High-performance insights — best practices in health care

2017 22nd Annual Willis Towers Watson Best Practices in Health Care Employer Survey

Willis Towers Watson

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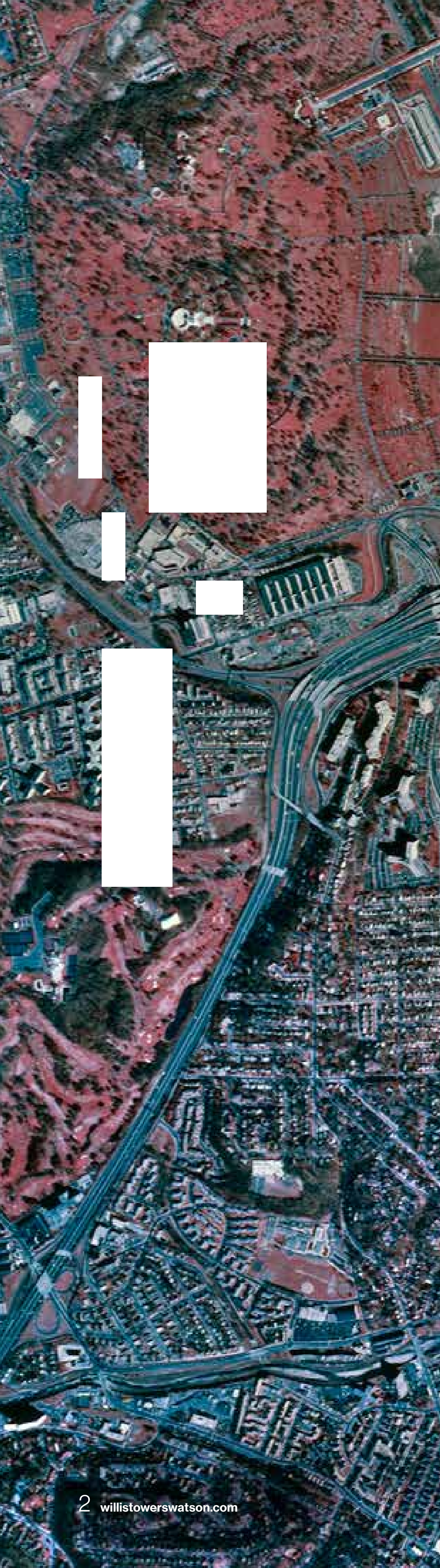


Executive summary

Despite uncertainty about the future of federal health care legislation, employer confidence in offering employee health care benefits has reached its highest level since the passage of the Affordable Care Act (ACA) in 2010. According to our 22nd Annual Best Practices in Health Care Employer Survey, 92% of employers say they are very confident their organization will continue to sponsor health benefits in five years. Even their longer-term commitment to offering these benefits in 10 years grew, from 54% last year to 65%, up from a historic low point of just 23% in 2012.

At the same time, these employers expect health care costs to rise by 5.5% in 2018, almost a full point higher than the 4.6% increase in 2017. In the face of continued cost pressure, and mindful of employees' ability to afford their health plans, they intend to step up strategies to increase the value of their health care investment.

For 2017 and 2018, cost management remains employers' top health benefit priority.

Having made significant progress over the past few years refining their subsidy and vendor partner strategies, employers will continue to evaluate overall program design and total costs. And to remain competitive and appeal to a multigenerational workforce, they will increasingly examine their health care investment in a Total Rewards context.

In addition, many employers are now looking more broadly at their health benefit programs to improve workforce health and temper future cost increases. Over the next three years, they will increasingly seek to improve member engagement in health and well-being, expand the use of analytics, and efficiently manage pharmacy costs and utilization.

Still, with rising concerns about affordability, employers are challenged to keep total costs low. As a result, they are pursuing a wider array of approaches to reduce health care cost and risk – both through improved program efficiencies and members' health engagement. Their focus includes:

- Encouraging patients to use preferred providers for health care delivery, e.g., telemedicine, centers of excellence (COEs) and high-performance networks (HPNs)
- Emphasizing better outcomes and cost savings in high-priority clinical conditions, such as diabetes, musculoskeletal health and mental health

- Proactively managing pharmacy spend, especially related to specialty pharmacy cost and utilization
- Improving the quality and efficiency of care delivered by increasing out-of-pocket (OOP) costs for specific commonly overused services, and reducing OOP costs for high-value services supported by evidence
- Selecting partners based on their ability to demonstrate improved outcomes, as well as hold the line on cost
- Increasing benefit plan choices to give employees an opportunity to get more value from their health and well-being programs through selecting a plan, carrier and other benefits that best fit their personal and family needs in terms of costs and protection

Continuing to stand out from the crowd, a group of employers we define as "best performers" (see page 9) gain significant competitive financial advantage by creating and leveraging best practices to control costs and improve workforce health. Notably, they:

- Encourage employees to use higher value/lower cost health care delivery models, such as telemedicine to reduce point-of-care costs and COEs to improve quality for high-cost procedures
- Use analytics to evaluate programs and assess vendor performance
- Offer employees account-based health plans (ABHPs) that give employees more accountability for their care decisions, often with a more affordable choice and a tax-advantaged savings account
- Integrate a broader view of health and well-being into their organization by designing the workplace environment to make it easier for employees to stay healthy
- Use technologies, including mobile apps/tools and health wearables, to improve decision support, and tap into the social networks throughout the organization to modernize employees' experience with their health and well-being programs

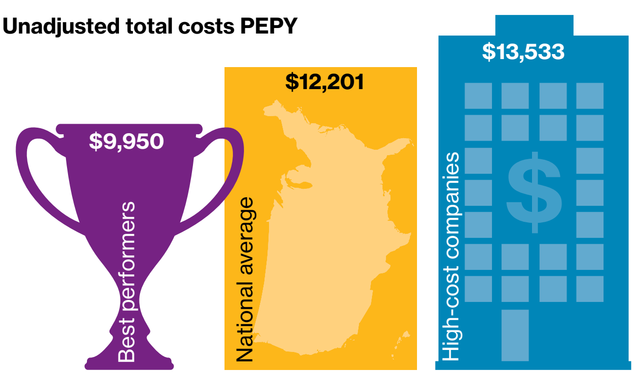
These employers recognize that a healthier workforce is a more productive workforce. Most important, they understand there is no single strategy for success when it comes to health care, and it is critical to engage employees through education and communication that will create a win for both employers and employees. The most effective health programs in the next few years will include a broad range of strategies that encompass increasing employee and dependent engagement in health and decision making, refining program design and subsidy levels, and improving plan efficiency. The ultimate goal is to offer a high-value plan that manages costs for both employers and employees while also improving health outcomes.

Survey highlights

Cost management

- Employers expect health care costs to rise 5.5% after plan changes in 2018, up a full point from 4.6% in 2017, which indicates that employers will continue to make changes to their programs.
- Best-performing companies in our survey (top 47 respondents) – those with the highest efficiency (adjusted per employee per year [PEPY] costs) and that have maintained cost trends over the past two years at or below the national norm – have created a cost advantage of more than $2,000 per employee per year over those with average efficiency by adding value through a broad set of activities. Their cost advantage over high-cost companies in our survey (53 respondents) – those with the lowest efficiency and cost trends above the national norm over the past two years – rises to more than $3,500. Best performers surpass high-cost companies on nearly every high-performance measure: program design and subsidy level, employee and dependent participation, health care delivery, vendor partner strategy, pharmacy, workforce health, and engagement and consumerism. They lead the way in developing high-performing health plans that manage costs through a variety of financial and plan levers, such as value-based design, networking strategies and new approaches to engage employees in healthier lifestyles.

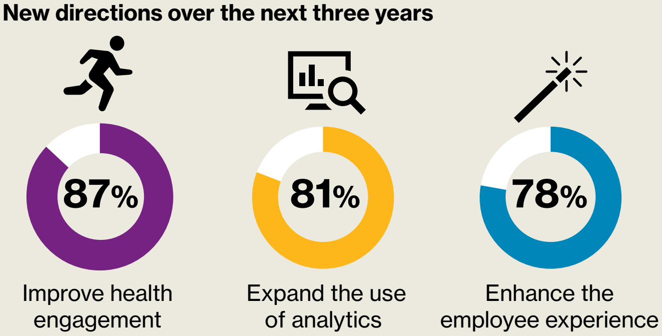
Unadjusted total costs PEPY



Strategy and planning

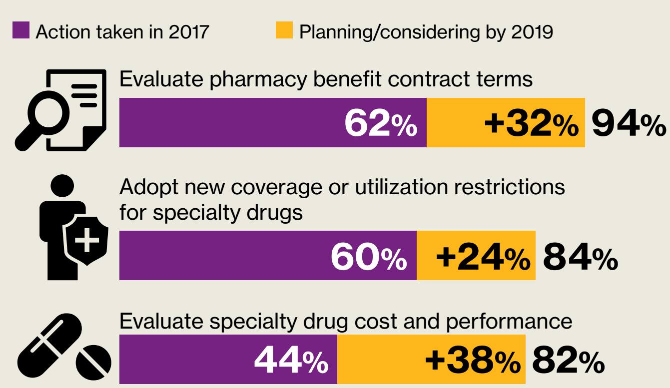
- Employer confidence in offering health care benefits in five years reaches 92%, its highest level since the passage of the ACA, despite uncertainty over the bill's future. Their longer-term commitment over 10 years rises to 65% (from 54% last year), up significantly from a low of just 23% in 2012.
- While most employers made significant progress over the past few years refining their design subsidy (69%) and vendor/carrier strategies (56%), many are now looking to other aspects of their health benefit programs to improve health and contain future cost increases.
- Employers seek to make more progress over the next three years to improve health engagement, expand the use of analytics and enhance the employee experience with their programs.

New directions over the next three years

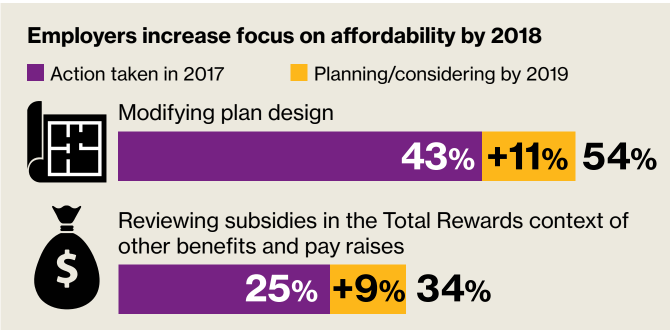


High-performance trends

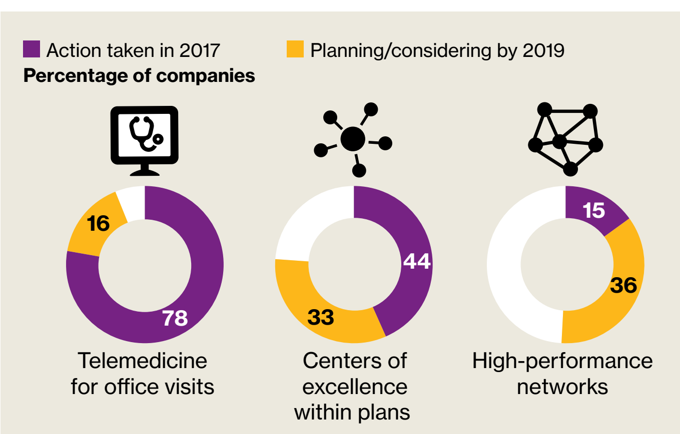
- Employers take more aggressive steps to curb pharmacy costs and utilization.



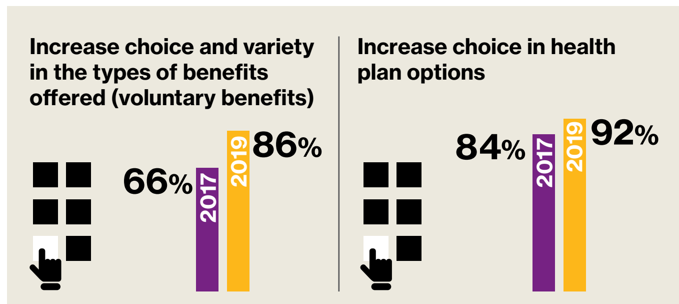
- Employers will increase their focus on affordability in 2018, including modifying plan design and reviewing subsidies in the Total Rewards context of other benefits and pay raises.



