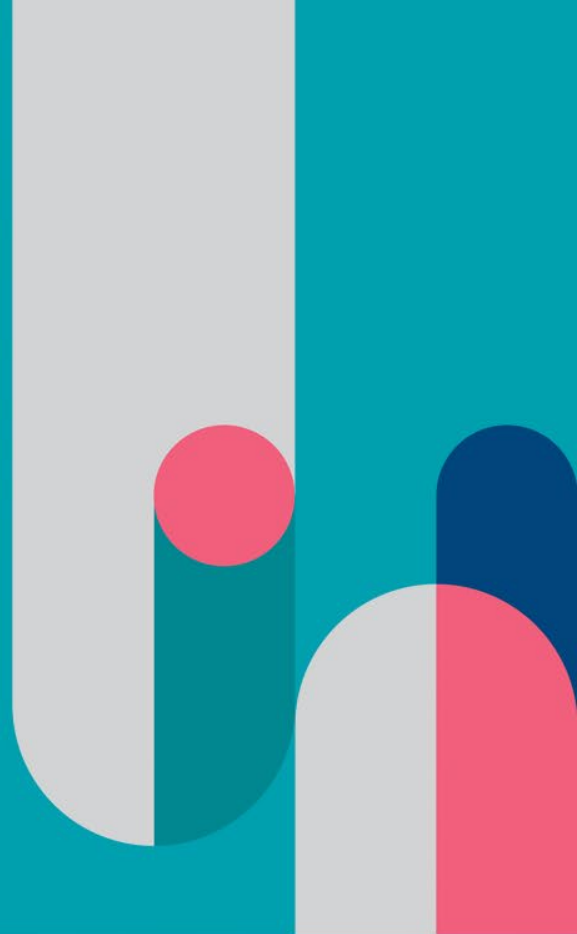




National Survey of Employer-Sponsored Health Plans 2023

John Coleman, CEBS
Senior Principal
Mercer

Northern NJ Chapter ISCEBS
April 3, 2024

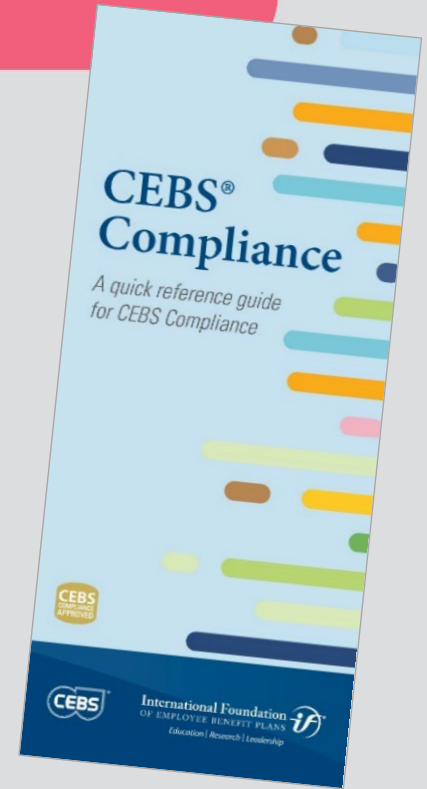


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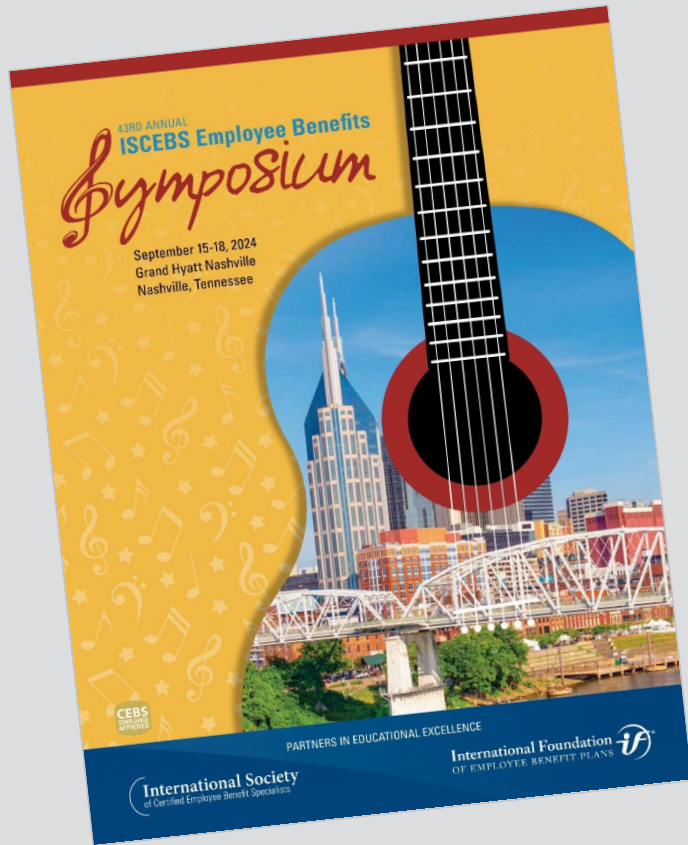
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National Survey of Employer-Sponsored Health Plans 2023

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About the survey



Long running

Marking 38 years of measuring health plan trends



Robust

1,917 employers participated in 2023
NJ 500+: 48
National 500+ 1,337



Comprehensive

Extensive questionnaire covers a full range of health benefit issues and strategies



Statistically valid

Sampling and weighting methodology yields nationally projectable results for private and public employers



Includes employers of all sizes, all industries, all regions

Results can be broken out based on employer demographics to allow precise benchmarking



Employer size groups:

- 50 or more employees (all employers)
- 50-499 employees (small employers)
- 500 or more employees (large employers)
- 20,000 or more employees (largest employers)

Demographics

	New Jersey 500+	National 500+
Average employee age	45	43
Average % of female employees	39%	43%
Average % of union employees	7%	6%

What we are hearing from Employers and key themes



What we are hearing from employers

Anything else?



