



2017 Willis Towers Watson Survey Update

Emerging Trends (Spring 2017) Best Practices in Health Care (Fall 2016)

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

March 16, 2017

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About the Emerging Trends and Best Practices surveys

Emerging Trends

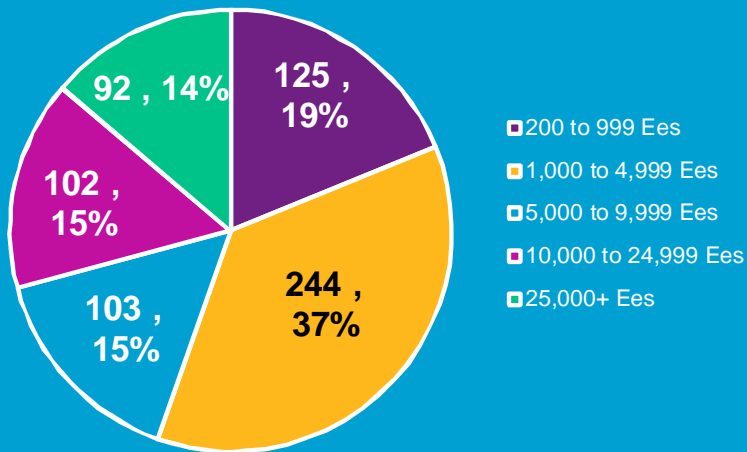
666

666 employers with at least 200 employees responded to the survey in January, 2017

9.3M

Respondents employ 9.3 million employees, among which 6.5 million are full-time

Employer Size



Best Practices in Health Care

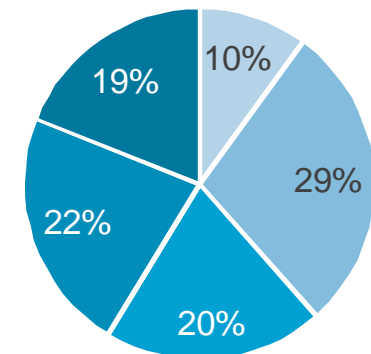
540

Employers (with at least 1,000 employees) responded in June/July 2016

12.2M

full-time employees

- 200 to 999
- 1,000 to 4,999
- 5,000 to 9,999
- 10,000 to 24,999
- 25,000+



Sources: 2017 Willis Towers Watson Emerging Trends in Health Care Survey; 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Executive Summary

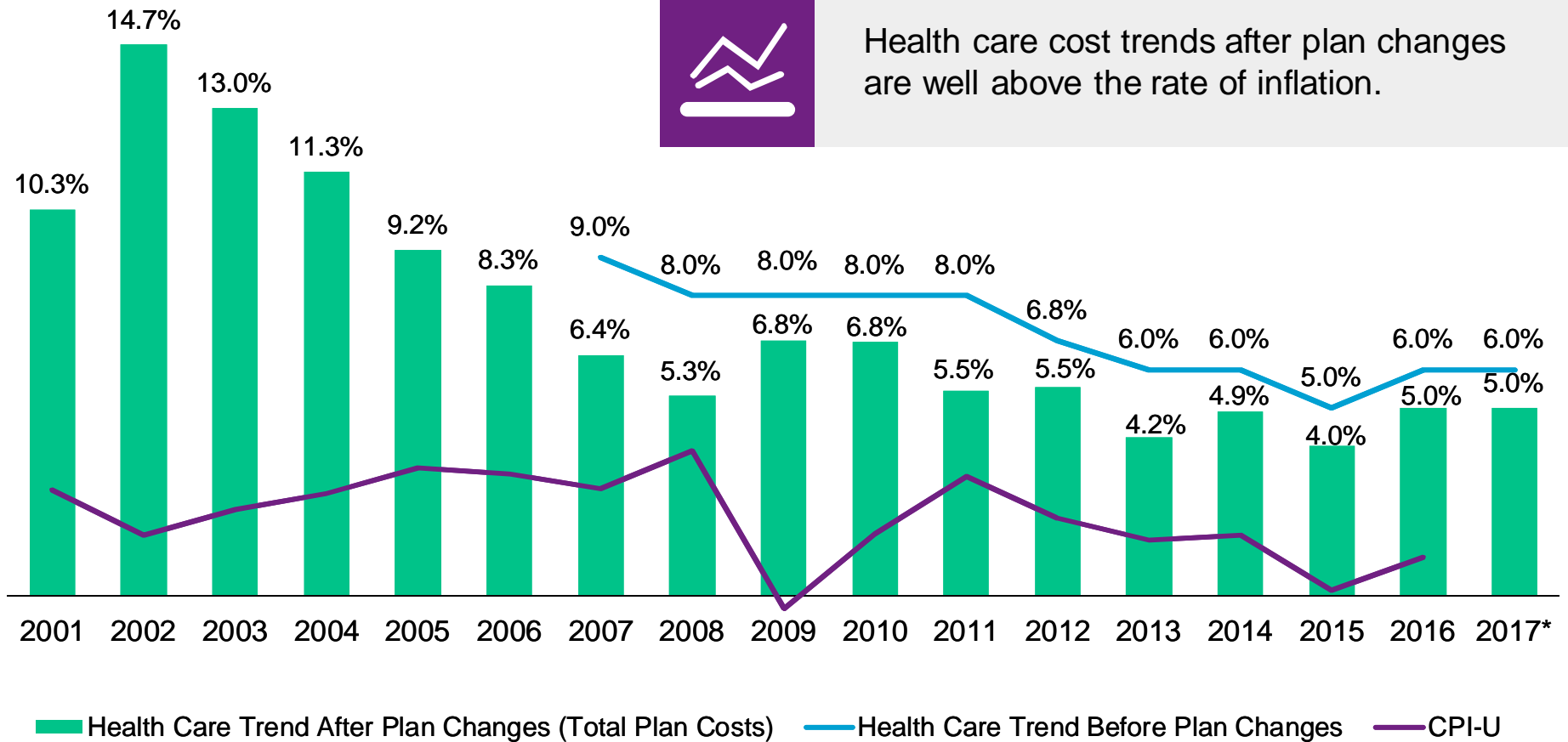
- 1** Employer confidence in offering health care benefits returns to pre-ACA level despite uncertainty
- 2** Employers focus in 2017 on plan design changes, expanding their ABHP strategy and adding value through vendor partnerships
- 3** Curbing pharmacy spend, especially the cost and delivery of specialty drugs, is a top focus of employers over the next 3 years
- 4** Employers unlikely to take action in response to repeal of ACA with the exception of the potential change to benefits tax treatment
- 5** Enhancing the employee experience is seen as key to boosting health engagement
- 6** Best performers continue to create a financial advantage

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Health care cost trend remains at historically low levels



Health care cost trends after plan changes are well above the rate of inflation.

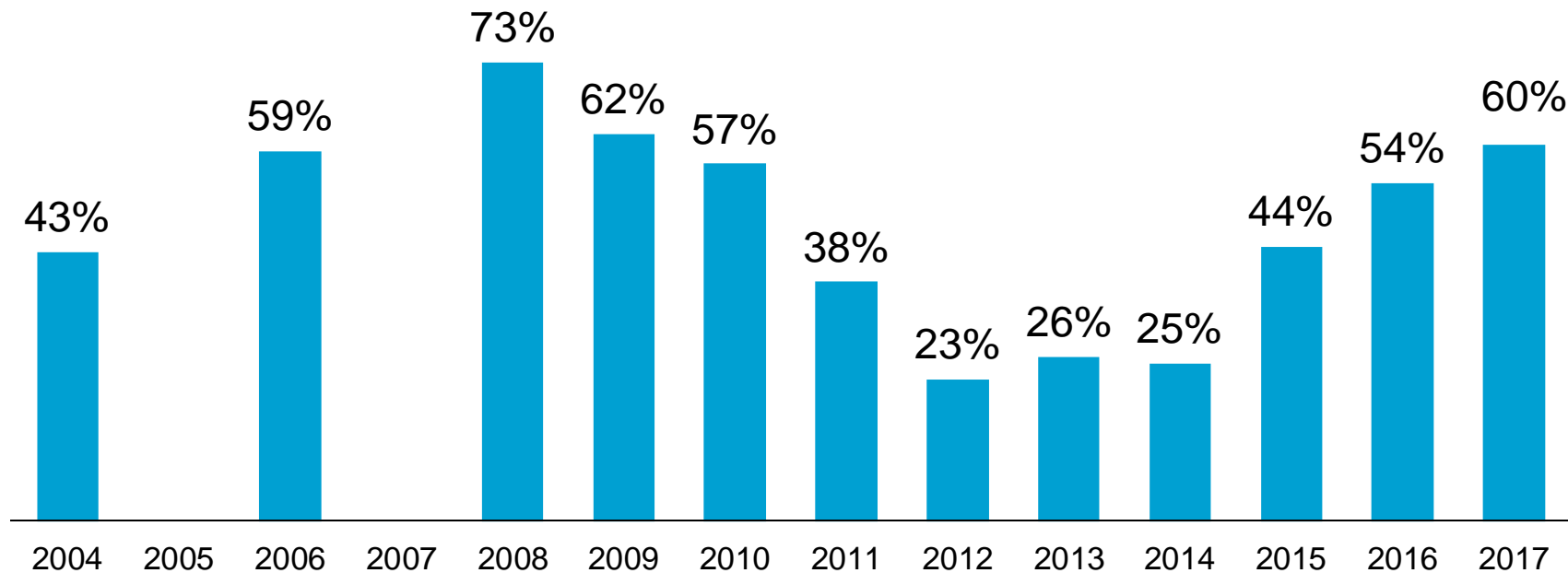


*Projected.

Sample: Companies with at least 1,000 employees.