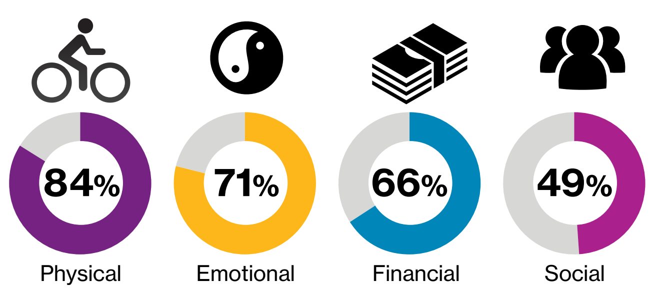
- ABHPs with health savings accounts (HSAs) continue to expand yet at a slower pace. By 2018, 86% of employers will offer an ABHP, and nearly one-quarter of all companies (22%) expect to replace all other plans with an ABHP. Employee enrollment in ABHPs at 45% is unchanged from 2016 to 2017 after many years of high growth. An emerging trend shows nearly one in 10 employers that previously had a total replacement ABHP reintroduced a low point-of-care cost plan in order to offer employees greater choice and lower OOP costs – a rate that is expected to double by 2019.
- Employers plan to place more emphasis on specific clinical areas by 2019 – notably diabetes (76%), musculoskeletal (69%) and mental health (65%) – to improve member health and reduce costs.
- Employers encourage employees to use high-value/lower-cost health care delivery options: telemedicine for office visits, COEs within plans and HPNs.



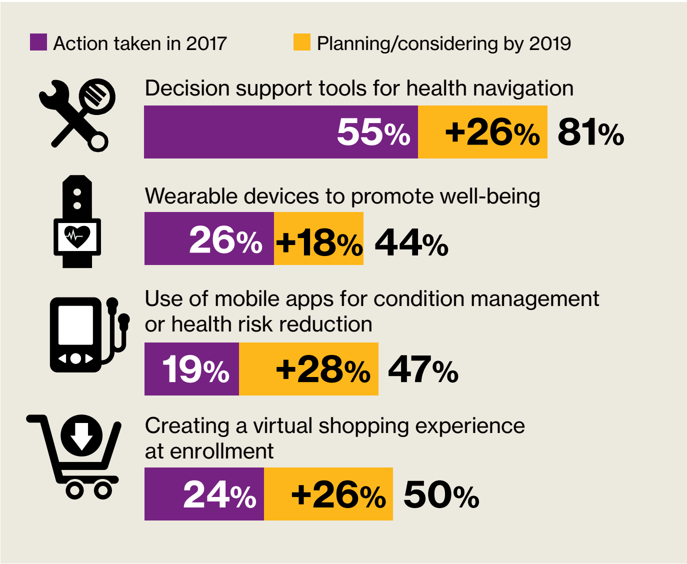
- There is a growing use of plan designs to increase OOP costs to discourage the use of commonly overused services (34% today and 60% by 2018) and reduce OOP costs for use of high-value services (20% today and 47% by 2018).
- Employers select vendor partners, including health insurance carriers, based on competitiveness of cost and access, along with evaluating their customer experience and performance guarantees.
- Employers (84%) focus on increasing choice in their benefit provision to allow each employee to craft a health and well-being program that best meets his or her needs – for instance, 66% offer voluntary benefits with another 20% planning to or considering to by 2019, and 20% offer choice in health insurance carriers, which is expected to grow to nearly 30% by 2019.



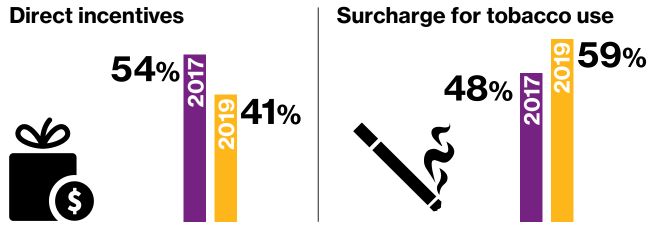
- Health and well-being is increasingly viewed as a key competitive advantage for talent attraction and retention. While less than 20% differentiate their program from those of their competitors and customize by critical workforce segments, 72% expect to do so within three years.
- Companies define health and well-being broadly, and many organizations plan to escalate efforts within three years to support employees' physical, emotional, financial and social well-being. This is starkly different than even a year ago.



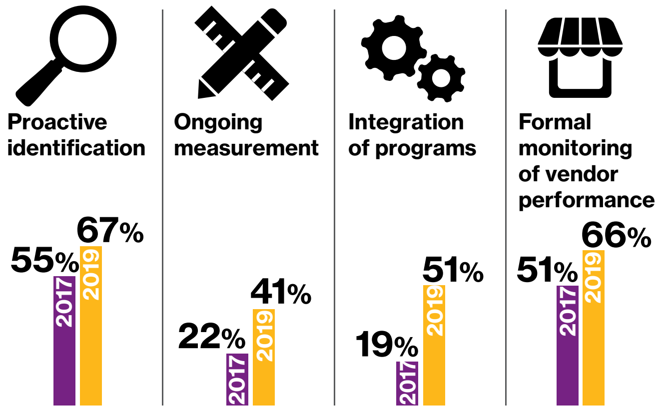
- Technology is gaining momentum, such as decision support tools for health navigation, wearable devices to promote well-being, use of mobile apps for condition management or health risk reduction, and creating a virtual shopping experience at enrollment.



- Persistent low program participation (54% median) leads organizations to rethink their use of financial incentives to encourage healthy behaviors. Nearly 70% of employers (up from less than 40%) plan to shift their focus to building a workplace culture of health and well-being by 2019 through the use of direct incentives, with the exception of a surcharge for tobacco use.



- Employers emphasize a more holistic approach to absence and disability management through a wide range of tactics: proactive identification, ongoing measurement, integration of programs and formal monitoring of vendor performance.

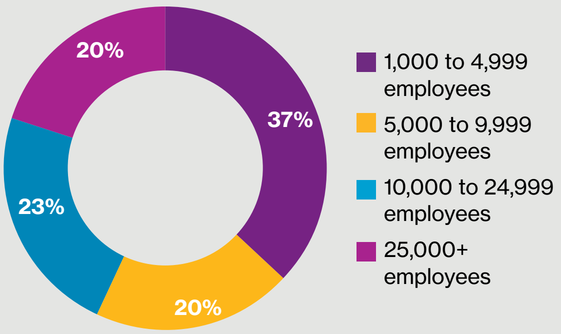


About the survey

The 22nd Annual Willis Towers Watson Best Practices in Health Care Employer Survey was completed by 698 U.S. employers with at least 100 employees between June and July 2017 and reflects respondents' 2017 health program decisions and strategies and expected changes for 2018 and 2019. Respondents collectively employ 11.9 million employees and operate in all major industry sectors. For consistency with prior years' surveys, results provided in this report are primarily based on 555 employers, each with at least 1,000 employees and collectively employing 11.8 million employees *(Figure 1).*

Figure 1. **Employer size, industry and region (employers with at least 1,000 employees)**

Employer size



555 employers with at least 1,000 employees responded to the survey

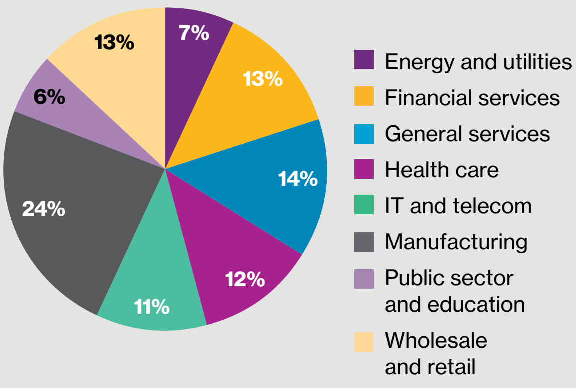
11.8m employees work at the responding organizations

50% **Public traded**

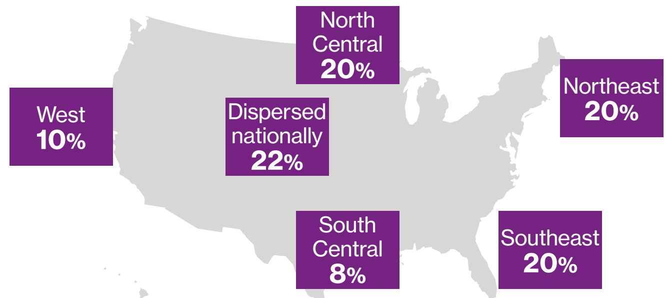
33% **Private**

13% **Government/ Nonprofit**

Industry



Respondents have the largest number of benefit-eligible employees in:



Cost and risk: Affordability concerns drive new approaches

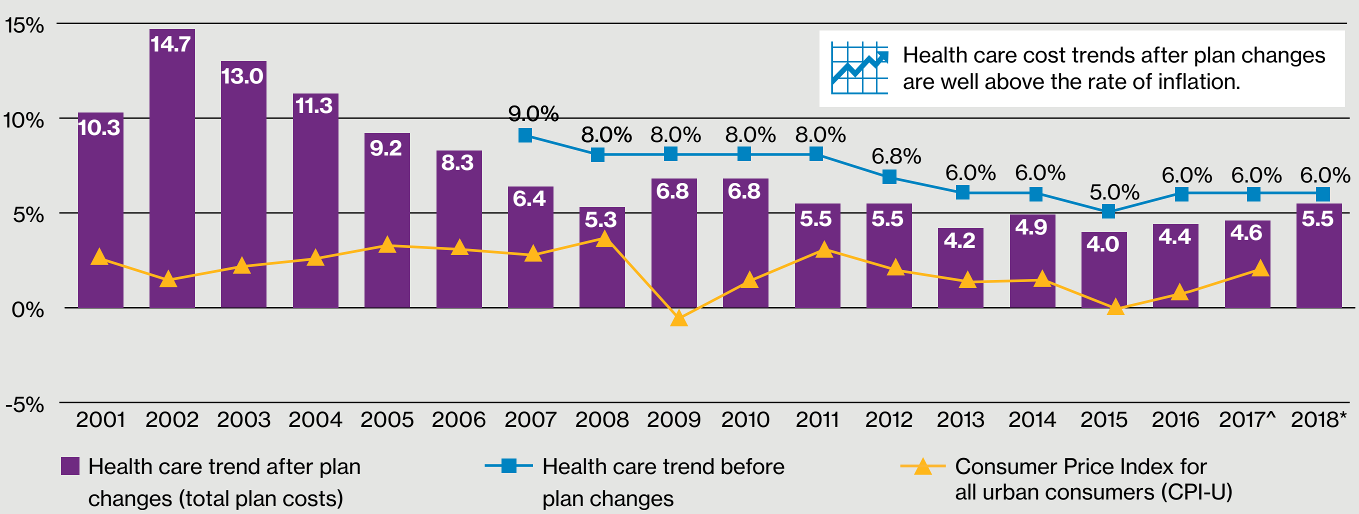
Annual cost increases of employer-sponsored health care benefits in 2017 continue at the highest trend in four years, despite historically low levels *(Figure 2).* In spite of significant progress over the past few years to refine subsidies and enhance their vendor/carrier strategies to hold the line on costs, employers do not foresee increases slowing anytime soon.

Respondents to our annual survey expect total health care costs (employer and employee) to rise 5.5% in 2018 after plan design changes, nearly a full point up from 4.6% in 2017 and over a point from last year. Those increases translate to $12,201 PEPY this year, and $12,872 in 2018. Notably, inflation is anticipated to be 1.7% in 2017, and economic forecasts suggest a 2% increase in 2018. Without plan changes, cost trend would be 6.0% in each year. We see a narrowing between gross and net trend to just a 0.5% difference next year.

