimed the program violated both the ADA (Americans with Disabilities Act) and GINA (Genetic Information Nondiscrimination Act)
- Restraining order was denied

Long-term question marks
- Will EEOC prevail?
- How much of an incentive is enough to accomplish your goals?
- What type of incentive is best for your plan members?
  - Carrot
  - Stick
  - Frozen carrot
- What is the best way to communicate the incentive to avoid member backlash?
Replace High Cost Plans

<table>
<thead>
<tr>
<th>Sample MV plan</th>
<th>PPO</th>
<th>HMO</th>
<th>HSA-eligible CDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible</td>
<td>$500</td>
<td>$500</td>
<td>$1,500</td>
</tr>
<tr>
<td>Hospital coinsurance</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Out-of-pocket maximum</td>
<td>$2,250</td>
<td>–</td>
<td>$3,000</td>
</tr>
<tr>
<td>Annual cost per employee</td>
<td>$10,196</td>
<td>$10,612</td>
<td>$8,482</td>
</tr>
</tbody>
</table>

Source: Mercer’s National Survey of Employer-Sponsored Health Plans 2013
Steer Employees to CDHPs

- 61% HMO
- 23% CDHP
- 16% PPO

5% increase from 2013
Limit Eligibility For or Exclude Spouses

### Average claim costs by plan member

<table>
<thead>
<tr>
<th>Plan Member</th>
<th>Cost</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>$4,088</td>
<td>1.00</td>
</tr>
<tr>
<td>Spouse/partner</td>
<td>$5,540</td>
<td>1.36</td>
</tr>
<tr>
<td>Child</td>
<td>$1,999</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Source: Mercer’s Survey on Health Care Reform, 2014

- ACA does not require employers to cover spouses
- Employers’ response
  - None are excluding spousal coverage
  - Special provisions for spouses who have other coverage available
    - Exclusion: 8% in 2014; 11% considering for 2015
    - Surcharge: 12% in 2014; 16% considering for 2015

Spouses are producing a disproportionate percentage of large claims.
Offer a Private Exchange

Percent of employers that are considering offering a private exchange

In 2 years: 25%
In 5 years: 45%


Employer advantages
- Cost control
- Choice for employees
- Streamlined management and administration

Employee advantages
- Cost-efficient, convenient buying
- Comprehensive coverage
- Personalized portfolios
Public vs. Private Exchanges

<table>
<thead>
<tr>
<th>PUBLIC</th>
<th>PRIVATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open</td>
<td>Closed</td>
</tr>
<tr>
<td>Medical, prescription</td>
<td>Dental, vision, life, voluntary, plus more</td>
</tr>
<tr>
<td>Single or multiple carrier</td>
<td>Insured or self-funded</td>
</tr>
<tr>
<td>Actives, retirees</td>
<td></td>
</tr>
<tr>
<td>Individuals, Small Group</td>
<td>Group plans</td>
</tr>
<tr>
<td>Government sponsored</td>
<td>Broker, insurer, TPA technology firm</td>
</tr>
</tbody>
</table>
Private Exchange – Value to the Employer

EMPLOYER CHALLENGES

Cost of providing benefits
Employers’ costs continue to outpace earnings and inflation by three times

Resources required to manage benefit programs
79% of US employers cite one-stop shop for all administration as reason to integrate core and voluntary benefits

Health care reform
How to address increased costs plus design, communication, and administration implications

HOW PRIVATE EXCHANGE HELPS

Cost control
Innovative ways to control costs instead of cost-shifting

Choice for employees
Expanded plan options and tools to help make decisions

Streamlined management and administration
End-to-end process for delivering benefits
## Private Exchange – Value to Employees

### EMPLOYEE ISSUES

<table>
<thead>
<tr>
<th>Issue</th>
<th>How Private Exchange Helps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance of benefits as attraction/retention factor</td>
<td>Cost-efficient buying</td>
</tr>
<tr>
<td>53% say benefits play a significant role in their decision to stay with their employer</td>
<td>Informed benefits buying decisions</td>
</tr>
<tr>
<td>Low satisfaction with current benefits</td>
<td>Comprehensive coverage</td>
</tr>
<tr>
<td>24% think that their benefit program is “very good”</td>
<td>Wider range of coverage options</td>
</tr>
<tr>
<td>Flexibility to choose benefits that fit their needs</td>
<td>Personalized benefit portfolios</td>
</tr>
<tr>
<td>Almost half would like to have flexibility to reduce the value of some benefits and increase the value of others</td>
<td>Customized benefit plans to meet employee and family needs</td>
</tr>
</tbody>
</table>
Overall Value of Private Exchanges to an Employers

ALLOWS EMPLOYER TO “STAY IN THE GAME”

ALLOWS EMPLOYER TO CHANGE THE RULES
Final Thoughts

Health care is like the Royals

- “Small ball”
- Not many home runs
- Lots of singles, walks, sacrifices and stolen bases
- Good pitching, defense
- Lace up the shoes
- Play ball