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Employer confidence in offering health care benefits over the next 10 years continues to grow



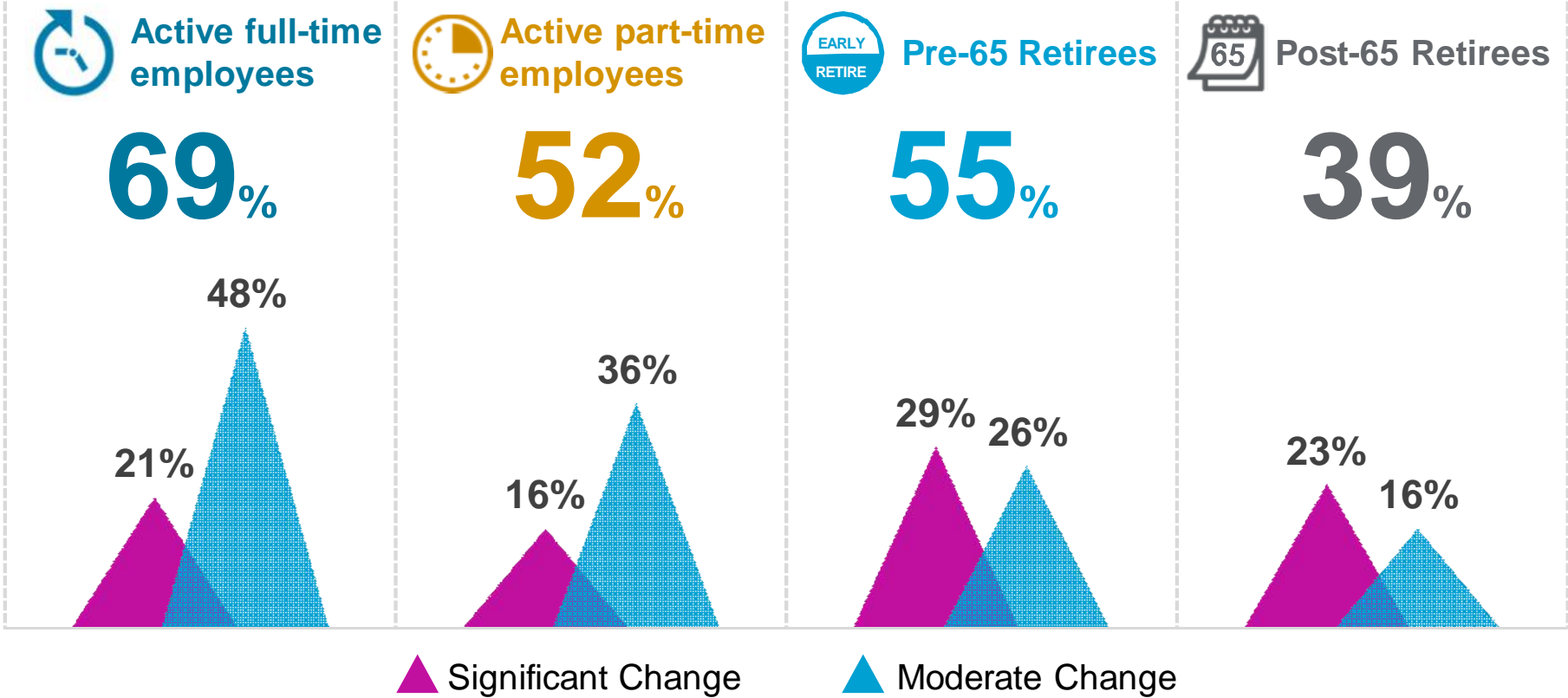
5-Year Confidence: 92% very confident, 8% somewhat confident, 0% not confident.

Sample: Employers with at least 1,000 employees.

Note: High Confidence represents responses of "Very confident." Years 2004-2016 are based on prior years of the TW Survey.

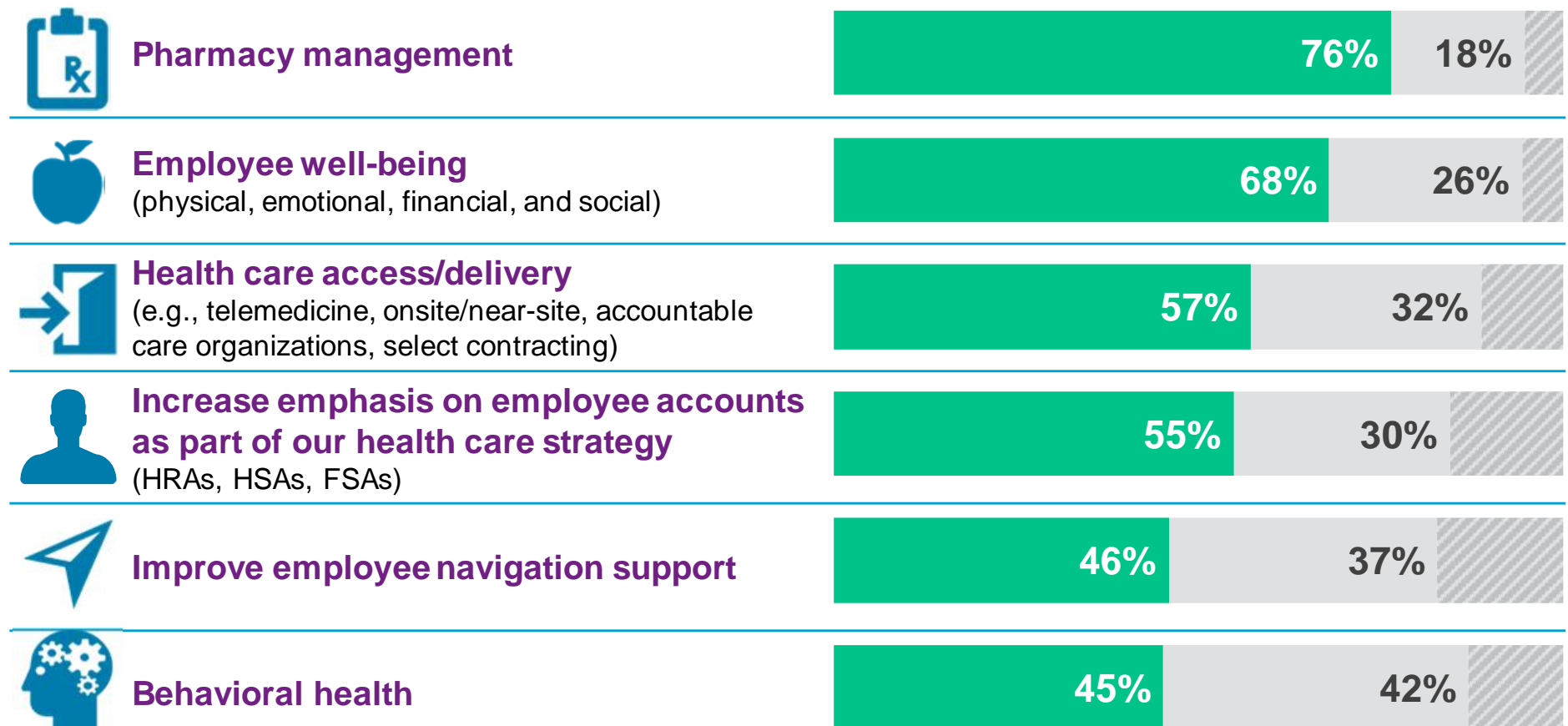
Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Companies anticipate moderate changes to their health benefits programs through 2020



Sample: Employers with at least 200 employees.
 Note: "Not applicable" removed.
 Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Employers to focus on a broad set of priorities over the next three years



■ An extremely important priority - 5/4
 ■ A moderately important priority - 3

Sample: Employers with at least 200 employees.

Note: Percentage responding 4 or 5 on a 5-point extent scale.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Employers remain focused on controlling the cost of specialty pharmacy

Specialty pharmacy cost management



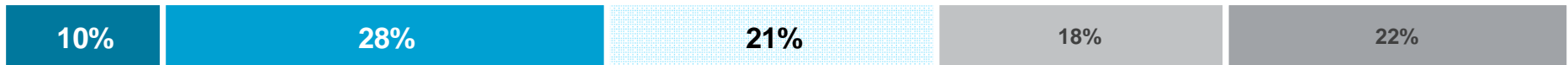
Affordability for employee and their family members



Vendor evaluation/accountability – Pharmacy Benefits Managers (PBM)



Improvement in generic substitution



Vendor evaluation/accountability – Health Plan Pharmacy Coverage



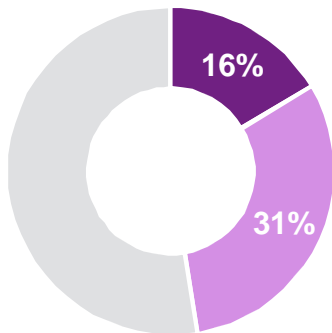
■ Ranked 1
 ■ Ranked 2
 ■ Ranked 3
 ■ Ranked 4
 ■ Ranked 5

Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

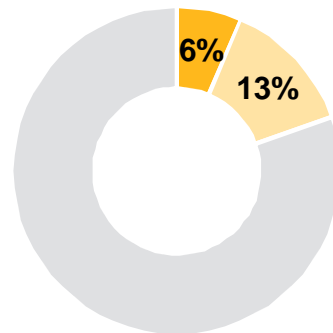
Few employers are likely to modify their current health care strategy in response to regulatory changes