Continued increases in the cost of health care, plus sustained cost shifting to employees over the years, continue to raise concerns about some employees' ability to afford health care. Employees pay, on average, 24.1% of total premium costs in 2017. In paycheck deductions, this translates into an average annual employee contribution of $2,942 in premiums in 2017, which could rise to $3,103 per year in 2018 under current plan designs.

With their own PEPY costs rising, employers will continue to manage costs by changing their plan design but, concerned about affordability and realizing they will no longer reach their cost goals by mere cost shifting alone, they will look for greater value by significantly broadening their perspective on health. Employers will employ strategies to improve the efficiency of their plans, including making sure vendors and carriers are aligned with their cost and health improvement goals; examining costs in a Total Rewards context; engaging employees in their health; expanding analytics; and managing cost and utilization of pharmacy and high-cost, low-value services.

Figure 2. **Health care cost before and after plan design changes**



Sample: Based on respondents with at least 1,000 employees.

Notes: Median trends for medical and drug claims for active employees, including both employer and employee contributions but excluding employee out-of-pocket costs; CPI-U extracted from the Department of Labor, Bureau of Labor Statistics

^Projected

*Expected

Best performers create their own financial advantage

Employers continue to show dramatic differences in their abilities to manage their health care cost trends. Our research identified 47 companies that qualify as best performers based on their abilities to manage cost trends and efficiency. Best-performing companies must exhibit the following two characteristics:

- Efficiency: Efficiency in 2017 that is 5% or greater – roughly 60th percentile and above (see *About efficiency and custom benchmarks* below)
- Cost trend: Two-year average trend after plan changes (2015/2016 and 2016/2017) that is below the national norm (4.5% in 2017) and two-year average trend before plan changes (2015/2016 and 2016/2017) that is below the national norm (6.0% in 2017)

We selected best performers from the 395 companies that completed the 2017 Willis Towers Watson Financial Benchmark Survey and the 2017 Willis Towers Watson Best Practices in Health Care Employer Survey with sufficient health care cost trend and efficiency information (see *Measuring total plan costs: Where do we get our data?* on page 10). The 47 best performers represent 12% of eligible companies reporting both favorable efficiency and cost trends before and after plan changes at or below the national average. We estimate best performers will pay $2,251 PEPY less than the typical company in our national survey ($9,950 in 2017 compared with the national average of $12,201 – an annual savings of more than $22 million at a company of 10,000 employees) or more than $5.5 million at a company of 2,500. Best performers also maintain a two-year average cost trend of 1.1% after plan changes – 3.4 percentage points lower than the national average (4.5%). While plan design changes have helped to mitigate their cost increases, best performers also maintain a two-year average gross trend (before plan design changes) of 3.8 percentage points lower than the national norm (2.2% versus 6.0%).

What can we learn from best performers?

Best-performing companies lead the way in developing high-performing health programs that manage costs and add value, in part by implementing superior network and provider strategies. Throughout the rest of this report, we identify specific strategies and tactics that best-performing companies use much more than companies meeting the national average or other organizations – best practices focused on the following core areas:

- Participation
  - Employee and dependent
- Subsidization
  - Program design value and subsidy level
- Efficiency
  - Vendor partner strategies
  - Health care delivery
  - Pharmacy management
  - Workforce health
  - Engagement and consumerism

While many factors can explain the reasons for best performers holding the line on costs, activities in these core areas are likely an important part of their advantage. Further, this group of employers are adopting emerging trends that could position them – and those who emulate them – for continued success in the future. While best performers are leading the way, there is plenty of opportunity for all companies to take actions to rein in costs and improve the performance of their health care programs.

Best-performing companies lead the way in developing high-performing health programs that manage costs and add value, in part by implementing superior network and provider strategies.

Strategy and planning: Employers elevate health with confidence

In spite of continued uncertainty about the future of federal health care legislation, employer confidence is back to pre-ACA levels with 92% of surveyed employers very confident they will offer health care benefits to employees five years from now and 65% very confident for 10 years out *(Figure 3).* Employers have concluded that offering health care benefits is an important differentiator in terms of attracting and retaining employees as well as improving workforce health and productivity.

While still evaluating overall program design and total costs *(Figure 4),* employers will also broaden their view of health to overcome continuing and new challenges. Concerned about rising health care costs in a slow-growth, low-inflation environment, the ability of lower-income employees to afford their health care programs and an increasingly multigenerational workforce with divergent needs, they will look to other aspects of their health benefit programs – and leverage opportunities in new technologies – to help reach their goals of improving health and containing costs. Over the next three years, they will seek to enhance employee engagement in health and well-being, expand the use of analytics, efficiently manage pharmacy costs and utilization, and modernize the employee experience with health care in a Total Rewards context.

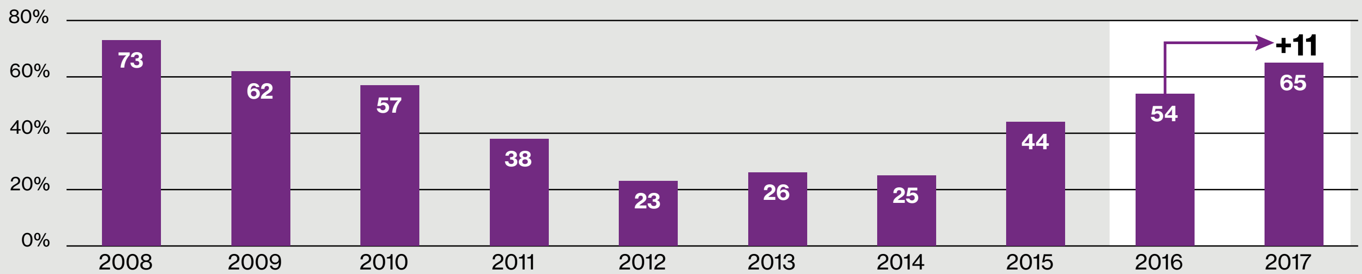
Measuring total plan costs: Where do we get our data?

For the third consecutive year, total plan costs for this study are being based on Willis Towers Watson's annual Financial Benchmark Survey, which includes detailed medical plan cost values on 2,255 companies with more than 15.6 million enrollees and total costs of over $190.6 billion. By incorporating the use of this deep and broad database in our annual Willis Towers Watson Best Practices in Health Care Employer Survey, we enhance our ability to provide detailed annual plan costs for over 20 industry groups.

These cost data are adjusted for demographic, geographic and design factors, and as a result, help us evaluate how efficiently companies' health plans are performing. This adjustment enables participating employers to gain a richer understanding of how well their plans are performing compared with those of others at a level of detail that is unmatched by any other survey data source in the marketplace.

For fully insured medical and pharmacy plans, the costs presented reflect premium rates. For self-insured plans, the costs reflect premium equivalencies, which include company contributions to medical accounts, such as health reimbursement arrangements (HRAs) and HSAs, health management program costs and program participation incentives paid by the plan, and administration costs. In total, nearly 75% of respondents to the Willis Towers Watson Best Practices in Health Care Employer Survey participated in the Willis Towers Watson Financial Benchmark Survey.

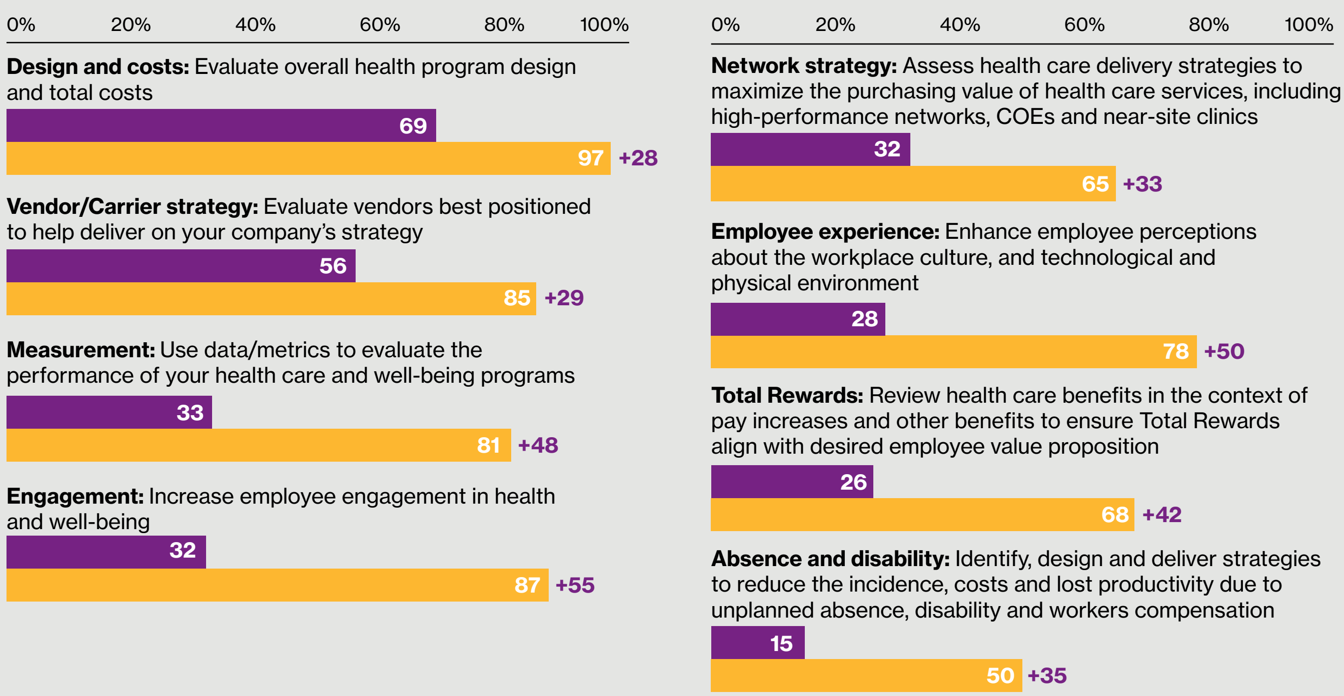
Figure 3. **Employer confidence in sponsoring health care benefits in 10 years returns to pre-ACA levels**



Sample: Companies with 1,000-plus employees
Note: Responses represent "Very confident." Years 2004 – 2016 are based on prior years of the survey.

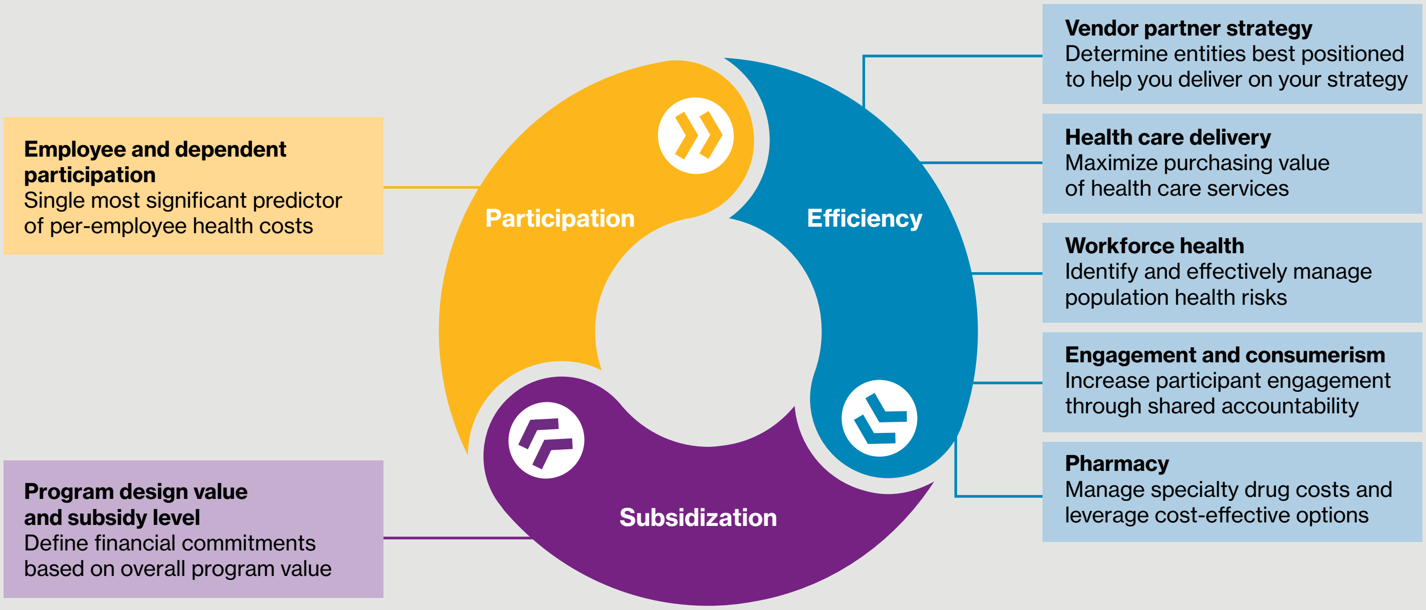
Five-year confidence
92% very confident, 8% somewhat confident, 0% not confident
that the organization will continue to sponsor health care benefits in five years

Figure 4. **Recent progress over the past three years and new directions over the next three years**



Progress over the past three years (% of "To a very great extent" or "To a great extent")
Importance over the next three years ('% of "Very important" or "Important")
Sample: Based on respondents with at least 1,000 employees

Figure 5. **Core areas to drive health care cost savings**



High-performance trends

As employers continue to become much more aggressive about strategies to control costs and improve health outcomes, a number of trends continue to evolve in the core areas that make up the Willis Towers Watson framework *(Figure 5)* for best practices for a high-performing health plan.

