EMPLOYER PERSPECTIVES & INDUSTRY TRENDS

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Vice President Health Care Cost and Delivery
NATIONAL BUSINESS GROUP ON HEALTH
Business Group Mission: KEEPing EMPLOYERS ON THE LEADING EDGE OF INNOVATION, THOUGHT AND ACTION TO:

- Improve the financing, delivery, affordability and experience with the health care system.
- Link well-being to business performance and workforce strategy.
- Address the health and productivity of the global workforce.
- Accelerate the adoption of disruptive innovations.
Collaboration is key to driving change
Fielded in May/June 2019 to employer members

49% response rate

147 large employers

15.6 million covered lives
RESPONDENT DEMOGRAPHICS

Industry Breakdown

- Retail/Hospitality/Food Services: 14%
- Manufacturing: 12%
- Banking/Financial: 11%
- Consumer Products/Food and Beverage: 11%
- Technology/Telecommunications: 11%
- Insurance: 8%
- Pharmaceuticals and Medical Products: 5%
- Aerospace/Defense: 5%
- Health Care Providers: 4%
- Education/Government/Non-Profit: 3%
- Business/Professional Services: 4%
- Other: 13%

Employer Size

- Less than 10,000 employees: 25%
- 10,000-24,999 employees: 17%
- 25,000-49,999 employees: 18%
- 50,000-99,999 employees: 12%
- 100,000 or more employees: 28%

72% have more than 10,000 employees
84% are multinational companies

Note: Percentages may not total 100% due to rounding.
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>1.</strong></td>
<td>Health care strategy is becoming an integral part of workforce strategy.</td>
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<tr>
<td><strong>2.</strong></td>
<td>Social determinants of health on the radar of employers.</td>
</tr>
<tr>
<td><strong>3.</strong></td>
<td>Employers have significant reservations about Medicare for All and are split on Medicare expansion.</td>
</tr>
<tr>
<td><strong>4.</strong></td>
<td>Virtual solutions will play a growing role in bringing health care to consumers.</td>
</tr>
<tr>
<td><strong>5.</strong></td>
<td>Implementing advanced primary care strategies is an emerging trend.</td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td>Employers are simplifying the consumer experience for their employees.</td>
</tr>
<tr>
<td><strong>7.</strong></td>
<td>Health care costs are expected to top $15,000 per employee in 2020.</td>
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<tr>
<td><strong>8.</strong></td>
<td>Employers are adding choice back into their plan offerings.</td>
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<tr>
<td><strong>9.</strong></td>
<td>Employees can expect very little in the way of plan design changes.</td>
</tr>
<tr>
<td><strong>10.</strong></td>
<td>High-cost therapies are employers’ top concern in managing pharmacy benefits.</td>
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ROLE OF THE EMPLOYER
LARGE EMPLOYER HEALTH CARE STRATEGY: 2019 VS. 2020

Q: Which of the following best describes the role your organization’s health care strategy plays in your overall workforce strategy?

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>27%</td>
<td>36%</td>
</tr>
<tr>
<td>53%</td>
<td>49%</td>
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<tr>
<td>20%</td>
<td>15%</td>
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Our health care strategy is an integral part of our workforce strategy
Investments in health and well-being are considered key to deploying the most engaged, productive and competitive workforce possible to boost business performance.

Our health care strategy is a consideration in our workforce strategy
Impact on health care costs, employee engagement and productivity are key considerations for our health care and well-being initiatives.

Our health care strategy is viewed separately from our workforce strategy
The impact on health care cost is the key consideration for our health care and well-being initiatives.
Employers continue to play an activist role to drive delivery system change; more are relying on their partners.

<table>
<thead>
<tr>
<th>Approach</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>A. Wait and See Approach</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>Implement only once proven results can be seen and solutions are mature</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Defer to Partners Approach</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Make adjustments as the market changes and implement what my health plan(s) and PBM present as the latest developments</td>
<td></td>
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</tr>
<tr>
<td>C. Drive Delivery System Change Approach</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>By pursuing the implementation of alternative payment and delivery models such as ACOs, performance networks and COEs directly or through my health plans</td>
<td></td>
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</tr>
<tr>
<td>D. Won’t Wait for Delivery System to Change Approach</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Circumvent the delivery system to improve access, convenience, experience and efficiency by deploying virtual and digital care point solutions, navigation and concierge services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Both C&amp;D</td>
<td>27%</td>
<td>26%</td>
</tr>
</tbody>
</table>

The largest change between 2019 and 2020 was the shift away from a “wait and see” approach towards implementing changes as partners roll out solutions.
Employers are playing a role to address social determinants of health.