Macro trends shaping employer-sponsored health benefit programs

With cost growth at its highest level in years, employers are focusing on cost management – but don't want to lose ground in ongoing efforts to ensure benefits support the full range of employee needs and preferences.

Upturn in healthcare cost growth

While inflation has cooled in many parts of the economy, the effects of higher wages and costs in the healthcare sector are now being felt in benefit budgets.

Market consolidation – and fragmentation

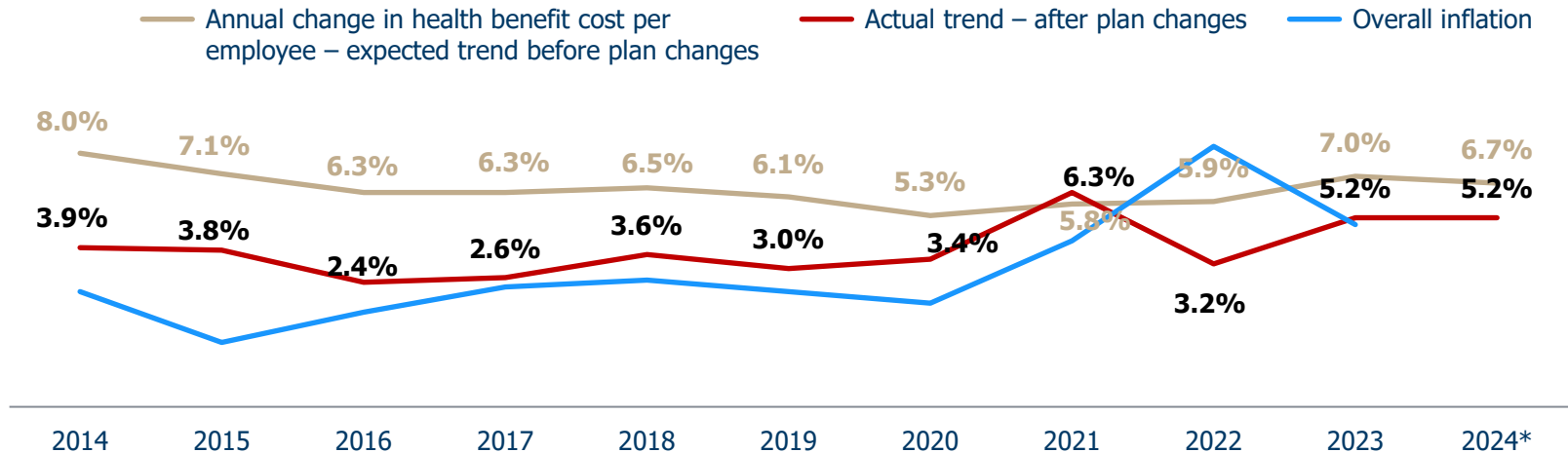
Health system consolidation reduces competition and purchaser negotiating leverage, adding to employers' cost pressures

The Great Resignation may be over, but...

Labor shortages persist. Following significant wage increases and investment in health and wellbeing, employees are more inclined to stay at their current jobs, but many industries are still challenged to fill positions

Expected increase in plan cost for 2024 before changes estimated at 6.7%, well above inflation and growth in workers' earnings

Change in total health benefit cost per employee compared to CPI, workers' earnings



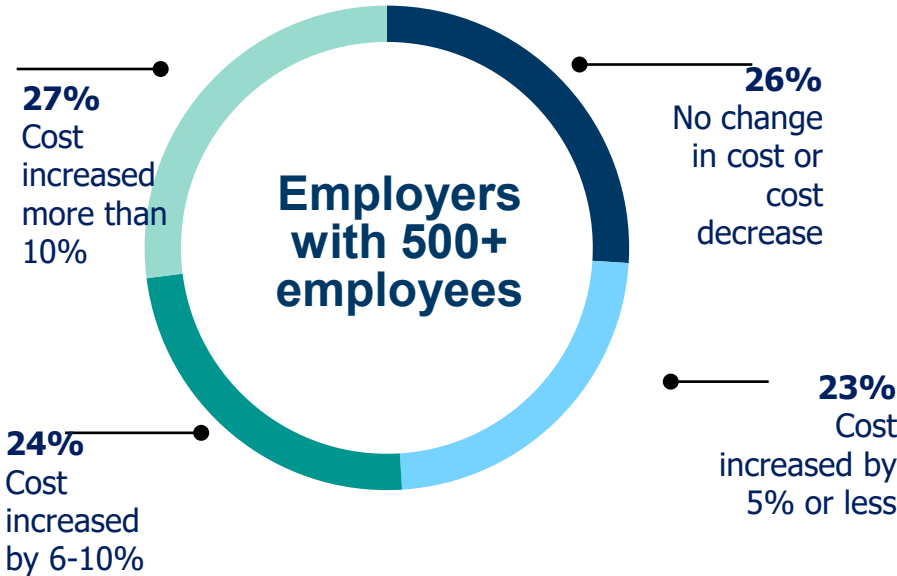
Beginning in 2020, results are based on employers with 50 or more employees.

