

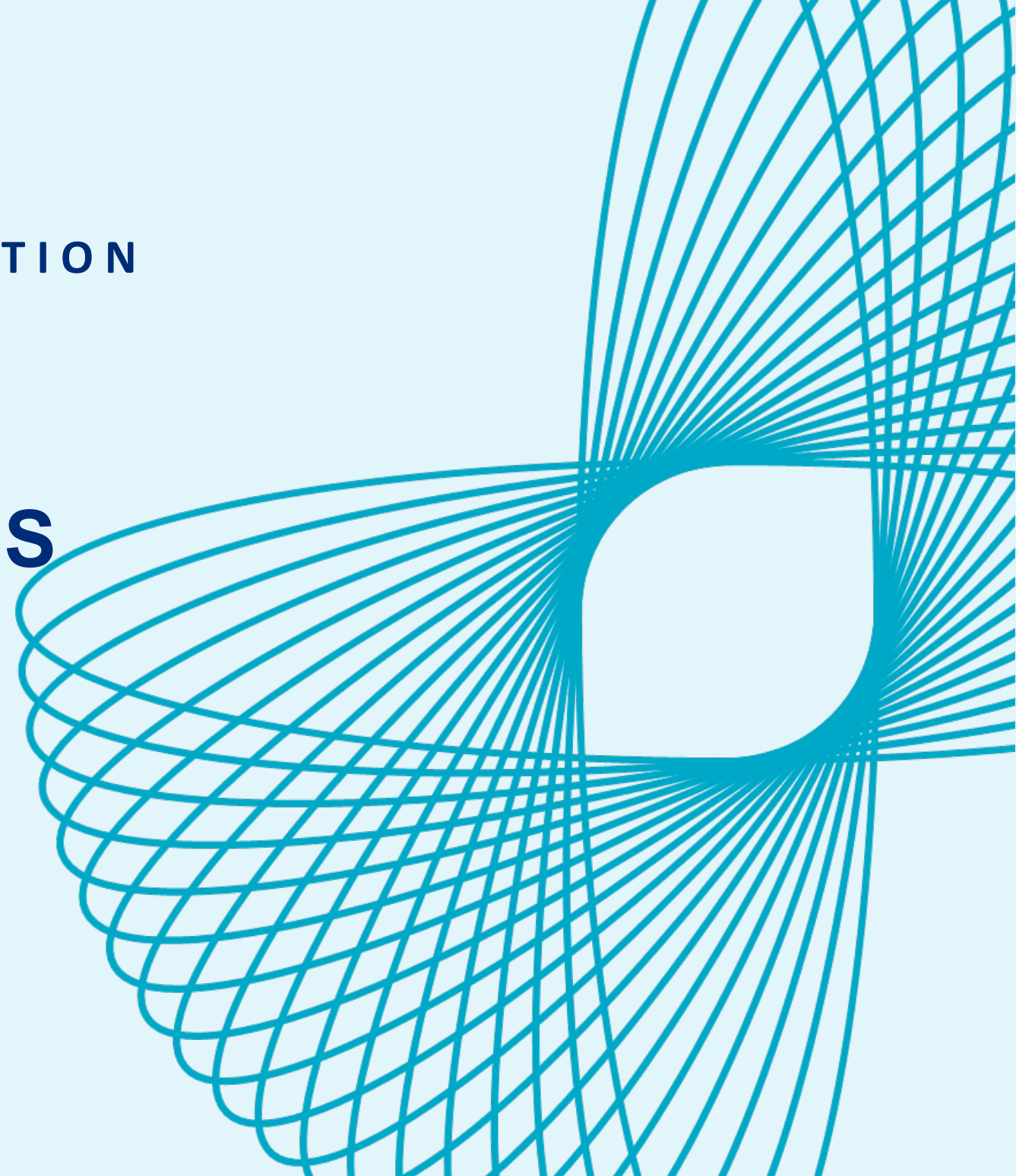
HEALTH WEALTH CAREER

AMBULATORY SURGERY CENTER ASSOCIATION
*EVOLUTION OF OUTPATIENT
SURGERY SUMMIT*

**TRENDS AND STRATEGIES
IN THE SELF-INSURED
MARKETPLACE**

OCTOBER 15, 2018

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MAKE TOMORROW, TODAY

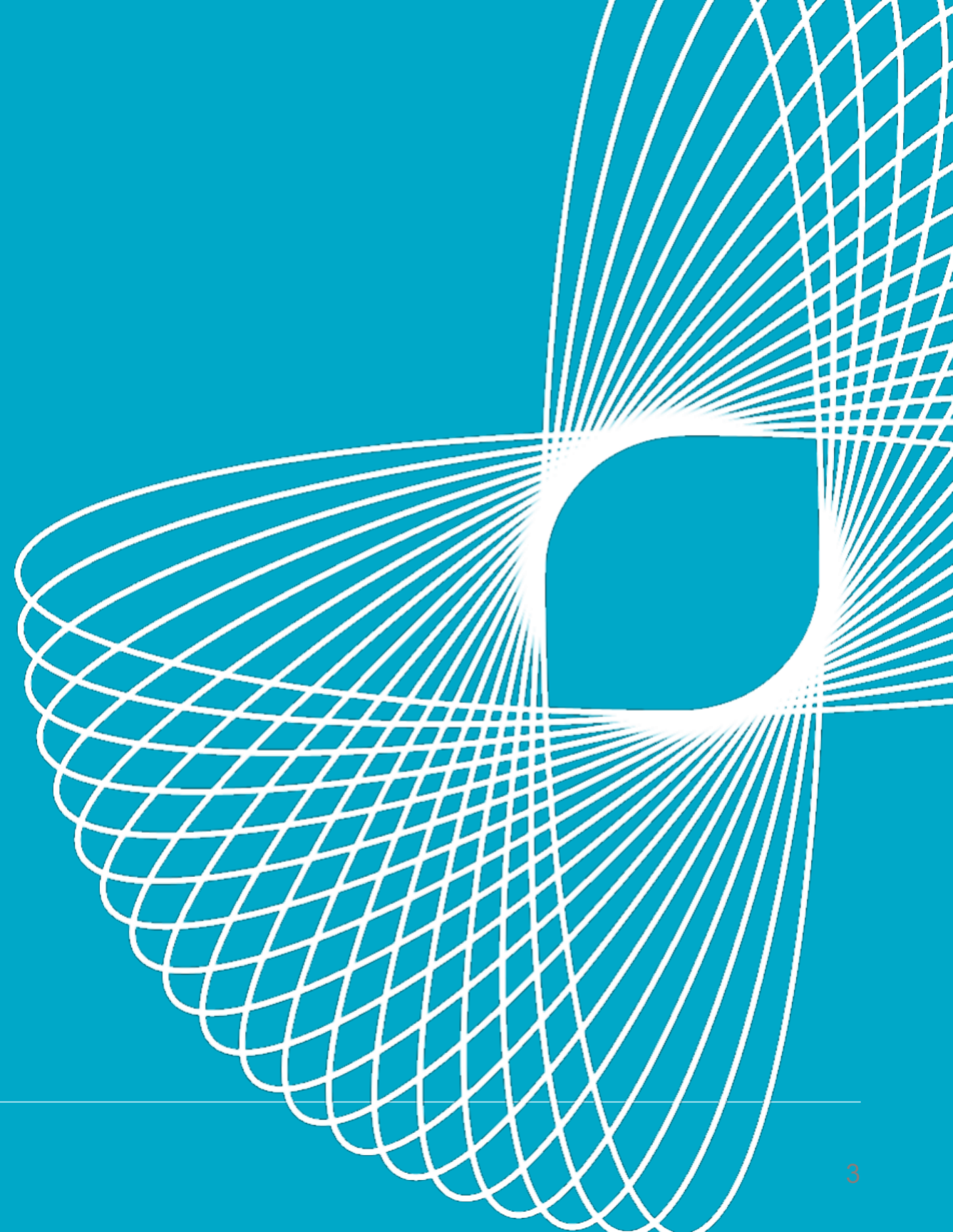


WE HAVE A FEW THINGS TO TALK ABOUT...



