

HEALTH WEALTH CAREER

NATIONAL SURVEY

OF EMPLOYER-SPONSORED HEALTH PLANS



MAKE TOMORROW, TODAY



KEY INSIGHTS AND STRATEGIES

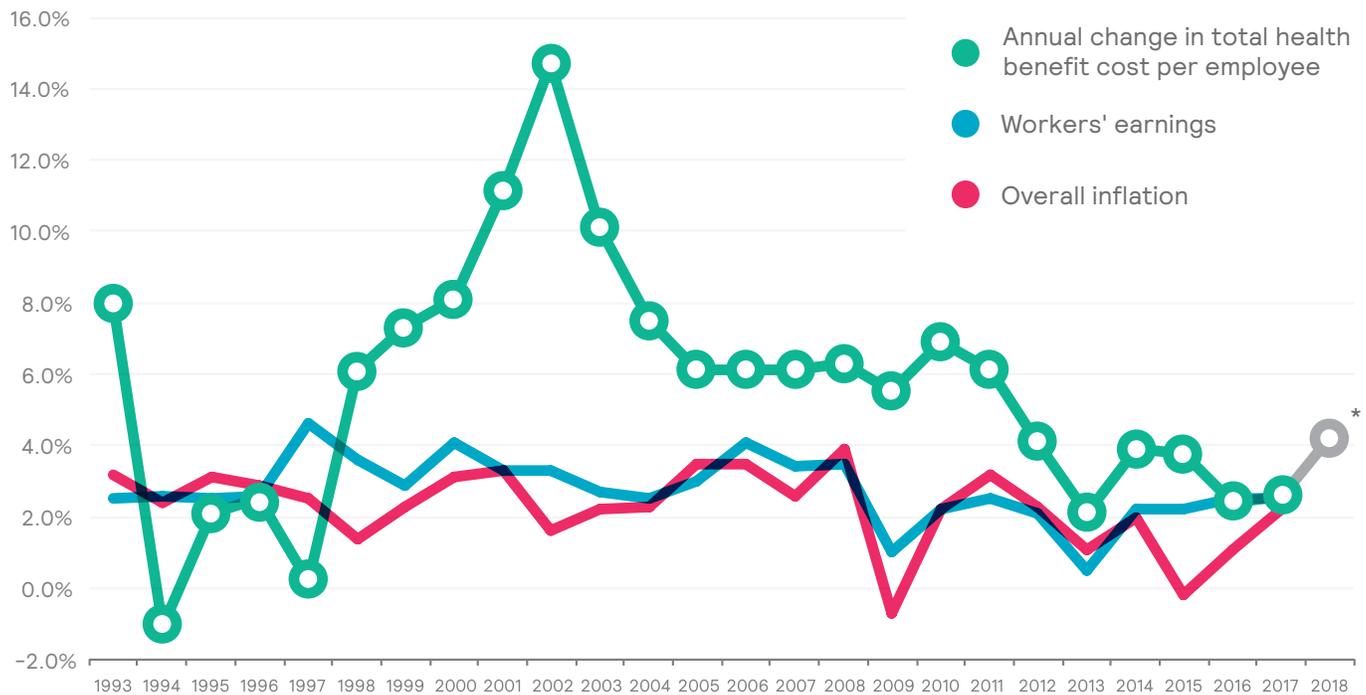


In contrast to the turmoil in the individual health plan market, employer health plan sponsors extended their run of low annual cost increases in 2017, as average total health benefit cost per employee

rose by just 2.6%. Cost growth has averaged just 3.3% annually over the past five years, compared to 6.2% over the prior five-year period.