*Projected

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

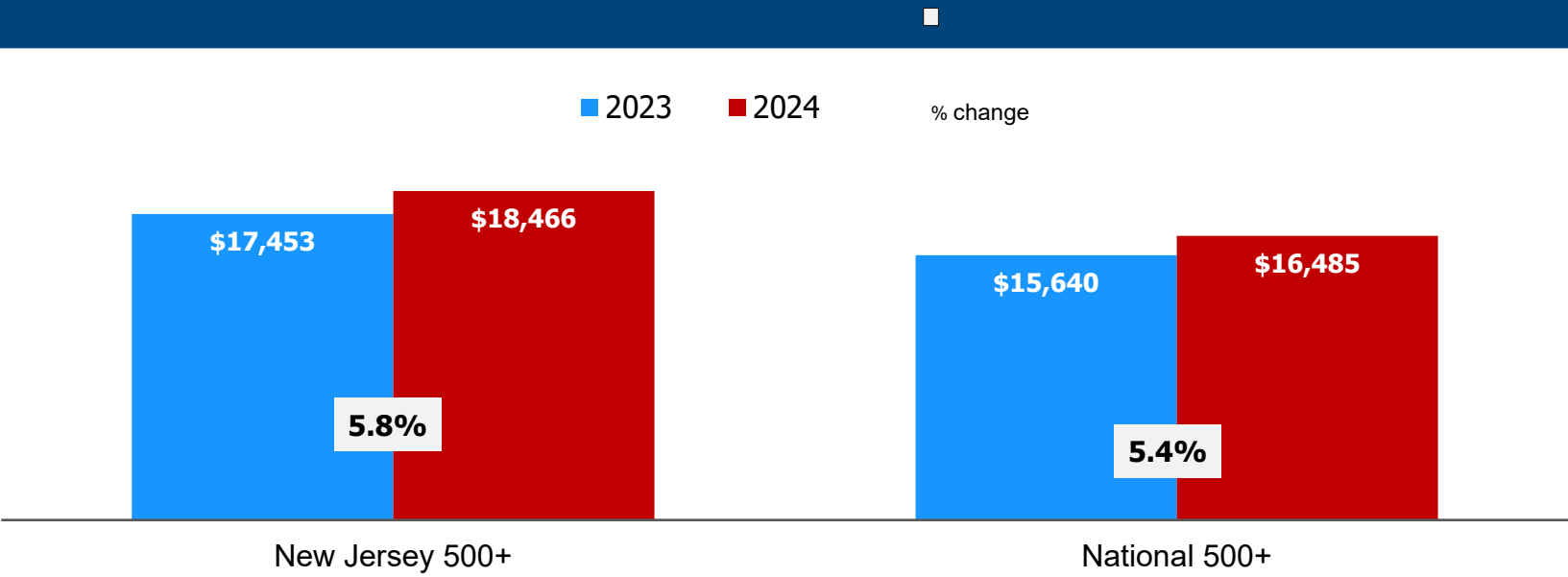
Behind the average, cost experience for individual employers varies widely

Percent of employers with specified change in total health cost*



*Based on employers providing cost for both 2022 and 2023

Average total health benefit cost* per employee



How does your organization's cost compare?

*Total health cost includes medical, dental, Rx and specialty benefits

Continued higher cost growth for the next few years seems likely

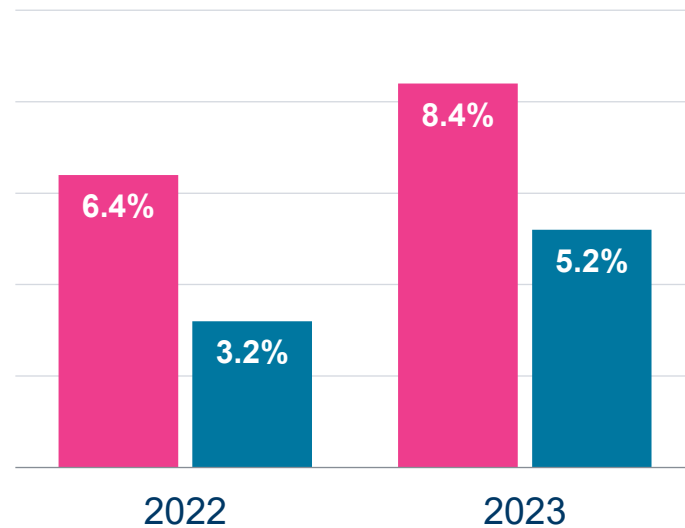
Inflation will have an ongoing impact

The massive spike in inflation in 2022 is working its way into health benefit costs as healthcare providers renew contracts with carriers and raise prices to cover their own increased spending on wages and medical supplies.

Rx cost is driving up total health plan cost as use of GLP-1 drugs for diabetes and obesity surges