- Latest trends in employer sponsored health benefits
- Macro trends impacting employers providing health benefits
- Role of consumers in health care delivery now and in the future

LATEST TRENDS IN EMPLOYER SPONSORED BENEFITS



181 M

\$668 B

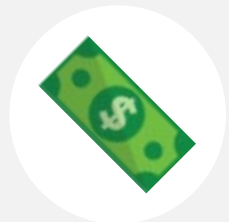
CHALLENGING ENVIRONMENT FOR EMPLOYERS



HEALTHCARE SYSTEM IS IN FLUX –
AND PRESSURE TO MANAGE COST IS
GROWING



GROWING COMPETITION FOR
TALENT

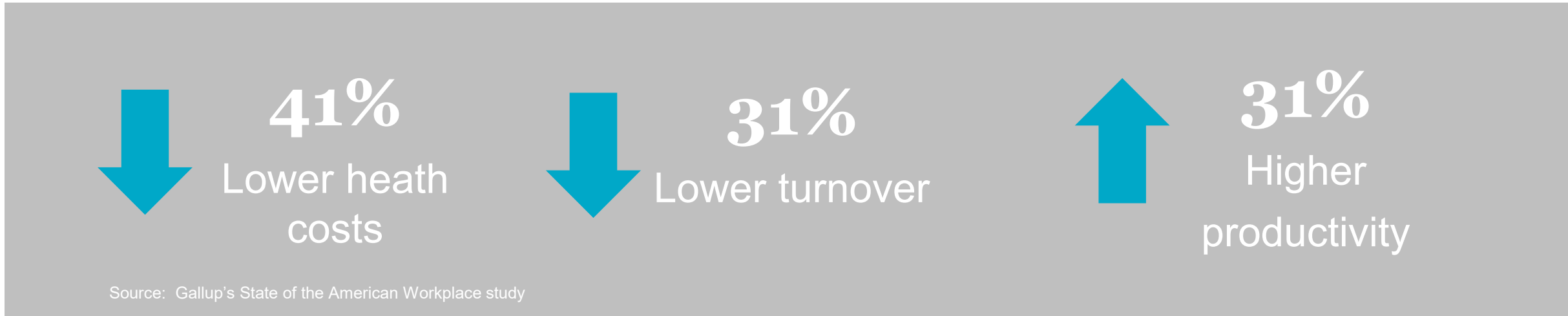


HEALTHCARE EXPENSES CREATE
FINANCIAL STRESS FOR MANY
WORKERS



THE GOAL: SUSTAINABLE COST AND A THRIVING WORKFORCE

THRIVING EMPLOYEES ARE LESS COSTLY AND MORE PRODUCTIVE



TO THRIVE REQUIRES ATTENTION TO ALL FACETS OF WELL-BEING

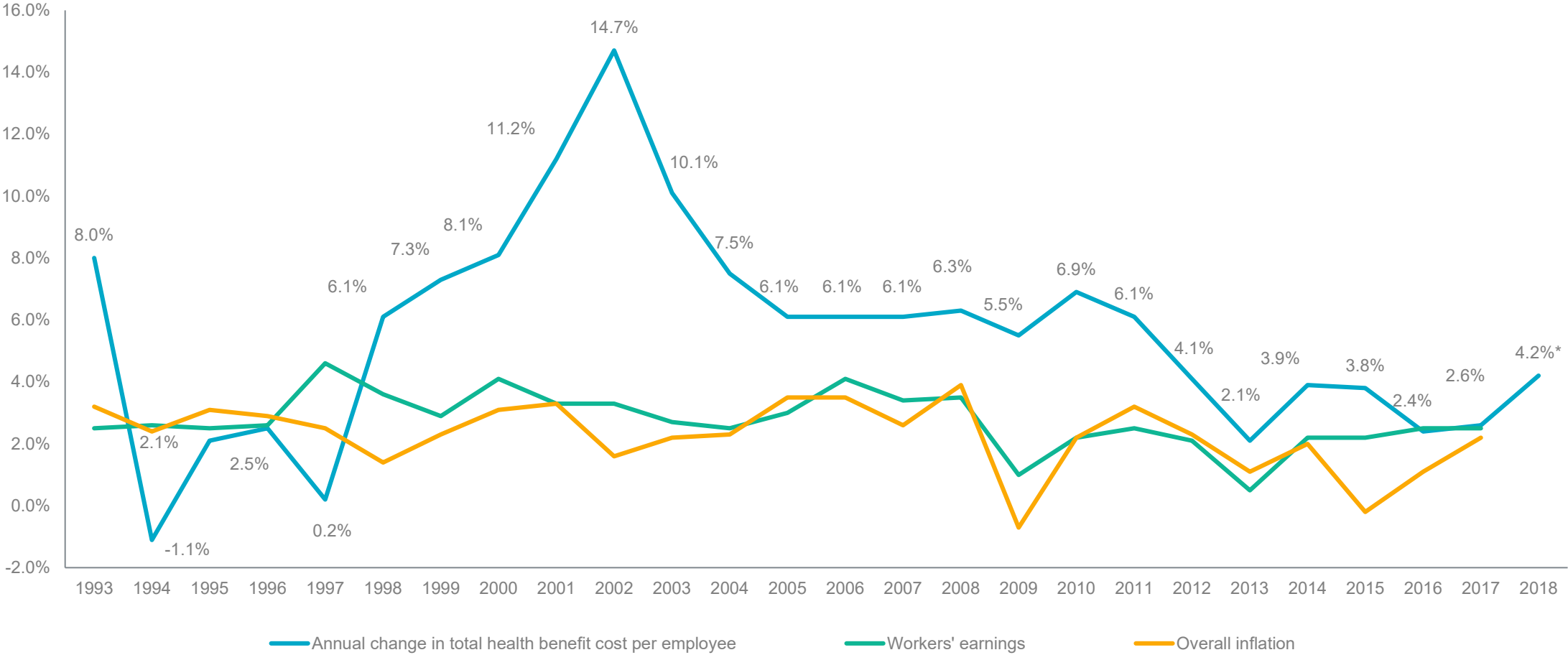
PHYSICAL

EMOTIONAL

FINANCIAL

EMPLOYERS HOLD HEALTH BENEFIT COST GROWTH TO 2.6% IN 2017

CHANGE IN TOTAL HEALTH BENEFIT COST PER EMPLOYEE COMPARED TO CPI, WORKERS' EARNINGS



* 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) 1993–2017; Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April) 1993–2017.

EMPLOYER INNOVATION HELPING TO SLOW COST GROWTH

RESPONDENTS' COST TRENDS WERE ANALYZED BASED ON THEIR USE OF 24 BEST PRACTICE COST-MANAGEMENT STRATEGIES

BASICS

- Offer CDHP
- HSA sponsor makes a contribution to employees' accounts
- Offer voluntary supplemental health insurance
- Use/planning to use bundled solution for health benefits (including private benefits exchange)
- Transparency tool provided by specialty vendor
- Mandatory generics or other Rx strategies
- Steer members to specialty pharmacy for specialty drugs
- Collective purchasing of Rx benefits

WELL-BEING

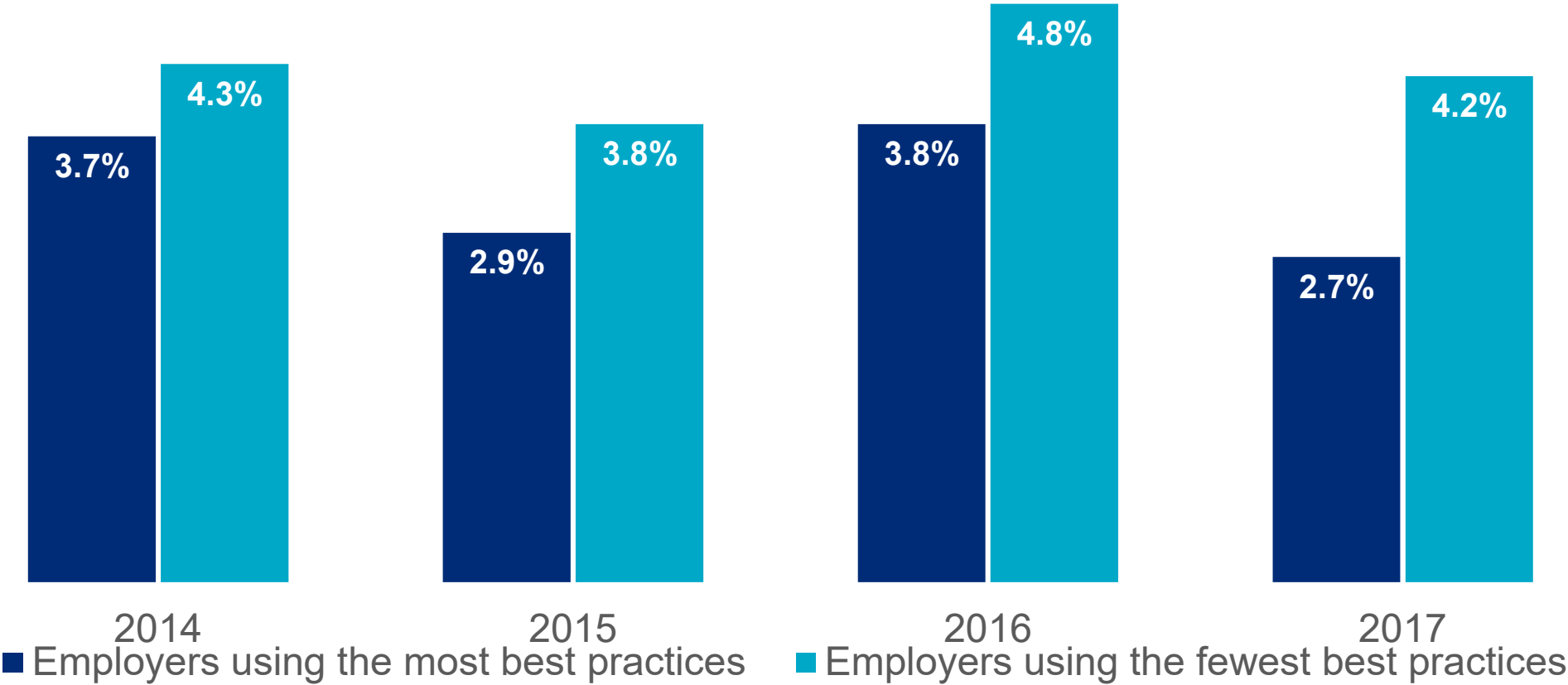
- Offer optional (paid) well-being programs through plan or vendor
- Company vision/mission statement supports a healthy workplace culture
- Offer technology-based well-being resources (apps, devices, web-based)
- Use incentives for well-being programs
- Well-being strategy includes focus on intrinsic motivation to improve health
- Spouses and/or children may participate in programs
- Smoker surcharge
- Have conducted analysis of employee behavioral health issues
- Provide stress management, resiliency, or mindfulness programs