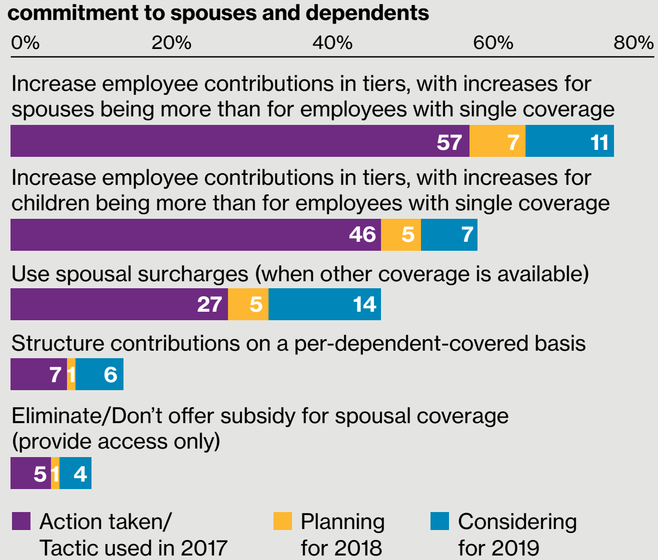
Our **best performers** use many of these best practices to achieve the per-person annual cost advantage compared with the national average. That financial advantage escalates considerably to over $3,500 per person when compared with the PEPY costs of companies that pay the highest for employee health care (average $13,533 PEPY) and that have experienced health care cost trends above the national average for the last two years (a group we call high-cost companies). High-cost companies significantly trail best performers in their use of best practices to lower cost and raise the efficiency of their plans – putting themselves at a distinct competitive disadvantage.

Participation: Employee and dependent

Employers continue to redefine financial commitment to spouses and children

Because family size impacts health care cost per employee, we continue to see employers address their affordability concerns by charging more for family coverage in tiers, especially for spouses with coverage from their own jobs, than they do for single coverage *(Figure 6).*

Figure 6. **Companies continue to take steps to redefine financial commitment to spouses and dependents**



Sample: Based on respondents with at least 1,000 employees

$1,200 mean The average annual spousal surcharge amount for medical coverage

To stem across-the-board increases for all employees, nearly 60% charge more to cover spouses (expected to rise to 75% by 2019) and nearly half (46%) charge more to cover children (expected to rise to 58%). In addition, nearly 30% use spousal surcharges (averaging $1,200 per year when spouses have their own coverage available).

To better understand why high-cost companies pay on average over $3,500 more in PEPY costs than best performers, note how they trail badly on two of these best practices (below).

Best practices: Participation

- **Contributions for members with children are higher than for single members.**
- **Use a spousal surcharge approach (when other coverage is available).**

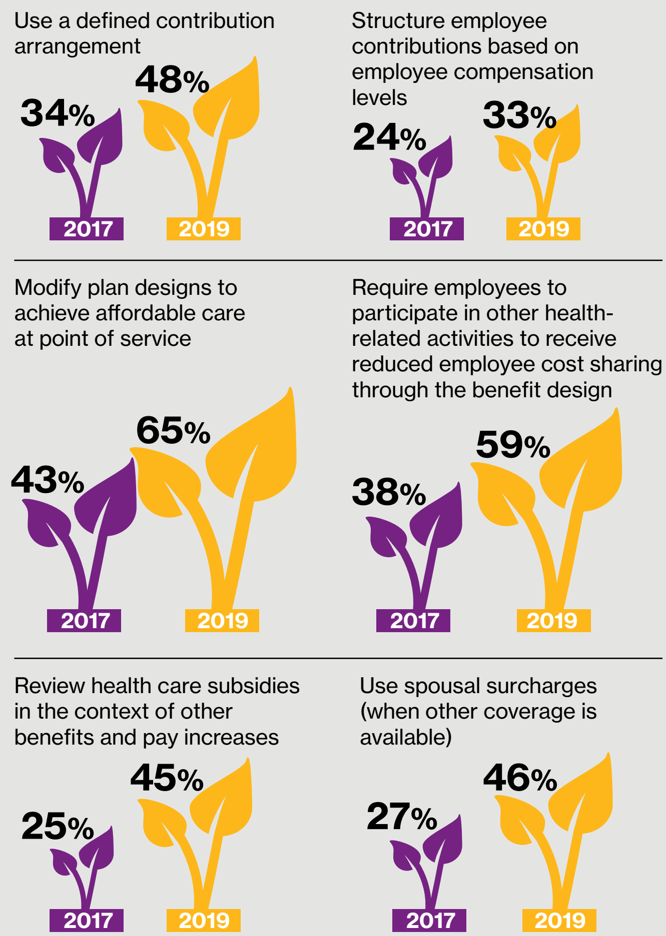
Subsidization: Program design value and subsidy level

Keep plans affordable for both employers and employees with a wide array of best practices

With the economy trailing the growth of health care costs, employers struggle to balance changing plan design to control company costs with keeping health care affordable for employees. Employers have increased their focus on such strategies as the use of defined contribution arrangements; modifying designs to keep plans affordable at point of service; requiring employees to participate in health-related activities to qualify for reduced employee cost sharing through the benefit design; and reviewing health care subsidies in the context of Total Rewards, i.e., other benefits and pay increases. Employer use of two other strategies is also trending up for 2018 and 2019: contributions based on compensation level and use of spousal surcharges *(Figure 7).*

At the same time, affordability isn't just about employer contributions. Getting the right care – at the right provider/facility and the right price – must be part of the strategy. Achieving affordability also means companies employ other best practices that drive efficiency in high-performing health plans: network options, value-based designs and reimbursement, and enhancing employee well-being.

Figure 7. **Increasing focus on affordability of plan designs**

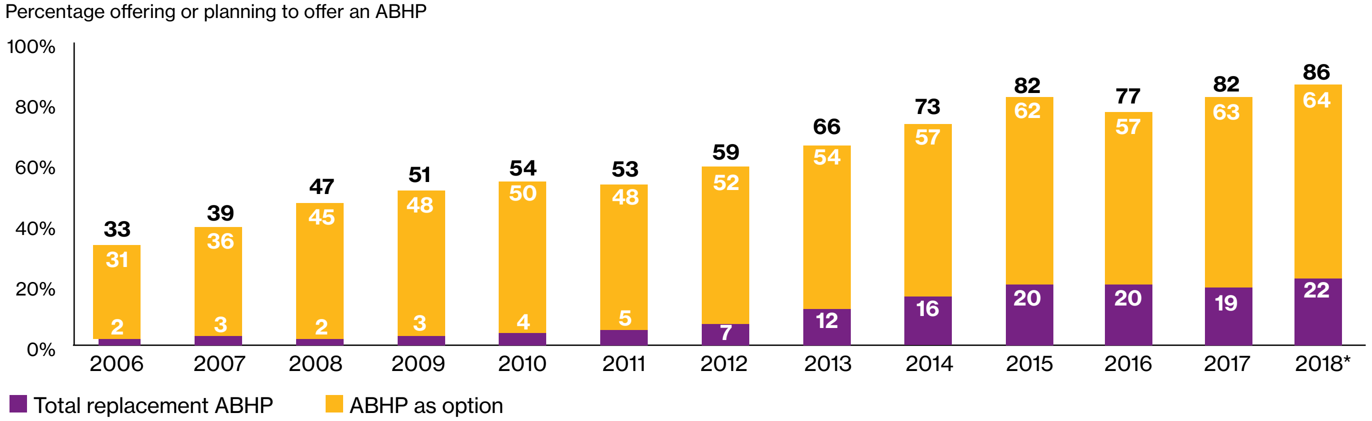


Best practices: Subsidization

- **Review health care subsidies in the context of Total Rewards (i.e., other benefits and pay increases).**
- **Design policies/programs to include stay at work and early return to work following disability.**
- **Use a variety of financial and nonfinancial metrics to measure impact of health and well-being programs.**

Figure 8. **Has ABHP sponsorship peaked?**

22% Nearly **one-quarter** of all companies are expected to **offer only employees ABHPs by 2018,** compared with 2% a decade ago, but the pace slows



*Planned for 2018

Note: Based on companies with at least 1,000 employees. 2006 is based on the 12th annual Willis Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care; 2007 is based on the 13th annual survey, etc.

Pace slows to total replacement ABHPs

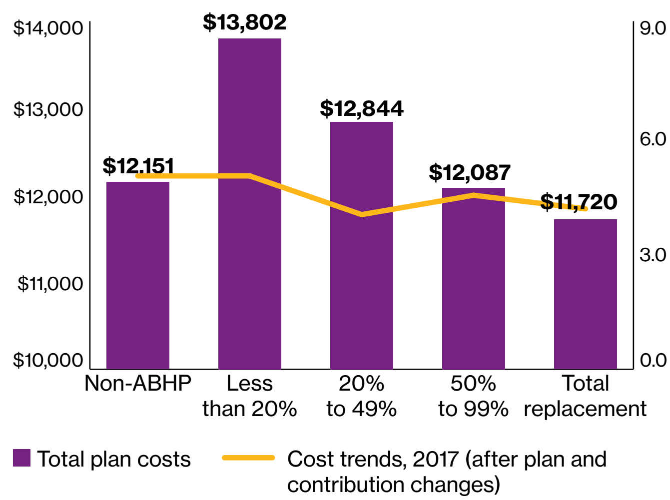
Eighty-six percent of employers plan to offer ABHPs in 2018, up from 59% five years ago *(Figure 8).* To drive enrollment, most companies that offer ABHPs charge lower premiums than other plans and two-thirds contribute funds to a member's HSA to help defray members' higher exposure to point-of-care costs. Despite these incentives, the rapid growth we've seen in employee enrollment in HSAs over the past few years, as the rate of total replacement ABHPs grew, has plateaued at about 45%, probably because the number of employers eliminating their other plans has also slowed.

In recent years, many employers use data to better understand the long-term effects of ABHPs on employee behavior and workforce health. This year a small percentage (less than 10%) that once had a total-replacement ABHP have reintroduced low point-of-care cost plans in order to offer their employees greater choice and lower OOP costs. Employers expect this shift may double by 2019, indicating it could be a potential affordability trend to watch.

Notably, we continue to see more best performers offer ABHPs with HSAs (77%) compared with high-cost companies (63%), and significantly more (30% versus 6%) offer them as their only plan.