Average annual change in cost per employee

- Prescription drug cost
- Total health benefit cost

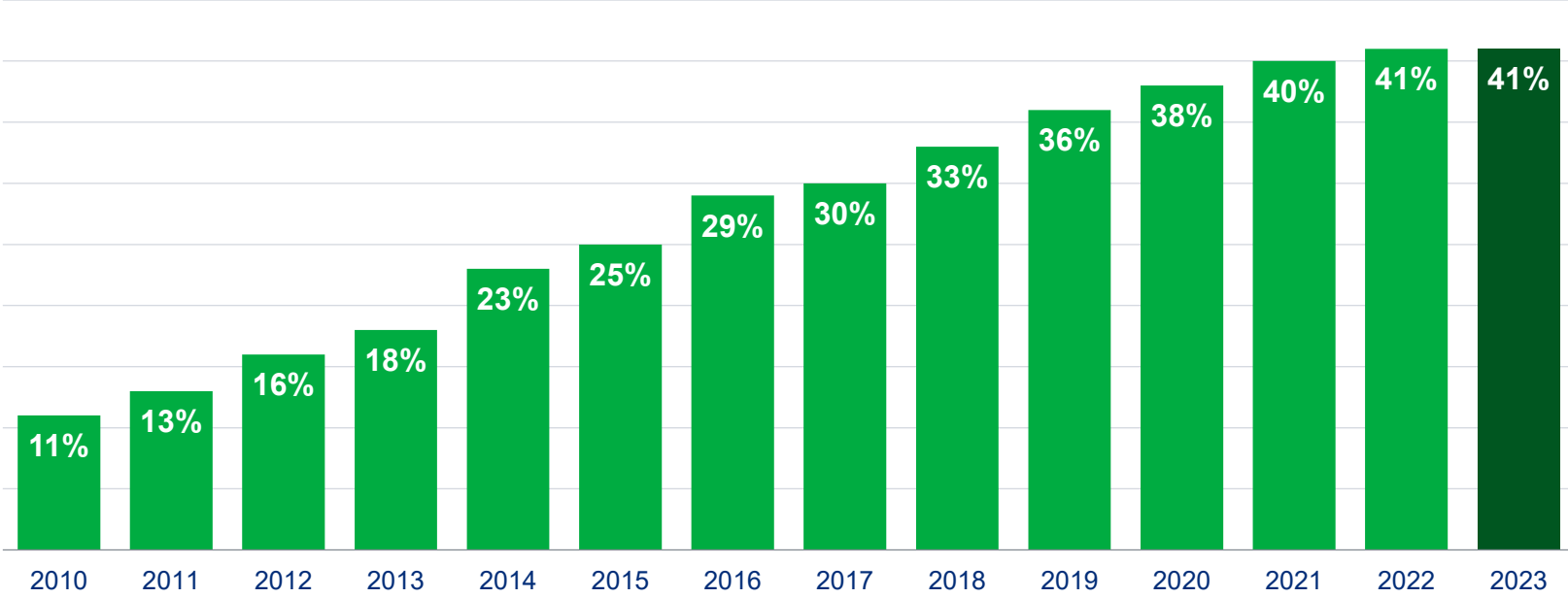


Medical plan offerings and enrollment



Not right for everyone: High-deductible health plan enrollment growth has stalled

Percentage of covered employees enrolled in consumer-directed health plans



Beginning in 2020, results are based on employers with 50 or more employees.

Employee enrollment

Percent of all covered employees enrolled in each type of medical plan

■ PPO / POS*

■ HSA-eligible CDHP

■ HRA-based CDHP

■ HMO

■ EPO

New Jersey 500+

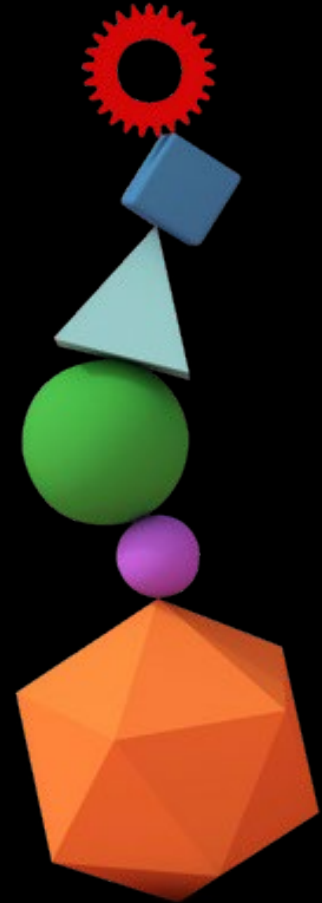


National 500+



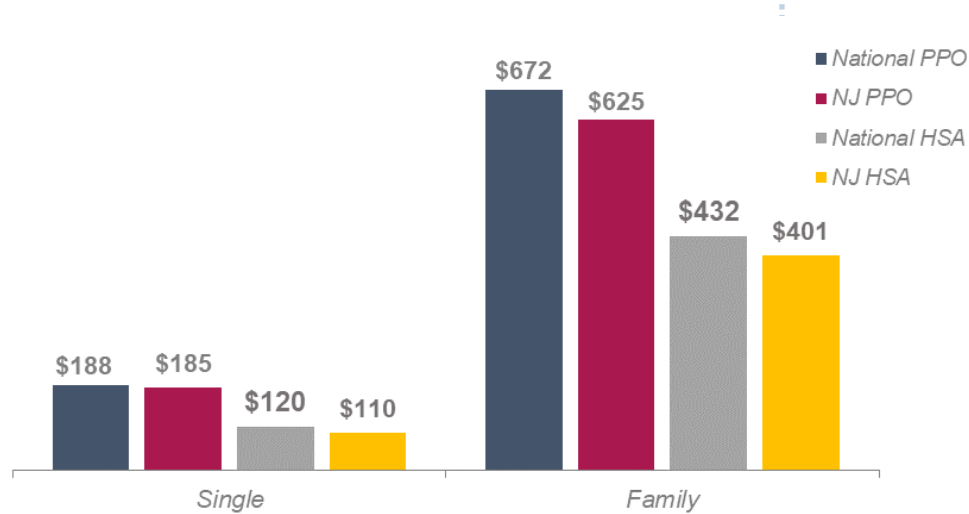
*Includes traditional indemnity plans

Costs, contribution and funding



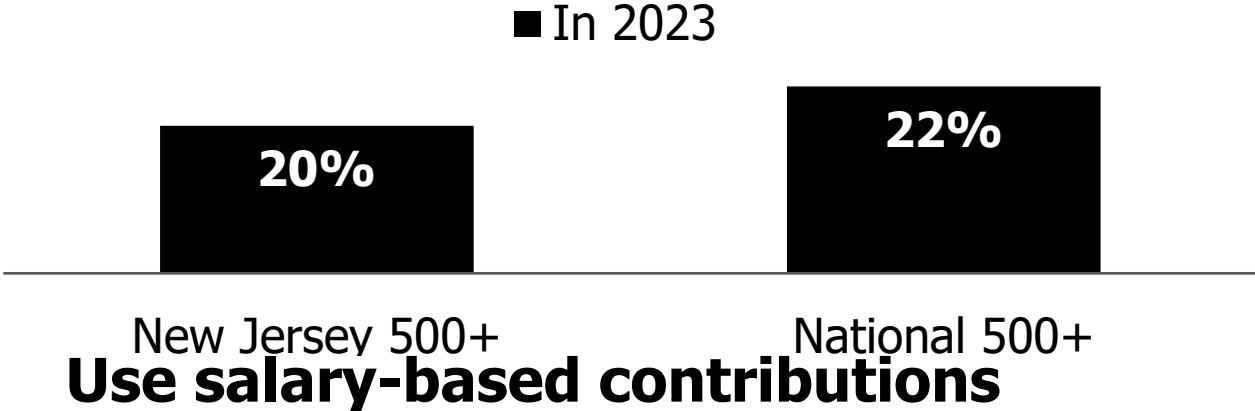
Monthly Employee Contributions

LARGE EMPLOYERS (NATIONAL AND NJ)



Are what your employees paying for medical competitive with the market?

