

# 2016 Willis Towers Watson Survey Update

Best Practices in Health Care (Fall 2015)  
Emerging Trends (Spring 2016)

March 10, 2016

A presentation to Orange County Employee Benefits Council  
by Sandy Ageloff, Willis Towers Watson West Health & Benefits  
Leader

# About the Willis Towers Watson surveys

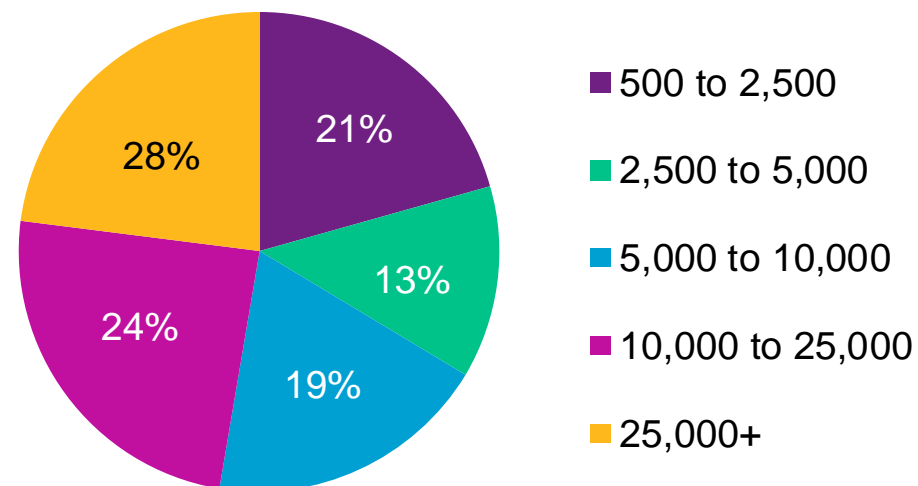
**Emerging Trends Survey**  
**467/12.1M**  
**Employers / Full Time Employees**

**Best Practices Survey**  
**487/15.1M**  
**Employers / Full Time Employees**

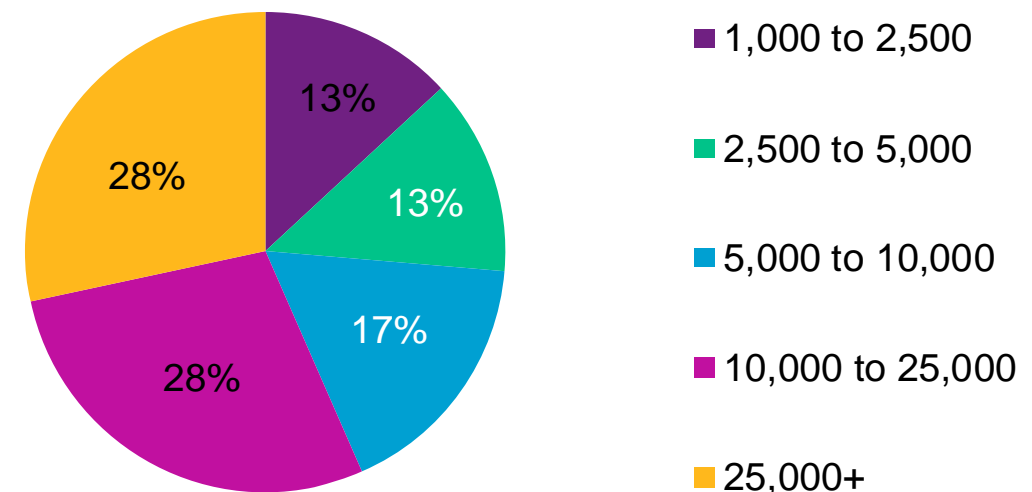
- Survey data collected between January and February 2016

- Survey data collected between June and July 2015

Number of full-time workers employed by respondents



Number of full-time workers employed by respondents



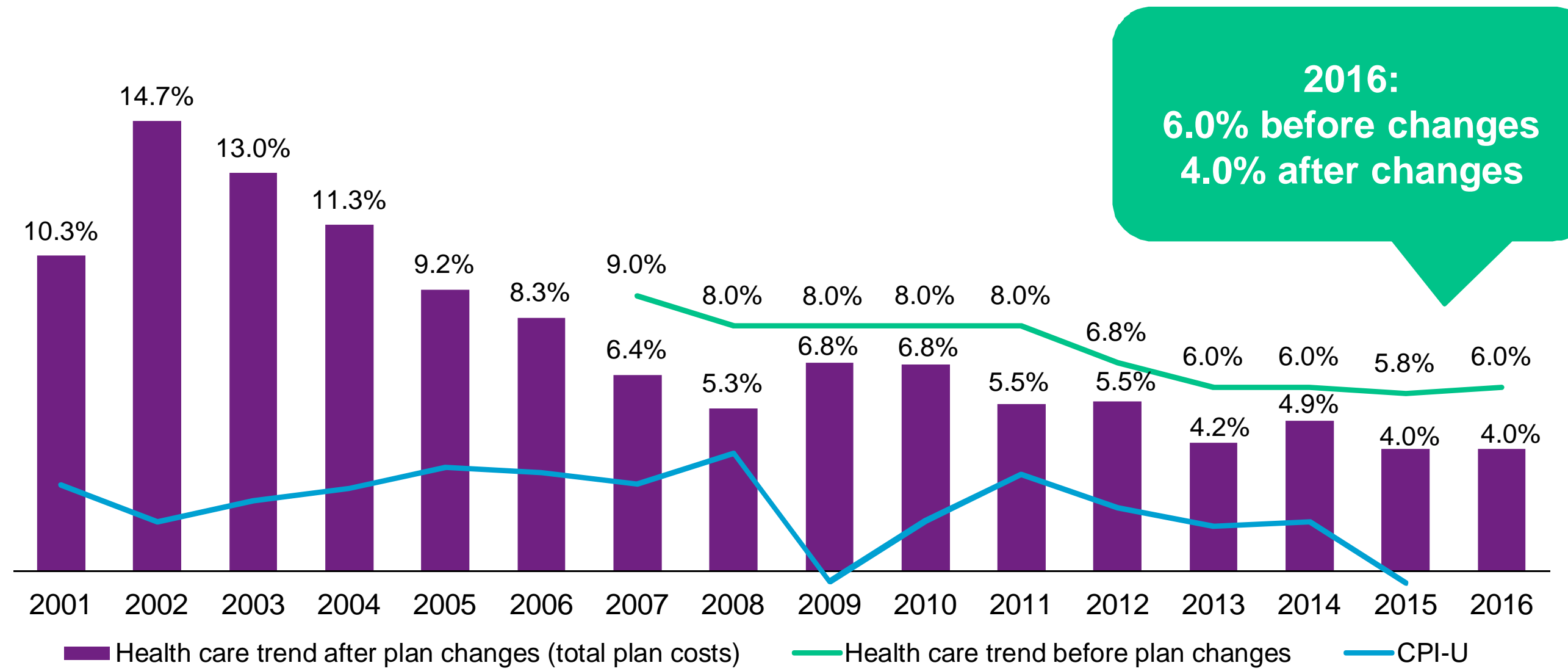
Source: 2016 Emerging Trends in Health Care Survey.

## Key trends

- 1 Health care trend remains in the mid single digits**
- 2 Excise tax will continue to influence benefits strategy despite its delay**
- 3 Digital engagement is becoming the norm**
- 4 Telemedicine has quickly become a core offering, with Centers of Excellence and High Performance Networks on the rise**
- 5 Employers are beginning to understand the value of group private exchanges**

Source: 2016 Emerging Trends in Health Care Survey.

