

Employer and Coalition Healthcare and Pharmacy Trends Participant Summary

August 2009



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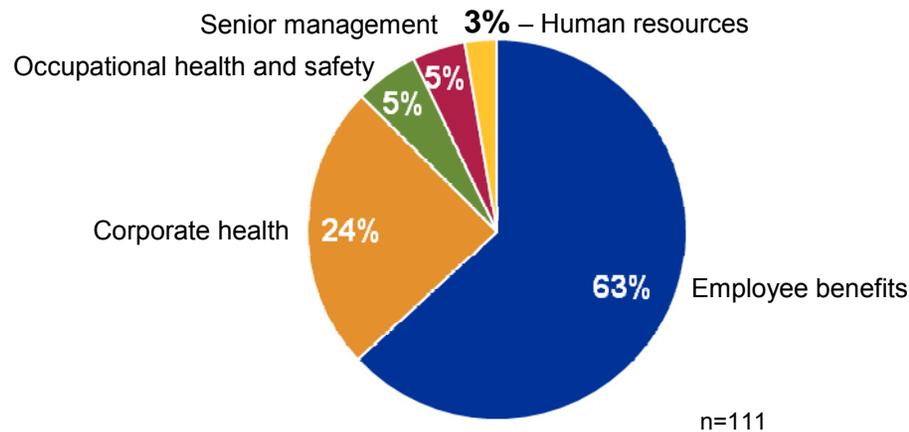
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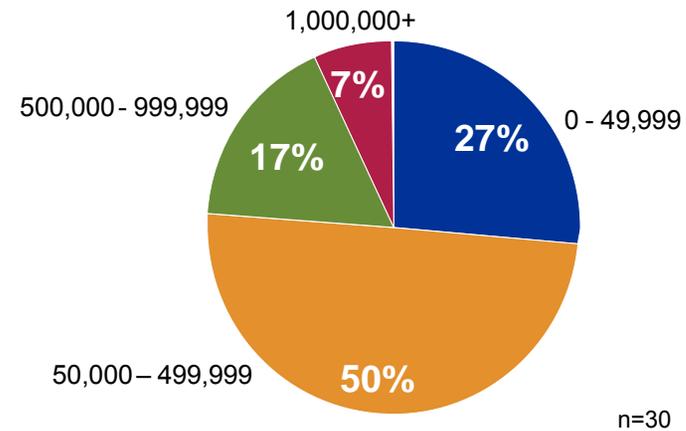
Participants

Type of Research Participant	Number of Surveys	Number of Interviews
Jumbo Employer	111	15
Coalition	30	7

Employer Research Participants by Department



Covered Lives Represented by Coalition Research Participants



Key Research Findings— Top Three Trends



Top Three Trends

1. The economy has pushed “Pause” on many employer health management initiatives, but it has not changed employers’ strategic focus on healthcare value and consumerism.
 - ▶ **Employers:**
 - ▶▶ The percent of surveyed employers reporting the launch of new initiatives in the next 12-18 months dropped considerably across all prescription management initiatives.
 - ▶▶ Forty-six percent of employers continue to characterize their health management philosophy as “proactive management to improve employee health and productivity.”
 - ▶▶ The move towards consumer directed health plans (CDHPs) as the only health plan option has stalled out but growth in offering CDHPs as one option among many is robust.



Top Three Trends *continued*

1. The Economy has pushed “Pause” on many employer health management initiatives, but it has not changed employers’ strategic focus on healthcare value and consumerism.
 - ▶ **Coalitions:**
 - ▶▶ Eighty percent of surveyed coalitions report they are promoting value-driven approaches through a variety of initiatives.
 - ▶▶ Educating members and promoting total value-based approach to benefit decisions was reported by 88% of surveyed coalitions.
 - ▶▶ Sixty percent of coalition respondents believe that increasing consumer responsibility and accountability for healthcare decisions is one of the top three priorities for improving healthcare system sustainability.



Top Three Trends *continued*

2. Employers are moving away from cost-shifting policies to reduce pharmaceutical costs, and are “pulling out the stops” to manage biologic costs.
 - ▶▶ Surveyed employer reports of raising copay/coinsurance amounts is down since last year, however reports of moving to a more restricted, tiered benefit structure and limiting duration/quantities of therapy are up.
 - ▶▶ Nearly two-thirds of surveyed employers use specialty pharmacy providers to manage prescription treatment and require preauthorization for biologics/injectables, up about a third from 2008 levels.



