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Emerging Trends in Benefits



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Kevin has more than 20 years of experience in benefit sales and consulting. Kevin is known for his diligent service and dedication to being an industry expert. He provides expertise in the areas of compliance, strategic planning, employee engagement and communications.

He is a member of the National Association of Health Underwriters and serves on the Lehigh Valley Business Coalition on Healthcare Education and Wellness Committee.

Kevin earned his bachelors degree from St. Joseph's. He also holds the Certificate of Healthcare Reform Studies from The American College and is presently pursuing his Chartered Healthcare Consultant designation.

An active member in his local community, Kevin is a supporter for PBS39, LifePath and ArtsQuest and also serves as a ministry leader and deacon at Calvary Chapel in Quakertown. In addition to being a devoted husband and father to three daughters, Kevin is an avid music collector with more than 10,000 albums.



Before We Begin...



Agenda

Introduction

Rising Cost of Benefits, Changing Landscape

Emerging Trends in Benefits

- Self-Insurance
- Consumer Engagement
- Funding Gaps in Coverage and Financial Wellness
- Narrow Networks
- Telemedicine
- Transparency Tools

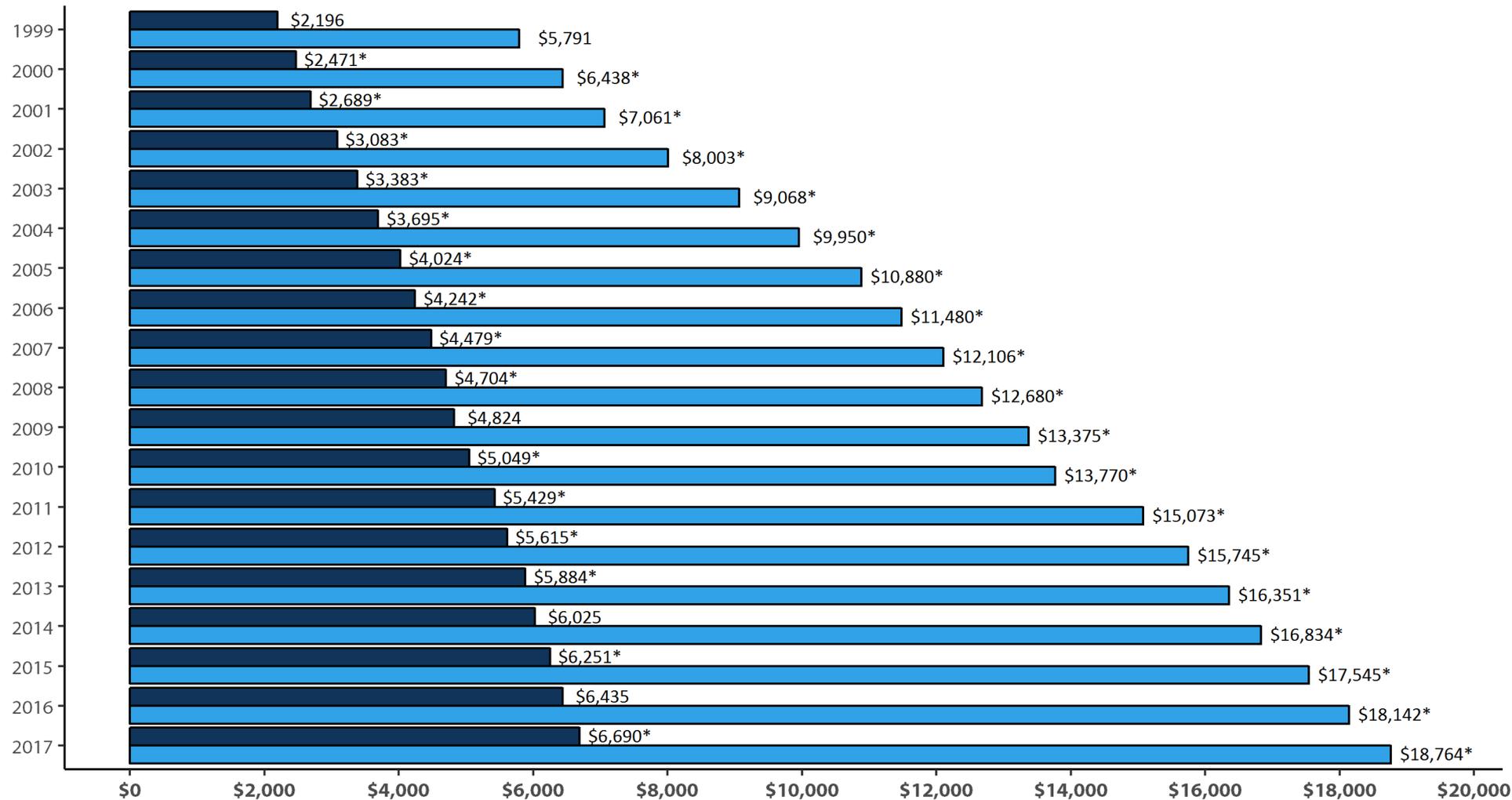
Conclusion & Questions



Figure 1

Average Annual Premiums for Single and Family Coverage, 1999-2017

Single Coverage Family Coverage



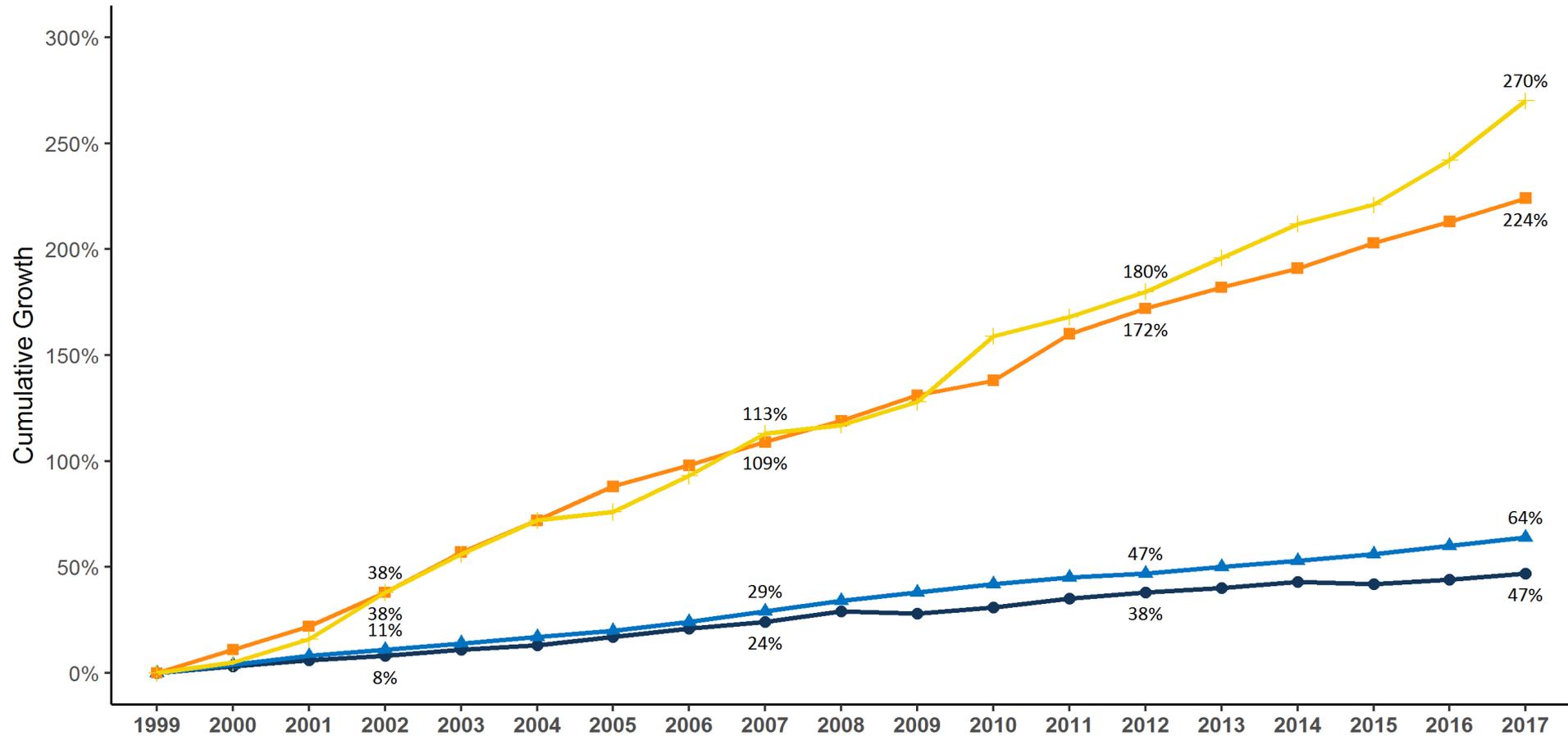
* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Figure 5