90% of employers are addressing financial/economic issues as a part of their health and well-being strategy.

84% of employers are addressing health care access/literacy.

47% of employers are addressing education.

34% of employers are addressing food quality/access.

10% of employers are addressing housing.

**Employee Voices**

Employees are particularly concerned about rising costs of health care, prescription drugs and housing, as well as transportation expenses and access to healthy foods.¹

Most employers have significant reservations about Medicare for All

72% believe it will decrease the number of uninsured in the country

47% believe it will increase the health care costs experienced by employees

56% believe it will lead to a reduction in health care quality

57% believe it will lead to an overall increase in U.S. health care costs

69% believe it will stifle health care delivery innovation

81% believe it will lead to increased taxes
Q: Is your company in favor of Medicare being expanded to include people age 50-64?

- Yes, but only for ages 60 - 64: 23%
- Yes, but only for ages 55 - 64: 9%
- Yes, for ages 50 – 64: 45%
- No, Medicare should not be expanded below age 65: 23%
LARGE EMPLOYERS’ VIEWS OF A GOVERNMENT ROLE IN MANAGING HIGH-COST DRUGS, 2019

Q: Given the price tag of emerging drug therapies, do you believe the federal government should play a role to relieve the private marketplace from the risk volatility and financial burden of high-priced drug therapies by centralizing price negotiation, distribution and payment for drug therapies that exceed a certain dollar threshold (e.g., $1M)?

- Yes, would welcome government involvement: 46%
- No, would not welcome government involvement: 38%
- Don’t know: 16%

A National Business Group on Health® Publication
Q: Which of the following government roles would you consider? (Select all that apply)

- The government negotiates price for all payers for drugs above a certain dollar threshold (e.g., $1M) and paid for out of a national fund: 76%
- The government implements a stop-loss program where costs above a certain dollar threshold are covered by a national fund: 50%
- Shift patients with certain high-cost conditions to Medicare: 35%
HEALTH CARE COSTS AND PLAN DESIGN
Projected 2020 cost trend remains consistent with prior years at 5%; cost per employee is expected to top $15,000

* Employees will see minimal plan design changes in 2020

Note: Projections are based on employers who had estimates for each year. Not all respondents were able to provide estimates for cost projections. Changes may include contract negotiations, alternative network models, cost management initiatives and plan design.
Simplifying consumerism remains a focus for employers

- 71% in 2019 will offer medical decision support and second opinion services, increasing to 78% in 2020.
- 65% in 2019 will offer employee advocacy tools for claims assistance, increasing to 73% in 2020.
- 39% in 2019 will offer high touch concierge services to help employees navigate the health care system, increasing to 60% in 2020.
Employers are adding choice back into their plan offerings even as more employees choose consumer-directed health plans.

Median participation rate in CDHPs offered as an option is 46%, up from 35% last year.
LARGE EMPLOYERS’ TOP CONDITIONS IMPACTING HEALTH CARE COSTS, 2019

Q: What are the top conditions impacting your company’s health care costs and trend?

Note: Other responses included: Digestive/GI; Circulatory; Hypertension; and Thyroid disorders.
DEVELOPMENT OF HEALTH CARE STRATEGY AND PLAN DESIGN INNOVATIONS

2020 Large Employers' Health Care Strategy and Plan Design Survey

A National Business Group on Health® Publication
Top employer priorities for 2020 include virtual care solutions and a more focused strategy to address high-cost claims.

- Implement more virtual care solutions (e.g., behavioral health, physical therapy, digital coaching, condition management, medical decision support, sleep) - 51%
- More focused strategy on high-cost claims - 39%
- Expand centers of excellence to include additional conditions (e.g., cancer, infertility) - 26%
- Implement an engagement platform that aggregates solutions and pushes personalized communications - 26%
- Targeted specialty pharmacy management (e.g., site-of-care, independent specialty pharmacy) - 25%
Employers see virtual solutions having a significant impact on health care delivery in the future - 51% of employers will offer more virtual solutions in 2020, with musculoskeletal and mental health topping the list for 2021-2022.
### Large Employers’ Current and Projected Virtual Solutions Offerings, 2019-2022