Cap the tax exclusion of health care benefits



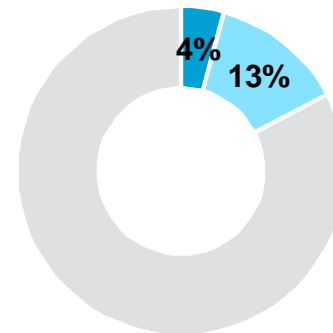
Very likely – 5/4
Somewhat likely – 3

Repeal the employer mandate



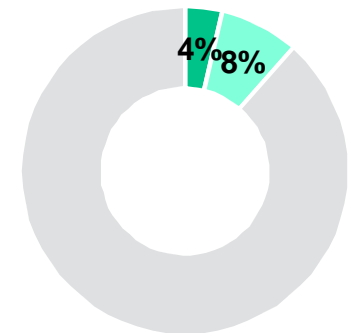
Very likely – 5/4
Somewhat likely – 3

Eliminate the current restrictions on stand-alone or premium reimb. HRAs for your active workers



Very likely – 5/4
Somewhat likely – 3

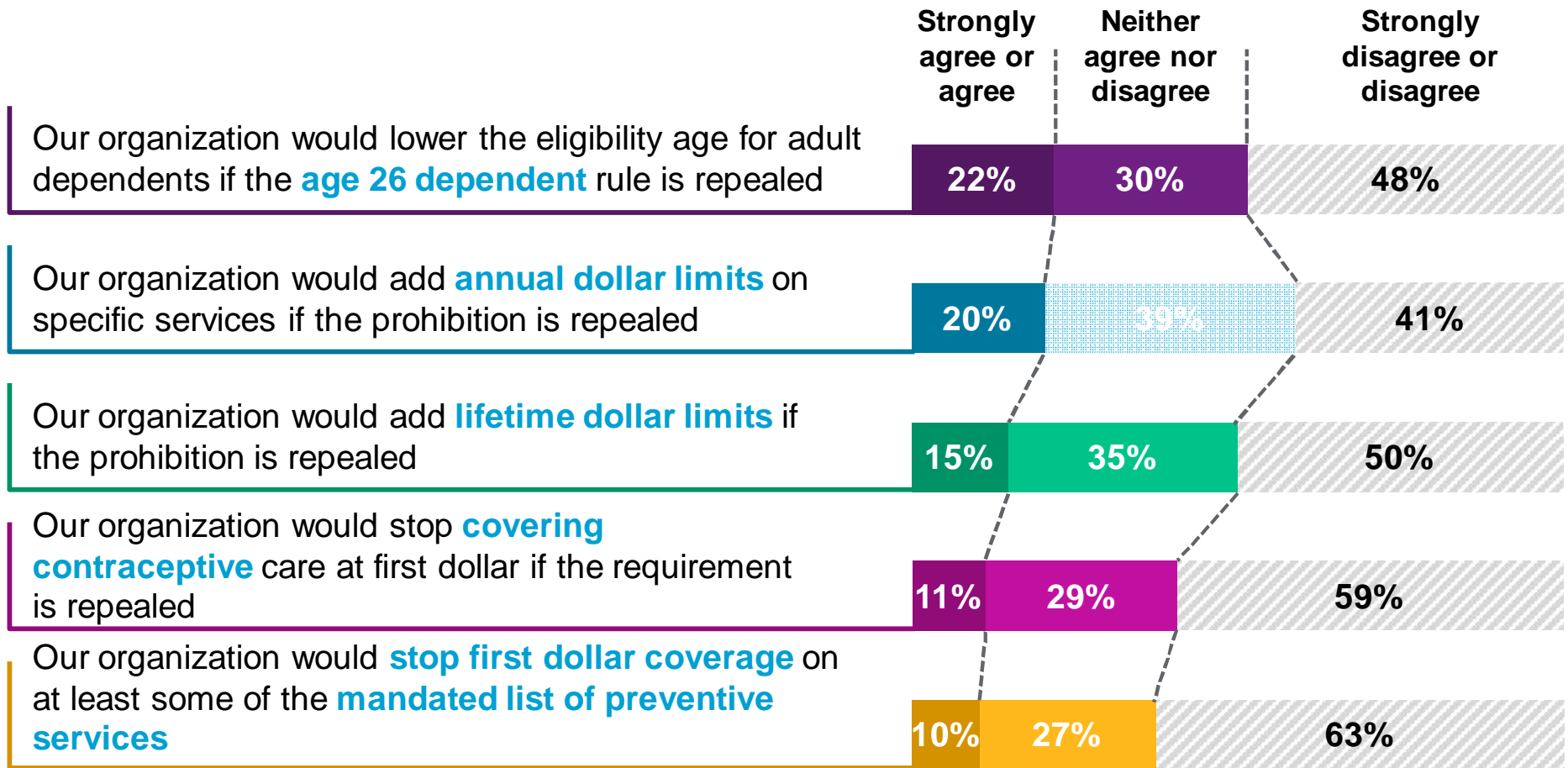
Eliminate the public insurance exchanges



Very likely – 5/4
Somewhat likely – 3

Sample: Employers with at least 200 employees.
Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

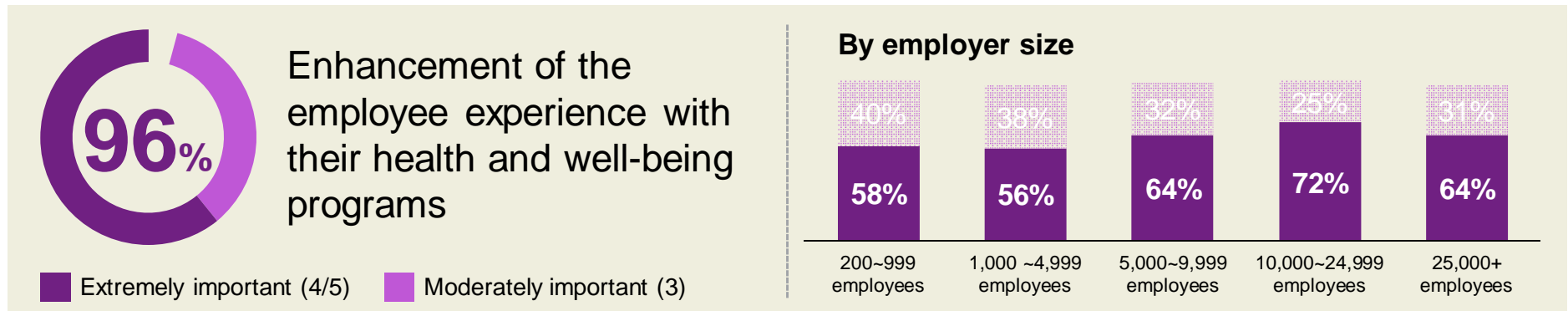
Most employers are unlikely to take immediate action to their plans in response to repeals of elements of the ACA



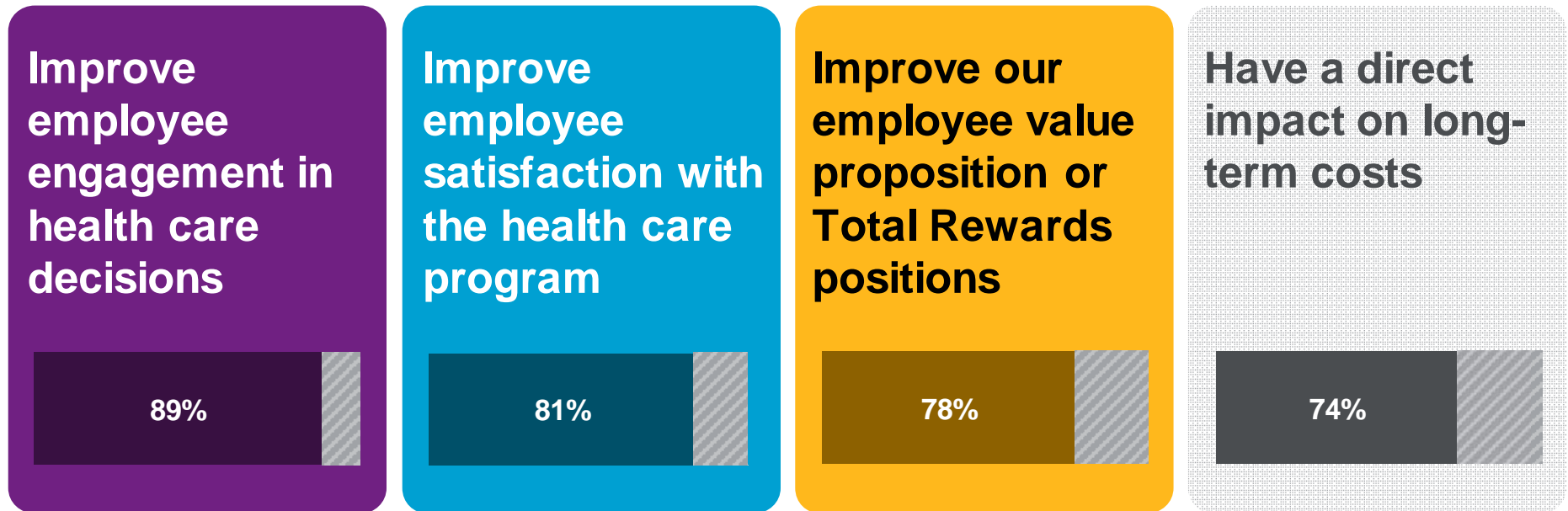
Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Enhancing the employee experience is a top priority of employers



Enhancing the member experience will:



Sample: Employers with at least 200 employees.