# Health care cost trend remains low; but consistently higher than CPI-U for several years



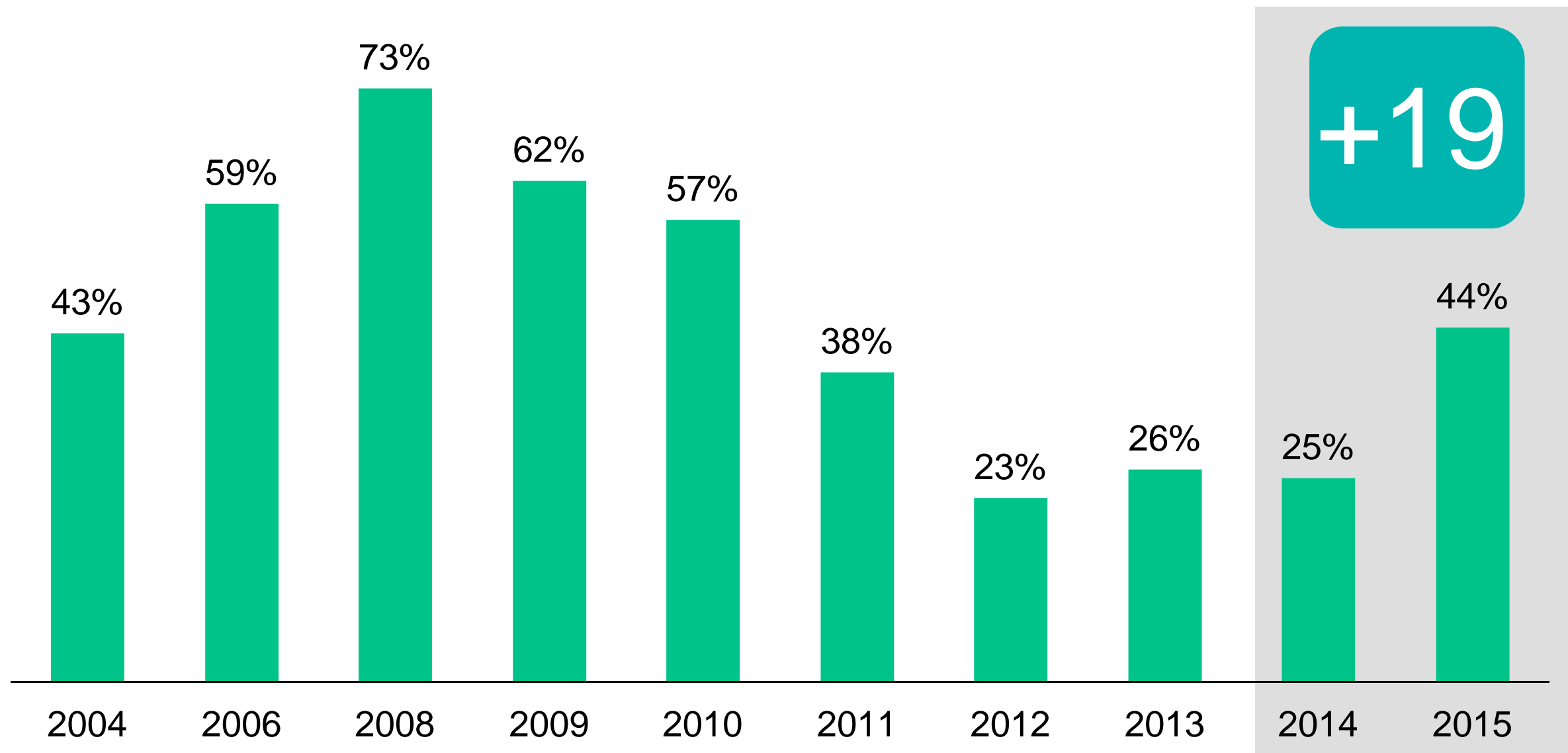
**2016:**  
6.0% before changes  
4.0% after changes

\*Projected.

**Note:**

- Median trends for medical and drug claims for active employees.
- CPI-U extracted from the Department of Labor, Bureau of Labor Statistics.

# Employer confidence in offering health care coverage in ten years nearly doubles



Note: High Confidence represents responses of “Very confident.”

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

# Cost is the key driver of change for health care programs



Source: 2016 Emerging Trends in Health Care Survey.

# Employers take aggressive action to control costs

## #1 Priority is to evaluate health and pharmacy plan design strategy



80%

Plan to change health and pharmacy plan design as most important priority in the next 3 years



60%

Anticipate adopting spousal surcharge, compared to 27% today



40%

Structure employee contributions based on employees taking specific actions

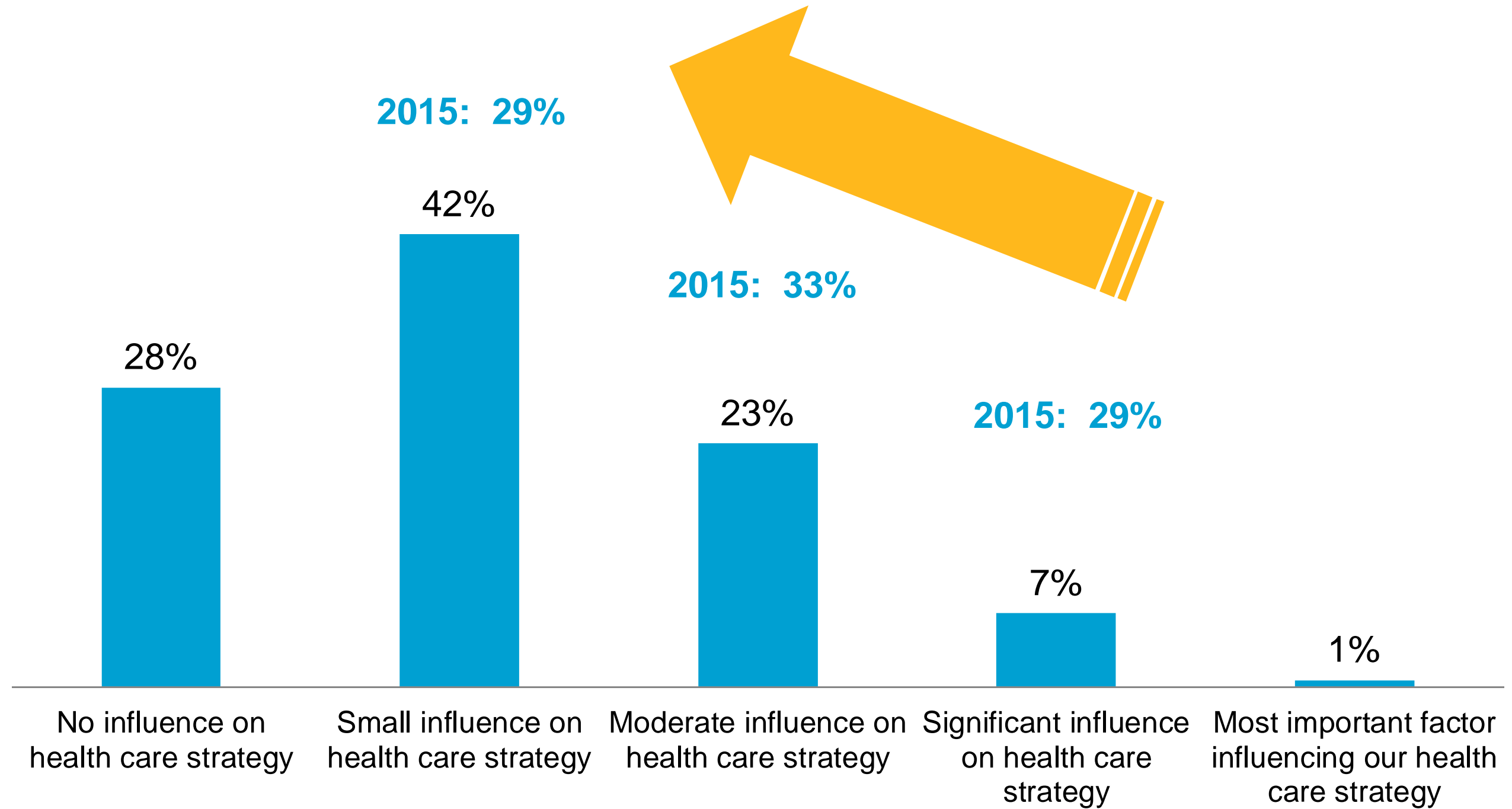


20%

Currently use defined contribution strategies, expected to double by 2018

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

# While the emphasis on excise tax is shifting, most employers plan moderate to significant changes over the next 4 years



Note: Responses of “not applicable” have been removed.