Cumulative Increases in Family Premiums, Worker Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2017

● Overall Inflation ▲ Workers' Earnings ■ Family Premiums + Worker Contributions



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2017; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2017 (April to April).

Changing Landscape

UnitedHealth to buy DaVita clinics for \$4.9 billion

CVS Health to acquire Aetna

Report: Specialty Drug Spending Increased 26 Percent

The price of a 40-year-old, off-patent cancer drug in the U.S. has risen 1,400%, putting the life-extending medicine out of reach for some patients

Reading Health System to purchase five hospitals, change name

The largest increases in self-insured plan coverage among covered workers have occurred in establishments with 25–99 employees and with 100–999 employees.



Healthcare Finance Spectrum

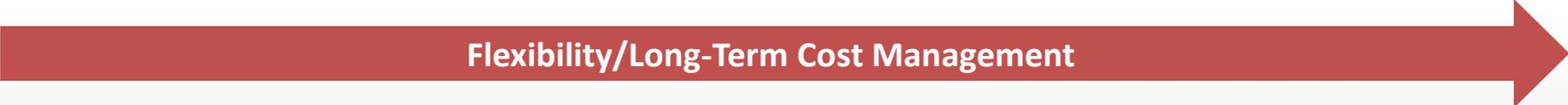
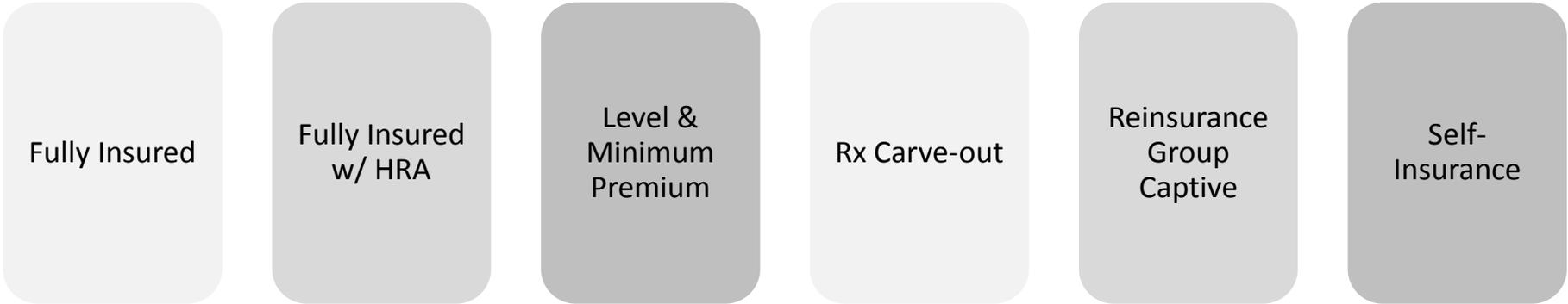
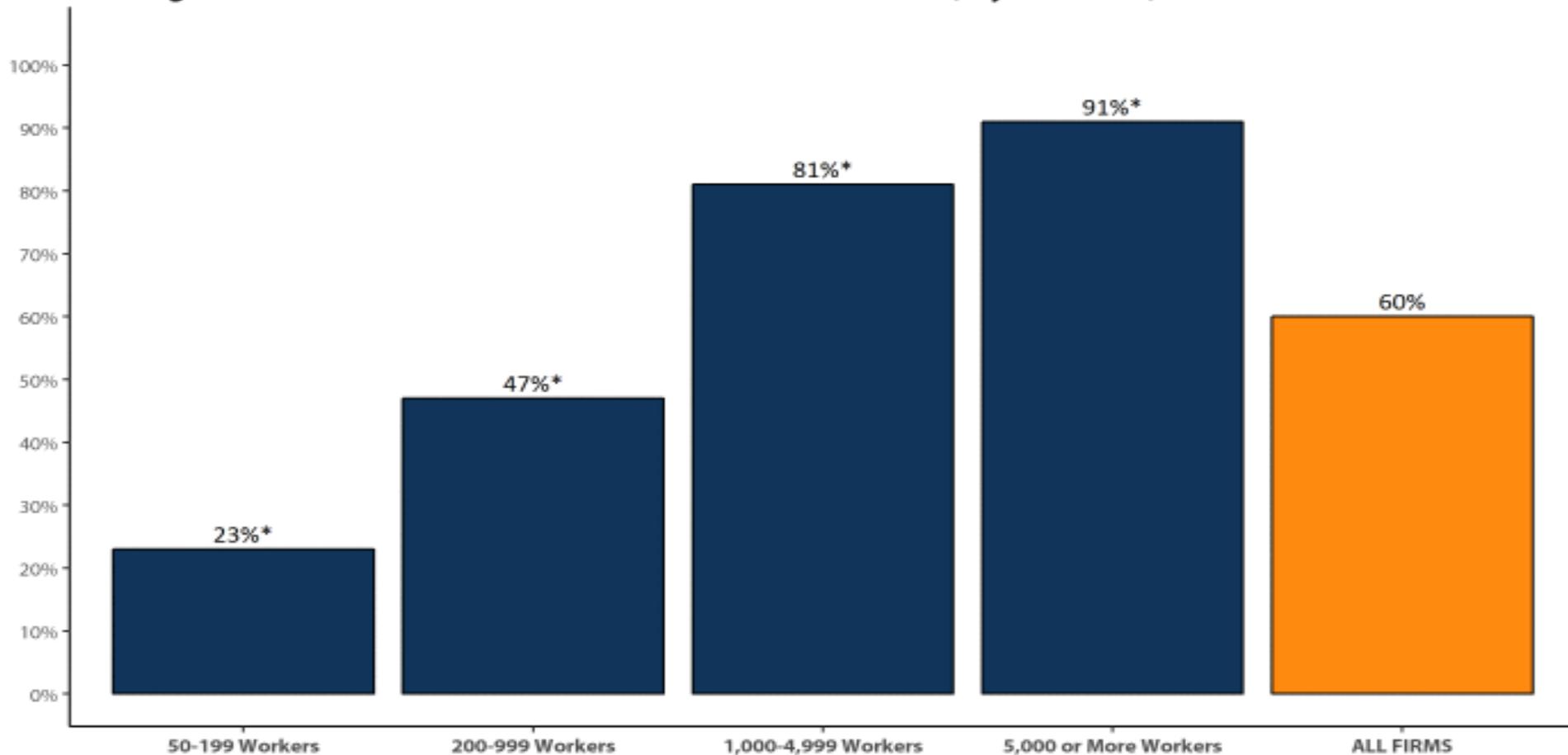