Note: Percentage responding 4 or 5 on a 5-point agreement scale.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Employers embrace high-tech processes, greater plan choice and enhanced navigation to enhance the member experience with the health care program

Have a *high-tech* process for health plan enrollment ← #3



Provide employees with greater choice in health plan options and types of benefits



Have a *high-touch* process for health plan enrollment



Improve navigation of health care providers ← #2



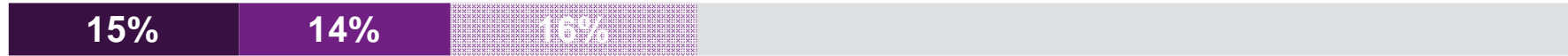
Provide access to onsite/near-site wellness facilities and onsite health services



Customize communication to specific groups ← #1



Tailor programs to specific groups

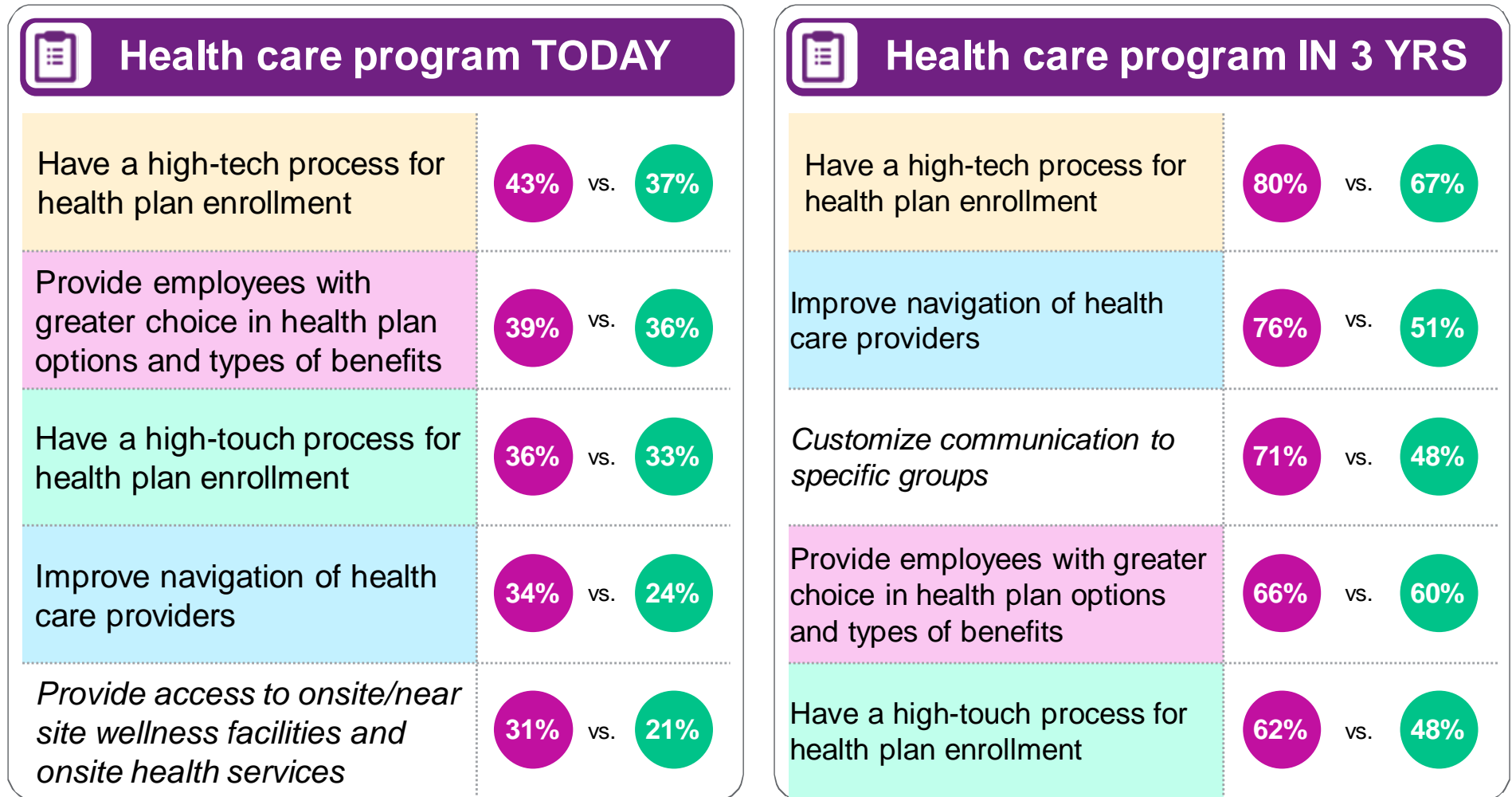


Action taken/Tactic used in 2017
 Planning for 2018
 Considering for 2019

Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Companies that identify the employee experience as an important priority plan many more actions over the next 3 years

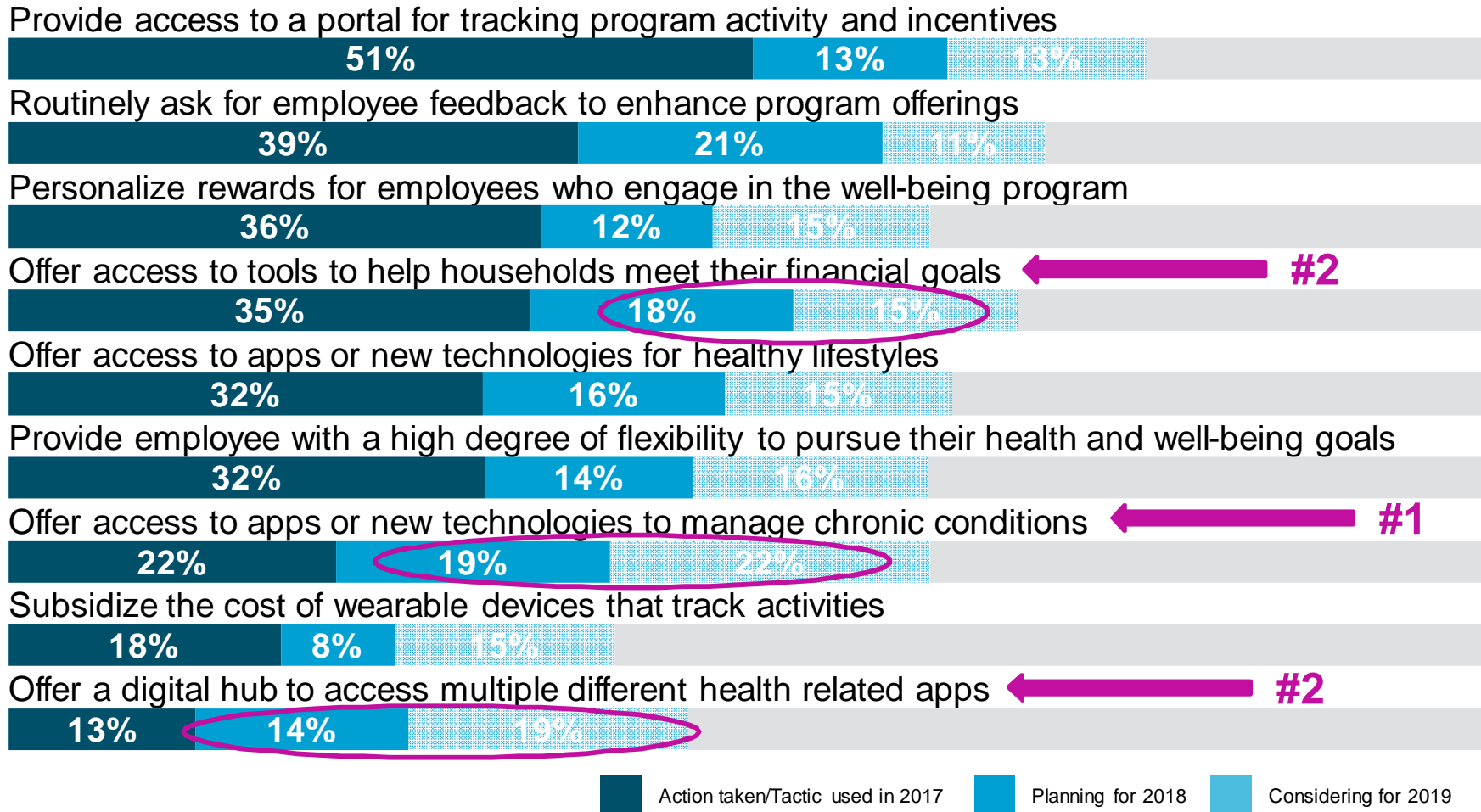


● **Prioritize the enhancement of employee experience**
● **Do NOT prioritize the enhancement of employee experience**

Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

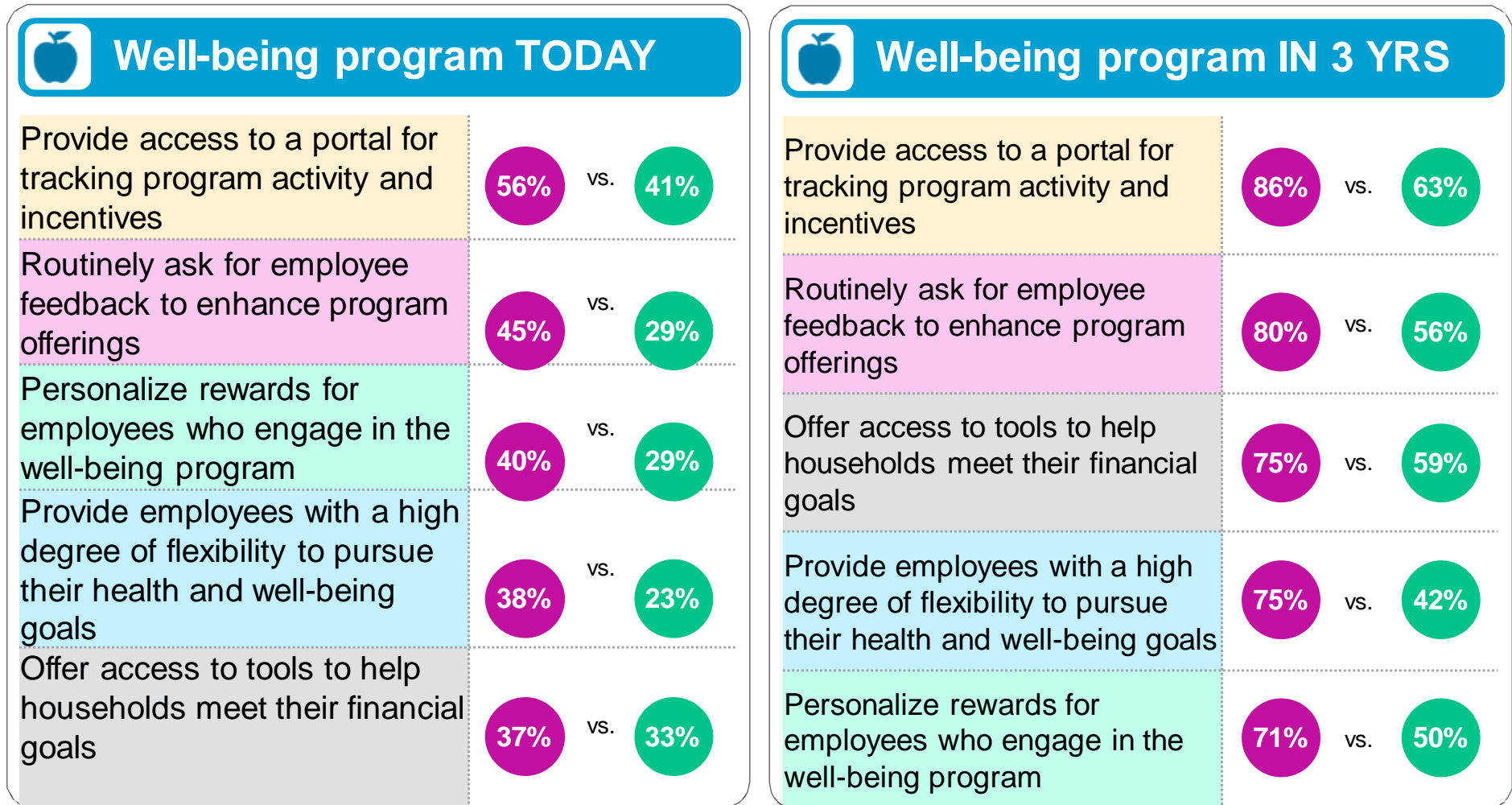
Employers provide a wide variety of programs and activities to enhance the employee experience in the well-being program



Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Companies that identify the employee experience as an important priority plan many more actions over the next 3 years



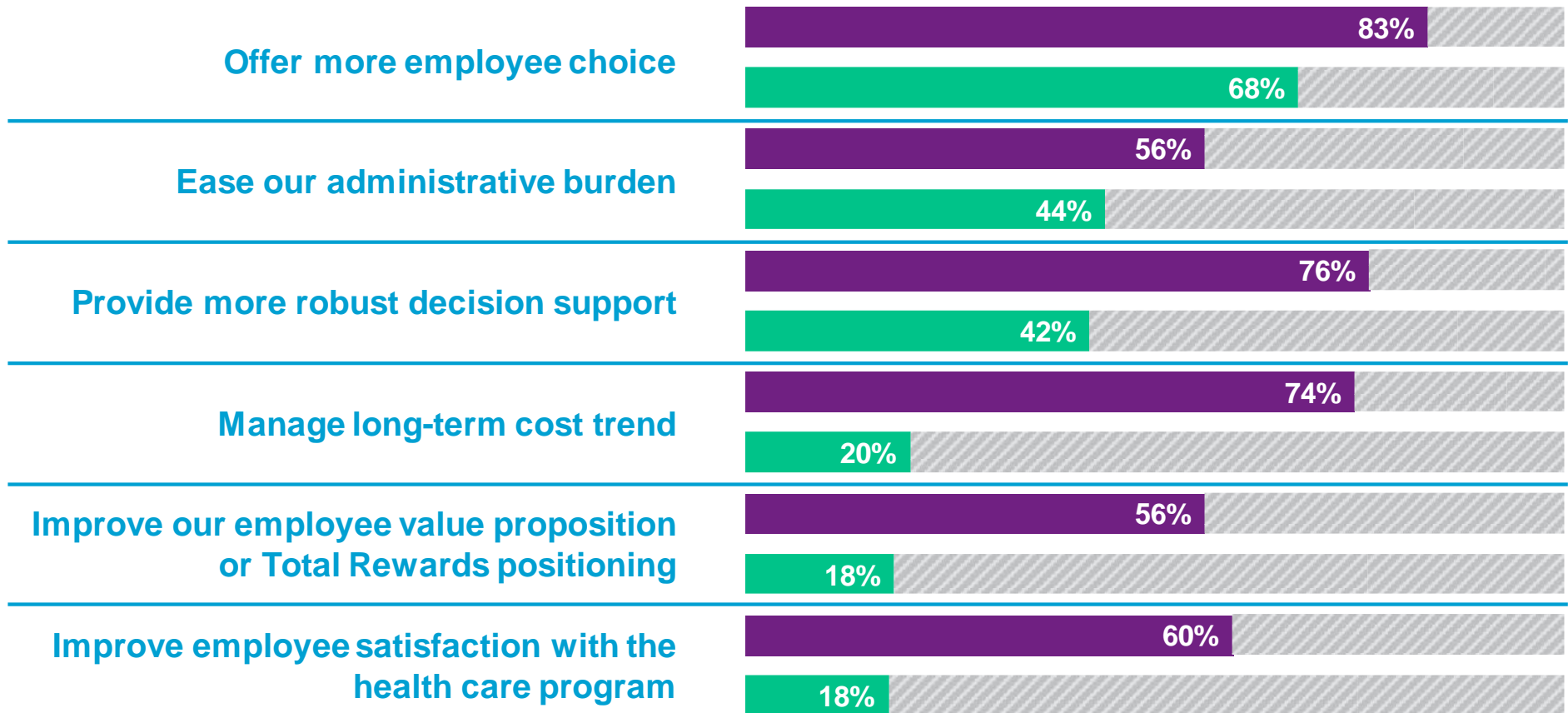
● **Prioritize the enhancement of employee experience**
● **Do NOT prioritize the enhancement of employee experience**

Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Employers recognize the advantages of private exchanges

To what extent do you agree with the following perspective about private health insurance exchanges for active employees?



Sample: Employers with at least 200 employees.

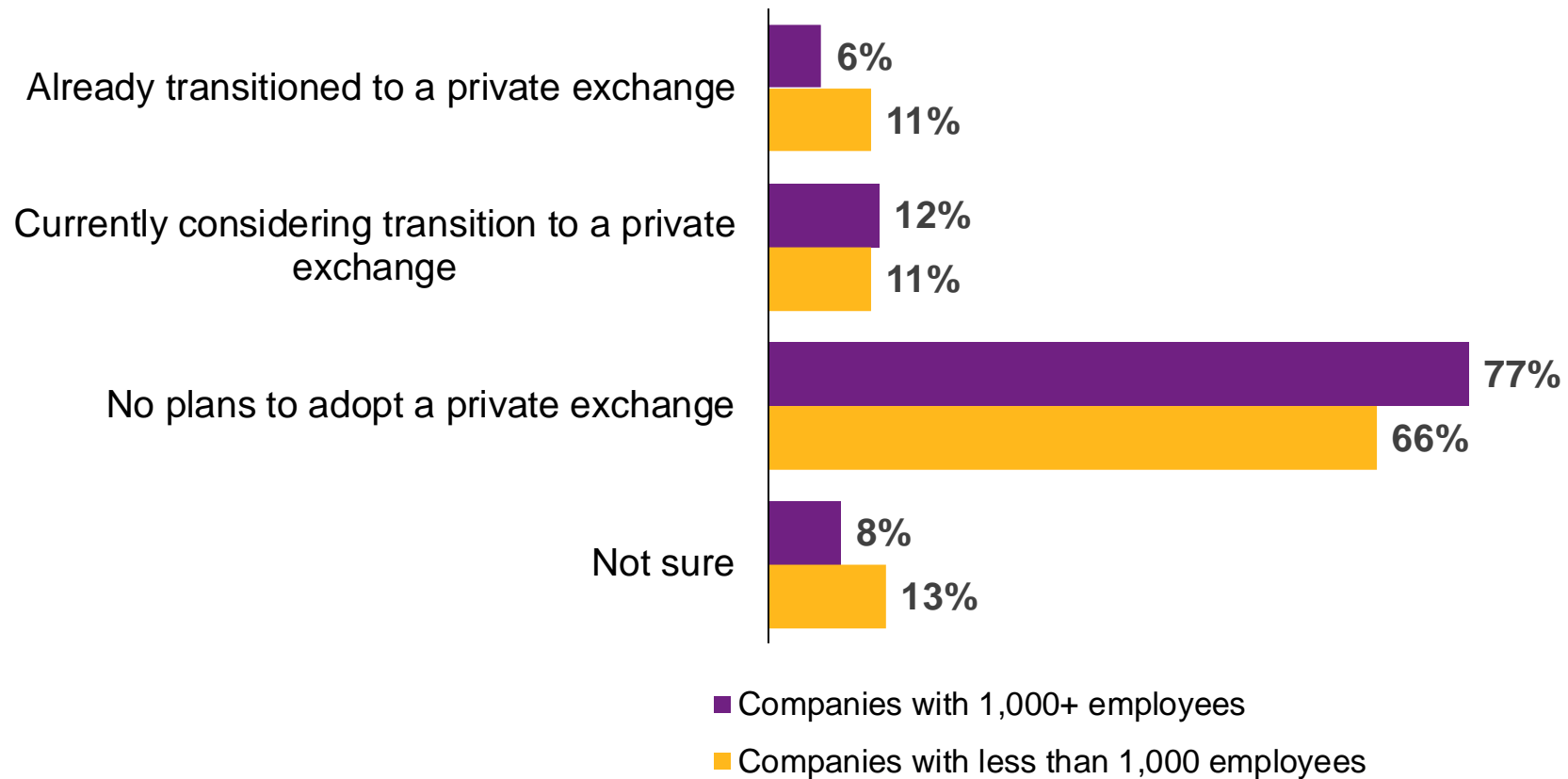
Note: Percentage responding 4 or 5 on a 5-point agreement scale.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

■ Employers *with* a private exchange, n=44

■ Employers *without* a private exchange, n=612

Nearly 1 in 5 employers consider a private exchange for their active population



Sample: Employers with at least 200 employees.

Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.

Best performers create a financial advantage

Best performing employers saved on average \$2,000 per employee per year and kept cost trends below benchmark

Health Plan Efficiency

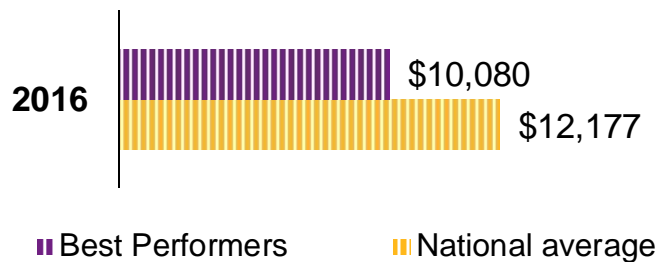
Two-year average efficiency that is 5% or greater



Cost Trend Changes

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

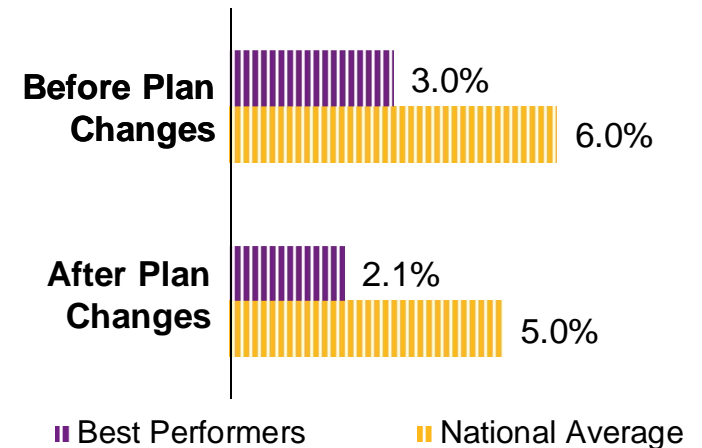
Unadjusted Total Costs PEPY



Average Efficiency

15% vs. **2%**

2015/16 Cost Trends



Sample: Companies with at least 1,000 employees.
Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Best performers leverage participation and subsidization



✓ Participation

Offer an ABHP as our only plan	39%	vs.	9%
Offer an ABHP as our default plan	49%	vs.	26%
Offer a "skinny" or minimum-value plan (also referred to as a minimum essential coverage, or MEC, plan)	17%	vs.	9%
Use spousal surcharges (when other coverage is available)	37%	vs.	21%
Contribute funds to an HSA	76%	vs.	66%



Subsidization

Structure employee contributions based on employee compensation levels	27%	vs.	16%
Use a defined contribution arrangement	27%	vs.	16%
Modify contributions to achieve affordable premiums for low-wage employees	41%	vs.	28%
Reward (or penalize) based on smoker/tobacco-use status	66%	vs.	55%

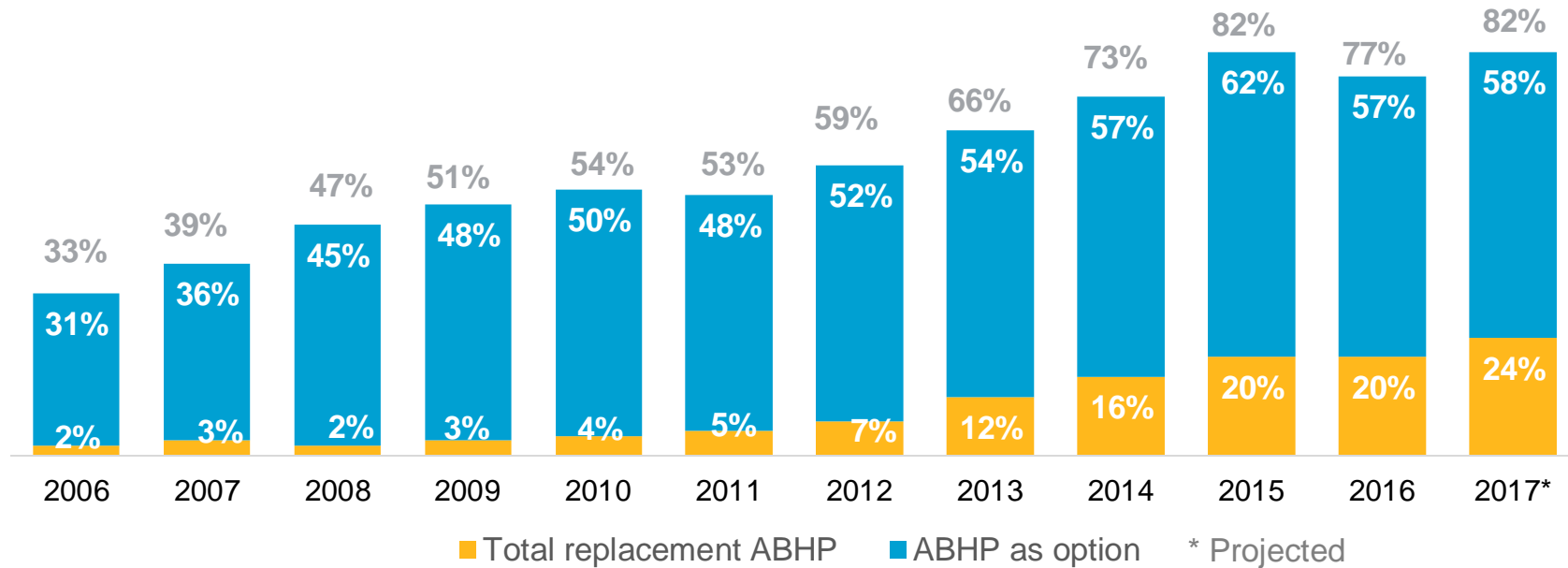
● Best performers ● High-cost performers

Sample: Companies with at least 1,000 employees.
 Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Nearly 4 in 5 companies offer an ABHP



Total-replacement ABHPs are also on the rise – up to 24 percent of companies with an ABHP as their only option compared to 2 percent a decade ago.

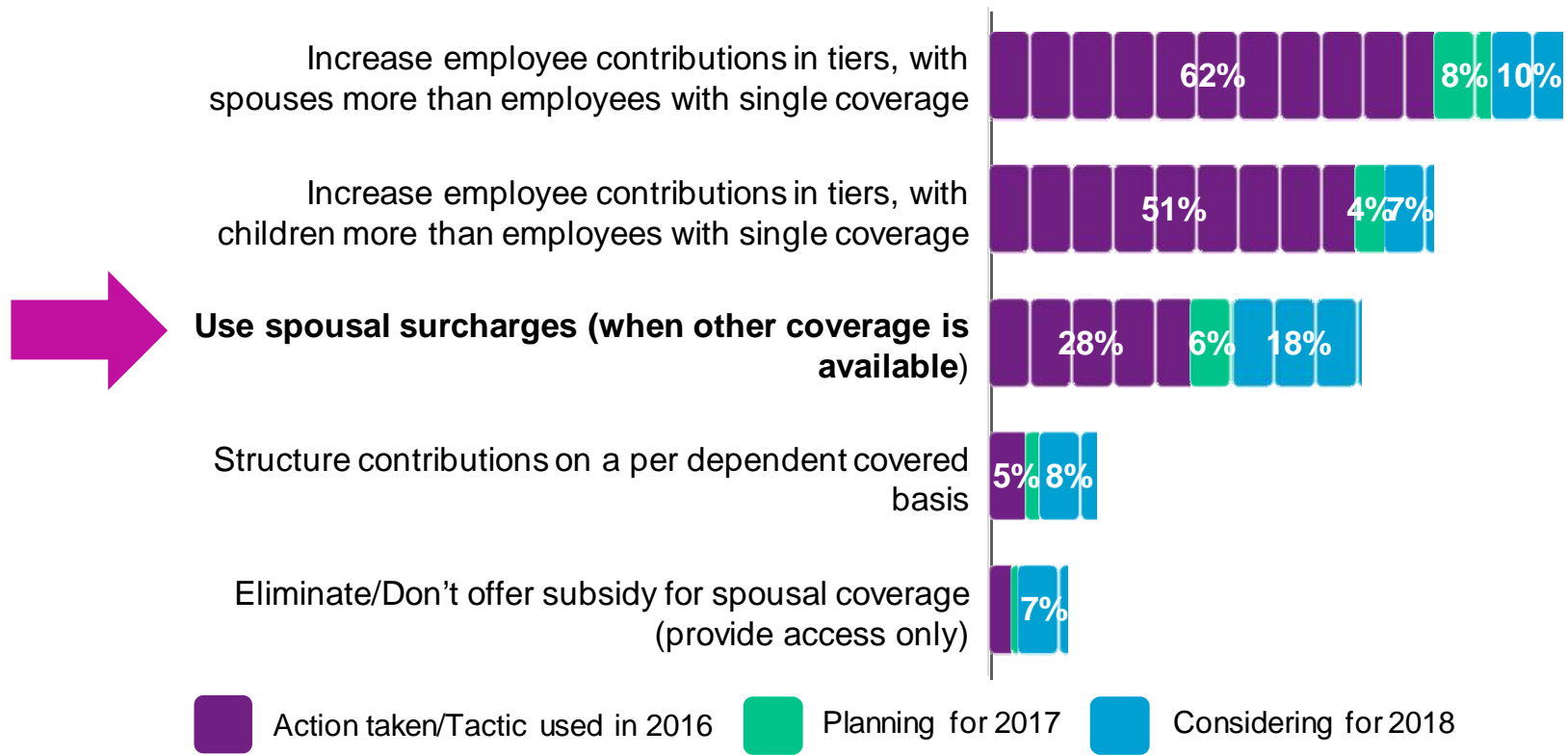


Note: Based on companies with at least 1,000 employees. 2006 is based on the 12th Annual Willis Towers Watson/National Business Group on Health survey; 2007 is based on the 13th annual survey, etc.