Average percentage of premium paid by employees across all medical plans and coverage tiers*



	New Jersey 500+	National 500+
Premium contribution varies based on salary band	26%	17%
Considering salary-banded contributions	4%	5%

*Including plans with no employee contribution

Plan Design

LARGE EMPLOYERS (NATIONAL AND NJ)

	National PPO	NJ PPO	National CDHP	NJ CDHP
In-Network				
Deductible (Single / Family)	\$750 / \$1,500	\$500 / \$1,200	\$2,000 / \$4,000	\$1,600 / \$3,200*
Coinsurance	20%	20%	20%	20%
Office Visit (PCP / Specialist)	\$25 / \$40	\$25 / \$40	Ded/Coin	Ded/Coin
OOP Max (Single / Family)	\$3,500 / \$6,000	\$3,000 / \$6,000	\$4,000 / \$8,000	\$3,500 / \$7,000
ER HSA Funding (Single / Family)	N/A	N/A	\$520 / \$1,000	\$500 / \$1,000
Prescription Drugs (Retail)				
Generic	\$11	\$13	Ded/Coin	Ded/Coin
Brand - Formulary	\$34	\$32		
Actuarial Value	88%	89%	83%	85%

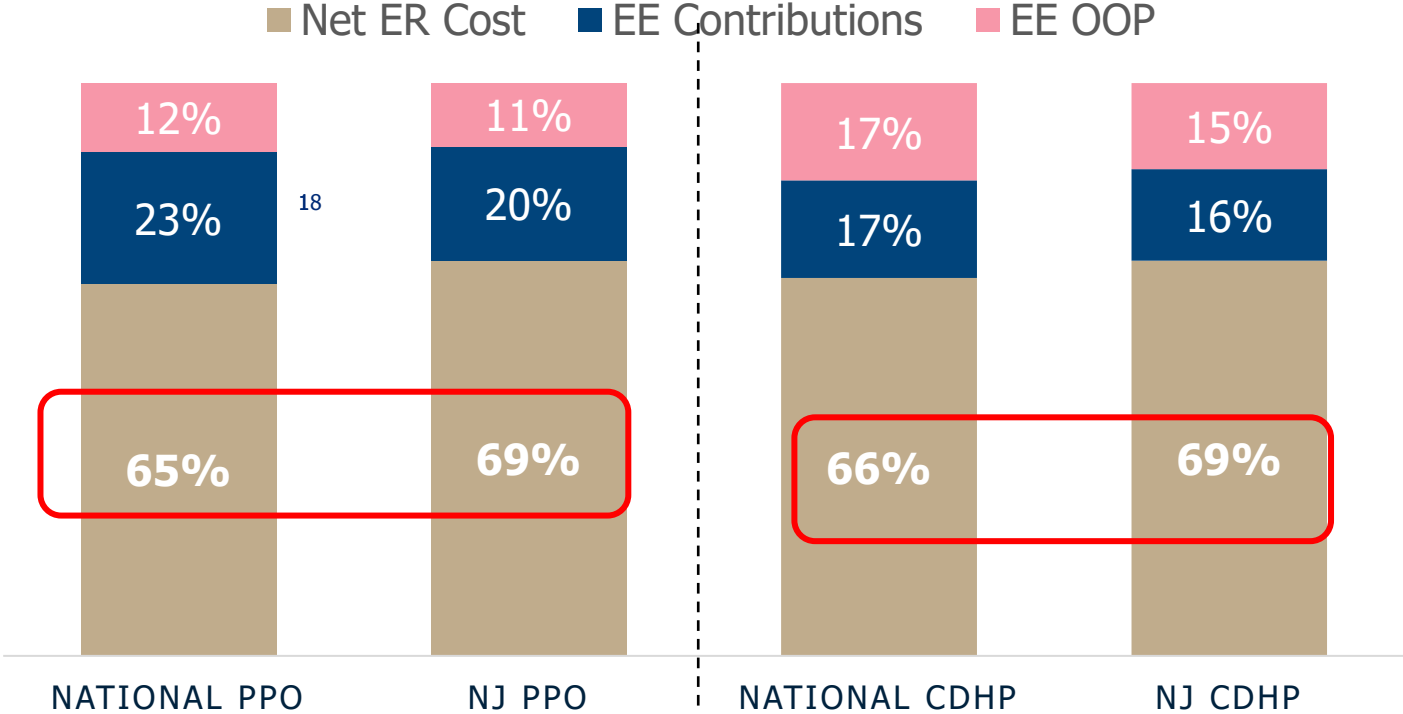
For CDHPs with \$1,600 / \$3,200 deductibles, you will likely need to increase deductibles to \$1,650 / \$3,300 to keep plans HSA eligible for 2025