QUALITY AND VALUE

- Offer health advocacy program
- Offer a Surgical Center of Excellence
- Offer a COE other than for surgical (oncology, orthopedics, cardiology, women's health)
- Primary care on-site clinic
- Telemedicine utilization of 5% or higher
- Employees have incentives to use:
 - Medical homes
 - Accountable care organizations
 - Other narrow network
- Reference-based pricing

YEAR AFTER YEAR, EMPLOYERS USING MORE BEST PRACTICE STRATEGIES REPORT LOWER TRENDS

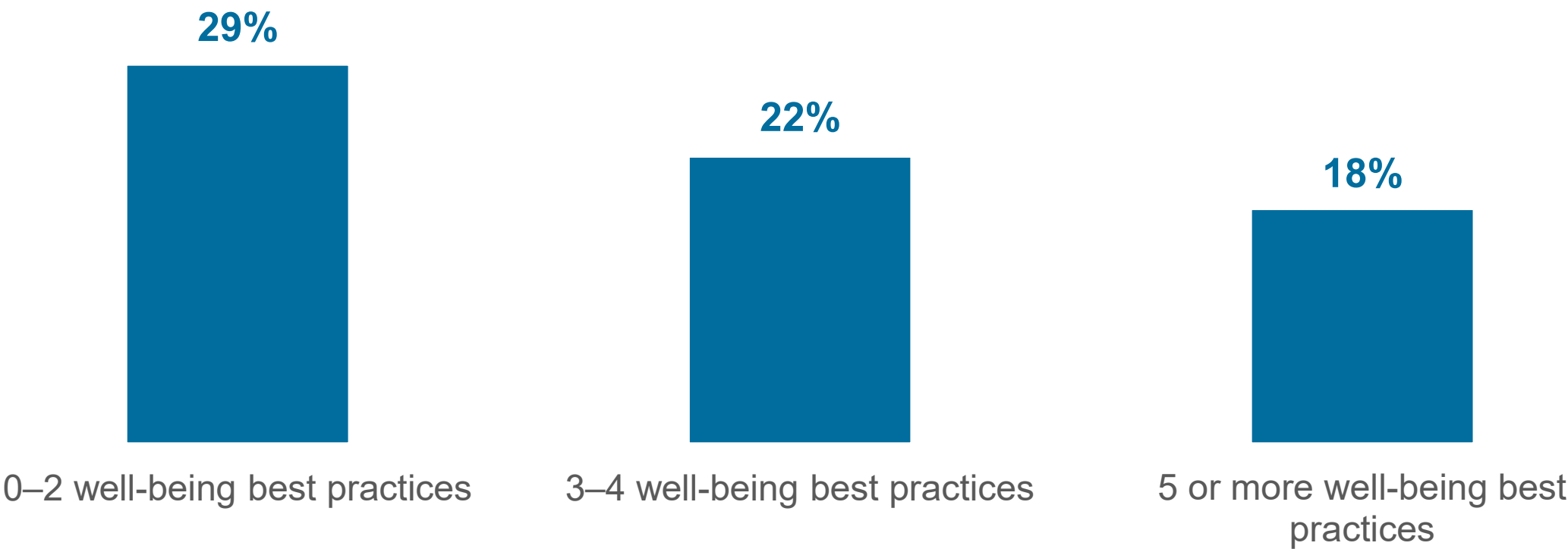
ACTUAL INCREASE IN TOTAL HEALTH PLAN COST, AMONG LARGE EMPLOYERS



Based on unweighted data.

EMPLOYERS THAT DO THE MOST TO PROMOTE WELL-BEING HAVE LOWER TURNOVER RATES

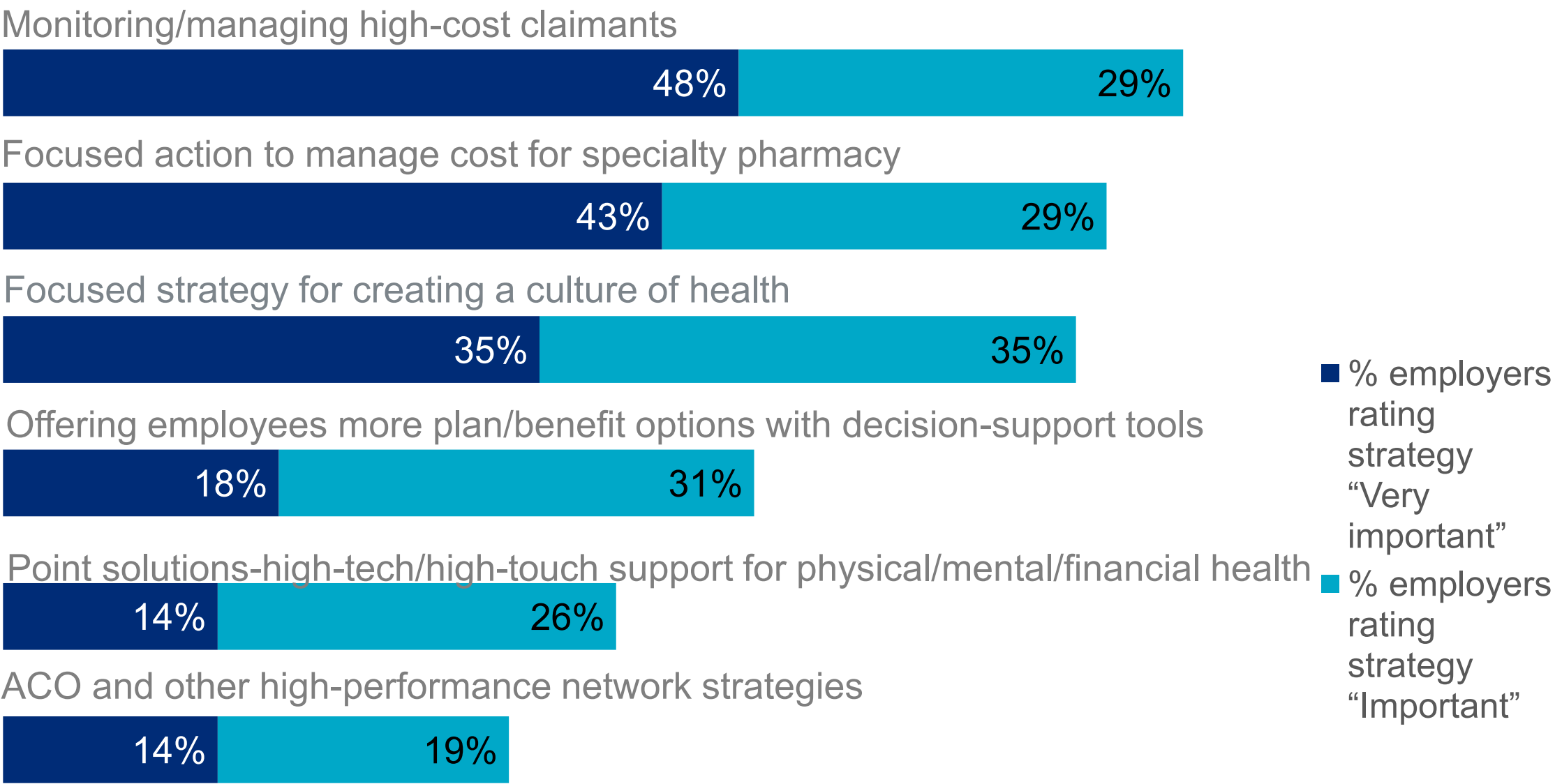
AVERAGE TURNOVER RATE IN 2016, AMONG LARGE EMPLOYERS



Based on unweighted data.