Employers that move to total replacement plans pay the lowest annual health care costs and have lower total plan costs *(Figure 9).*

Figure 9. **Annual costs are lowest for total replacement ABHPs**



Note: Based on companies with at least 1,000 employees

Best practices: ABHPs

- **Offer ABHP with an HSA**
- **Offer ABHP as the only plan**
- **Use a stand-alone HSA vendor instead of the health plan's partner**

Efficiency: Vendor partner strategy

Employers select partners based on a broad set of priorities

Employers continue to aggressively monitor their many health care vendor partners across a variety of services – from telemedicine to COEs. They almost unanimously select carriers and vendors based on the competitiveness of their negotiated provider discounts, network access and total cost. In addition, many employers recognize the importance of evaluating their vendors' performance with guarantees to monitor outcomes. Further, employers now choose vendors that offer a customer experience that puts high value on easy-to-navigate features, ability to solve member issues quickly and enhanced member communication *(Figure 10).*

Best practices: Vendor partner strategy

- Formally monitor vendor performance through performance guarantees.
- Have partnership with a third-party data warehouse.
- Use COEs within health plans.
- Focus on mental health to improve overall member health and reduce costs.
- Offer high-performance networks.

Figure 10. **Broad set of priorities for selecting health plan partners**

94% Competitiveness of the negotiated provider discounts

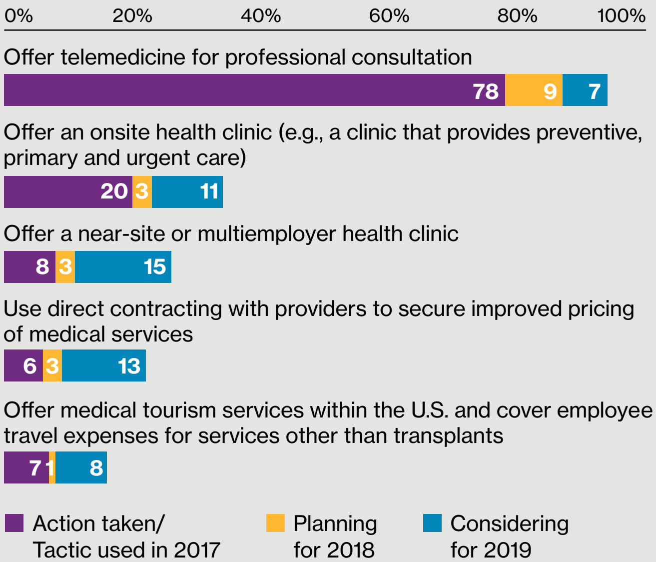
94% Competitiveness of the vendor's network access

92% Competitiveness of the vendor's total cost of care (including discounts and impact of health engagement)

Priority	%
Effectiveness of the account management services (e.g., partnerships, reporting)	89
Offer a customer experience that puts a high value on easy-to-navigate features, ability to solve member issues quickly and enhanced member communication	85
Effectiveness of the vendor's health management	84
Extent vendor has incorporated reimbursement methodologies based on cost, quality, improved efficiency and better outcomes	70
Competitiveness of performance guarantees to monitor vendor outcomes	69
Willingness to integrate with third parties (e.g., price transparency, high-performance networks, health management and disability vendors)	63
Availability of centers of excellence	56

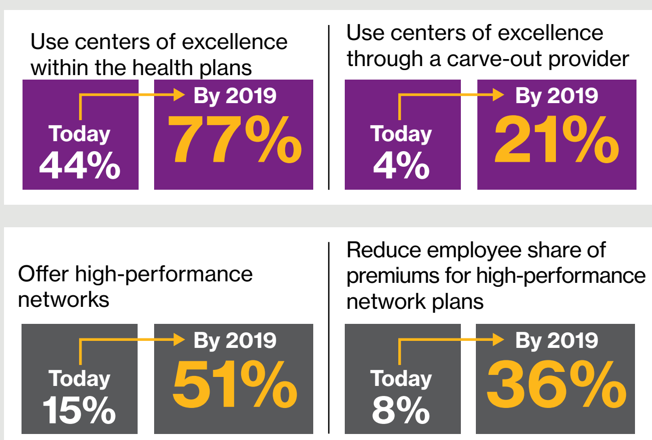
Note: Percentage responding "Extremely important" or "Important."
Sample: Based on companies with at least 1,000 employees.

Figure 11. **One-quarter of companies currently have an onsite or near-site clinic. Use of clinics is expected to double by 2019.**



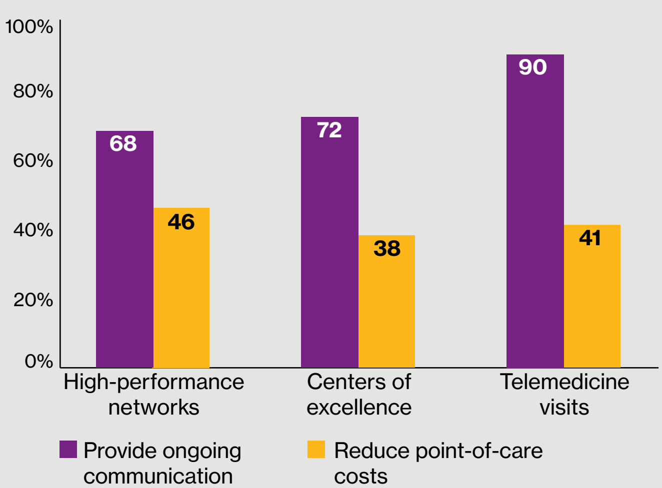
Sample: Based on respondents with at least 1,000 employees

Figure 12. **Use of COEs with the health plan could expand to more than three-quarters of companies by 2019**



Sample: Based on respondents with at least 1,000 employees

Figure 13. **Driving engagement in preferred providers through reducing point-of-care costs and enhanced communication**



Note: Based on companies with at least 1,000 employees

Efficiency: Health care delivery

Employers encourage new delivery options for lower costs and higher value

As employers continue to grapple with how to lower their health care benefit costs while maintaining or preferably improving quality, the dramatic move in health care delivery from fee-for-service to a more patient-centric system based on payment for value or health outcomes drives employers to increasingly embrace new solutions *(Figures 11, 12 and 13):*

- The number of onsite health clinics to provide preventive, primary and urgent care is expected to nearly double.
- Telemedicine for office visits could be offered by most employers.
- COEs within plans could expand to more than three-quarters of companies.
- HPNs could expand to more than half of employers.

Employee participation in these offerings, particularly telemedicine, lags. To encourage employee engagement, most employers have stepped up communications about their value and increasingly many reduce point-of-care costs. Notably, while only 8% reduce employee cost sharing of premiums for using HPNs, 36% are either planning to or considering to by 2019.

Other fast-growing trends include employers offering a near-site or multiemployer health clinic (8% growing to 26% by 2019) and directly contracting with providers to secure improved pricing of medical services (6% growing to 22% by 2019).

Best practices: Health care delivery

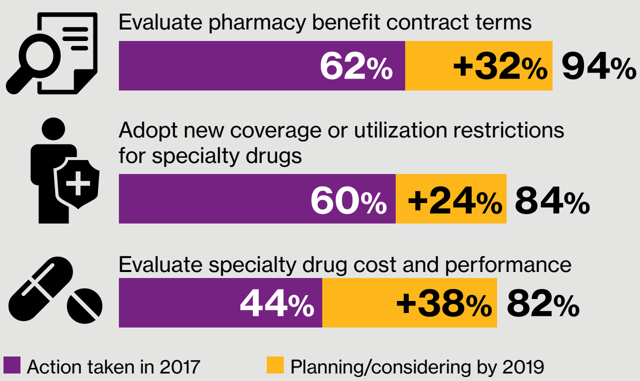
- **Offer telemedicine for professional consultations.**
- **Integrate service delivery of time off and disability with workers compensation.**
- **Offer an onsite health clinic.**
- **Offer medical tourism services within the U.S. and cover employee travel expenses for services other than transplants. Although currently used by few employers, the potential upside in terms of cost, health and employee value proposition (EVP) is significant.**

Efficiency: Pharmacy management

Employers continue to target specialty drug costs

Employers are taking more aggressive steps to curb pharmacy utilization and cost with many more expected to do so within three years *(Figure 14).* Having made significant progress by promoting the use of generic drugs, they have turned their focus in particular on the skyrocketing specialty drug prices. Ultimately, for all pharmacy benefits, employers need a comprehensive approach that's integrated with the medical plan in order to more effectively manage rising cost and the high pace of change related to drug innovation.

Figure 14. **Employers proactively manage pharmacy benefit costs**



The top three fastest-growing pharmacy strategies are:

1. Evaluate pharmacy benefit contract terms.
2. Adopt new coverage or utilization restrictions as part of your specialty strategy.
3. Address specialty drug costs and utilization performance through medical benefits.

Best practices: Pharmacy management

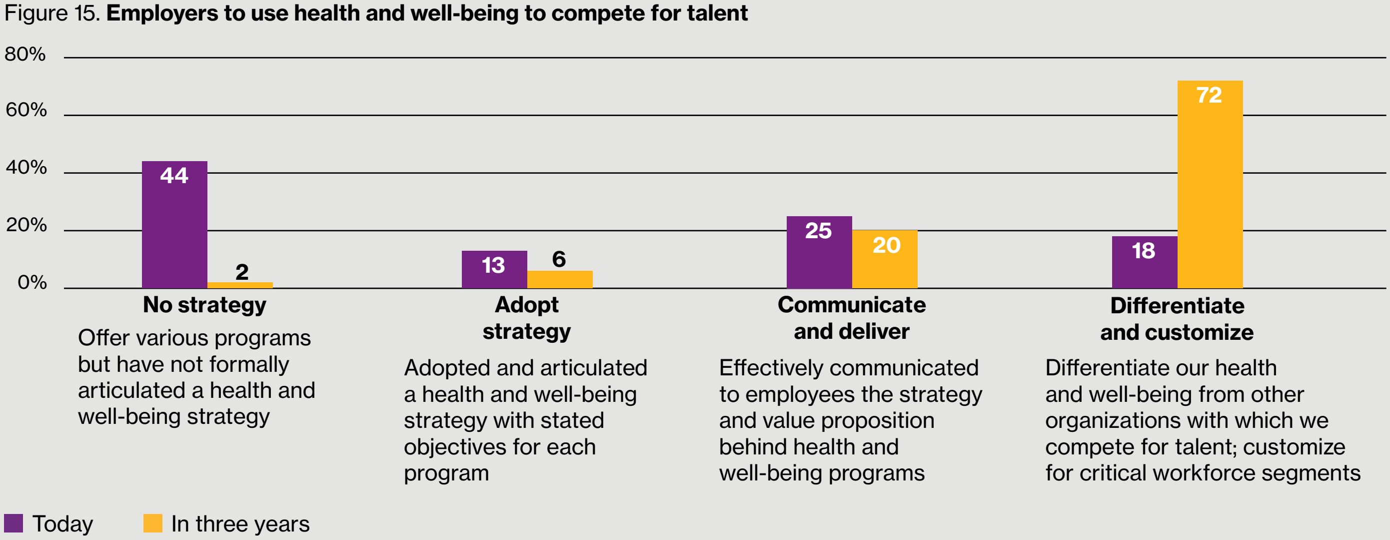
- **Evaluate pharmacy benefit contract terms.**
- **Adopt new coverage or utilization restrictions as part of your specialty pharmacy strategy.**
- **Evaluate plan design incentives/ requirements to promote use of biosimilars, as opposed to branded specialty medications, when available.**

Efficiency: Workforce health and well-being

Health and well-being as a competitive advantage

The employee experience with health and well-being programs is becoming increasingly more important in the EVP. As a result, significantly more employers (72% by 2019 compared with 18% today) aspire to use their programs as a competitive advantage over the next three years, not only to achieve a high-performing workforce (with reduced cost and risk) but also to compete for talent *(Figure 15).*

Figure 15. **Employers to use health and well-being to compete for talent**



Sample: Companies with 1,000-plus employees

As the evolved definition of workforce well-being broadens to include the following four areas that influence employee health and well-being today, most employers expect to take steps to improve or add programs in each by 2019 *(Figure 16):*

- **Physical well-being:** 84% will identify and effectively manage population health risks and chronic conditions across their workforce, up from 27% today.
- **Financial well-being:** With 70% of employees agreeing their financial concerns have become a more important issue for them over the last two years, 66% of employers plan to identify and implement solutions to improve the financial health of their workforce, up from 16% today.
- **Emotional well-being:** 59% will identify and manage behavioral health, stress and substance use issues across their workforce, up from 12% today.
- **Social well-being:** Taking advantage of a decade of experience with social media, 49% will identify and implement ways to promote a sense of involvement in health and financial issues among employees, families and the community, up from 12% today.