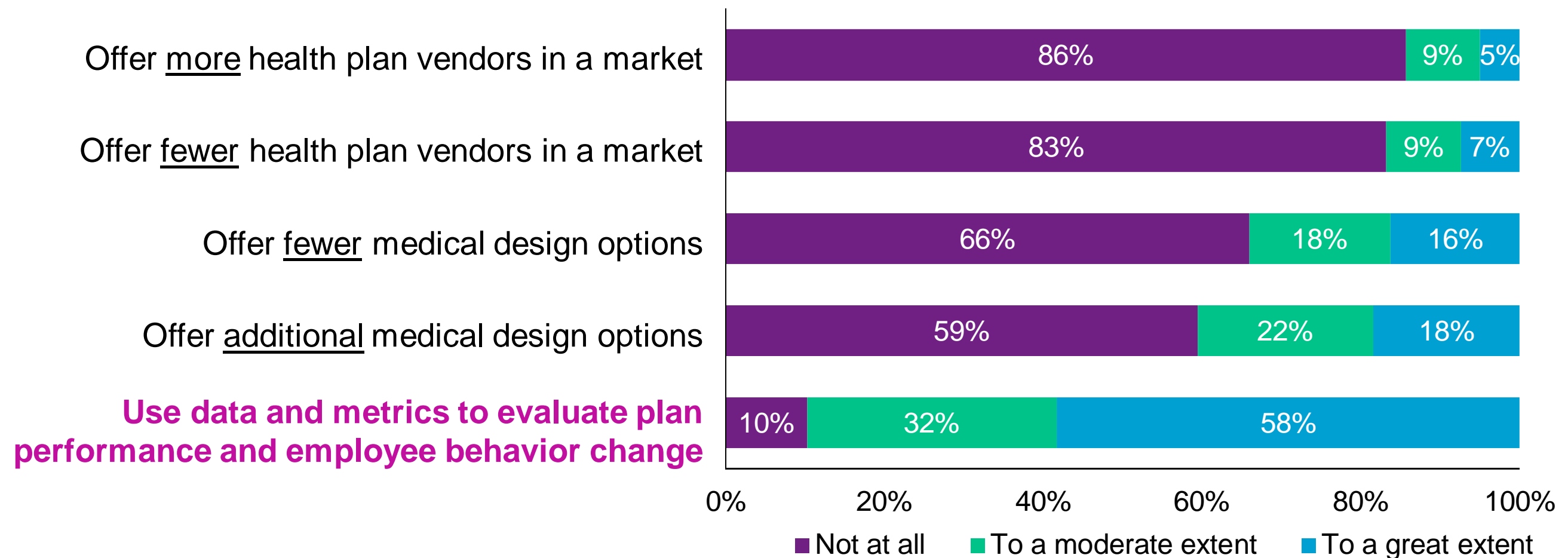
Source: 2016 Emerging Trends in Health Care Survey.



# Employers are placing more emphasis on using data and metrics

## WTW POINT OF VIEW ...

The rate and level of change in the vendor marketplace has resulted in employers pursuing a number of different approaches in search of value



Source: 2016 Emerging Trends in Health Care Survey.

# Low participation in wellness activities causes companies to revisit their incentive strategy

86%

Offer some type of wellness incentive to encourage participation

40%

Employees earn no incentives in a given year

88%

Plan to re-evaluate their incentive strategy over the next 3 years

\$880

Average incentive dollar opportunity

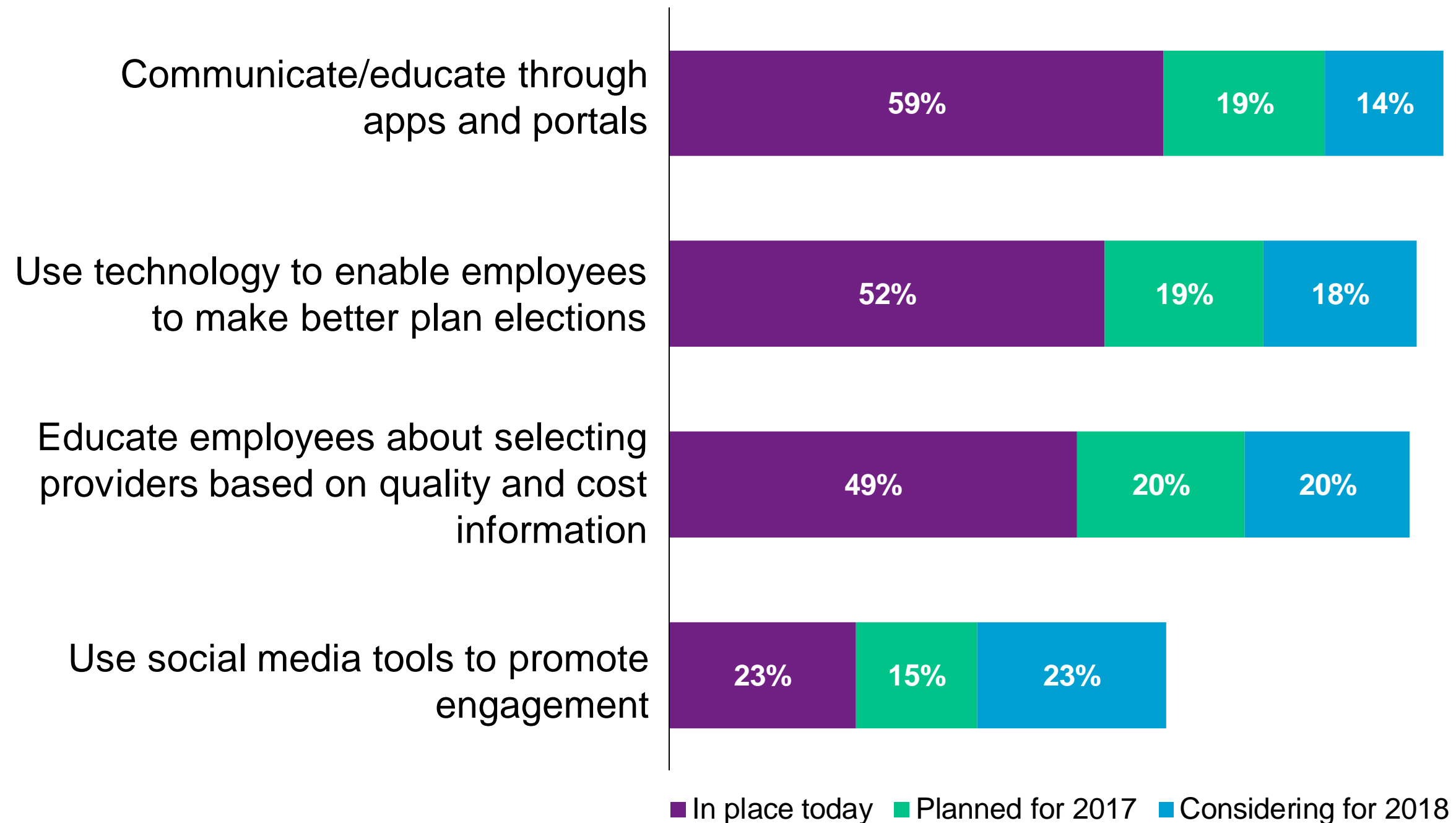
\$365

Average actual dollar payout

**Employees leave money (and a lot of it) on the table**

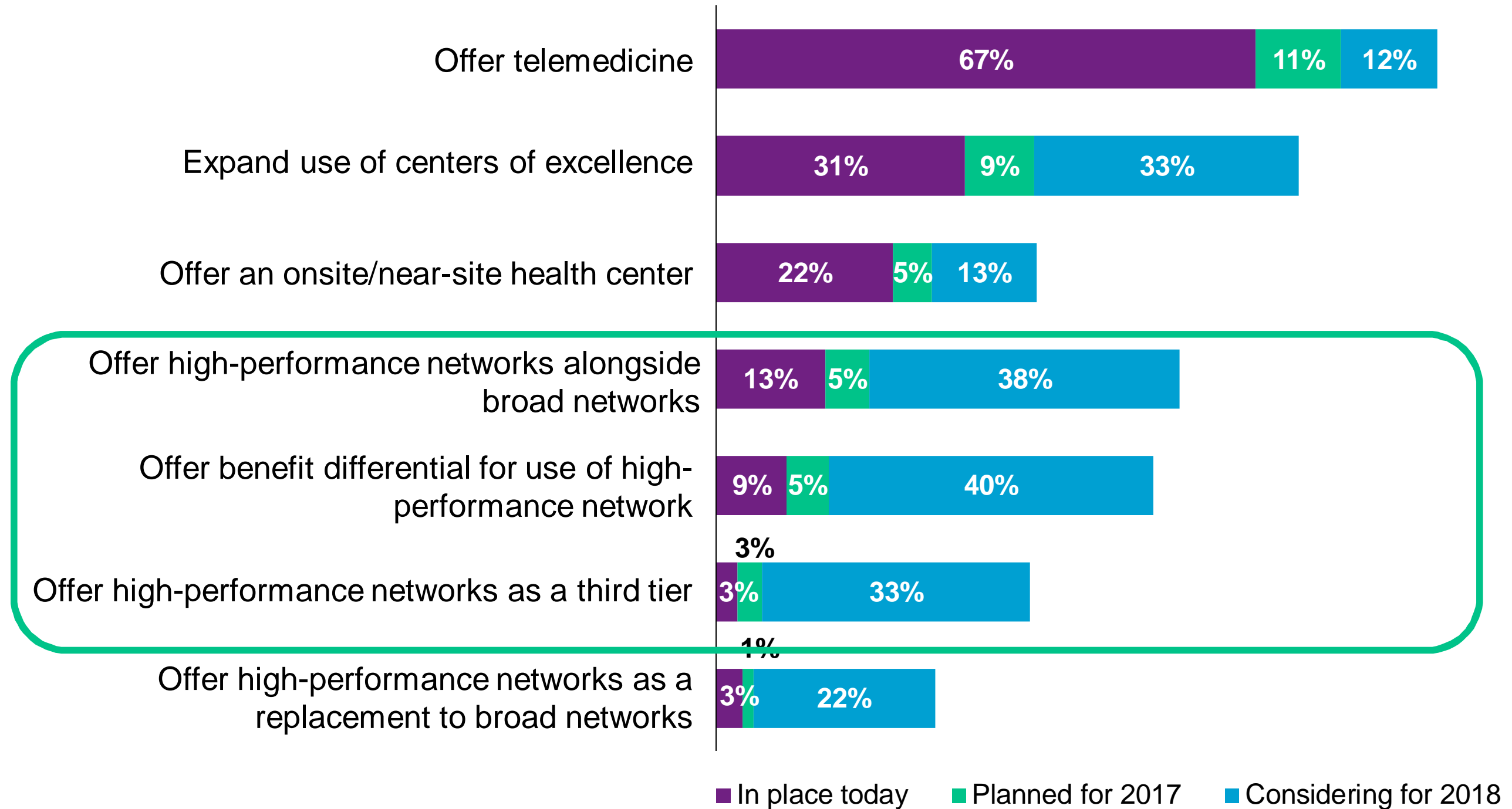
Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

# The majority of organizations are leveraging technology to facilitate communication and engagement



Source: 2016 Emerging Trends in Health Care Survey.