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 cost increase in 2018

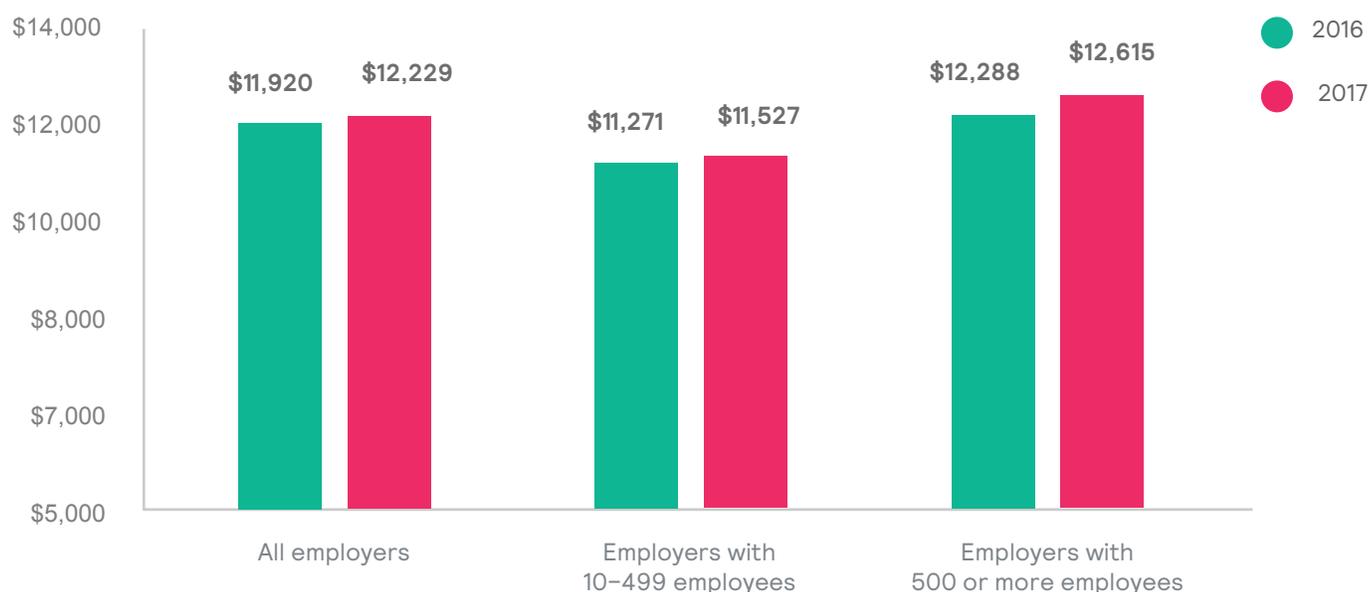
Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, US City Average of Annual Inflation (April to April) 1993-2017; Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April) 1993-2017.

Despite this moderate growth, health coverage represents an enormous expense. Total health benefits cost averaged \$12,229 per employee, or 14% of total payroll, in 2017. Even among smaller employers (those with 10–499 employees), where benefits are typically less generous, health benefit

cost averages \$11,527 per employee. High cost affects employees as well as employers: In 2017, employees paid, on average, 24% of the total cost of coverage through paycheck deductions.

THE HIGH COST OF HEALTHCARE STILL POSES A MAJOR CHALLENGE TO EMPLOYERS – AND EMPLOYEES

Average total health benefit cost per employee



One of the key strategies for slowing cost growth has been consumerism – making employees responsible for a greater share of their healthcare expenses while also providing resources and tools to help them spend more carefully. Employers have added high-deductible consumer-directed health plans (CDHPs), which now enroll 30% of all covered employees. But even in traditional PPOs (preferred provider organizations), deductibles have been rising at a faster rate than medical plan premiums. The average individual deductible is nearly \$1,000 among employers with 500 or more employees and nearly \$2,000 among smaller employers.

Along with this cost shift, employers have added transparency tools to help employees comparison-shop for less costly, high-quality services; 82% of large employers provide transparency tools in 2017, with 15% using a vendor outside their health plan. Telemedicine services, offered by 71% of large employers (up from 59% last year), give employees a convenient, low-cost alternative to a physician office visit for certain types of care. Voluntary benefit options like critical illness or cancer coverage (offered by 51%) make choosing a less expensive plan with a higher deductible a more comfortable choice.