**Q: In 2020, which of the following types of virtual care services will you offer to employees?**

<table>
<thead>
<tr>
<th>Service</th>
<th>Already in place in 2019</th>
<th>Adding in 2020</th>
<th>No, but considering for 2021/2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telehealth services for minor, acute services</td>
<td>98%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Mental/behavioral health virtual services</td>
<td>73%</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Weight management</td>
<td>55%</td>
<td>5%</td>
<td>18%</td>
</tr>
<tr>
<td>Emotional well-being/resilience</td>
<td>45%</td>
<td>12%</td>
<td>22%</td>
</tr>
<tr>
<td>Diabetes care management</td>
<td>44%</td>
<td>9%</td>
<td>25%</td>
</tr>
<tr>
<td>Health and lifestyle coaching</td>
<td>55%</td>
<td>5%</td>
<td>17%</td>
</tr>
<tr>
<td>Medical decision support</td>
<td>46%</td>
<td>5%</td>
<td>23%</td>
</tr>
<tr>
<td>Prenatal care management/coaching</td>
<td>37%</td>
<td>4%</td>
<td>29%</td>
</tr>
<tr>
<td>Telehealth for select specialty services (e.g., dermatology)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Musculoskeletal care management</td>
<td>17%</td>
<td>6%</td>
<td>38%</td>
</tr>
<tr>
<td>Sleep management</td>
<td>19%</td>
<td>4%</td>
<td>25%</td>
</tr>
<tr>
<td>Cardiac care management</td>
<td>18%</td>
<td>2%</td>
<td>25%</td>
</tr>
<tr>
<td>Other virtual care solution</td>
<td>1%</td>
<td>1%</td>
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</tbody>
</table>

**Note:** Other virtual care solutions included: cancer program; digestive health solution; and lactation support.
Implementing advanced primary care strategies is an emerging trend

- Steerage to physician based ACOs/HPNs (via plan design and/or referrals)
  - Implementing in 2020: 24%
  - Considering for 2021/2022: 34%

- On-site primary care at on-site/near-site health centers
  - Implementing in 2020: 34%
  - Considering for 2021/2022: 18%

- Virtual primary care services (beyond traditional telehealth)
  - Implementing in 2020: 20%
  - Considering for 2021/2022: 30%

- Patient-centered medical home (PCMH)
  - Implementing in 2020: 14%
  - Considering for 2021/2022: 18%

- Directly contracted primary care models in select markets
  - Implementing in 2020: 9%
  - Considering for 2021/2022: 17%

49% will have at least one advanced primary care strategy in place for 2020.
More employers are using COEs to address musculoskeletal conditions, fertility and maternity

- Orthopedics (e.g., knees, hips, spine)
  - Implementing in 2020: 80%
  - Implementing or considering implementing in 2021/2022: 47%

- Fertility
  - Implementing in 2020: 57%
  - Implementing or considering implementing in 2021/2022: 38%

- Maternity
  - Implementing in 2020: 17%
  - Implementing or considering implementing in 2021/2022: 10%

- Mental and behavioral health
  - Implementing in 2020: 41%
  - Implementing or considering implementing in 2021/2022: 39%

- Substance abuse
  - Implementing in 2020: 10%
  - Implementing or considering implementing in 2021/2022: 10%
Mental health remains a key area of focus. 2020 will bring double-digit increases in employers offering anti-stigma campaigns and manager trainings on mental health.

<table>
<thead>
<tr>
<th>Access</th>
<th>Culture</th>
<th>Virtual Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site behavioral health counselors</td>
<td>Anti-stigma campaign</td>
<td>Online resources (e.g., apps, articles, videos, webinars)</td>
</tr>
<tr>
<td>High performance network for mental/behavioral health</td>
<td>Manager training to help recognize mental/behavioral health issues and how to direct employees to appropriate services</td>
<td>Digital cognitive behavioral therapy</td>
</tr>
<tr>
<td>Zero or limited copay for mental health medications treating conditions such as depression</td>
<td>Flexible work schedule that encourages employees to seek care during regular business hours</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Peer/employee training to help recognize mental/behavioral health issues and how to direct peers to appropriate services</td>
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<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>On-site behavioral health counselors</td>
<td>33%</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>High performance network for mental/behavioral health</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Zero or limited copay for mental health medications treating conditions such as depression</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Anti-stigma campaign</td>
<td>48%</td>
<td>30%</td>
<td>18%</td>
</tr>
<tr>
<td>Manager training to help recognize mental/behavioral health issues and how to direct employees to appropriate services</td>
<td>47%</td>
<td>30%</td>
<td>23%</td>
</tr>
<tr>
<td>Flexible work schedule that encourages employees to seek care during regular business hours</td>
<td>40%</td>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>Peer/employee training to help recognize mental/behavioral health issues and how to direct peers to appropriate services</td>
<td>27%</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Online resources (e.g., apps, articles, videos, webinars)</td>
<td>69%</td>
<td>58%</td>
<td>53%</td>
</tr>
<tr>
<td>Digital cognitive behavioral therapy</td>
<td>28%</td>
<td>26%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Q: Which of the following tactics have you implemented to help employees struggling with substance use disorder, including opioids? (Select all that apply)