Putting it all Together

Benchmarking



Net Value of Medical / Rx Plan

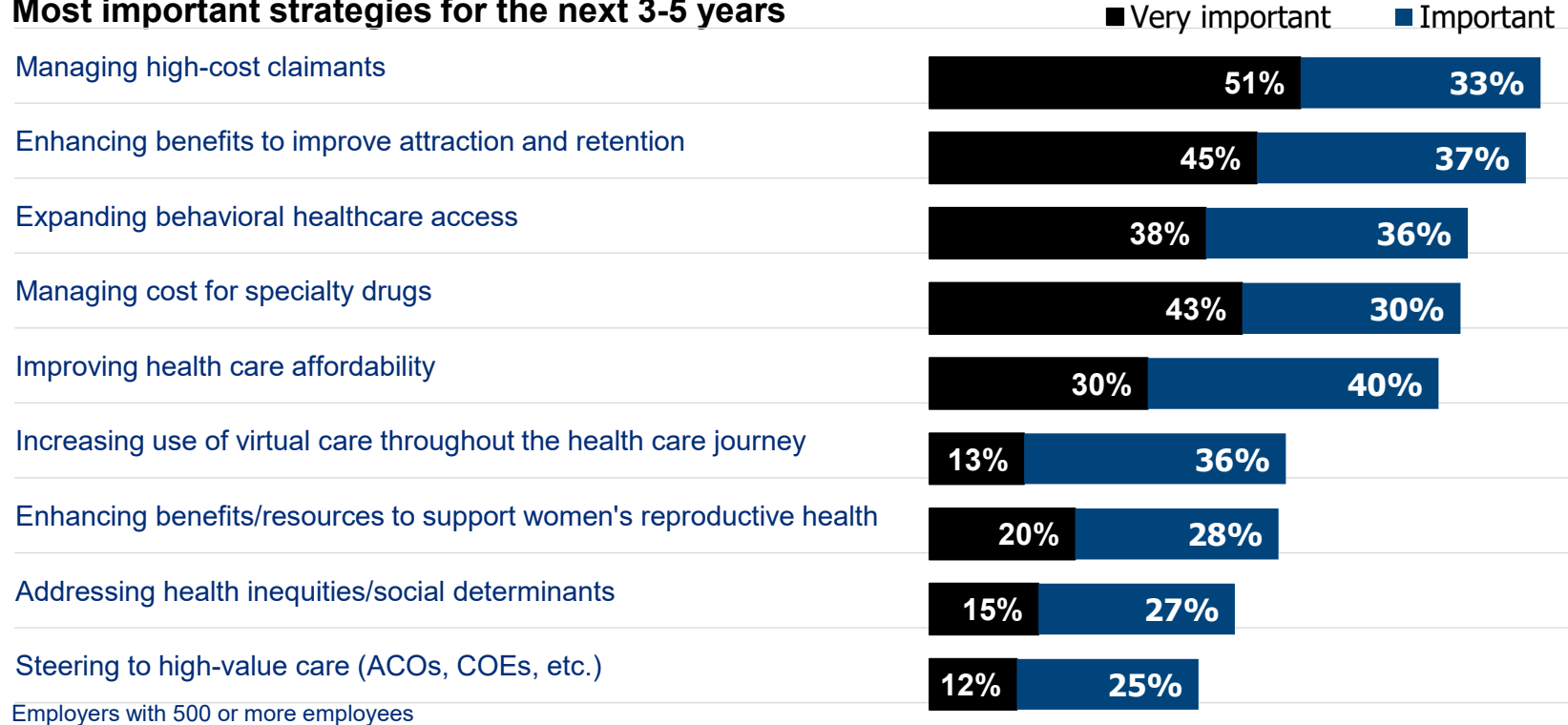


5 ways to control cost and provide Value



In setting priorities, employers seek to balance cost management with offerings that employees will value

Most important strategies for the next 3-5 years

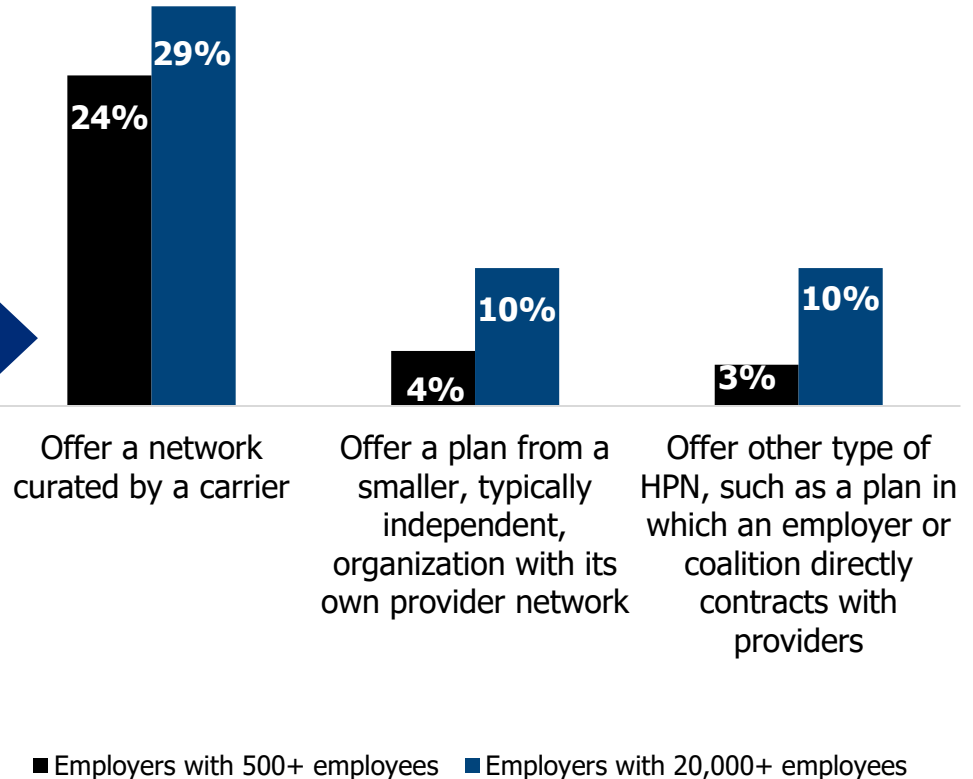


High-performance networks aim for better outcomes, less waste



Implementing a high-performance network strategy can be disruptive for plan members. But communicating the value of a network in which all providers meet higher standards can help – as can offering lower cost-sharing.