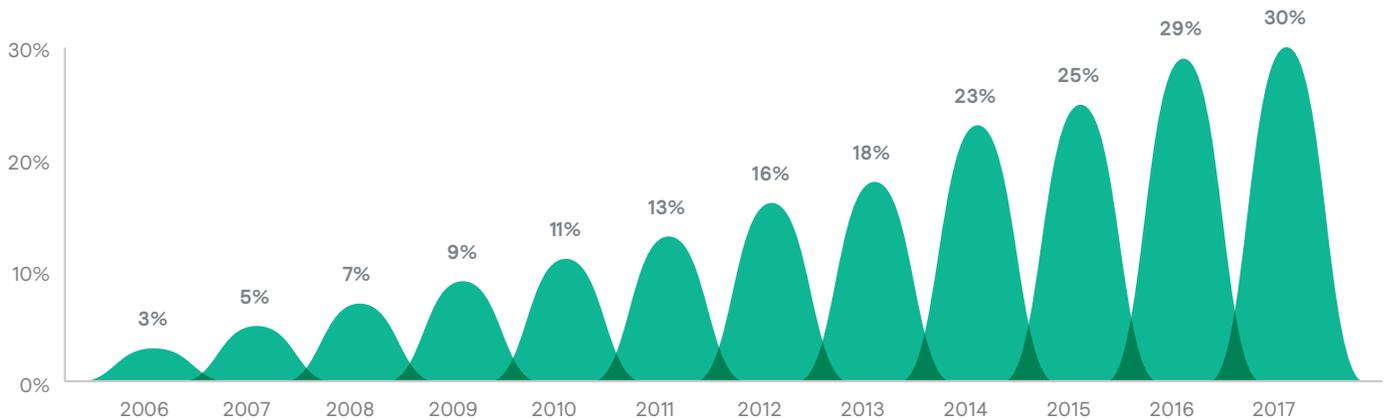
BEYOND CONSUMERISM

Among many employers, there is a sense that consumerism has an important role in cost management, but it can't solve for all of the inefficiencies in the healthcare market — and that they have already asked employees (especially the lower-paid) to assume enough financial risk. Perhaps tellingly, enrollment in CDHPs slowed nearly to a halt in 2017 and rose only by a single percentage point. Many employers already offer these plans, and therefore new implementations

have slowed. In addition, only 10% of employers with 500 or more employees offer a CDHP as the only plan at their largest worksite. Most often, these midsize and large employers offer a CDHP alongside other medical plan options — typically higher-cost plans with richer benefits. The slow enrollment growth in CDHPs in 2017 suggests that many employees remain reluctant to move into a high-deductible plan.

CDHP ENROLLMENT SLOWS NEARLY TO A STANDSTILL IN 2017

Percentage of covered employees enrolled in account-based CDHPs



What this means is that the next frontier for cost management involves solutions that seek to improve the value of the care provided. The survey asked employers to rate the importance of strategies they will be using over the next five years to advance the triple aim of lower cost, higher quality and a better member experience. At the top of the list was taking action to manage high-cost claims — such as by providing enhanced care management or a “high touch” advocacy program, in which a medical professional works closely with

the patient and a clinical team to assist with appointments, referrals, questions and follow-up, improving coordination and compliance. It's encouraging to see that a third of employers said that high-performance networks and alternative provider reimbursement models will be important strategies over the next five years — that kind of concerted effort from employer purchasers has the potential to transform the way healthcare is delivered in the US.

Over two-thirds of employers said they believe a focused strategy for creating a culture of health important – a good reminder of why employers are in the business of providing healthcare. Employers have a vested interest in securing the health and well-being of their workers. They recognize that helping employees thrive has a measurable impact on virtually every aspect of their business.

WHERE EMPLOYERS WILL FOCUS EFFORTS OVER THE NEXT FIVE YEARS

Employers with 500 or more employees

Monitoring/managing high-cost claimants



Focused action to manage cost for specialty pharmacy



Focused strategy for creating a culture of health



Offering employees more plan/benefit options with decision-support tools



Point solutions – high-tech/high-touch support for physical/mental/financial health



Accountable care organization and other high-performance network strategies



● % employers rating strategy "very important"

● % employers rating strategy "important"

For more information on the survey findings, report sales or upcoming events in your area, [visit our website](#).