Figure 10.1

Percentage of Covered Workers Enrolled in a Self-Funded Plan, by Firm Size, 2017



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Figure includes covered workers enrolled in partially or completely self-funded plans. Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006; therefore, conventional plan funding status is not included in the averages in this figure for 2006. For definitions of self-funded and fully insured plans, see the introduction to Section 10.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2017

Self-Insurance

- Alternative benefits funding strategies can help mitigate the financial impact of a community rating environment. These alternatives including:
 - level-funding can provide greater certainty and protection
 - partially self-funded solutions for larger employers
- These alternative funding solutions are outside the community rating rules, which means employers could benefit from:
 - a reduction in taxes or fees
 - a reduction due to eliminating carrier profit
 - decrease by returning to a more favorable rating method
- Self-insuring provides greater flexibility and discretion
- It is not a fit for all employers but a worth consideration for the potential cost-savings, transparency, and flexibility of the plans



Consideration: *Financial*

Pros:

- Cost containment
- Remove insurer's profits
- Lower retention and risk charges
- Employer holds and invests reserves
- Cash flow
- Reduce state premium tax that is built into premiums
- Remove state mandates/requirements
- Health insurer fee and some PPACA fees not applicable

Cons:

- Employer assumes greater risk
- Inconsistent monthly costs
- Not ideal for companies experiencing lay offs or downsizing
- Volatility of reinsurance market
- Zero-balance accounting for weekly payment of claims
- Accruals for outstanding claims