#1



#2 Surgical Carve-out Benefit

WHAT IT IS

Surgical spend is one of top drivers of spend for Employers

- On average, employers pay 2.5X what Medicare does for same services
- There is no correlation between price and quality
- 25% of surgeries are not necessary
- Members often have higher out-of-pocket costs

How a carve-out surgical benefit works

- Vendor steers towards top quality providers in the country
- Providers agree to bundled rate discounts that are better than the BUCAs
- 30% of surgeries are avoided and come with a claims warranty
- Member pays \$0 for non-HDHP plans and just the deductible for HDHPs

Flexibility in offering

- Can be offered on a mandatory, hybrid or voluntary basis
- Most common to have bariatric and musculoskeletal be mandatory



#3 GLP-1 Weight Loss Strategy

Context

Cost clients \$8,000-
\$12,000 per patient per
year net of rebates

Potentially 40% of US
population may be eligible
for coverage

Will be top driver of
healthcare costs for
employers who add
coverage

What should clients do?

•Option 1 (Current State)

- Continue to exclude weight loss medications
 - No Cost
 - Will hear noise from employees

•Option 2 (Add coverage with prior authorization)

- Estimated cost of **\$1.5M**
- Employees may not like prior authorization

•Option 3 (New to Market)

- Continue to exclude from coverage
- Use HRA to provide a fixed subsidy (discretionary) for coverage administered by an external vendor
- Estimated 2025 cost of \$0.6M ***
- No prior authorization

*assumes subsidy of \$225 per month and assumes 5k live group

GLP-1 Example

Reimbursement Model: How the HRA works

How it works

- Weight loss drugs continue to be excluded from group coverage
- Client provides a discretionary subsidy of \$225/month per EE for weight loss medications ¹
- Provider writes script for medication
- Member responsibilities:
 - Enroll in Pharma's Patient Services offerings
 - Fill script (per rules of program)
 - Upload proof of script/payment to HRA vendor
- HRA vendor reviews, approves and provides reimbursement

¹ For members in HSA plan, Employees need to meet IRS minimum deductible prior to receiving reimbursement

² Estimated net cost to employer with discount and rebate is \$700 (before cost sharing)

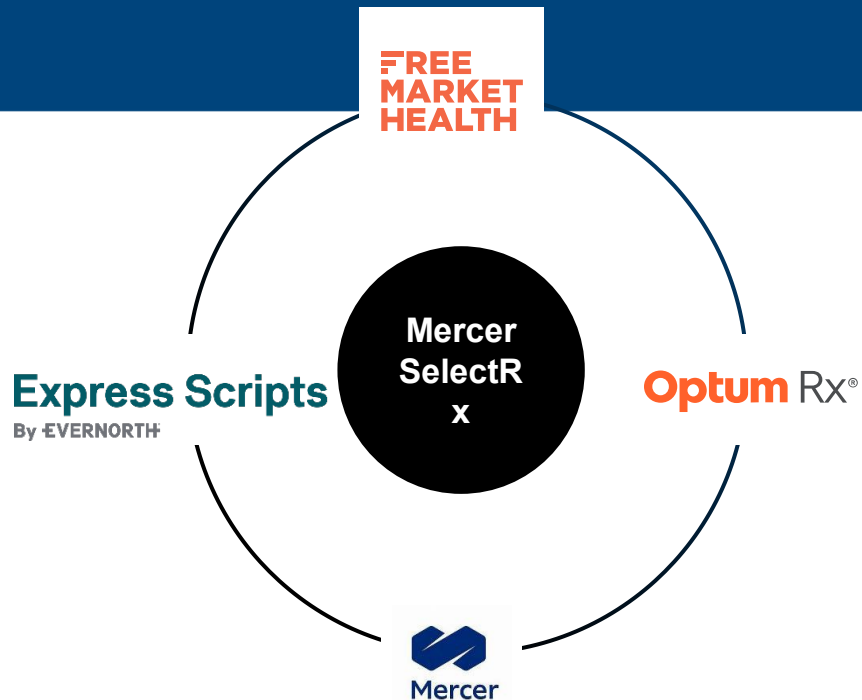
This is a leading-edge strategy

Example: Zepbound

WAC Price ²	\$1,050
Cash Price (Eli Lilly Direct)	\$550
Client Subsidy	\$225
Member Cost	\$325

#4 Introducing Mercer SelectRx

An innovative approach to the specialty claim model



With your members' care top of mind, the specialty pharmacy network competes to dispense specialty claims at the lowest price