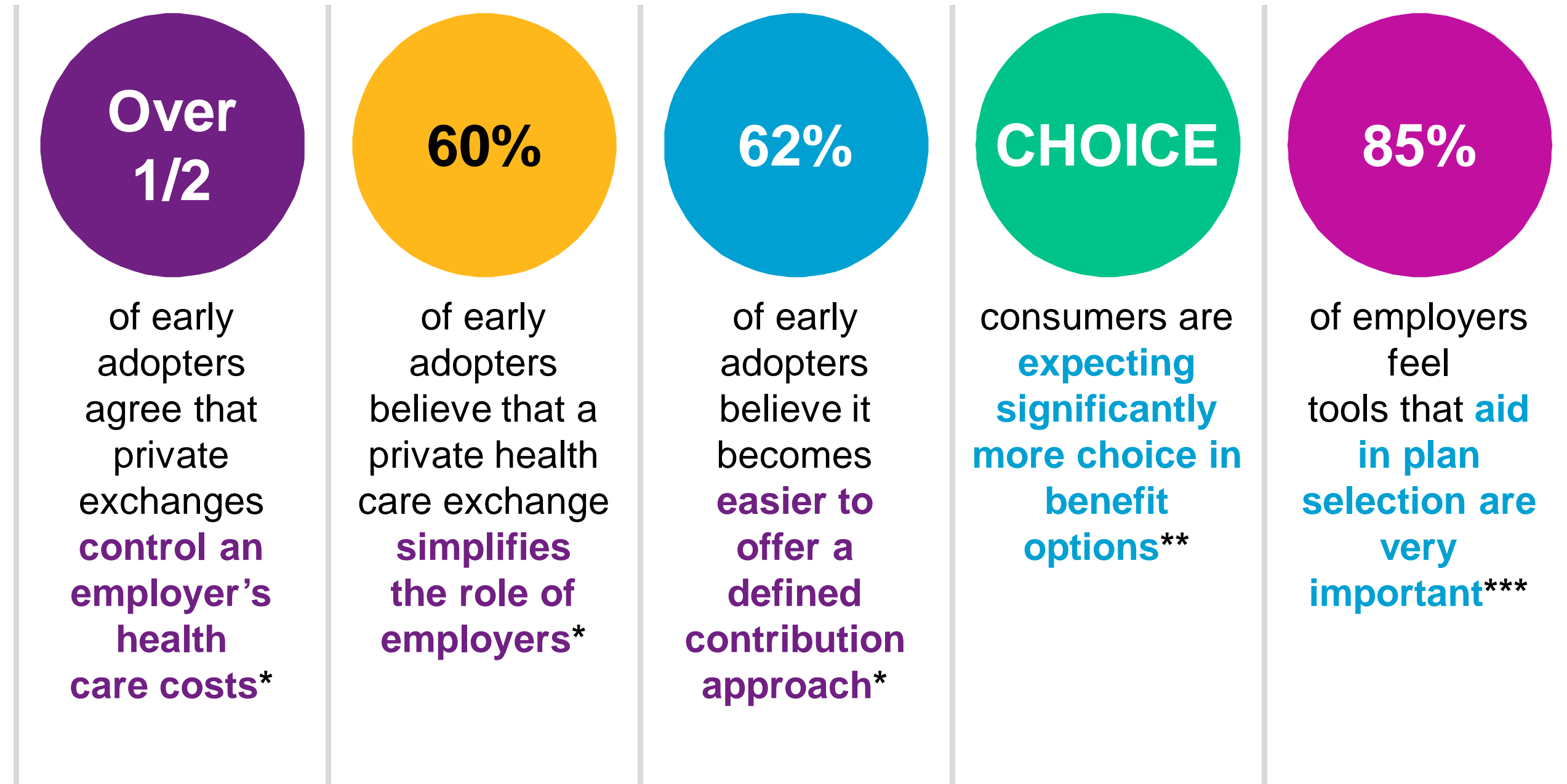
# Access to health care via network and provider strategies continues to be a key area of focus



Source: 2016 Emerging Trends in Health Care Survey.

# Trends and insights

## State of the private exchange industry

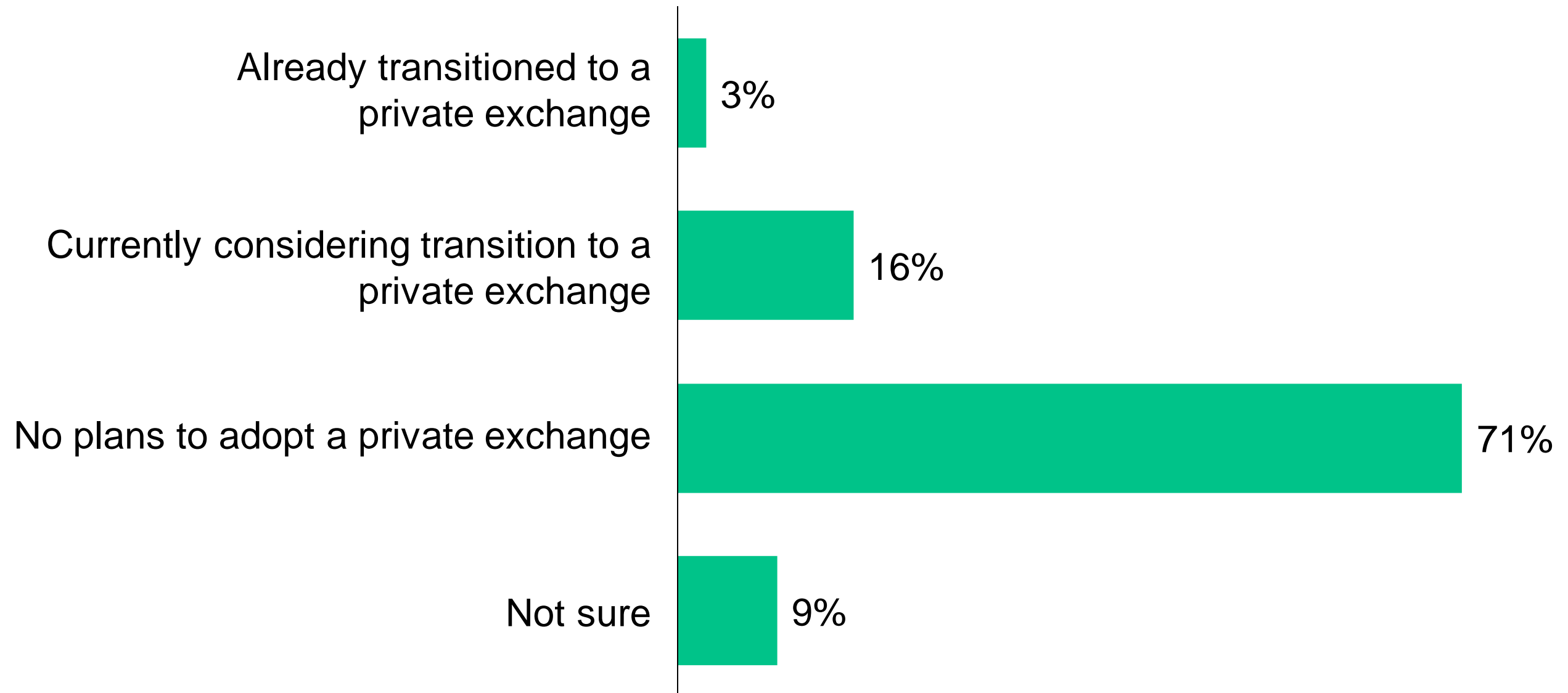


\*Private insurance exchanges, "Outlook is good." Insights from the Deloitte Center for Health Solutions 2015 Survey of US Employers.