Consumer Engagement

- More than 30% of employers offer a high deductible health plan, whether as part of a health savings account (HSA) or a health reimbursement arrangement (HRA) design
- These plans can reduce costs by promoting consumerism in healthcare purchasing, which gives employees more control of the money spent on their benefits and provides choice
- They can also be perceived as a pure cost shift with employees bearing the burden.
- These plans will not make an employer's large claims disappear



Funding Gaps in Coverage and Financial Wellness

Funding Gaps in coverage:

- Employers forced to shift costs to employees
- Shift to higher deductibles, costs incurred if used
- Average Family medical plan costs \$26,000 per year
- Employer contributes \$15,000 in premiums
- Employee pays \$11,000: \$6,700 in premiums, \$4,300 in out-of-pocket costs
- Inability to cover costs leads to avoidance of medical care and contributes to an unhealthy and unproductive workforce
- Unpaid medical bills are the #1 reason for bankruptcy in US
- Financial wellness concerns affect morale



Funding Gaps in Coverage and Financial Wellness

What is an Employer Based Financial Wellness Program?

- A program that seeks to improve employee's financial behavior and outcomes while driving a positive business impact.
- *The fastest growing benefit in the country*
- Stressed out employees are more prone to health risks:
- Financial Stress is the #1 cause of stress-related illnesses
- 84% of employees report some degree of financial stress
- Healthcare costs are 24% higher in people who are stressed about finances.
- Decreased Productivity. Financial stress can decrease employee productivity by as much as 20 hours a month
- 46% of workers spend three or more hours during the workweek dealing with, or thinking about, financial issues



Funding Gaps in Coverage and Financial Wellness

Why Financial Wellness Matters:

- Increased Healthcare Costs
- Many employees are delaying important treatment due to healthcare costs
- According to the American Psychological Association, 60% of health costs are impacted by financial stress

Financial Wellness Defined:

- A state where an individual has:
- Minimal financial stress
- Achieved living below their means with no high-interest debt
- An emergency savings fund
- Income and assets protected from loss
- An ongoing plan to reach future financial goals



Funding Gaps in Coverage and Financial Wellness

Pew Trust:

- Almost half of households say they **can't predict their income** month to month or year to year.
 - Employees do not have the money
 - 69% of Americans have less than \$1,000 in savings
 - Only a third say they have any savings at all.
- Nearly six in 10 Americans don't have enough savings to cover a \$500 or \$1,000 unplanned expense, according to a new report from Bankrate.
- New Offerings:
 - Kashable – low cost loans
 - AblePay



Funding Gaps in Coverage and Financial Wellness

- Wellness activities can be tied into the funding of the HRA or HSA account.
- Gap Insurance is a fixed cost solution for 'gaps' in coverage – these include:
 - Hospital Indemnity
 - Accident
 - Critical Illness
 - Disability Insurance
- Defined-Contribution (DC) approach - employer gives a specified contribution towards the employee's benefits program and allows the employee to allocate that contribution towards retirement and benefits



Narrow Networks

- A cost management tool becoming more common is the narrowing of the PPO network to only include providers who practice evidence-based medicine and have proven quality
- Some carriers and administrators are contracting with a narrower list of providers who agree to a larger discount in exchange for more volume
- Example - Accountable Care Organizations (ACOs), provider reimbursements are tied to quality metrics and reductions in the total cost of care for an assigned population of patients. This generally requires employees to either change providers to those within the narrower network or pay more for these providers that are now considered out-of-network

Telemedicine

The Problem: Without affordable healthcare alternatives, members often turn to expensive care for very minor ailments.

Primary Care Doctor

\$104

Urgent Care Clinic

\$155

Emergency Room

\$1,265

Lack of access leads to higher costs.