Employers are also increasingly focused on reenergizing employee well-being tools, resources and engagement strategies *(Figure 17).* Recognizing there is much to learn about changing health habits, employer investment is well under way in thoughtful pilots and emerging programs that combine technology, social networking and user-friendly support to deliver an improved user experience for employees and ultimately, a better health outcome *(Figure 18).* For some of these programs, employer investment is expected to nearly double.

Figure 16. **Employers define employee well-being broadly**

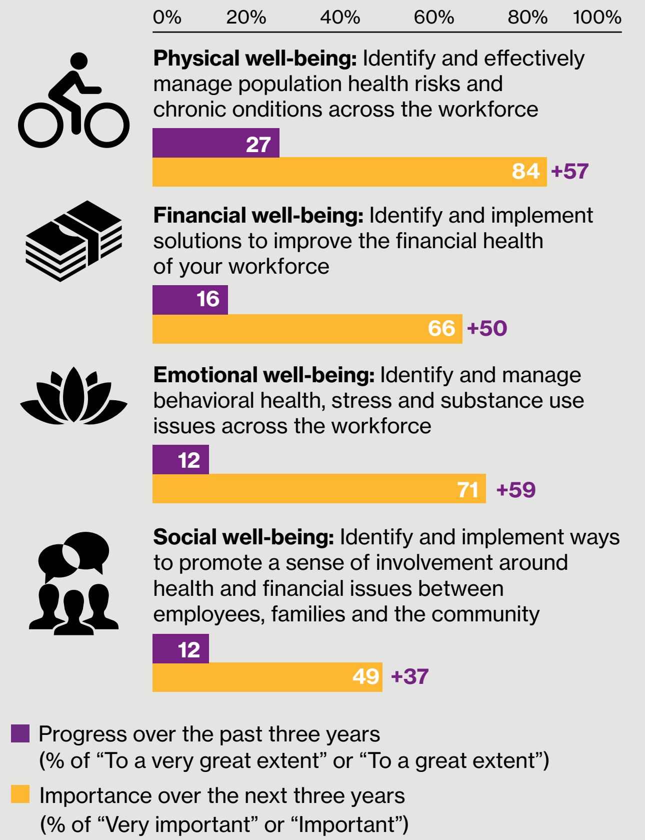


Figure 17. **Decision support tools and wearable devices to promote well-being are gaining momentum**

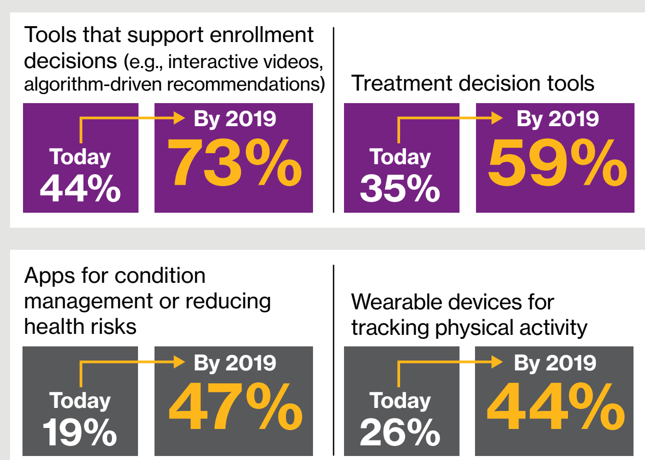


Figure 18. **Top three programs in each category by 2019**

Physical well-being	Today	By 2019*
Sponsor programs or pilots that target specific conditions or high-cost cases	42%	78%
Sponsor health and well-being affinity groups either onsite or through social media	33%	56%
Use challenges or competitions between business locations or employee groups	53%	75%

Emotional well-being	Today	By 2019*
Redesign our current employee assistance program	25%	62%
Have a companywide behavioral health strategy/action plan	21%	57%
Measure the stress of the workforce and the leading causes	15%	47%

Social well-being	Today	By 2019*
Use social recognition to boost engagement in health and well-being	37%	59%
Use key influencers, testimonials and viral messaging	41%	62%
Offer onsite classes and group programs	57%	71%

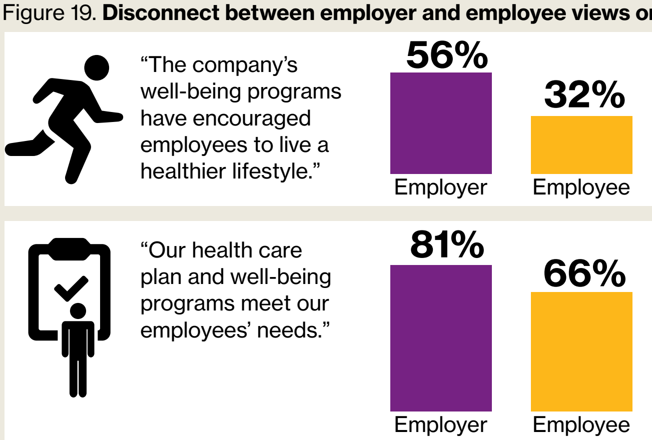
Financial well-being	Today	By 2019*
Have set specific metrics and objectives for your companywide financial well-being strategy	14%	49%
Offer student loan education or decision support	20%	47%
Offer financial well-being assessment tools to identify the most important financial issues to address	32%	58%

Note: *Including "In place in 2017," "Planned for 2018" and "Considering for 2019"
Sample: Based on companies with at least 1,000 employees

Employees have spoken and employers have more work to do

The opportunity for program improvement is palpable *(Figure 19).* Our research shows a sizable disconnect between employers and employees on the effectiveness of well-being programs. While more than half of employers (56%) believe their programs encourage employees to live a healthier lifestyle, only 32% of employees do. Just two thirds (66%) of employees say their employers' health and well-being programs meet their needs. Employers are listening and taking action. Nearly nine out of 10 agree that they have a responsibility to take an active role in encouraging their employees to live healthy lifestyles. They also recognize they have work to do on their programs to engage employees, which is driving significant investment in pilot programs, program testing and reform that is rapidly occurring in the well-being space.

Figure 19. **Disconnect between employer and employee views on the impact of well-being programs**



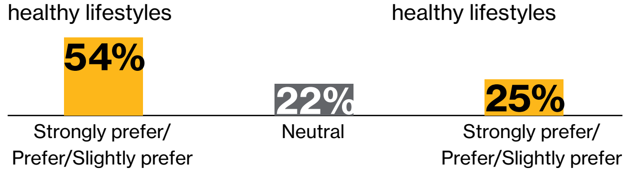
Sample: Based on companies with at least 1,000 employees
Employee sample: Full-time employees
Note: Percentages indicate "Strongly agree" or "Agree."
Sources: 2017 Willis Towers Watson Best Practices in Health Care Employer Survey; 2017 Willis Towers Watson Global Benefits Trend Survey, United States.

Employer view

87% of employers agree that they should take an active role in encouraging their employees to live healthy lifestyles. (% "Strongly agree" or "Agree")

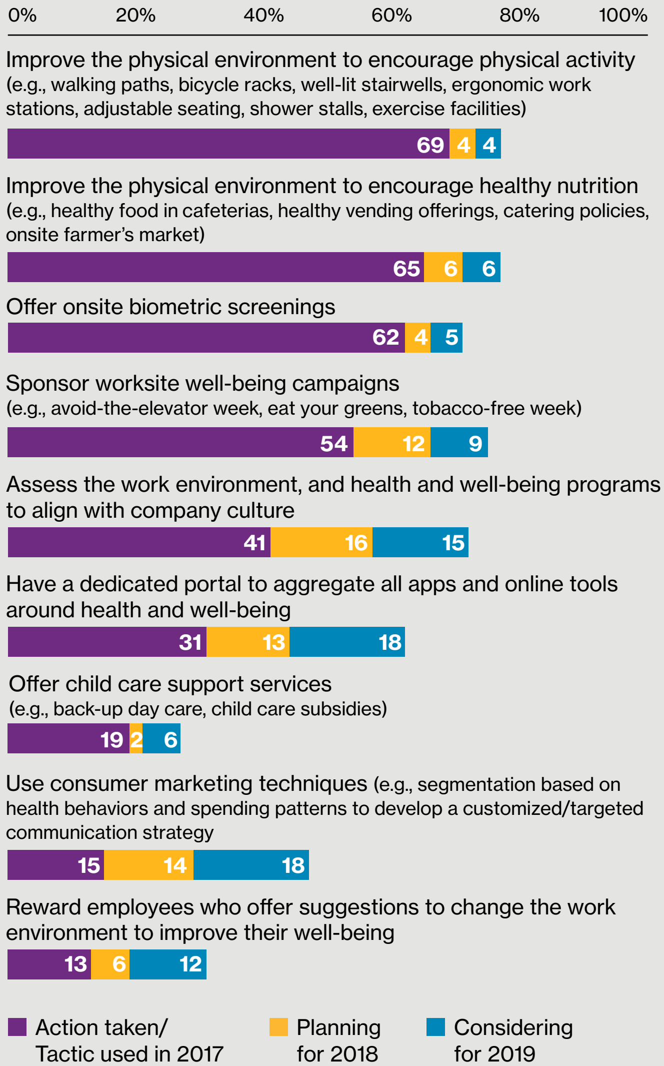
Employee view

Employers should take an active role in encouraging their employees to live healthy lifestyles	It is not the role of an employer to encourage their employees to live healthy lifestyles



Sample: Based on companies with at least 1,000 employees
Employee sample: Full-time employees with an employer health plan
Note: Total may not equal 100% due to rounding up.
Sources: 2017 Willis Towers Watson Best Practices in Health Care Employer Survey; 2015/16 Global Benefits Attitudes Survey, U.S.

Figure 20. **Building a healthy workplace environment**



Sample: Based on respondents with at least 1,000 employees

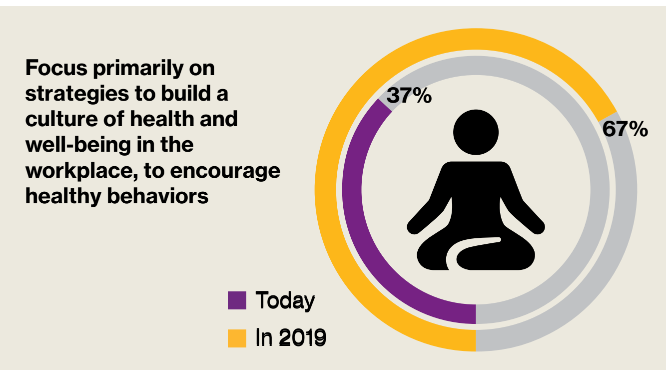
Building a healthy workplace environment

Surveyed employers are focused on building a healthy workplace environment *(Figure 20):*

- Nearly 70% have already invested in improving the physical environment to encourage physical activity, including such installations as walking paths, bicycle racks, well-lit stairwells, ergonomic work stations, adjustable seating, shower stalls and exercise facilities), a number that is expected to grow to nearly 80% by 2019.
- 65% already encourage healthy nutrition through such means as providing cafeteria and vending machine choices, catering policies and onsite farmer's markets, a number that is expected to rise nearly 80% by 2019.
- Over half offer biometric screenings (62%) and sponsor worksite well-being campaigns (54%), such as "avoid the elevator week," "eat your greens" and "tobacco-free week."

Use of incentives shifting to building a workplace culture of health

With employee engagement in well-being programs remaining low (54% median) despite all the investment employers make in these programs, we expect to see an increasing number of employers (67% by 2019) rethink their use of incentives to encourage healthy behaviors, shifting to building a workplace culture of health – up from just 37% this year.