\*\*Deloitte Private exchanges: Wolf at the health plan's door? [www.deloitte.com/us/Consumerism](http://www.deloitte.com/us/Consumerism).

\*\*\*Private Exchange Evaluation Collaboration 2014.

# One in 6 employers are considering a private exchange for full-time employees and their families



Source: 2016 Emerging Trends in Health Care Survey.

# Best performers create a financial advantage through lower total cost and lower trend

## New! Definition of Best Performers

### Health Plan Efficiency

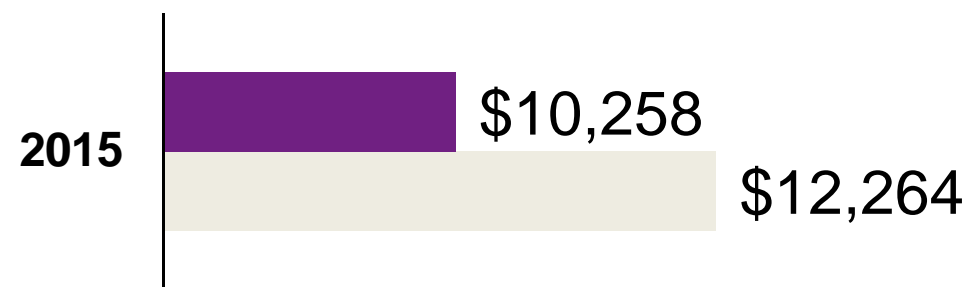
Two-year average efficiency that is 5% or greater



### Cost Trends *Before* Changes

Two-year average trend before plan changes at or below the national norm

### Unadjusted Total Costs PEPY

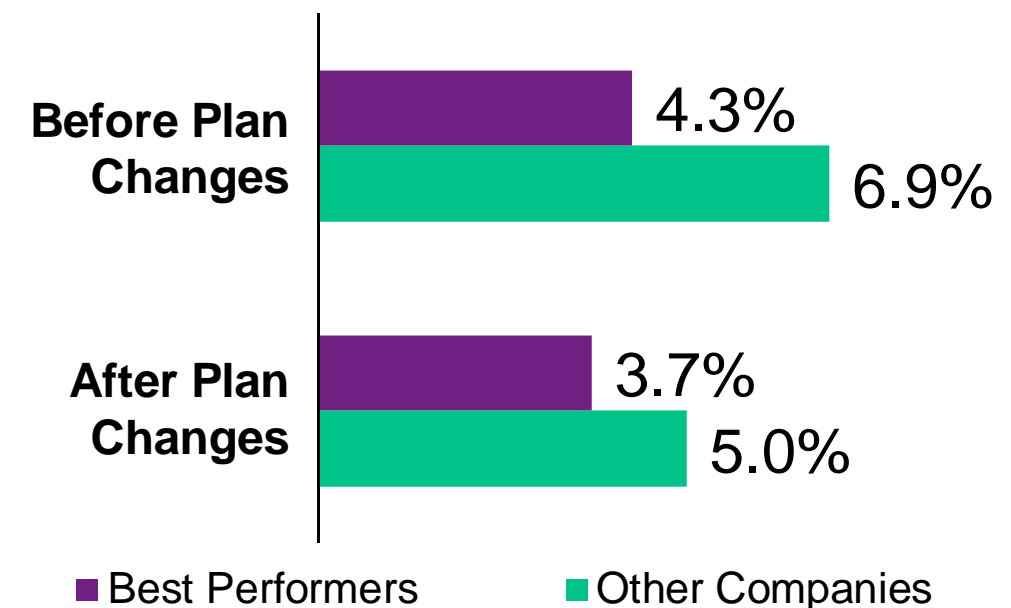


### Average Efficiency in 2015

**17%** vs. **0%**

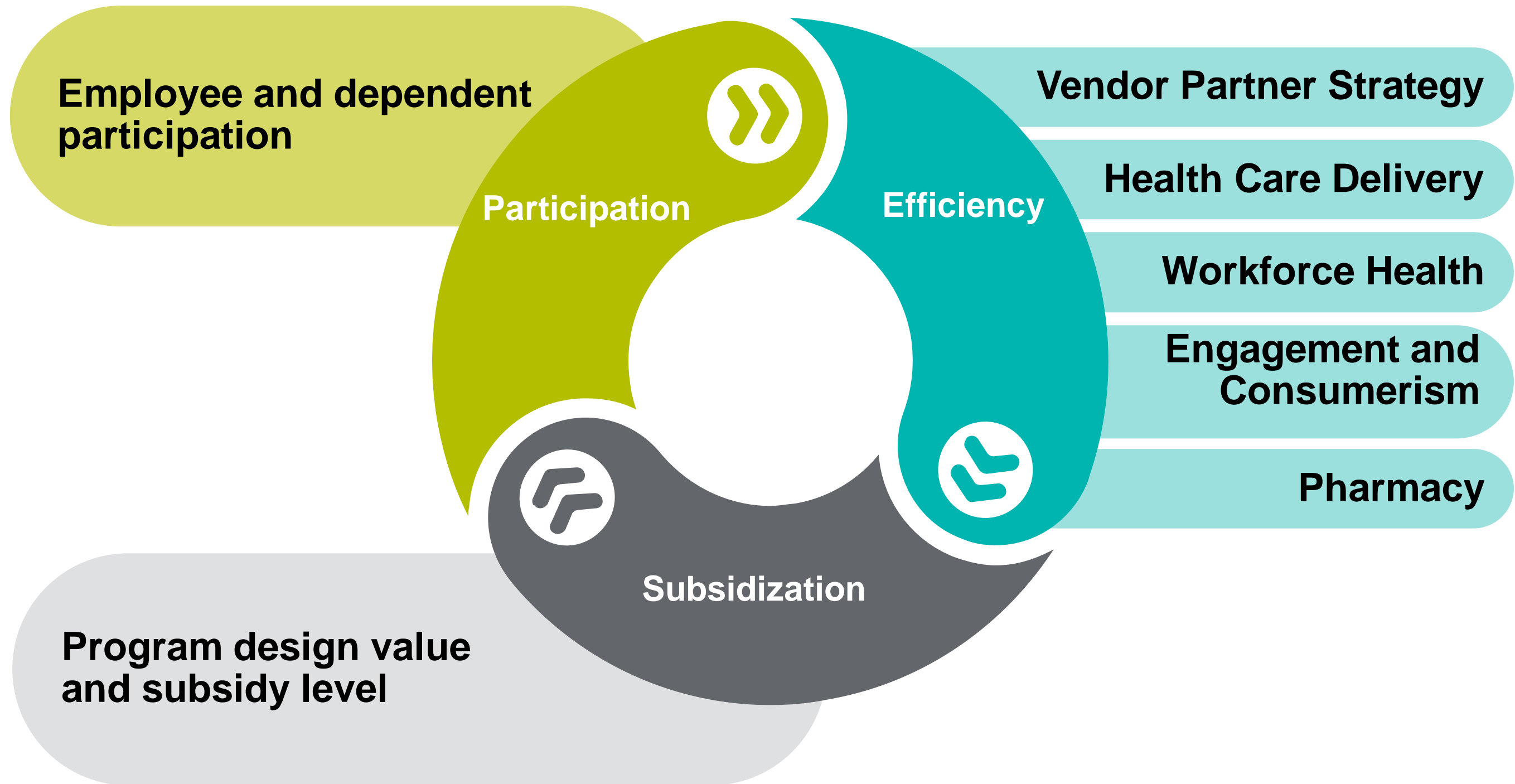
■ Best Performers      ■ Other Companies

### 2014/15 Cost Trends



Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

# What's driving variability in health care costs?



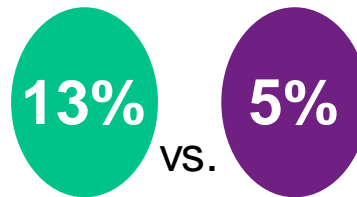
Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.