1. <http://www.debt.org/medical/doctor-visit-costs/>
2. <http://www.debt.org/medical/emergency-room-urgent-care-costs/>
3. <http://health.costhelper.com/emergency-room.html>



Telemedicine

- Robust advances in smart phone technology, a growing number of employees are given the ability to consult with doctors and nurses through two-way video, text, telephone or email for on-demand treatment of minor illnesses and common medical conditions
- This convenient 24/7 access is provided at a fraction of the cost of an urgent care or emergency room visit
- For significant impact on cost to occur, employee communication and education regarding the value and how to use a telemedicine program is crucial

Transparency Tools

- Prices of healthcare procedures can vary by 300% to 500% within the same provider network and the same market.
- Variance in quality is as great as the cost variance.
- Members choose services without knowing the real cost and overpay in the process. Cost transparency tools such as Healthcare Bluebook makes it easier for employees to find the best prices within the provider network.
- Quality based transparency tools allow members to get the highest quality care at the lowest prices.
- Fair price transparency tools can save a company up to 12% on healthcare costs according to Healthcare Bluebook.





COMPASS MEMBER EXPERIENCE

COST ESTIMATE

Upper GI Endoscopy & Colonoscopy

- Actual Company member contacted their Health Pro for a cost estimate to have an Upper GI Endoscopy and a Colonoscopy performed.
- Compass Health Pro recommended low-cost and high quality facilities.
- Chosen facility resulted in over \$2,500 in savings!

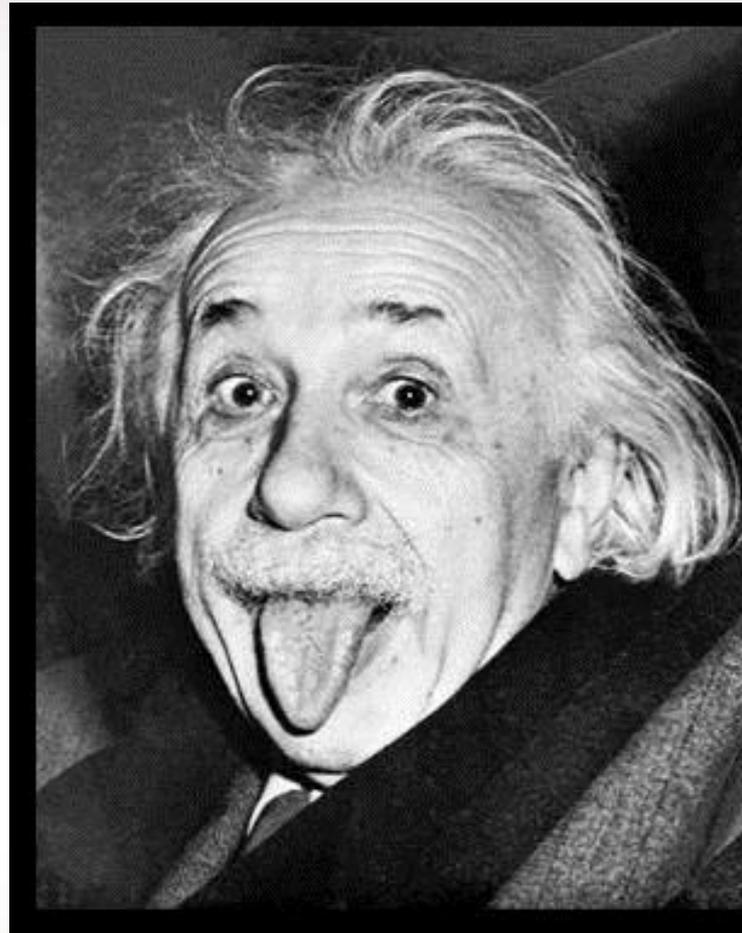
Chosen facility resulted in over **\$2,500** in savings!

Component	Facility A	Facility B	Facility C
Facility + Physician Cost	\$4,260	\$3,615	\$1,775
Anesthesia Fee	\$450	Included	\$355
Total Cost	\$4,710	\$3,615	\$2,130

Conclusions & Questions

- It is important to point out that, for any of these emerging trends in benefits to be effective in containing cost, an engaged, educated, and empowered employee/patient population is essential.
- Employers must be able to communicate the value of any given program to employees as a combination of personal cost savings to them, more convenience, and better health and well-being.
- An experienced employee benefits consulting firm like the team at Univest Insurance can identify which strategies are best for your company and employees, and the roadmap to implementing them successfully.





*"The definition
of insanity
is to do the same
thing over and
over again
and expect a
different result"*

Questions? Comments?



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- SHRM ID: 18-ZOUG3
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HRCI: Activity ID: 355805
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Thank you for attending!

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