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Companies take steps to manage dependent participation

Redefine financial commitment to spouses



\$1,200

The average annual spousal surcharge amount for medical coverage

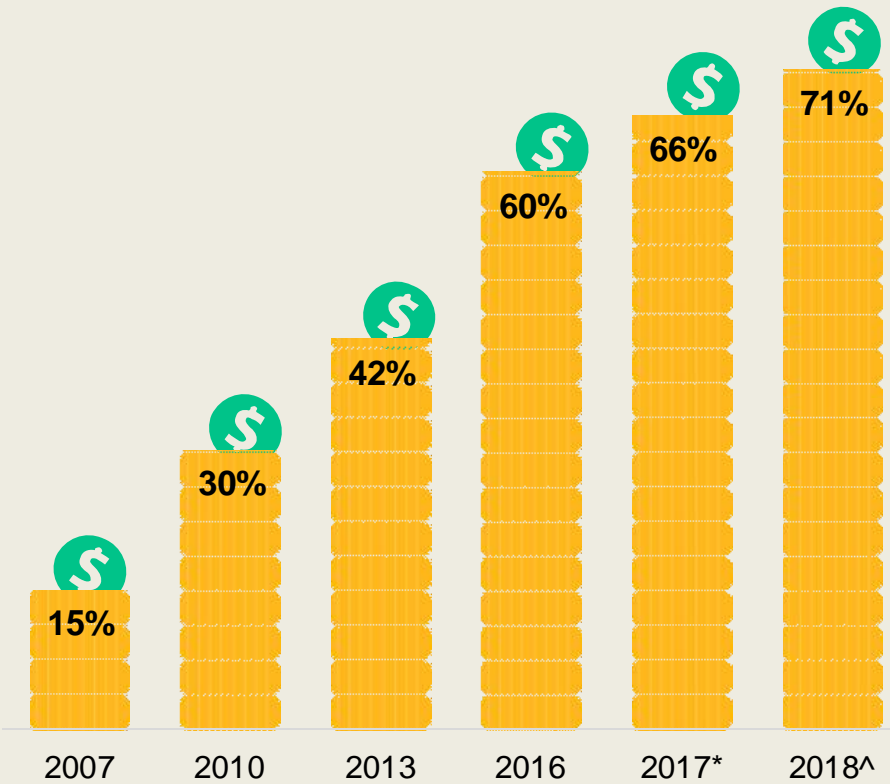
Sample: Companies with at least 1,000 employees.

Note: Labels for percentages below 4% were not included in the chart.

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

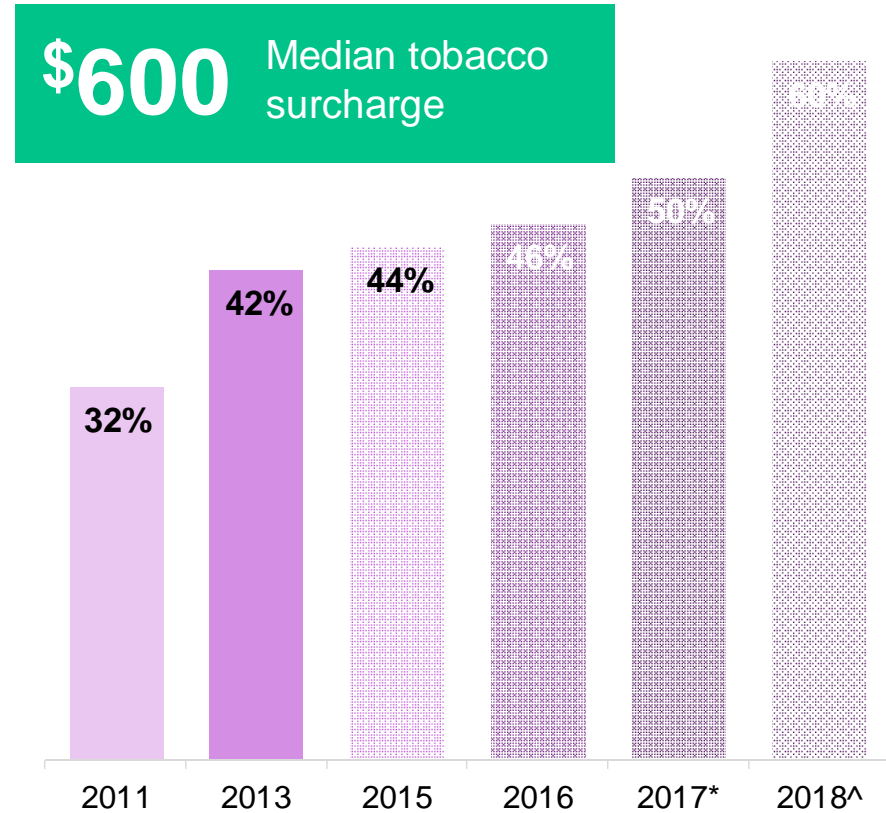
Employers increasingly changing rewards and penalties

 Percentage contributing funds to an HSA



Sample: Based on all companies with at least 1,000 employees with or without an ABHP.
 Note: * "Planned for 2017"; ^ "Planned for 2017 or considering for 2018".
 Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

TOBACCO SURCHARGE: Reward (or penalize) based on smoker, tobacco-use status (tobacco surcharge)



Sample: Companies with at least 1,000 employees.
 Note: * Planned in 2017, ^ Considering in 2018.
 Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey

Best performers drive greater efficiency



Pharmacy

Offer a narrow retail network **17%** vs. **5%**

Evaluate and address specialty drug costs and utilization performance through the medical benefit **37%** vs. **28%**

Evaluate your pharmacy benefit contract terms **73%** vs. **60%**

Adopt new coverage or utilization restrictions as part of your specialty pharmacy strategy **71%** vs. **63%**

Vendor Partner Strategies

Offer high-performance networks **22%** vs. **14%**

Willingness to partner with third parties **68%** vs. **60%**

Health Care Delivery

Use value-based designs in the medical plan that reduce point-of-care costs for use of high-value services **12%** vs. **7%**

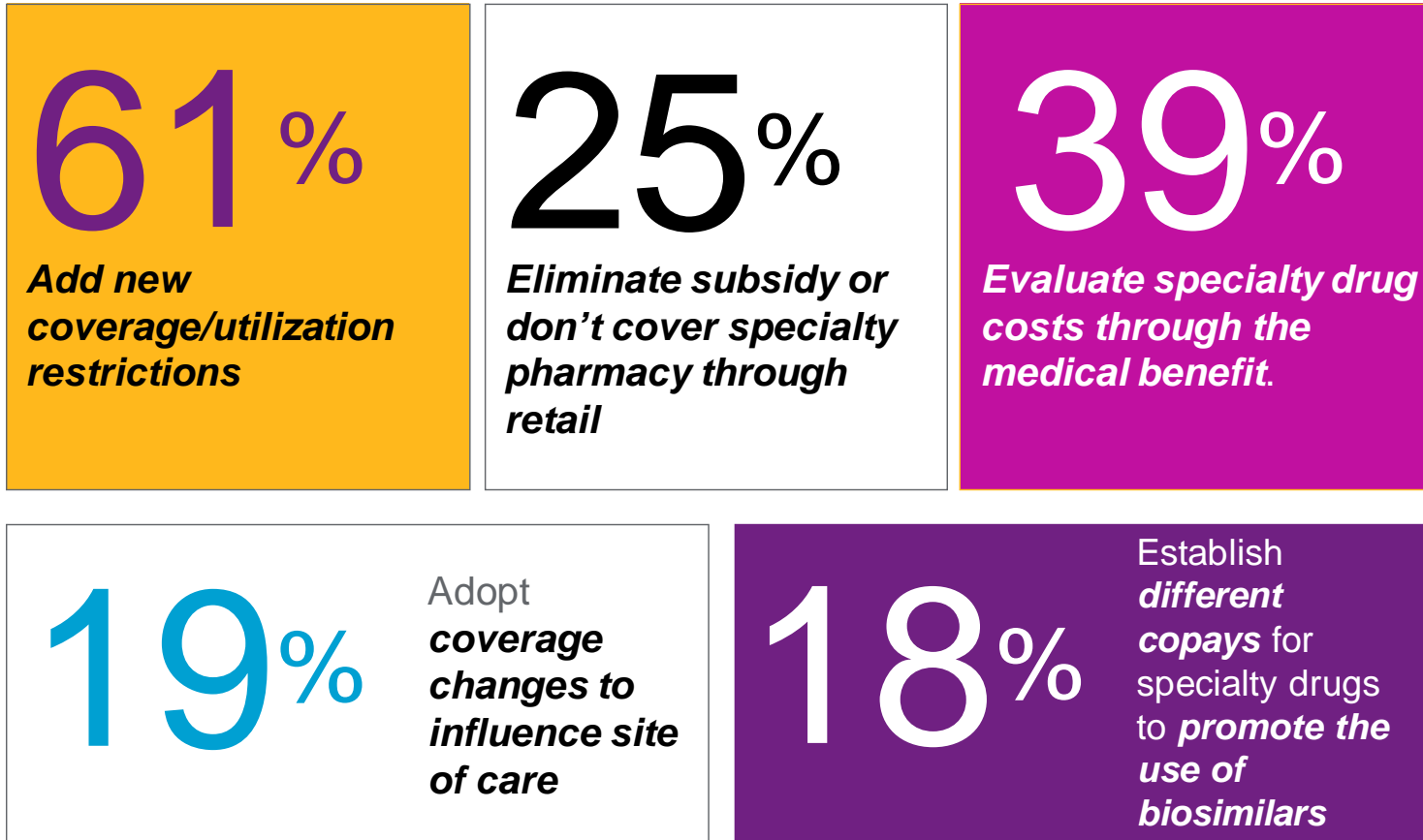
Health care delivery is a top priority of the medical plan strategy over the next year **41%** vs. **24%**

● Best performers **●** High-cost performers

Sample: Companies with at least 1,000 employees.
 Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Employers proactively manage pharmacy benefit costs

With particular emphasis on specialty pharmacy utilization



Sample: Companies with at least 1,000 employees.