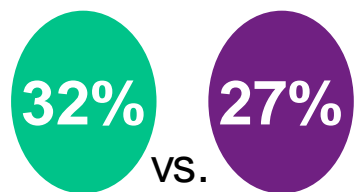
# Best performers leverage participation and subsidization

## ✓ Participation

Structure employee contributions on a per dependent covered basis

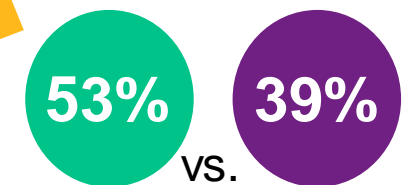


Use spousal surcharge

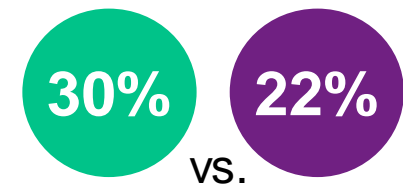


## 💰 Subsidization

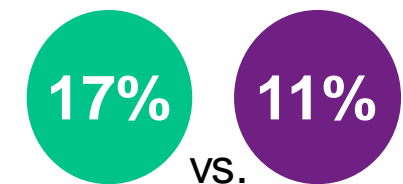
Structure employee contributions based on employees taking specific steps



Offer low-value plan options



Use value-based benefit design in medical plans

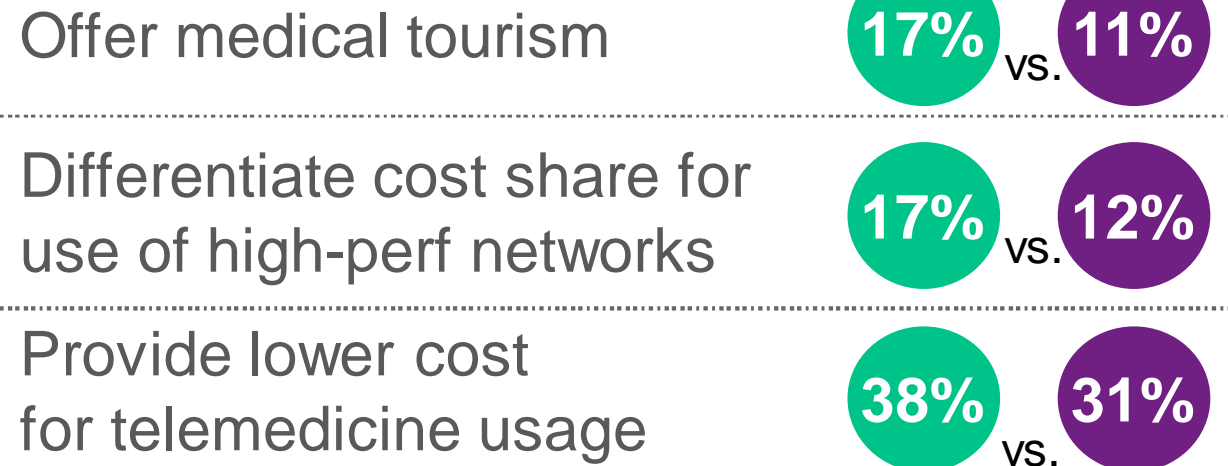


● Best performers    ● National average

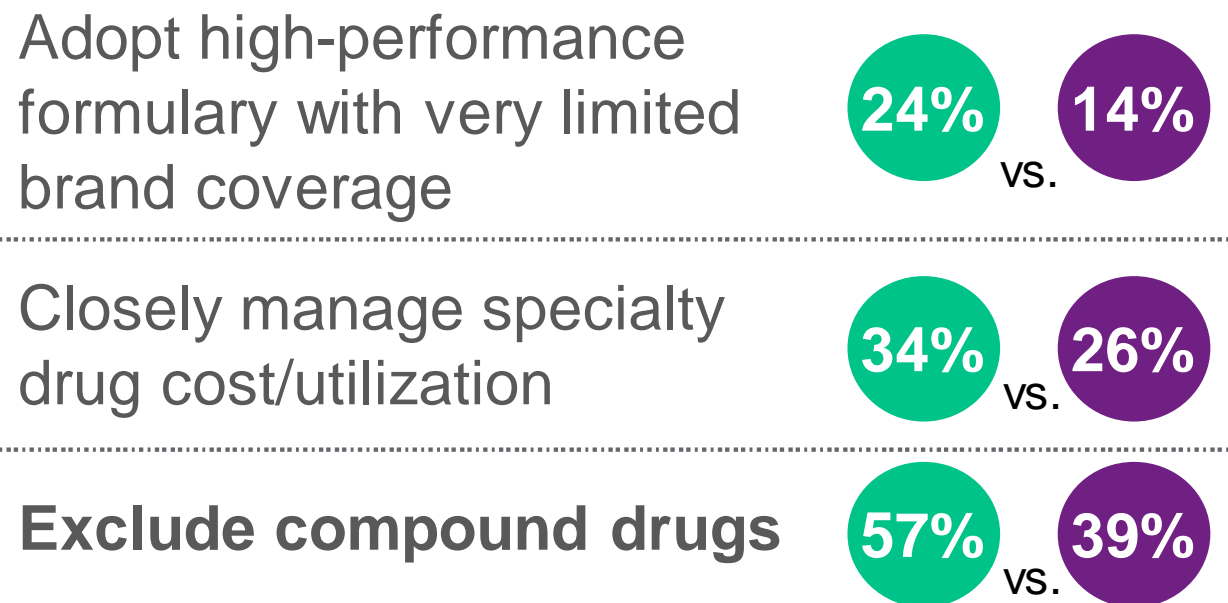
Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