That doesn't mean incentives will go away. Nearly three-quarters expect to offer rewards to individuals who participate in health management programs and activities by 2019, up from 57% today. However, rewards or penalties based on individual participation in biometric screenings or meeting targets are down from 68% considering adding in 2013 to 36% considering by 2019 *(Figure 21).*

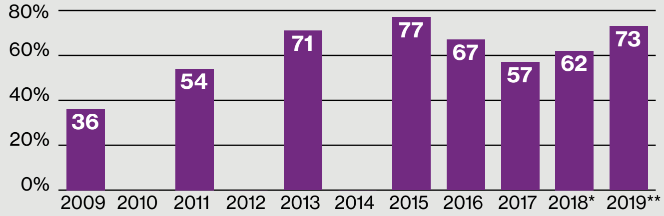
A notable exception continues to be tobacco use surcharges (median $600 annual surcharge), set to rise from 44% in 2017 to 57% in 2019, with 35% of these companies also charging dependents an annual surcharge of $1,078 for tobacco use.

Best practices: Workforce health and well-being

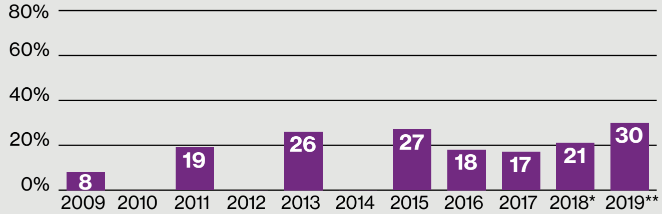
- **Have a dedicated portal to aggregate all apps and online tools on health and well-being.**
- **Offer personal financial planning technology that addresses short-term and long-term financial needs.**
- **Improve the physical environment to encourage healthy nutrition.**
- **Design policies and programs to include stay at work and early return to work following disability.**
- **Assess the work environment, and health and well-being programs, to align with company culture.**
- **Sponsor programs or pilots that target specific conditions or high-cost cases.**
- **Offer nutrition education or seminars.**
- **Sponsor worksite well-being campaigns.**

Figure 21. **Use of incentives is changing**

Reward: Offer financial rewards to individuals who participate in health management programs/activities

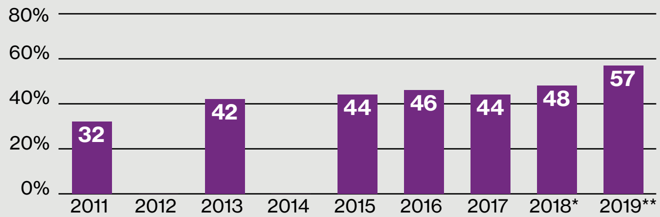


Penalties: Penalize individuals who don't participate or don't meet requirements of health management programs/activities



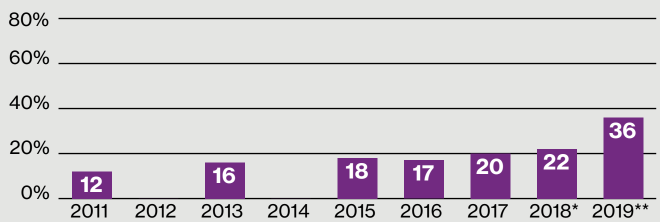
$368 (mean) Incentives/rewards spent per eligible employee to encourage participation in well-being and health management programs in 2017

Tobacco surcharge: Reward (or penalize) based on smoker, tobacco-use status (tobacco surcharge)



$600 Median tobacco surcharge for employee only; 35% also include dependents with an annual amount of $1,078

Biometric outcomes: Reward (or penalize) based on biometric outcomes other than smoker, tobacco-use status



Declining interest? In 2013, 68% of companies were considering biometric outcomes compared to only 36% today.

*Planned for 2018
**Considering for 2019
Years 2009, 2011 and 2013 are based on prior years of the Willis Towers Watson Staying@Work Survey
Sample: Based on companies with at least 1,000 employees

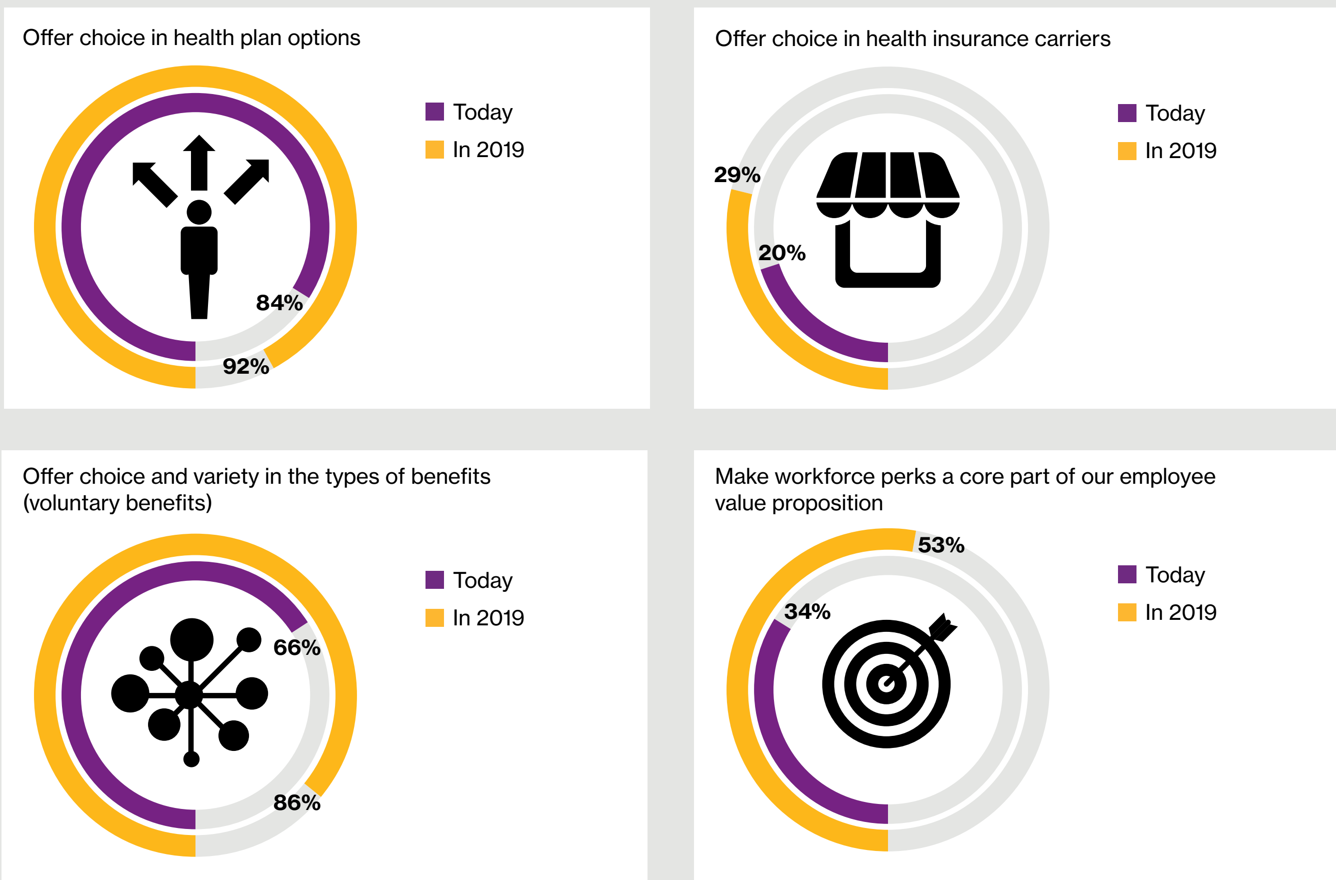
Efficiency: Engagement and consumerism

Employers use choice and technology to modernize their employee experience

As employers continue to align their health and well-being programs with their EVPs and Total Rewards strategies, they increasingly take steps to enhance employee experience through greater choice in their benefit provisions and better enrollment platforms, and mobile access to health and well-being benefits and programs. Increasingly, they understand that engaging employees through education and communication creates a win for both employers and employees.

More than eight out of 10 employers (84%) offer choice in health plan options, growing to 92% by 2019. Increasingly, they offer a variety of types of benefits, including voluntary benefits and services typically paid for solely by the employee (66% rising to 86% by 2019). A third make workforce perks (including child care, volunteer time off, onsite conveniences and concierge services) a core part of the EVP, rising to 53% by 2019. Only 20% offer a choice of insurance carriers, growing to 29% by 2019 *(Figure 22)*. In comparison, 42% of employers using a private exchange offer choice in insurance carriers.

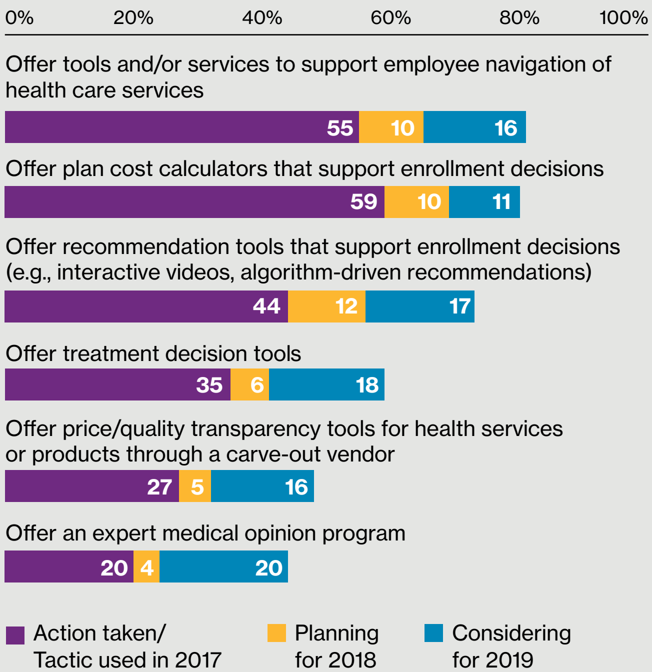
Figure 22. **Employers are focused on increasing choice in their benefit provision**



Sample: Based on respondents with at least 1,000 employees

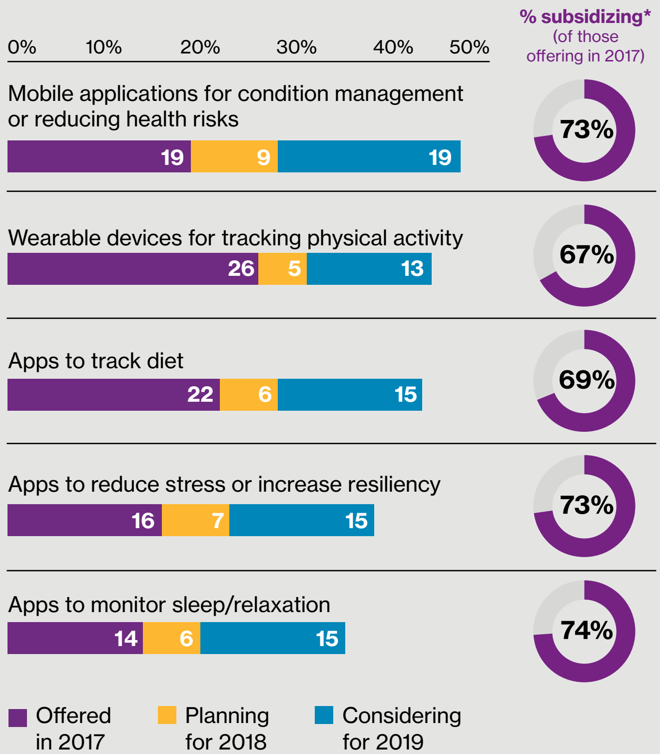
Beyond choice of benefits, employers increasingly take advantage of technology advances to enhance their member experience, notably expanding tools to support navigation, treatment decision and enrollment *(Figure 23).* Employer investment in mobile apps for employee health care is expected to double with nearly three-quarters subsidizing their use by employees *(Figure 24).*

Figure 23. **Companies expand the offering of tools to support employee navigation, treatment decision and enrollment**



Sample: Based on respondents with at least 1,000 employees

Figure 24. **Sponsoring of mobile apps around health is expected to double. Nearly three-quarters of companies subsidize their offering.**



