



Business Health Care Group

Driving Meaningful Change

**Trends in Benefit Design Evolution
&
National Employer Initiative
on Specialty Pharmacy**

Presentations by:

Larry Boress, President & CEO, Midwest Business Group on Health

Cheryl Larson, Vice President, Midwest Business Group on Health

Sponsored by the Business Health Care Group (BHCG)

&

Merck

April 27, 2016 8:00 – 11:00 A.M.

Briggs & Stratton Auditorium

Executive Summary

Representatives from employers, providers, brokers and other stakeholders gathered on April 27 at Briggs & Stratton to hear from leaders of the Midwest Business Group on Health (MBGH) concerning evolving trends in benefit design and MBGH's National Employer Initiative on Specialty Pharmacy. The following are a few key takeaways from each speaker's presentation.

Larry Boress, President and CEO, Midwest Business Group on Health – *Trends in Benefit Design Evolution*

Current benefit design landscape

- Health insurance premium costs continue to grow faster than the consumer price index and have done so for many years¹
- Even though the increases have slowed in the last couple of years after accounting for plan and contribution changes, the cost trend before plan and contribution changes are considered is significantly higher, indicating employees are shouldering a higher percentage of the cost increase burden
- One of the most significant causes of increasing health care spending in the United States is the rising prevalence of chronic disease – in 2015 149 million people had at least one chronic disease, nearly 47 percent of the population²
- Seventy percent of employers indicated that motivating employee health behavior changes is a top challenge for achieving their desired health care outcomes³

Options for employers post-ACA enactment

- Stay the course – Seek solutions to bend the cost trend, realizing the opportunity to pass more costs on to employees is limited due to the existing employee cost burden
- Pay and exit – Stop offering benefits and pay penalties, while considering the impact on attracting and retaining talent
- Play differently – Continue offering benefits, but require more responsibility from plan participants or consider moving from a defined benefit to a defined contribution approach using an exchange

Playing by new rules: employer strategies include:

- **High deductible health plans**, typically with an attached HSA/HRA, are increasing in popularity – encouraging employees to make more informed health care decisions
- **Value-based benefit design** using evidence of effective procedures, treatments, drugs, and providers and appropriate incentives and disincentives to design health benefits
- **Direct contracting with providers**, including centers of excellence for transplants and other conditions, accountable care organizations and patient-centered homes has not been widely adopted, but is under consideration by many employers
- **Referenced-based pricing** for imaging, laboratories and other select surgical procedures and screenings such as mammograms and colonoscopies has not been widely adopted

Playing on a new field: private and public exchanges

- Exchanges, private or public, organize the health insurance marketplace to help consumers and businesses shop for coverage in a way that permits comparison of available plan options based on price, benefits, services and quality

The future

- Given the present environment, employers have several options when considering their benefit offerings including:

¹ Towers Watson/National Business Group on Health. *The New Health Care Imperative*; 2014

² The Partnership to Fight Chronic Disease. *The Growing Crisis of Chronic Disease in the United States*; 2014

³ Aon Hewitt. *2014 Health Care Survey*.

- Maintaining their group plan with traditional self-funding or a fully insured plan
- Disbanding the group and sending employees to the public exchanges or a private exchange
- According to a 2014 survey of employers, in the next three to five years, only five percent indicated an interest in no longer offering health benefits; 33 percent plan to consider a private exchange; the remainder plan to continue to provide plan options while actively managing trend using design and incentive options⁴
- Employers are (or considering) moving away from offering pre-65 retiree health care benefits. This could include dropping coverage or providing a defined amount to purchase insurance through an exchange – private or public
- The role for incentives for benefit design is expanding. Employers may now use up to 30 percent of the total amount on an employee’s health insurance premium cost to provide outcome-based wellness incentives⁵
- Penalties and rewards can be used as incentives: research shows people may be more motivated to avoid a penalty than to be rewarded by the same amount; however, a reward may be more consistent with creating a culture of partnership with employees

Cheryl Larson, Vice President, Midwest Business Group on Health – *National Employer Initiative on Biologics & Specialty Drugs*

Background – Specialty drug costs skyrocketing

- Specialty drug costs will quadruple by 2020, reaching about \$400 billion, or 9.1 percent of the nation’s total health spending and representing 40 percent of all pharmacy plan spending
- 50 percent of all drugs in late stages of development are specialty drugs
- The first biosimilars, similar to biologics but not identical or interchangeable, have only recently been approved by the FDA, meaning they will not provide much benefit, at least initially, in bringing down the cost of specialty drugs
- One MBGH employer is projecting their specialty drug spend will be 50 percent of the total drug spend, even though it will represent only 1.5 percent of their total drug claims

Results of MBGH’s 2015 4th Annual National Employer Survey on Biologics & Specialty Drugs

- 81 employers responded, representing 1.5 million employees and numerous industries
- 78 percent strongly agree they are concerned about increasing specialty drugs costs
- 42 percent strongly disagree they plan to shift rising costs to employees
- 62 percent somewhat agree the high cost of specialty drugs are acceptable if they improve patient outcomes
- 90 percent either strongly agree or agree new and innovative solutions are needed to manage specialty drugs

⁴ Aon Hewitt. *2014 Health Care Survey*; 2014

⁵ Volpp KG et al. *New England Journal of Medicine* 2011. 365:388-390

- In general, employers are not convinced their PBM does a good job managing specialty drug costs
- 88 percent of employers still use traditional pharmacy plan designs for specialty drug management, but to varying degrees are willing to try new strategies such as: narrow networks that assume the risk, specialty drug coverage as a carve out, shifting more costs to employees and vendor performance guarantees

MBGH's National Employer Initiative on Biologics & Specialty Drugs

- Initiated in 2011, it is an employer-driven initiative providing knowledge and no-cost resources to support cost management efforts and patient outcomes. It includes:
 - An Employer Advisory Council
 - Annual Employer Benchmarking Surveys
 - An online toolkit - www.specialtyrxtoolkit.com to help employers adopt innovative benefit coverages, manage specialty drug cost spend on both the medical and pharmacy sides, manage vendor relationships and offer consumer education
 - An annual meeting convening industry stakeholders to identify challenges, opportunities and solutions
 - Pilot projects adopted by multiple coalitions across the country designed to identify effective approaches to specialty pharmacy management
- For more information about MBGH's National Employer Initiative on Biologics & Specialty Drugs, please contact Cheryl Larson at clarson@mbgh.org

[Slides](#) from Cheryl Larson's presentation are available for review.

Attendee Survey Results

Following the event, a brief survey was sent to attendees asking them about the program and its usefulness. The results demonstrated the event was well-received by survey respondents.

For example:

- Eighty-five percent of survey respondents said the topics covered in the program were beneficial to them
- Eighty-five percent of survey respondents said their time was well spent
- The overall value and content of both presentations was rated as excellent, very good or good by 80 to 90 percent of the survey respondents