# Best performers focus on key drivers of efficiency

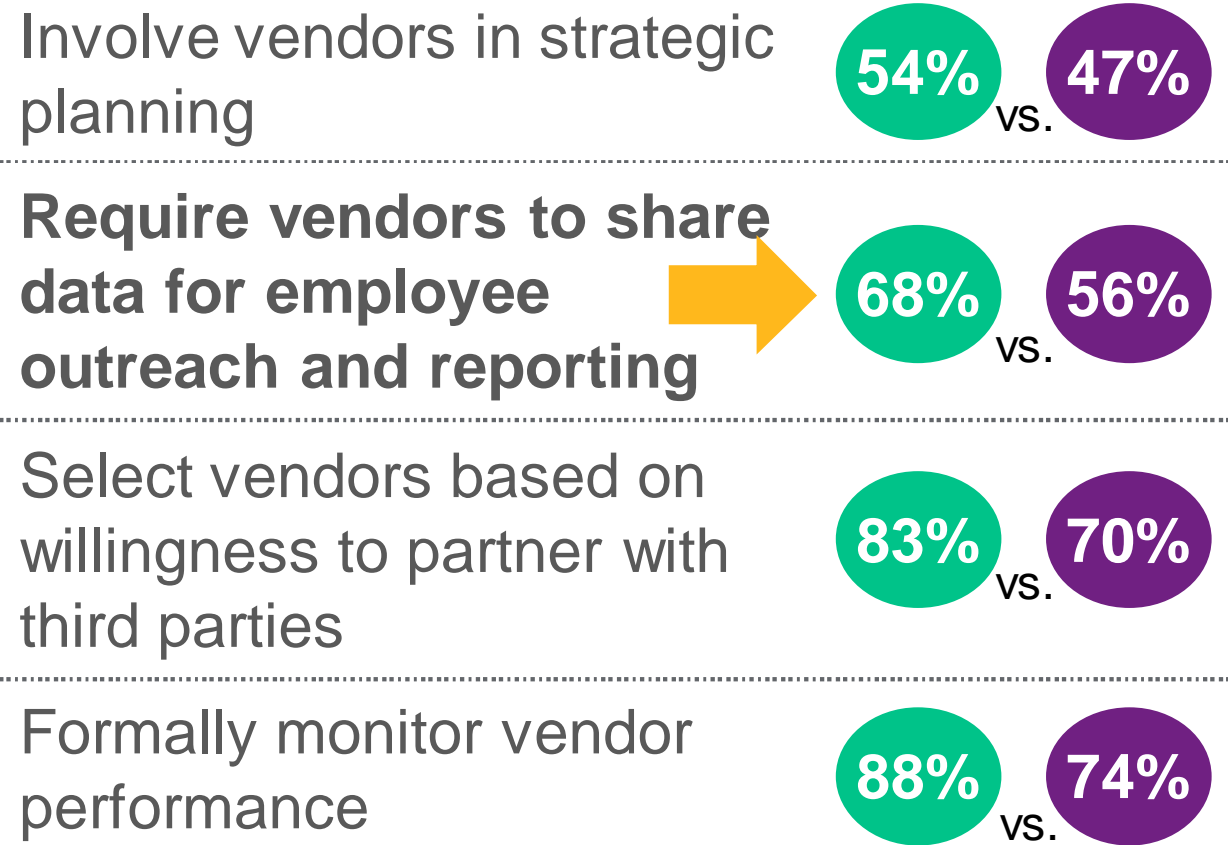
## Health Care Delivery



## Pharmacy



## Vendor Partner Strategies

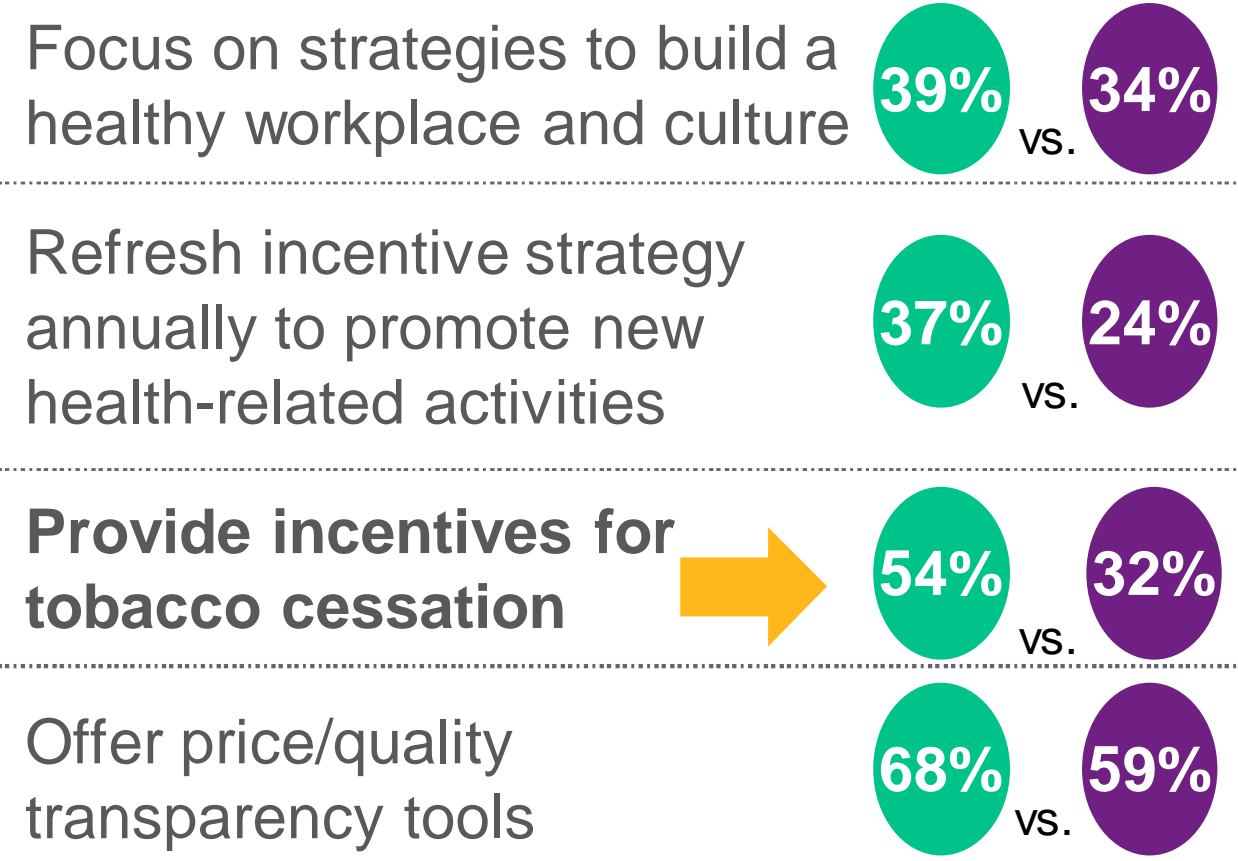


 Best performers     National average

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

# Best performers focus on key drivers of efficiency

## Engagement and Consumerism



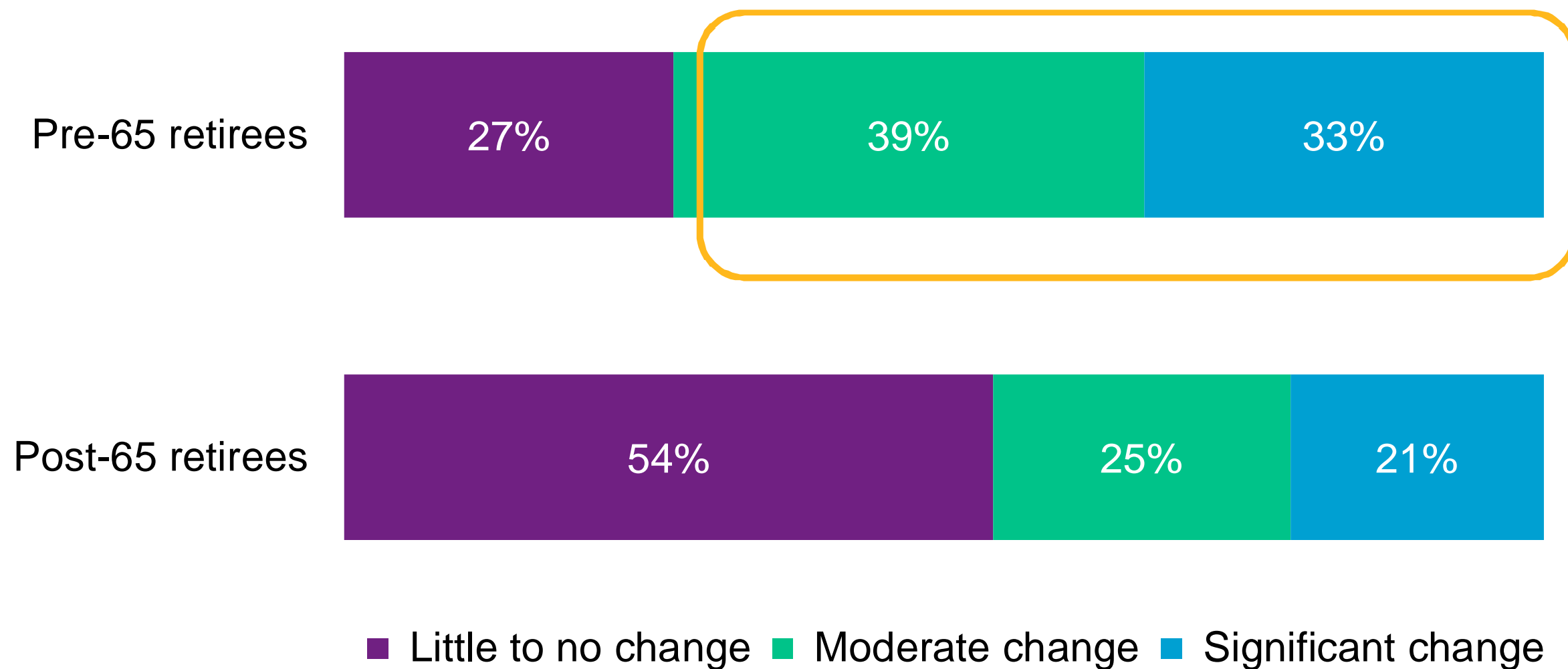
## Workforce Health



● Best performers    ● National average

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.

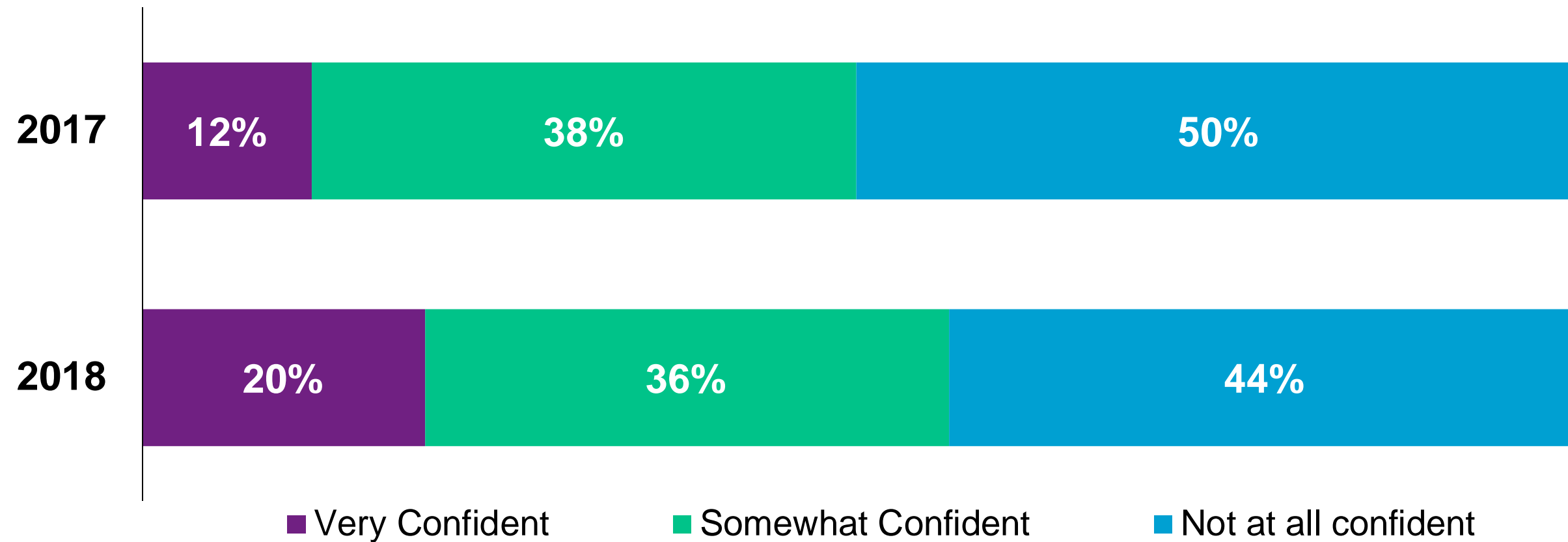
# Most employers plan moderate to significant changes to their Pre-65 retiree health care benefits over the next 4 years



Note: Responses of “not applicable” have been removed.