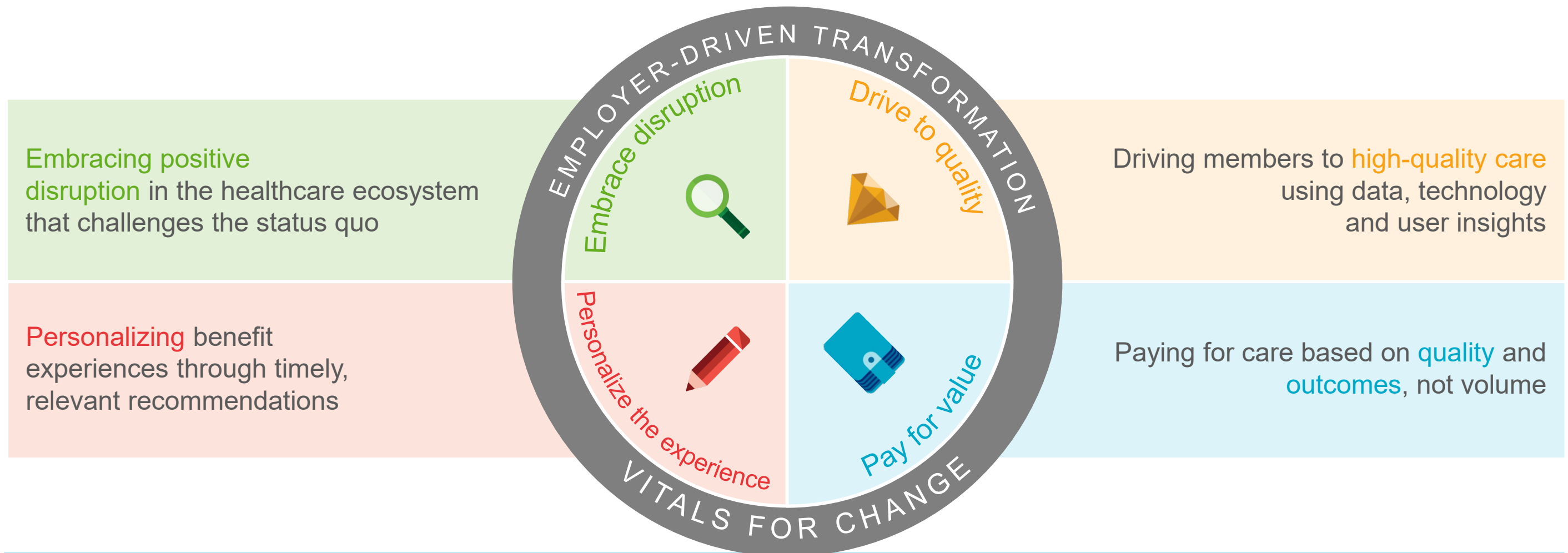
KEY STRATEGIES FOR NEXT FIVE YEARS



EMPLOYER-DRIVEN HEALTHCARE TRANSFORMATION

VITALS FOR CHANGE

THROUGH COLLECTIVE FOCUS ON THE **VITALS FOR CHANGE** EMPLOYERS CAN MAKE THE SYSTEM MORE RATIONAL AND AFFORDABLE



THE PERFECT STORM...

CHALLENGES

COST

+

QUALITY

+

SATISFACTION

ADVANCES IN TECHNOLOGY



Mobile apps

Cloud technology

“Big Data”

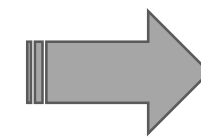
CHANGES IN CONSUMER PREFERENCE



Memorable

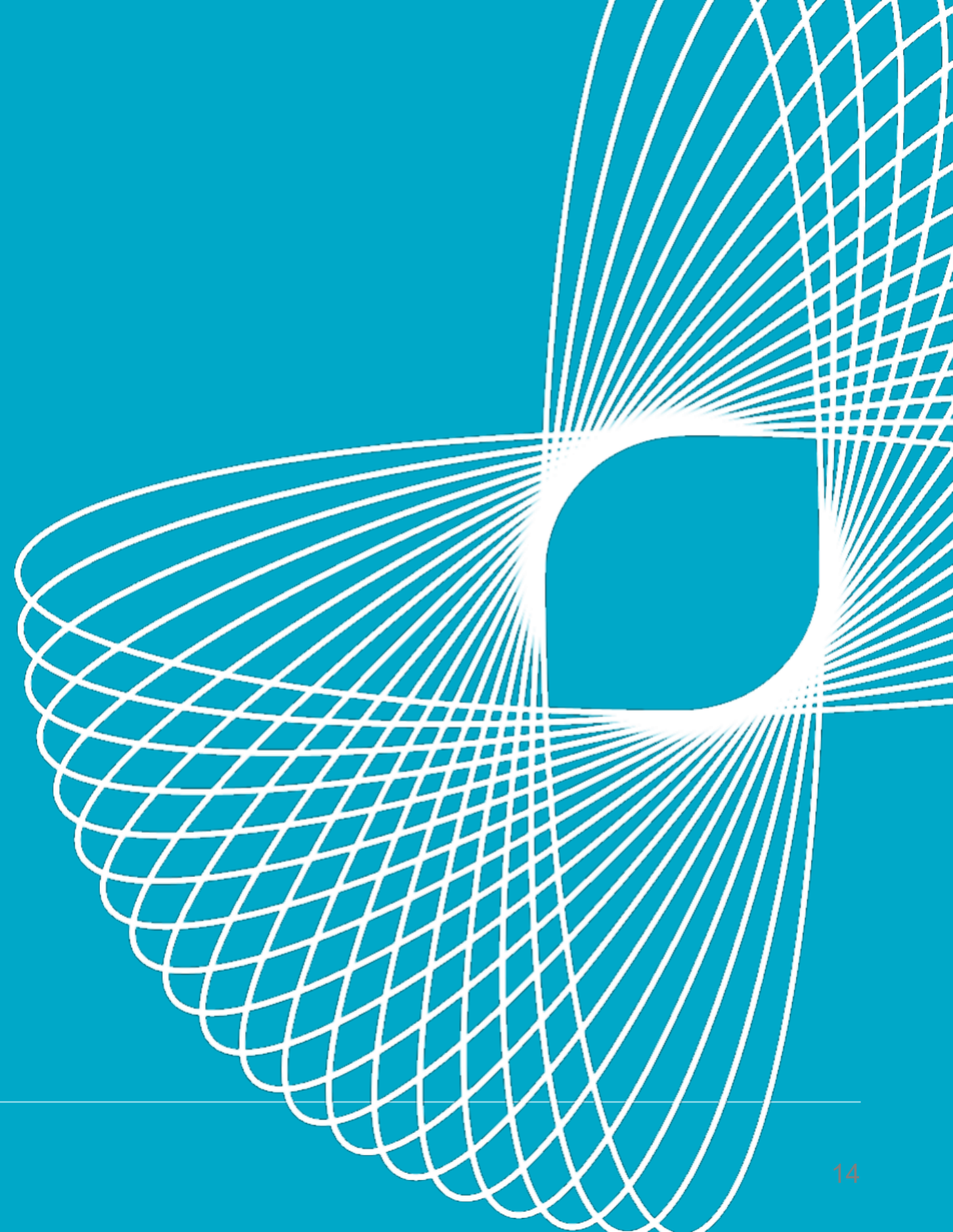
Immediate

Personalized

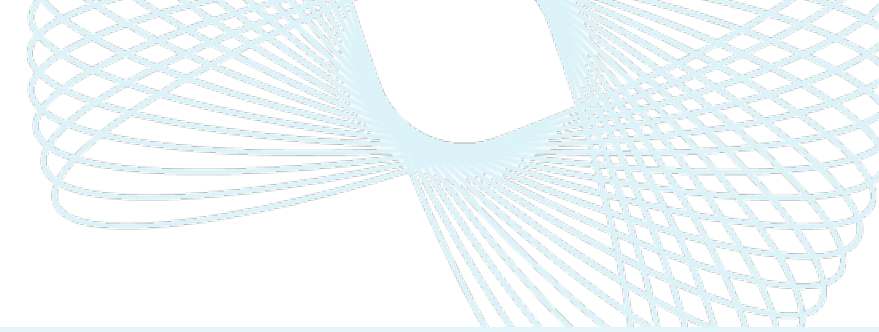


**Disruptive
Innovation**

MACRO-TRENDS



THREE MACRO-TRENDS AT PLAY



1) The market is shifting

The big players are getting bigger through M&A amid hundreds of start ups + technology

2) Quality Matters;
Networks will get smaller

Quality matters; employers are willing to use smaller networks and incentives to steer care to quality providers.

3) New Face of High Cost

New, unprecedented high cost claims are becoming increasingly prevalent, fueled by genomics, specialty pharmacy and biotech