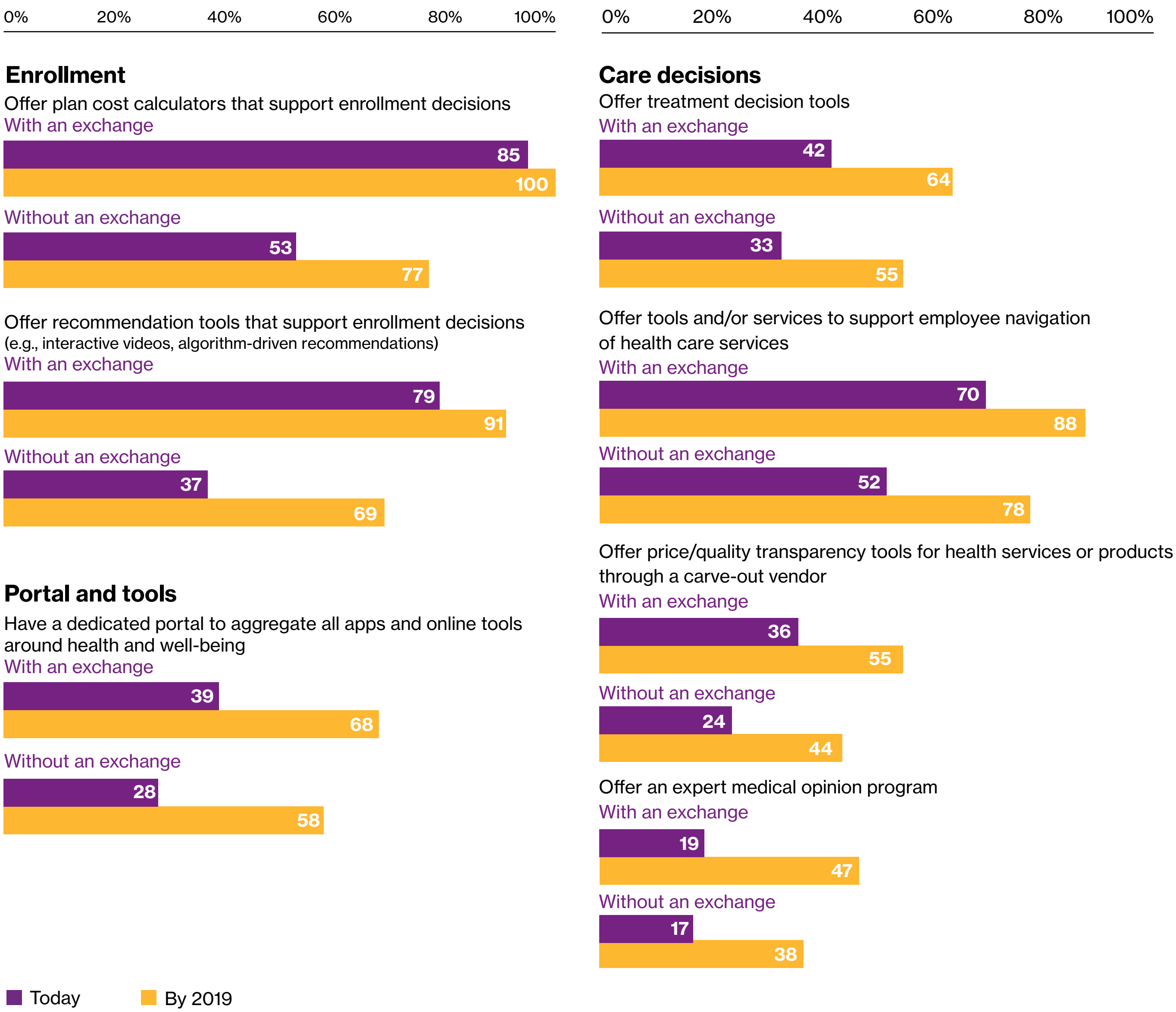
Best practices: Engagement and consumerism

- **Focus primarily on plan design to influence desired behaviors or health status.**
- **Use key influencers, testimonials and viral messaging to communicate through the social networks of the company.**
- **Use social recognition to boost engagement in health and well-being.**
- **Use consumer marketing techniques to develop a customized/targeted communication strategy.**

Employers using a benefit marketplace lead in shaping the benefit decision experience

While only 5% of total respondents use a benefit marketplace (often referred to as a private exchange) for health benefits (growing to 15% by 2019), these employers broadly share an interest in adopting tools to shape their employees' experience in making benefit decisions and annual enrollment. All employers with a benefit marketplace (100%) aim to offer plan cost calculators that support enrollment decisions by 2019, compared with 77% of employers without a marketplace. Over 90% with a marketplace plan to offer recommendation tools that support enrollment decisions (e.g., interactive videos, algorithm-driven recommendations), compared with 69% without. Nearly 90% plan to offer tools and/or services to support employee navigation of health care services, compared with 78% without. Employers with a marketplace plan to have a dedicated portal to aggregate all health and well-being apps and online tools (68%), compared with 58% without. When it comes to care decisions, 64% with a marketplace expect to offer treatment decision tools, compared with 55% without. Over half plan to offer price/quality transparency tools for health services or products through a carve-out vendor, and nearly half plan to offer an expert medical opinion program *(Figure 25).*

Figure 25. **Broad interest among companies in adopting tools to shape the experience and support enrollment and navigation**



Sample: Based on respondents with at least 1,000 employees

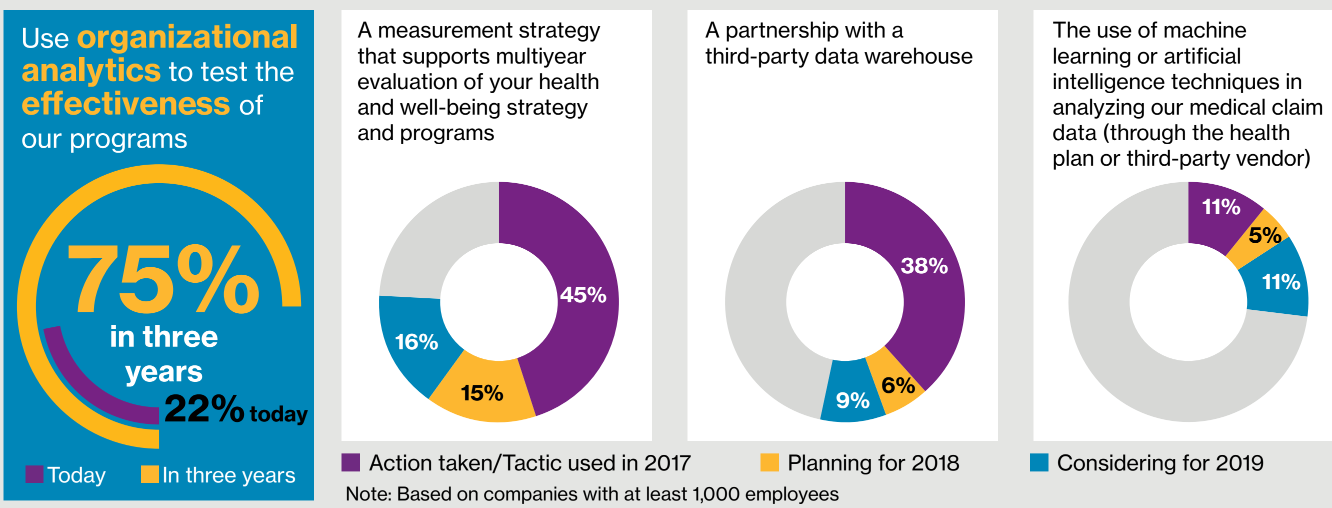
Use data analytics to achieve high-performing health plans

As companies invest more in their health care and well-being programs, they recognize the importance of using data and analytics to learn what works and what doesn't. By 2019, three-quarters of companies plan to use organizational analytics to evaluate their health and well-being programs – almost three and a half times as many as today (22%). About the same percentage expect to use analytics for a multiyear evaluation of their strategy and programs, up from under half (45%) today. More than half (53%) plan to partner with a third-party warehouse, and more than a quarter expect to use artificial intelligence techniques to analyze medical claim data through the health plan or vendor partner *(Figure 26).*

Taking a more focused approach, more than half of employers (54%) are using data to identify specific individuals or workforce segments for targeted outreach on relevant health and well-being programs *(Figure 27).*

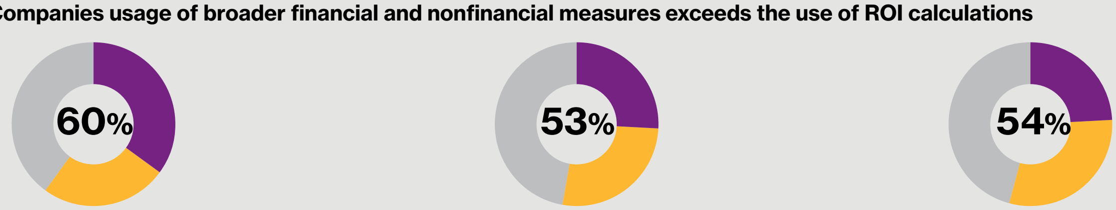
Notably, companies use broader financial and nonfinancial measures more than they use ROI calculations. Many (60%) regularly share program performance metrics with the C-suite or senior management, or as a corporate-reported metric or scorecard. And emphasizing value-on-investment versus return, 53% of employers use a variety of financial and nonfinancial metrics to measure the impact of health and well-being.

Figure 26. **Three-quarters of companies plan to use organizational analytics to evaluate their health and well-being programs over the next three years**



Note: Based on companies with at least 1,000 employees

Figure 27. **Companies usage of broader financial and nonfinancial measures exceeds the use of ROI calculations**



Senior management
Share health and well-being program performance metrics with the C-suite or senior management, or as a corporate-reported metric or scorecard on a regular basis

Value-on-investment approach
Use a variety of financial and nonfinancial metrics to measure the impact of health and well-being programs (i.e., the value-on-investment approach)

Workforce segmentation
Use data to identify specific individuals or subgroups for targeted outreach on relevant health and well-being program(s) or gaps in care

To a very great extent/To a great extent   To a moderate extent

Note: Percentage responding "To a very great extent," "To a great extent" or "To a moderate extent"; based on companies with at least 1,000 employees

Next steps for employers: Learn from high-performance insights

- **Put employees at the center** of your health care strategy:
  - Enhance the member experience through more choice with decision support.
  - Expand health programs beyond physical to address financial, social and behavioral/emotional well-being, and focus efforts to improve employee engagement.
  - Adapt the workplace environment to encourage good health habits in nontraditional ways.
- **Examine health care benefits in the context of your employee (or talent) value proposition:** Make changes to ensure that your health benefit strategy supports your organizational goals for talent attraction and retention, and cultural and brand alignment.
- **Understand your population health:** Analyze your health care data in ways critical to forming the right health care strategies and selecting programs that support your future health care goals. Include financial and nonfinancial metrics to get the full picture.
- **Focus your efforts:** As health and well-being shifts from programs for all to programs that matter, best performers take concrete actions on each dimension of health, understand the issue and target initiatives for change.
- **Update and improve employee engagement** strategies to personalize, mobilize, integrate across health and listen to employee feedback. Evaluate all programs with a purpose to engage employees in their health and well-being.
- **Take action to curb the cost of specialty pharmacy:** Focus on delivery/site of care, utilization and price.
- **Place greater emphasis on value-based arrangements** through plan designs that encourage employees to choose providers (based on quality and cost effectiveness) to maximize the value they receive from their health care benefit.
- **Improve access to care** with care extenders, such as telemedicine and onsite/near-site clinics, to enhance cost-effective employee access, productivity and convenience in a manner for both medical and behavioral health conditions.
- **Implement a holistic, integrated well-being strategy** across all four dimensions – physical, financial, social and emotional/behavioral – for a healthy, high-performing workforce.
- **Focus on employee behavioral health,** integrating support for medical and disability conditions and complex issues.
- **Enhance navigation support and integration** across all well-being dimensions.

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