#5 Return Of The \$0 Deductible Plans

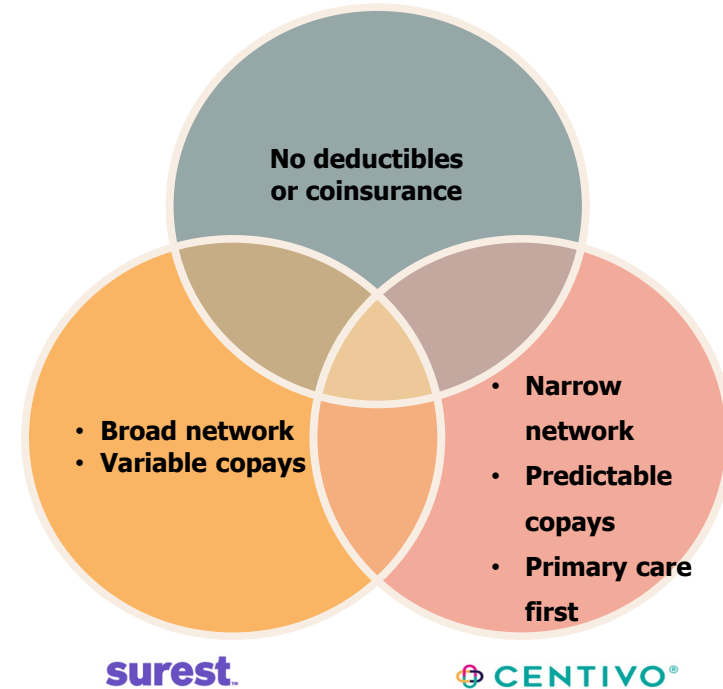
WHAT'S OLD IS NEW AGAIN

Employers want to manage costs without cost shifting

- Variable costs from CDHP can hurt lower paid workers

New \$0 deductible models promise savings through two avenues

- Steerage through variable copays
- Steerage through gatekeepers / narrow networks
- Promise savings of 15-20%



Accelerating health benefit cost growth means doubling down on cost-management. Maintaining affordability and support for the whole workforce may require employers pivot to strategies that optimize value, even if it means accepting a certain level of disruption.

1

Faster cost growth is likely over the next few years

2

Bold action is needed! Explore network strategies and virtual care

3

Be selective with benefit enhancements – prioritize flexibility

Next Steps

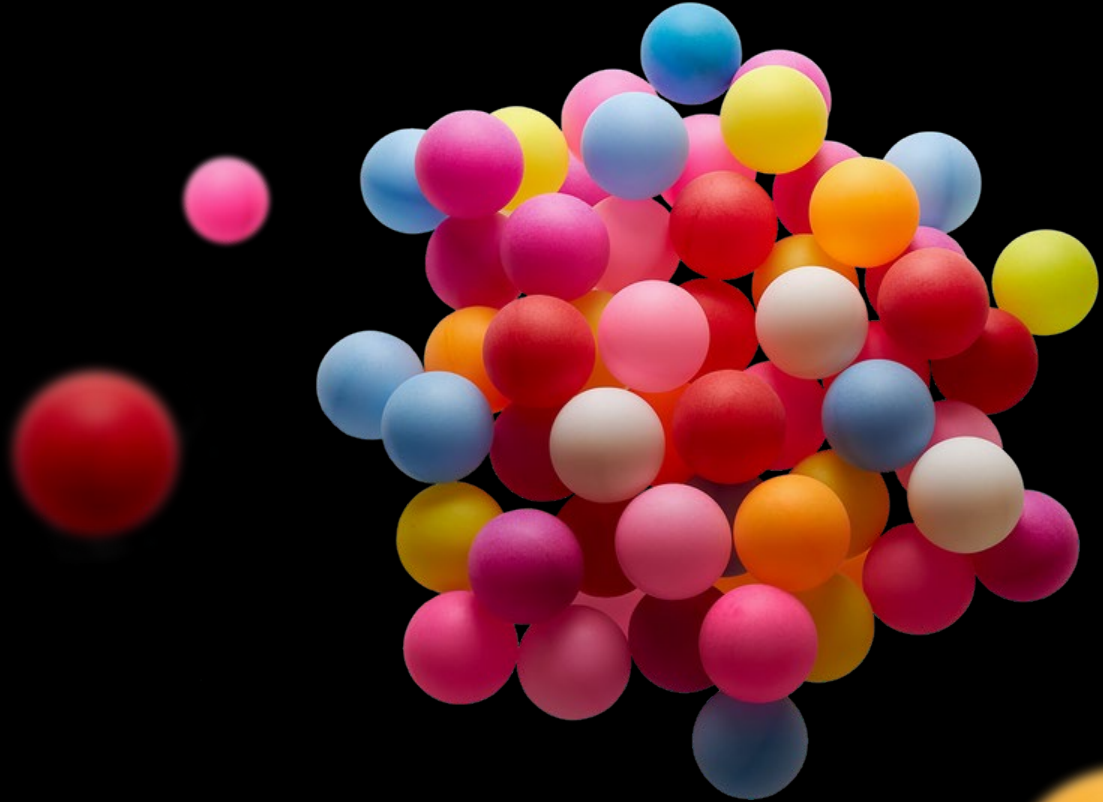


Next Steps



- Determine how competitive your health and welfare benefits are
- Identify any gaps in offerings
 - Mercer can help
- Follow me on LinkedIn and YouTube for innovative employee benefits ideas

Definitions



Definitions

- A consumer-directed health plan eligible for a Health Savings Account is a high-deductible health plan with an employee-controlled account. Employer contributions are optional. Account funds roll over at year end and are portable.
- A consumer-directed health plan with a Health Reimbursement Account is a health plan with an employer-funded spending account. Account funds may roll over at year end, but are not portable.
- Total health benefit cost is the total gross cost for all medical, dental, prescription drug, MH / SA, vision and hearing benefits for all covered active employees and their dependents divided by the number of enrolled employees. Total gross annual cost includes employer contributions to a Health Savings Account. Employee contributions are also included but not employee out-of-pocket expenses.
- Medical plan cost is the total gross cost for medical and prescription drug benefits divided by the number of enrolled employees. Mental health, vision and hearing benefits for all active employees and their covered dependents are included if part of the plan. Dental benefits, even if a part of the plan, are not included in these costs. CDHP cost includes any employer account contribution.
- Unless otherwise noted, employers with multiple plans of the same type were asked to respond for the largest plan of each type (i.e., the one with the largest enrollment).
- Family coverage is the coverage level for an employee, spouse and two children.

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