THE MARKET LANDSCAPE IS SHIFTING

HEALTH PAYER & CARE DELIVERY MERGERS & ALLIANCES

YESTERDAY



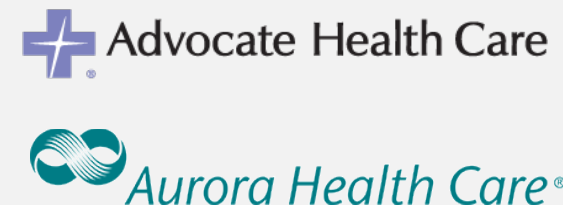
TODAY



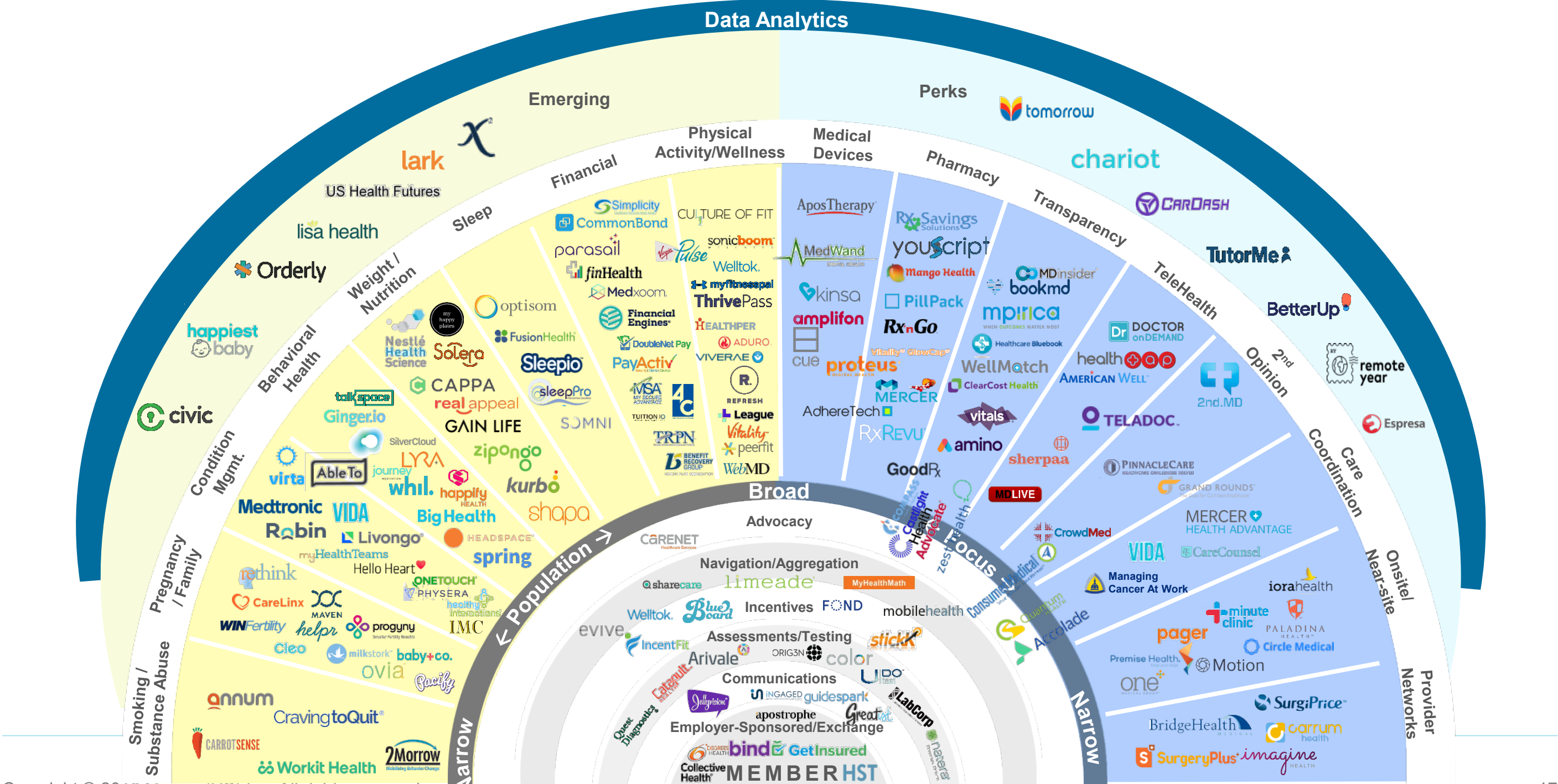
TOMORROW



LARGE PROVIDER SYSTEM INTEGRATION



START-UPS: EXPLOSION OF TECHNOLOGY AND DATA



INNOVATIONS TARGETING MUSCULOSKELETAL

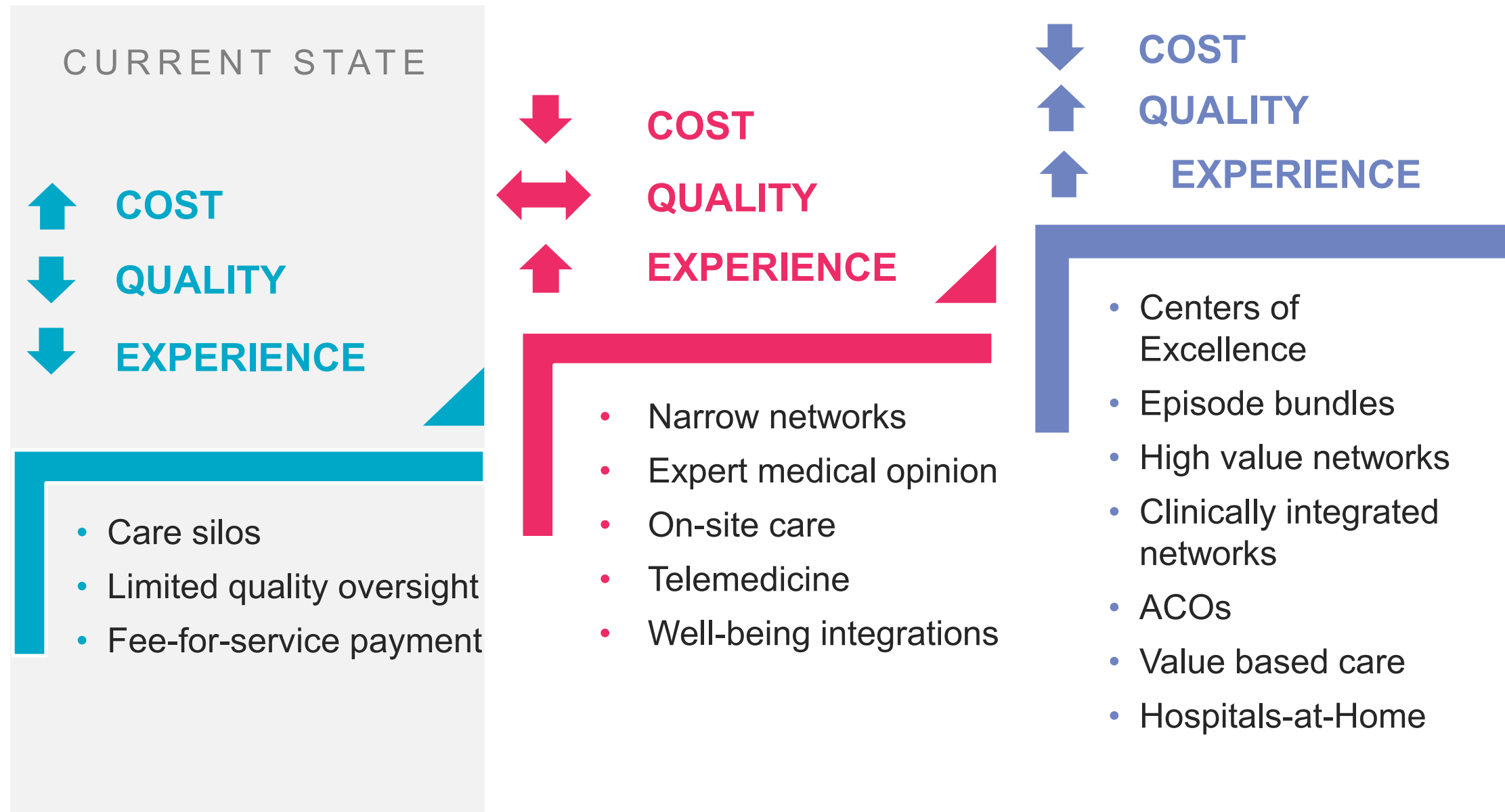


AI APPLICATIONS THAT COULD CHANGE HEALTHCARE

HARVARD BUSINESS REVIEW

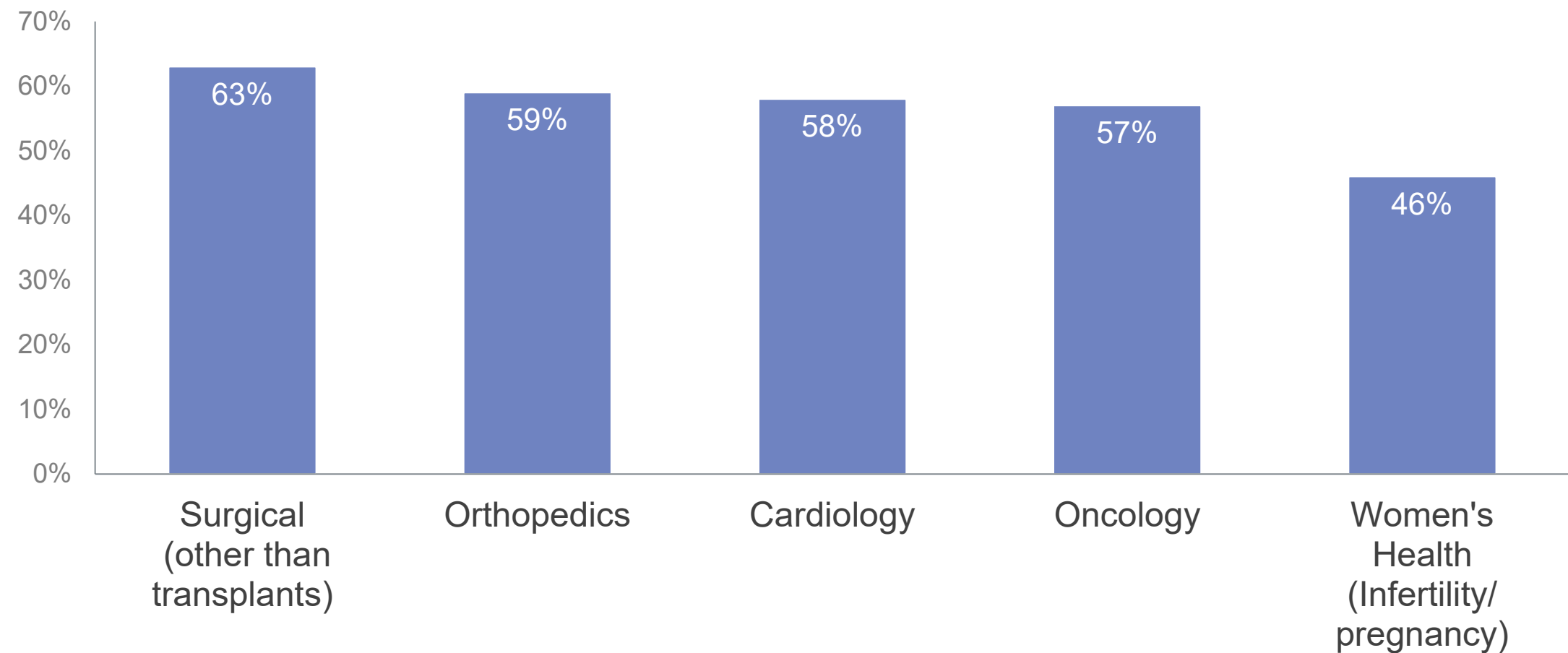
1. Robot-assisted surgery	\$408 billion potential annual value by 2026
2. Virtual nursing assistants	\$20 billion
3. Administrative workflow	\$18 billion
4. Fraud detection	\$17 billion
5. Dosage error reduction	\$16 billion
6. Connected machines	\$14 billion
7. Clinical trial participation	\$13 billion
8. Preliminary diagnosis	\$5 billion
9. Automated image diagnosis	\$3 billion
10. Cybersecurity	\$2 billion