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Key drivers of efficiency



Engagement and Consumerism

Offer choice and variety in the types of benefits	46%	vs.	32%
Support for enrollment decisions	61%	vs.	45%
Share health and well-being program performance metrics with the C-suite or as a corporate reported metric regularly	44%	vs.	34%
Our health and well-being program is customized for critical workforce segments	24%	vs.	20%
Offer choice in health plan options	78%	vs.	64%

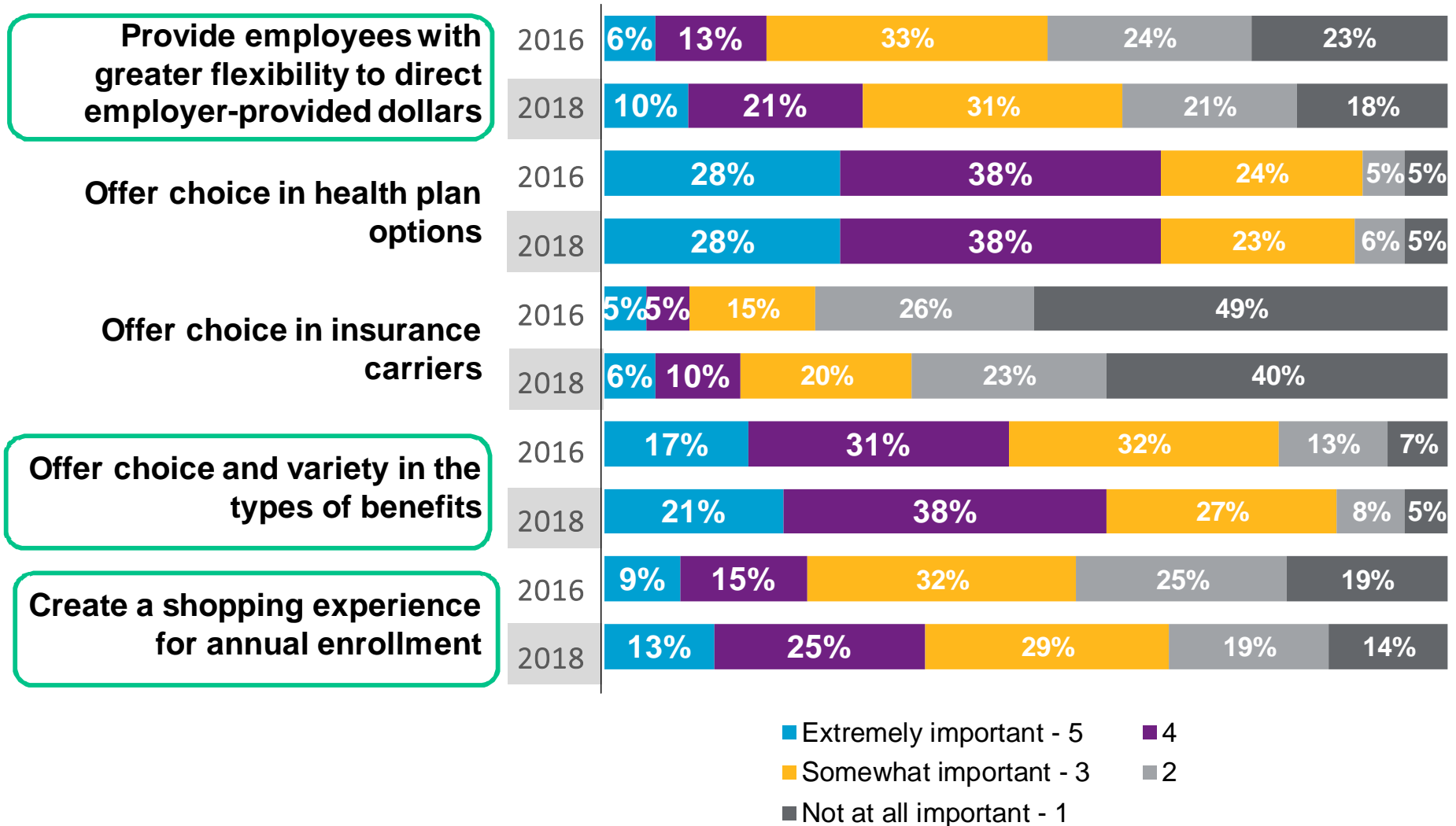
Workforce Health

Incent use of web-based/mobile lifestyle behavior coaching programs	32%	vs.	20%
Worksite diet/exercise activities	49%	vs.	34%
Improve the physical environment to encourage physical activity	59%	vs.	42%
Use data to identify specific individuals or subgroups for targeted outreach	44%	vs.	32%
Provide flexible working options	73%	vs.	56%

● Best performers ● High-cost performers

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

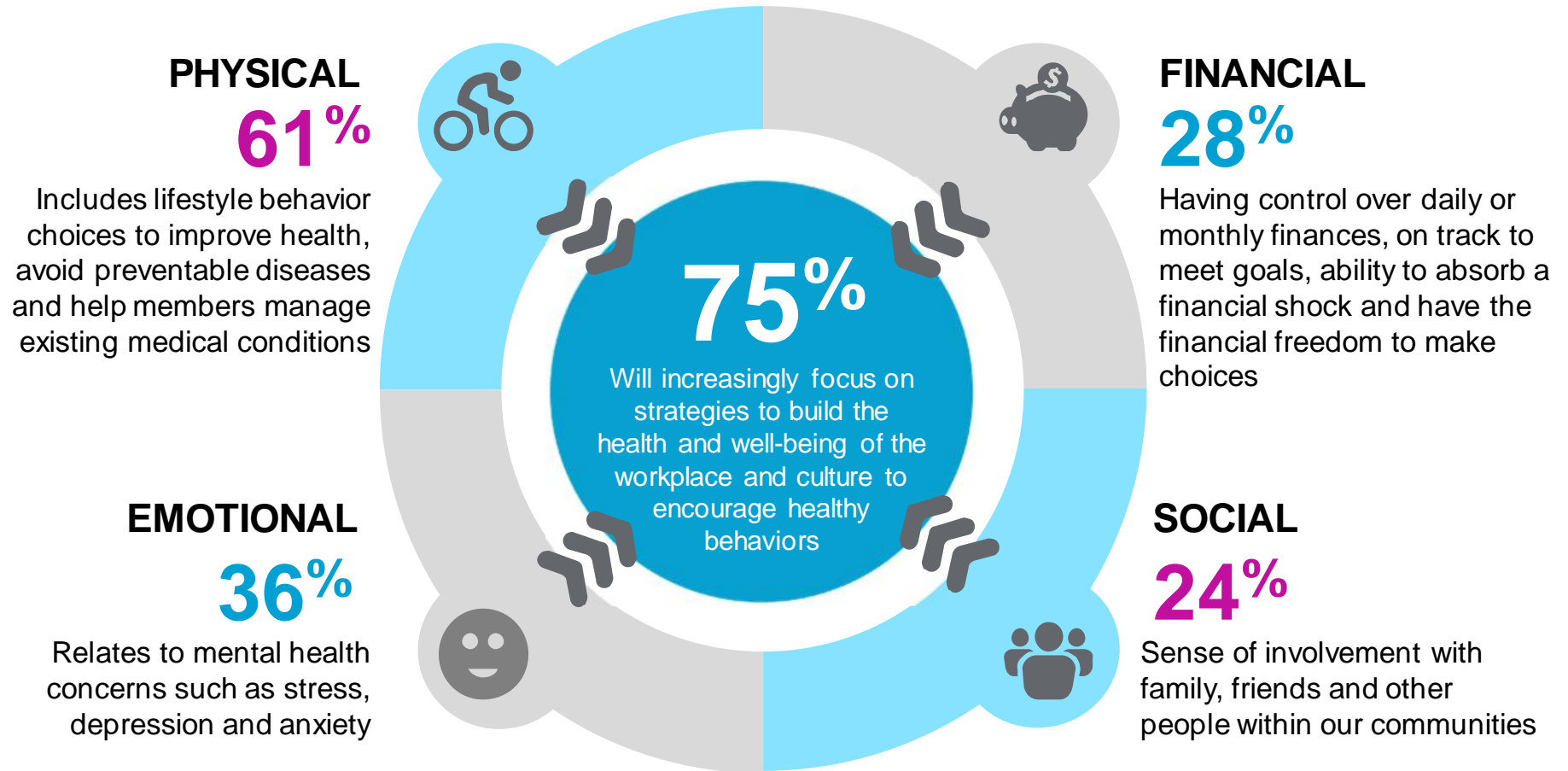
To what extent are/will the following be important to enhancing member experience with your health care program today/in 2018?



Sample: Companies with 1,000+ employees.

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Employers define employee well-being broadly, but physical well-being continues to dominate program focus



Sample: Companies with at least 1,000 employees.

Note: Percentage responding 4 or 5 on a 5-point extent scale.

Source: 2016 Willis Towers Watson Best Practices in Health Care Employer Survey.

Questions



Thank you

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