Source: 2016 Emerging Trends in Health Care Survey.

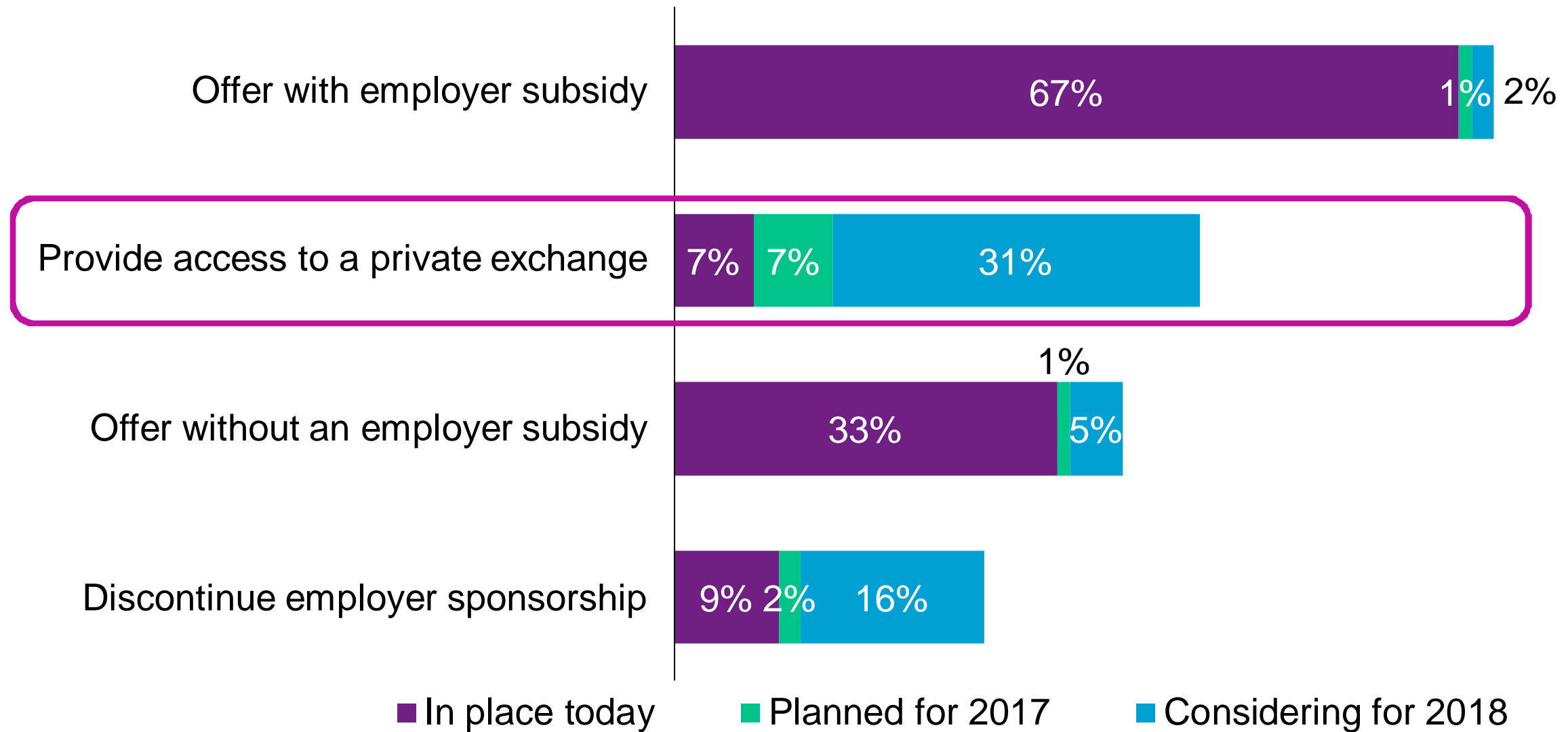
# Employers don't expect public health insurance exchanges to provide a viable alternative for their pre-65 retirees



Source: 2016 Emerging Trends in Health Care Survey.

# Of employers that offer retiree medical, nearly a third are considering providing access to a private exchange for 2018

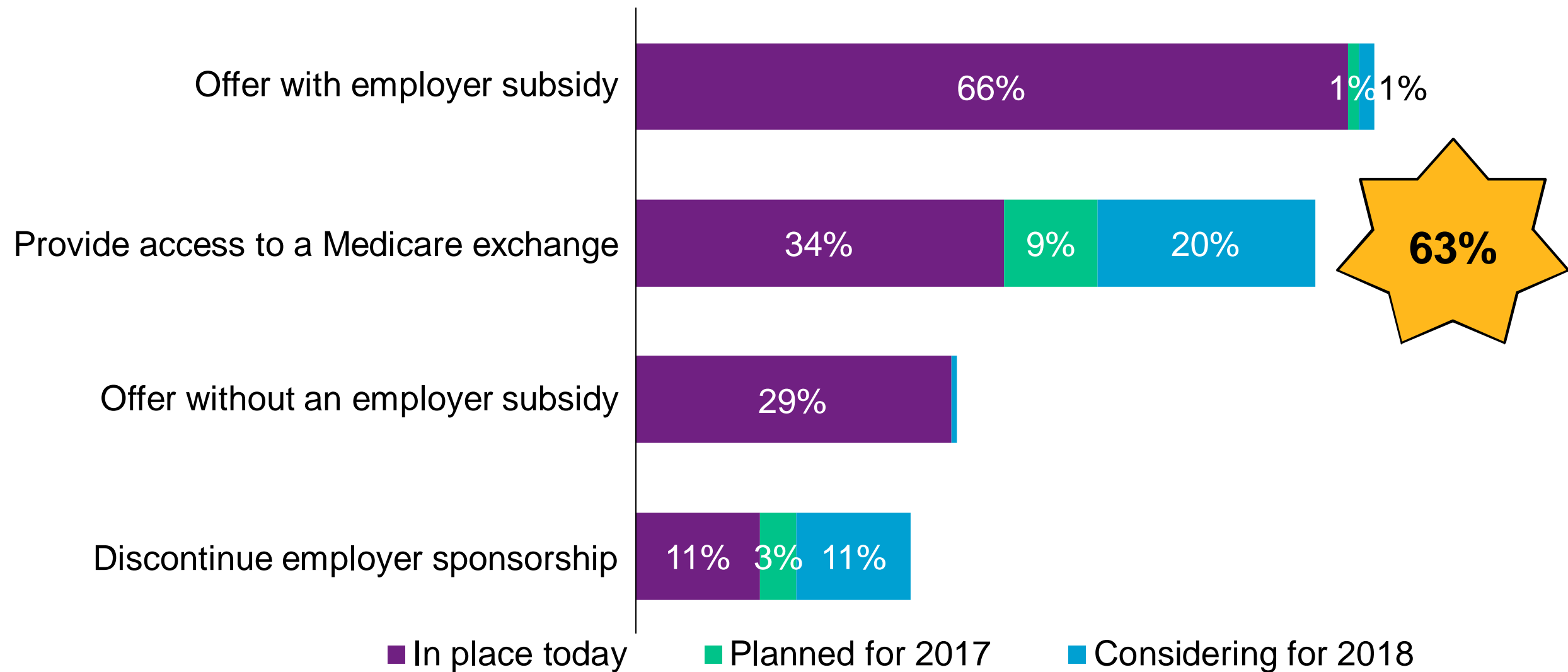
## Pre-65 Retirees



Source: 2016 Emerging Trends in Health Care Survey.

# Employers with retiree benefits are also planning to provide increased access to a Medicare exchange

## Post-65 Retirees



Source: 2016 Emerging Trends in Health Care Survey.

## Conclusions: What can we learn from best performers?

- **Understanding population health is critical**
  - Metrics are not consistently used, but are key to understanding spend
- **Lack of employee engagement** remains the biggest obstacle
  - **Persistent low program participation** warrants a review of program structure, vendor partners, or incentive strategy
- **Consider care extenders**, such as telemedicine and onsite/near site clinics
  - Enhance employee control, productivity, and convenience
- **Make employees partners** in financial implications of care
  - Transparency in sharing total cost of care
  - Encourage use of HSAs and wellness programs with incentives
  - Reduce costs for telemedicine and value-based pharmacy spend

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey.



# Questions



# Thank you

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