EMPLOYERS, PROVIDER, CONSUMERS COLLABORATE IN PURSUIT OF THE BEST CARE



QUALITY MATTERS: EMPLOYERS EMBRACE CENTERS OF EXCELLENCE FOR A RANGE OF TREATMENTS

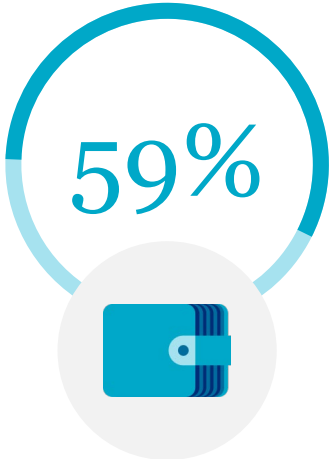
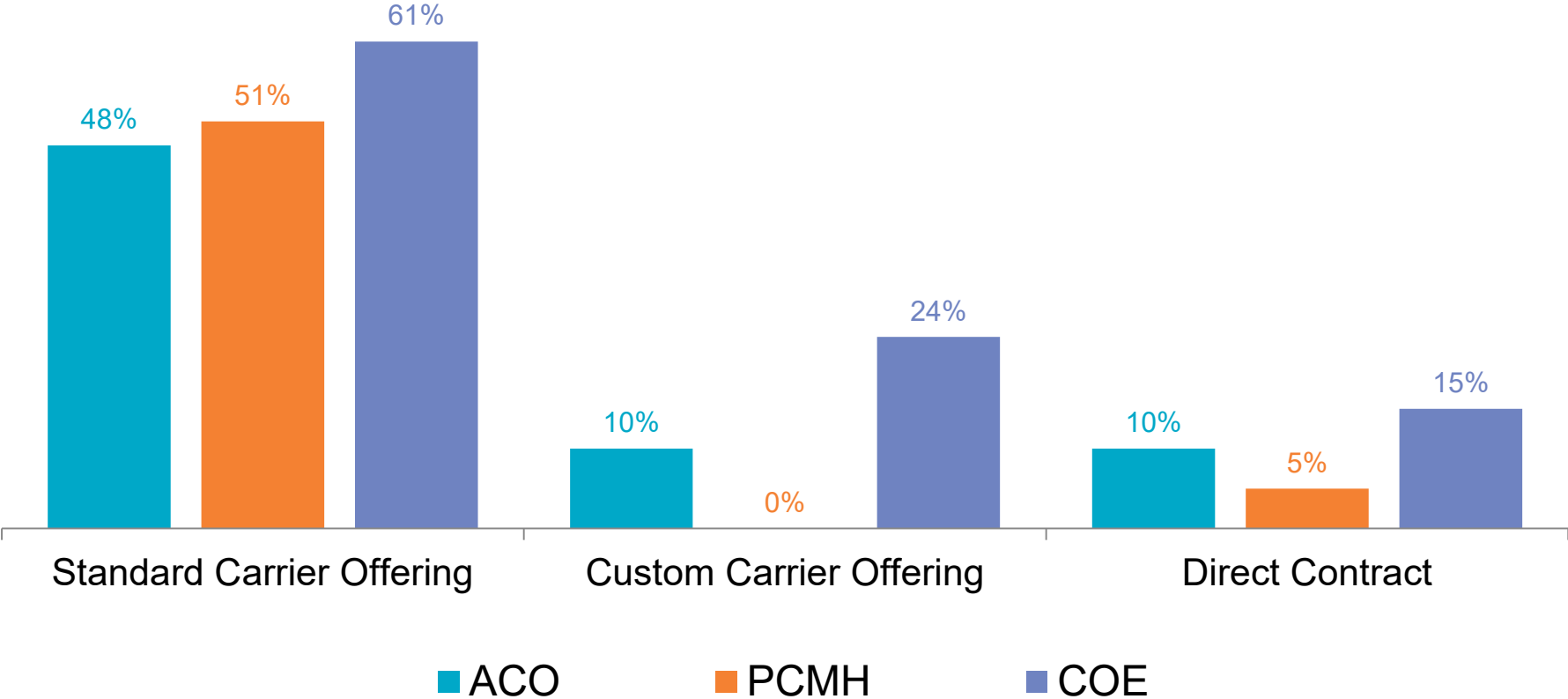
EMPLOYERS WITH 20,000 OR MORE EMPLOYEES



HOW EMPLOYERS STEER EMPLOYEES TO A COE: PAID TRAVEL. LOWER COST-SHARING. CASH BONUS. MAKING IT MANDATORY FOR COVERAGE.

CHANGING THE WAY PROVIDERS ARE PAID TO ACHIEVE LOWER COST, BETTER VALUE

PAY FOR VALUE STRATEGIES



pushed their health plan partners to improve or expand their pay-for-value strategies

National Average Score: 38/100

VENDOR/POINT SOLUTIONS: AFFORDABLE ACCESS TO SERVICES



- Directs planned surgical procedures to high quality providers with bundled case rates
- Can result in savings of 30-50% per procedure
- Any employer size



- Narrow network available in 6 large geographic markets and contracted with over 22,000 providers
- Willing to build out market in location if employer has 5,000+ EEs

NEW FACE OF HIGH COST

From 2014 to 2017, the
frequency of \$1M+ claimants
increased 87%

Source: SunLife

NEW FACE OF HIGH COST - DRIVERS

ACA

- Lifetime maximums have been eliminated
- Coverage for dependents up to age 26
- Removal of pre-existing condition restrictions

Specialty Drugs

- Specialty drugs represented more than 1/3 of total drug costs in 2016
- Trend of 20-30% per year through 2019
- 40-50 new specialty drugs available annually over next 4 years