- Plan covers medication assisted therapy (MAT) for employees and/or dependents suffering from substance-use disorder (e.g., methadone, buprenorphine, naltrexone) - 69%
- Case management services for employees and dependents suffering with substance-use disorder - 66%
- Expanding leave flexibility for employees and caregivers of dependents in substance use disorder treatment to get treatment - 12%
- Second chance contracts for employees who test positive for drug use - 11%
- Center of excellence or high-performance network for substance-use disorder treatment - 9%

Note: Other included: exclude high-cost substance abuse facilities; and implement PBM’s opioid management protocol.
LARGE EMPLOYERS’ ACO/HPN OFFERINGS, 2019-2021

Q: In 2020, will you be actively pursuing an ACO or HPN strategy?

10% Yes, by direct contracting with ACOs or HPNs

21% Yes, by promoting ACOs or HPNs offered by our health plans

29% No, but considering for 2021/2022

33% No, some of our health plans may include ACOs/HPNs but we don’t promote to employees

6% Don’t know

Note: Percentages may not total 100% due to rounding.
Q: In which of the following major markets do you have an interest in implementing some type of delivery reform initiative (e.g., ACO, HPNs, primary care) either directly or in collaboration with your partners?

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<th>#3</th>
<th>#4</th>
<th>#5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas, TX</td>
<td>Phoenix, AZ</td>
<td>Atlanta, GA</td>
<td>Los Angeles, CA</td>
<td>Houston, TX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>11% in 2020</th>
<th>7% in 2020</th>
<th>7% in 2020</th>
<th>7% in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16% considering</td>
<td>15% considering</td>
<td>13% considering</td>
<td>11% considering</td>
</tr>
</tbody>
</table>

Note: 2021-22 figures represent the percent of employers considering in addition to those employers planning to implement in 2020.
Q: In your benefit plans, have you seen any evidence of health care waste or abuse from the following health care providers? (Select all that apply)

- Destination treatment facilities (e.g., detox homes in vacation areas) – 31%
- Freestanding emergency rooms – 26%
- Providers with unethical prescribing patterns – 21%
- Maternity delivery centers with high rates of C-sections – 17%
- Imaging centers – 16%
- Diagnostic testing facilities – 15%
- Freestanding surgery centers – 14%

Note: Other responses included: out-of-network dialysis centers; ABA service providers; and unethical billing practices.
PARTNER CONSIDERATIONS

1. Continue to move to value. Encourage partners move to value.

2. Quality – may mean tiering providers within the system and within partner network. Look for opportunities to eliminate waste and inappropriate care.

3. Deploy virtual tools and resources to better address consumer and patient needs. Create omni-channel access.

4. Actively develop partnerships and seek to integrate with other solutions and employer partners.

5. Share data – integration and interoperability and ensure providers are leveraging all data points.

6. Prepare providers for practicing in today’s environment – clinically and otherwise.

7. Explore local market-based solutions – HPNs, Advanced Primary Care, etc.

8. Seek synergistic points of care to address mental health needs as well as SDOH.
PHARMACY
High-cost therapies are #1 concern in managing pharmacy benefit plans.

The impact of new million dollar treatments getting approved by the FDA

The inappropriate use and prescribing of opioids

The impact of coupons and patient assistance programs on consumer behavior for a drug when there are lower cost alternatives available

Drug manufacturer coupons/debit cards being applied or credited towards an employee’s deductible

Manufacturer rebates not benefiting employees at the point-of-sale in high-deductible health plans

Over the counter (OTC) combinations, including nutritional supplements, getting approved through the pharmacy benefit

Very concerned

Concerned

46% of large employers would consider a role for government in financing high-cost drugs therapies.
Employers have placed emphasis on specialty medications delivered and paid for under the medical benefit.

- Prior authorization for specialty medications billed under the medical benefit: 59% in 2020, 36% in 2019, 31% in 2018.
- Site of care management (e.g., ensuring drugs are administered in appropriate settings, incentives for using appropriate sites of care): 55% in 2020, 44% in 2019, 44% in 2018.
- High-touch case management (e.g., medication management therapy, medication coaching program): 47% in 2020, 31% in 2019, 30% in 2018.
- Specialty medications must be obtained through a carved-out specialty pharmacy: 24% in 2020, 16% in 2019.
Questions?