AGENDA – 60 MINUTES

• Course Objectives (3)
• Industry Observations (10 min)
• Industry Factoids (15 min)
• Health Plan Approaches (5 min)
• Case Study (20)
• Q&A (7)

COURSE OBJECTIVES

• Level-set a general understanding of the health care industry
• Introduce key factoids to understand the challenges and opportunities shaping the health care industry
• Demonstrate how one health care company is overcoming the challenges and focusing on the opportunities
INDUSTRY OBSERVATIONS

- Health care costs have been rising steadily
- The Affordable Care Act had some positive effects (pre-existing conditions, expanded coverage) and some negative consequences (public exchange misses, chronic condition patients, escalating costs)
- Pharmaceutical companies have been in the news for excessive profits, skyrocketing pricing, and powerful lobbyists
- The Food & Drug Administration is under fire for its approval guidelines (similar approved drugs and new, effective drugs are available outside the US in 1st world countries, but are not available in the US)
- Technology is rocking the health care industry, with consumers expecting the same level of sophistication in their interactions with health care companies that they have with other industries (retail, banking, etc.)

INDUSTRY OBSERVATIONS (CONTINUED)

- Health care companies are rapidly trying to adjust to the changing landscape
- All health care companies basically offer the same solutions (pharmacy strategies, price transparency tools, narrow networks, value-based benefits, telehealth solutions, centers of excellence, ACOs, high deductible plans, condition/disease management, behavioral health, H&W solutions, rewards & incentives, and employee engagement strategies)
- Niche players are adding value, yet from an employer perspective are creating an overload of choices
- Innovation is a top priority with health care companies – many looking directly at the niche players (joint ventures, buy-outs, partnerships, etc.)

INDUSTRY FACTOIDS - GENERAL

- Majority of employers expect health care costs to increase by 5% in 2017
- The average cost per employee for health care costs is expected to be $13,000 in 2017 (up slightly from 2016)
- 1 in 3 adult patients receive a surprise out-of-network bill (education needed)
- Only 28% of US men and 17% of US women have a primary care physician
- Generic drug usage is 84.7% nationally (86% in MN), with only 25.2% of prescriptions being filled using 90-day vs. 30-day (10.4% in MN)
- 94% of employer groups will evaluate their pharmacy contract in 2018
- Yet, despite it all, confidence in employers offering health benefits rose to 54% (from the lowest level of 23% in 2012)
INDUSTRY FACTOIDS - PHARMACY

• Specialty pharmacy costs have skyrocketed, and they are expected to increase by another 16.8% in 2017
• 87% of group employers identify rising pharmacy costs as a key concern
• First time drug approval reached a 19-year high (77% compared to 68% in 2014)
• Most health plan companies try to mitigate rising Rx costs by:
  - Plan design changes (coverage, copays, etc.)
  - More aggressive utilization management
  - Instituting protocols for specialty Rx
  - Creating specialty Rx tiered networks
  - Effectively using prior authorizations
  - Utilizing Medication Therapy Management (MTM)
  - Enhancing closed formularies
  - Emphasizing the value of integrated medical and pharmacy management (data)
  - Asking members to pay the difference between the cost of brand and generic drugs

INDUSTRY FACTOIDS – COST CONTROL TOOLS

• 99% offer Employee Assistance Programs
• 88% utilize transparency tools (i.e. find a doctor, cost comparison)
• 80% have nurse coaching (nurse lines) available
• 79% use Centers of Excellence (transplants, bariatric, knees/hips/spine surgery, cardiac, cancer, and fertility)
• 74% offer condition/disease management
• 55% offer self-help online resources
• 47% have some type of onsite health resource (16% are councilors)
• 21% added an Affordable Care Organization plan design

• Only 20% of groups offer a high performance (narrow) network that helps steer patients from high cost providers, but estimates say that 60% of group employers will offer narrow networks by 2018
• 92% of group employers offer high deductible plans (paired with a Health Savings Account – with an average contribution of $600)
  - Deductible levels continue to rise ($1,425 for singles and $2,900 for families are projected for 2017)
• 32% offer Value Based Benefits (charges members lower out-of-pocket costs for services proven to manage long-term health)
  - It is dependent of Value Based Contracting (reimburses providers based on the value delivered to patients rather than the volume of the services delivered)
INDUSTRY FACTOIDS - TELEHEALTH

- Telehealth has gone from a niche service (7% of groups in 2012) to being offered by 90% of group employers in 2016
- 34% of telehealth services focus on behavioral health (trending topics)
- Challenge is that utilization remains low (2-3% usage) due to hold times, provider continuity, and non-integration with primary care physicians
- Growing estimates still show between 18-30%
- Considering that only half of annual check-ups include a preventive health procedure, telehealth could help steer patients to receive their preventive appointments

INDUSTRY FACTOIDS – HEALTHY INCENTIVES

- 81% of group employees earned incentives in 2016 compared to 73% in 2014, with an average payment of $650
- Types of financial incentives include: 1) 73% health assessments; 2) 78% biometric screenings; and 3) 43% tobacco cessation

HEALTH PLAN APPROACHES

- Key areas of focus in 2017 include:
  - Finding a long-term solution for rising specialty drug costs
  - Engaging group employees to be better consumers of health care through educational campaigns and online tools (i.e. provider finders, cost comparison)
  - Improving access to quality care that is more affordable (i.e. telehealth, nurse lines, high-performance networks, ACOs, Centers of Excellence, Value Based Benefits)
  - Engaging group employees in healthy lifestyles (i.e. online H&W resources, incentives, communication campaigns, H&W programs/solutions)
- Every health plan has a unique approach but its based on solving for the same areas of focus
- The key is to understand how to identify best-in-class offerings by health care companies to determine who is the ideal long-term partner