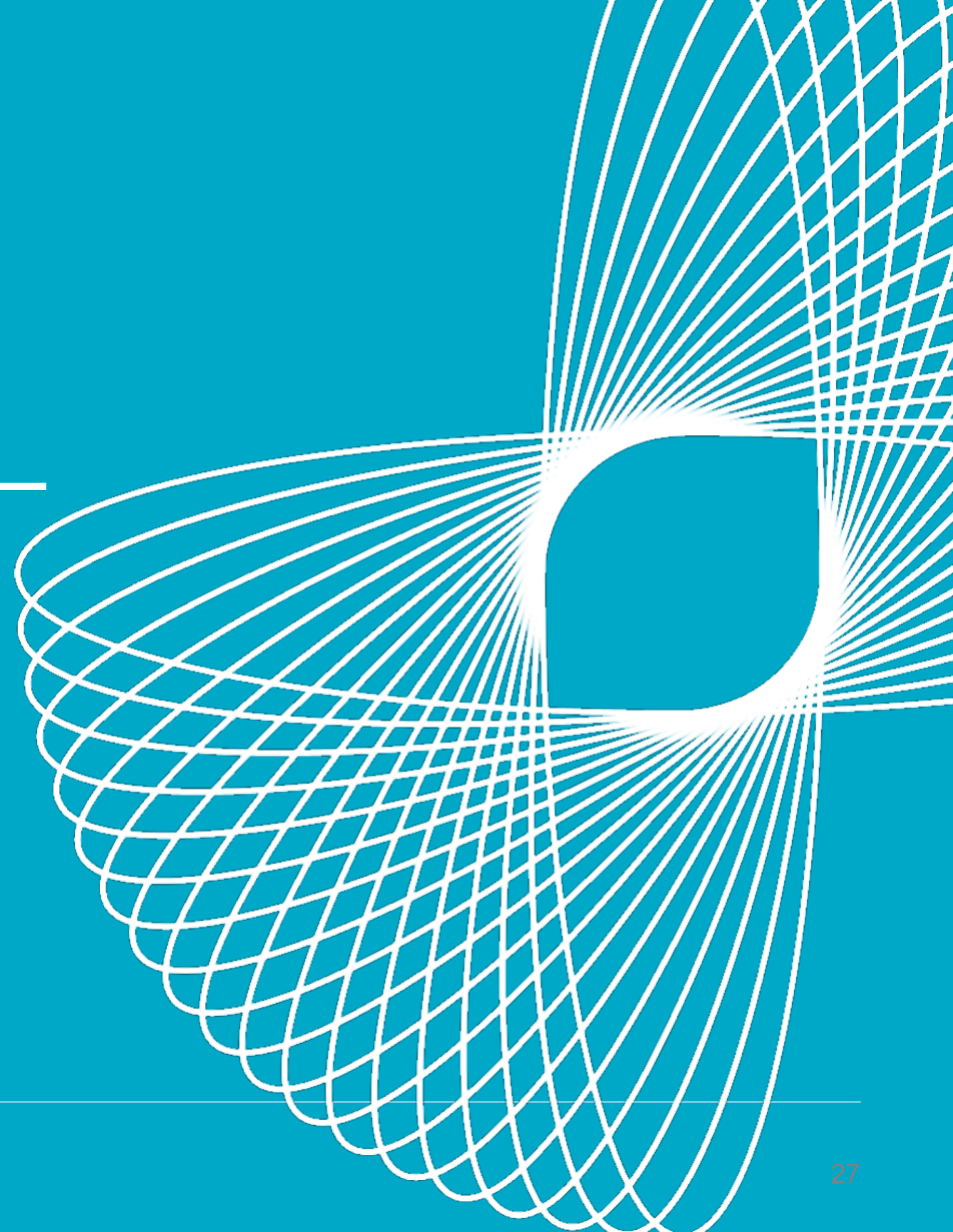
Technology/R&D

- End-of-life prolonged due to advances in treating disease with technology and pharmaceuticals

NEW FACE OF HIGH COST

Medical advancements are rapidly creating cures for conditions that previously didn't exist at a very high price

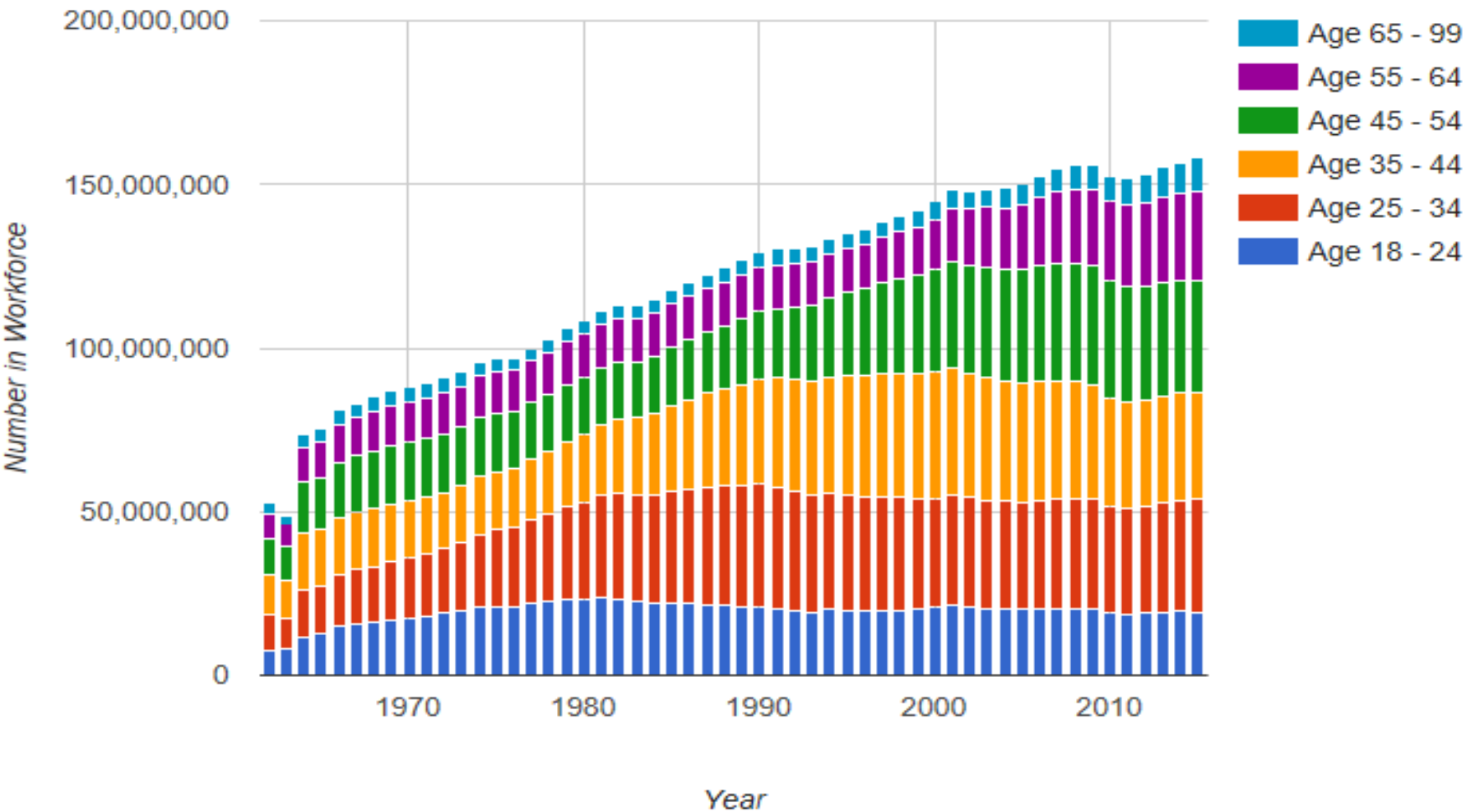
THE ROLE OF CONSUMERS IN HEALTHCARE DELIVERY— NOW AND IN THE FUTURE



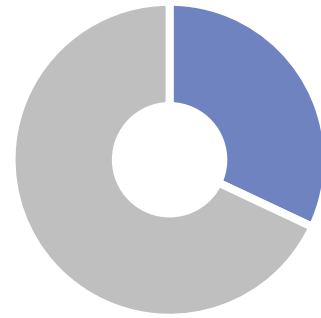
WORKFORCE DEMOGRAPHICS

CHANGING EXPECTATIONS

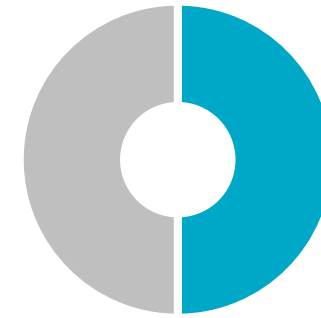
US WORKFORCE BY SELECTED AGE GROUPS



THE “EMPOWERED” HEALTHCARE CONSUMER...



32%
Lack
knowledge of
options



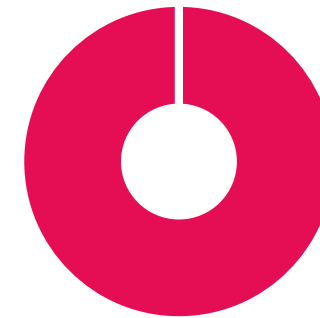
50%
Are health
illiterate



38%
Don't
trust
health
plan



>50%
Feel
“hassled”
by
system

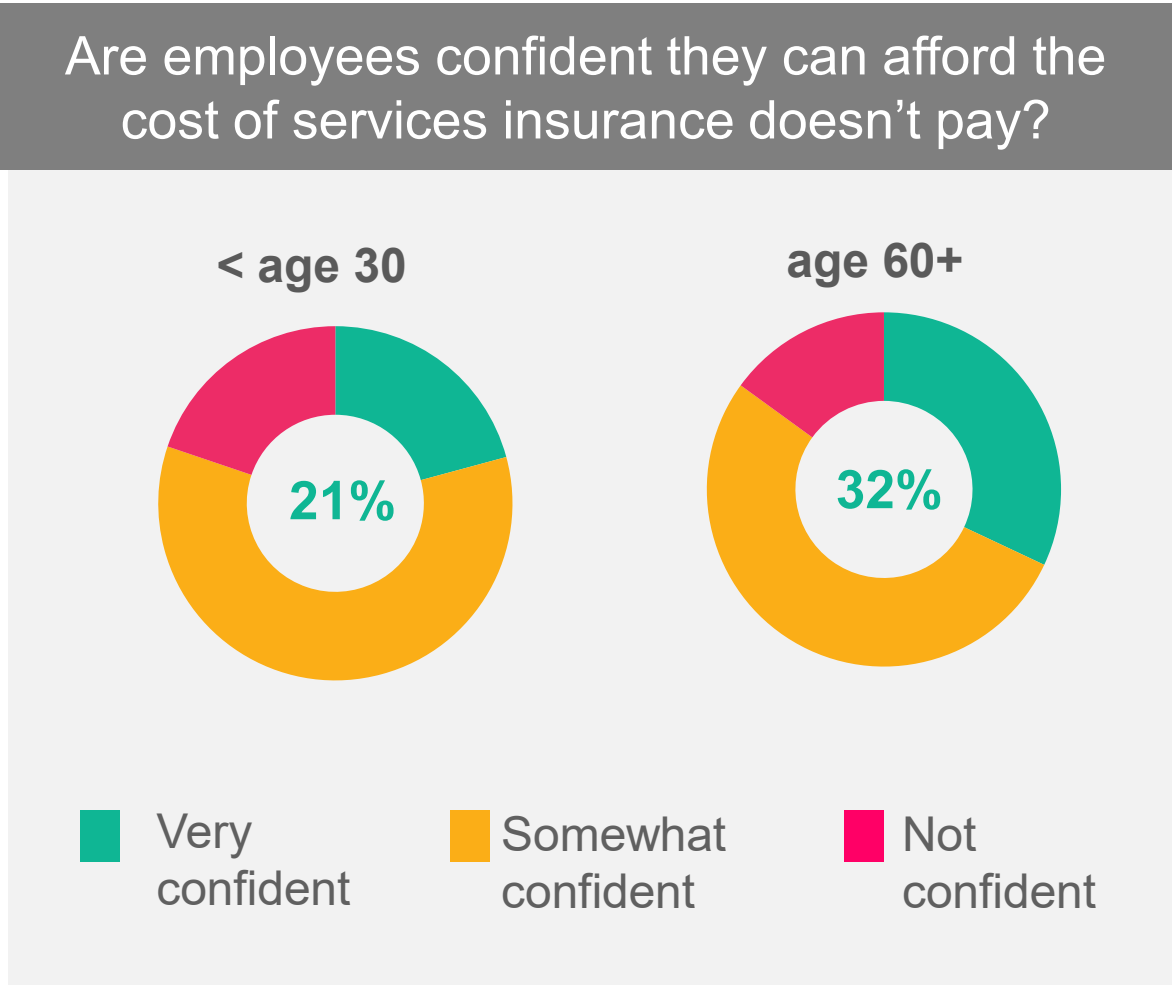
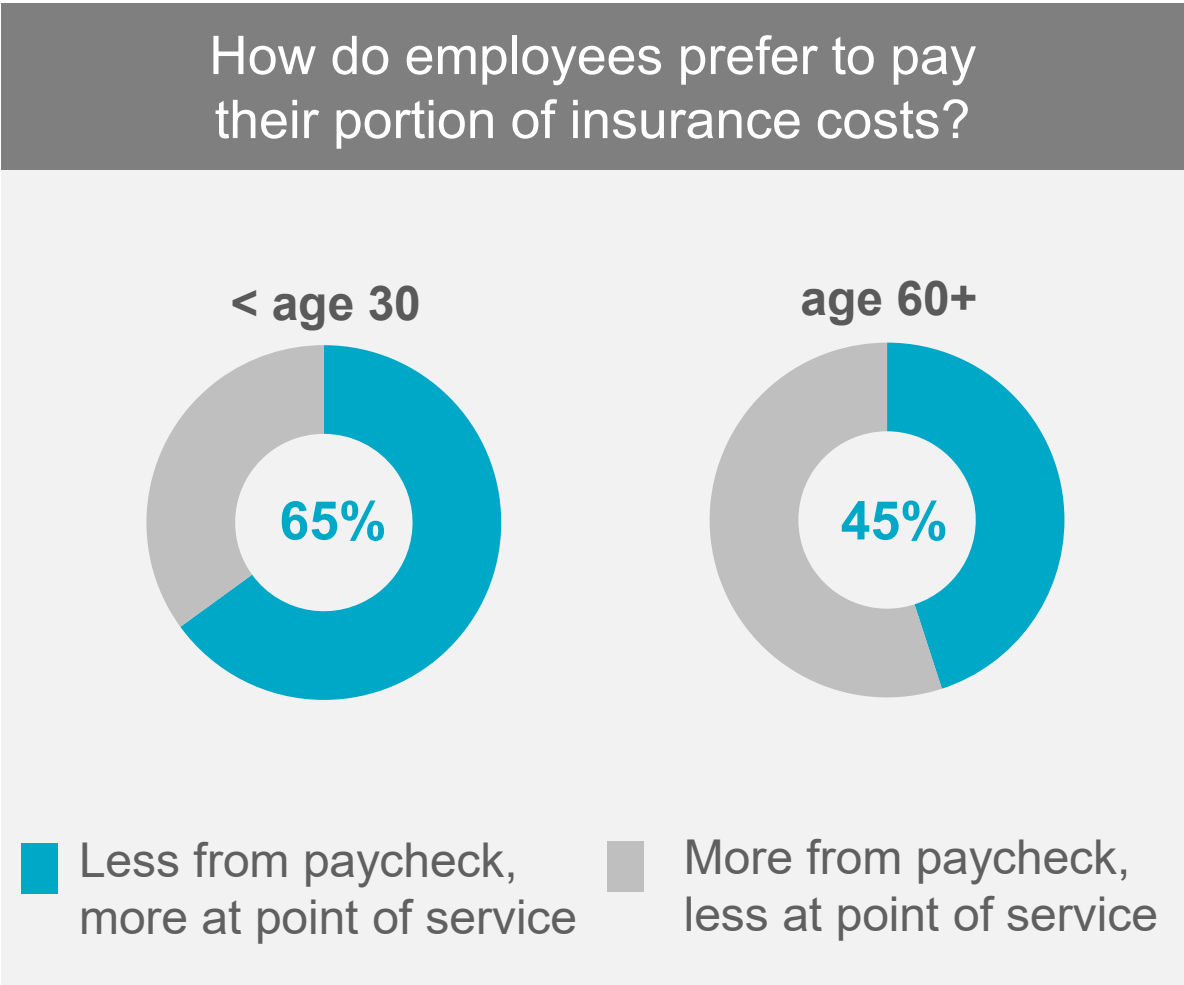


100%
Live in
world
with
stressors

Source: 2015 Accolade Consumer Healthcare Index

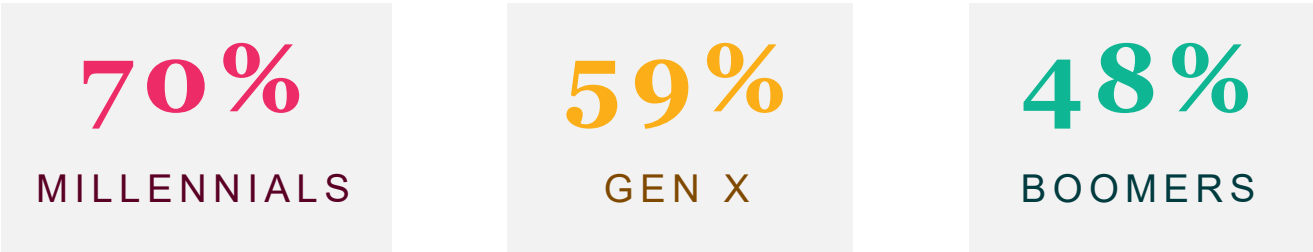
CURRENT CONSUMER ENVIRONMENT

ONE SIZE DOES NOT FIT ALL



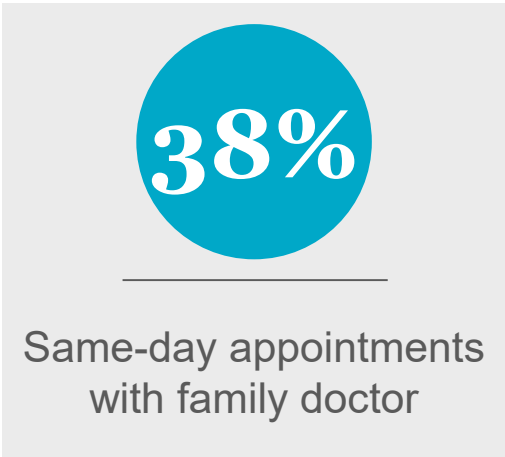
CONSUMER PREFERENCES ARE CHANGING

Younger employees overwhelmingly looking for more benefits flexibility



32% of people enrolled in a high-deductible plan across all employer health plan sponsors

35% consumers are willing to pay more for services centered around convenience



MEET ZOEY

THE HEALTHCARE CONSUMER OF THE FUTURE



Putting Zoey's healthcare at her fingertips:

Because Zoey is accustomed to instant access in many areas of her life – transportation, food, hospitality, travel, etc. – she expects the same from all things healthcare.

On-demand



connectivity that maximizes her convenience – so she expects the same from her healthcare experience!



Bringing the future of tech to healthcare:

Artificial intelligence and machine learning augment Zoey's reality and bring real-time information to her fingertips, making her smarter and more informed.



Virtual

PARTING THOUGHTS...



Be **nimble**. Create open architecture. Stay **focused**.
Disciplined innovation is not a contradiction.

Take on one of the **big issues** – affordability, quality, waste.

Personalization matters – make sure you know what your customers want.



MERCER

MAKE TOMORROW, TODAY