Top Three Trends *continued*

3. Amid political positioning and rhetoric about reform, employer perspectives on government involvement in health care remains largely unchanged.

▶ **Employers:**

- ▶▶ As in 2008, over half of employers surveyed indicate they prefer a 'low level' of government involvement in the provision of health care.
- ▶▶ Only 22% of employer respondents agree that employers will be lobbying for government takeover of health care in 2014.

▶ **Coalitions:**

- ▶▶ Forty percent of coalition respondents prefer a 'low level' of government involvement in the provision of health care, up slight from 32% in 2008.
- ▶▶ The ability to leverage government purchasing power to force key changes is the surveyed coalitions' top ranked policy for healthcare system improvement.



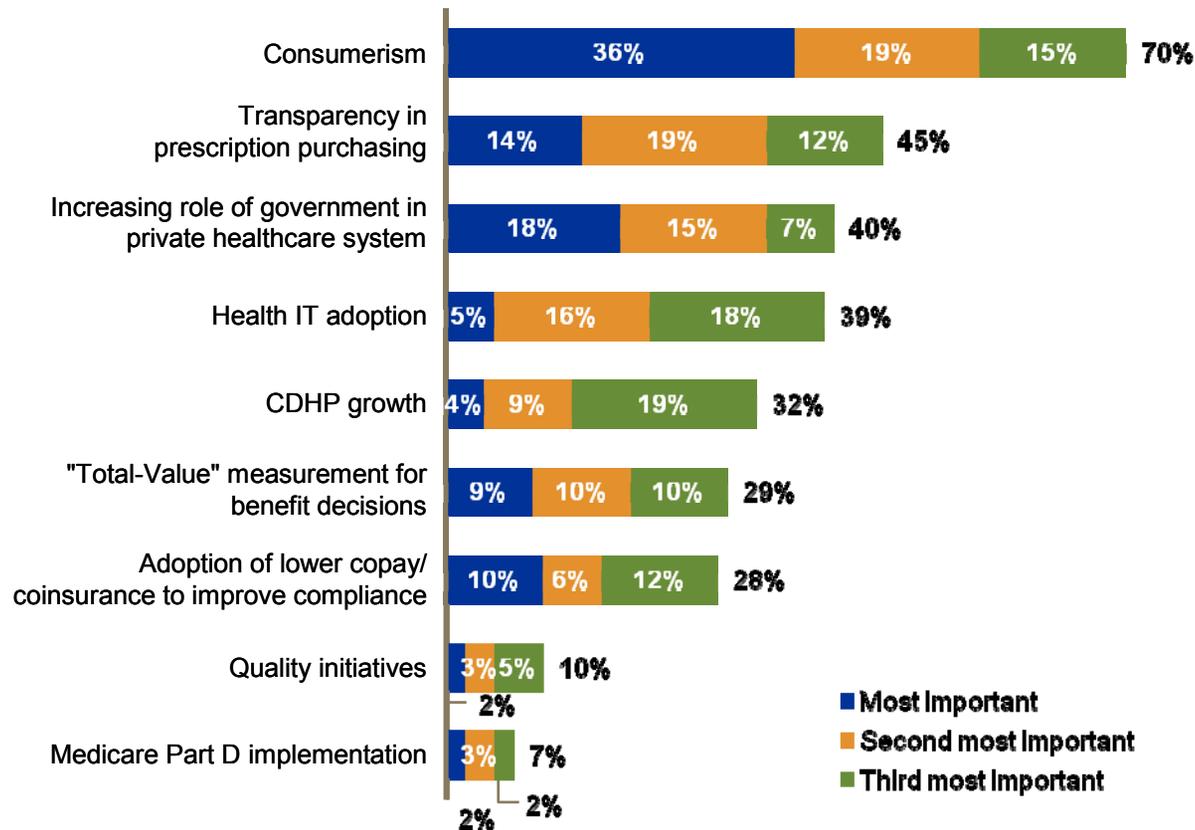
Key Employer-Driven Market Trends



Trends Impacting Pharmacy Benefits in 12–18 Months

- ▶ For the fourth consecutive year, consumerism is identified as the most influential trend.

Percent of Employers Ranking Each as a Top 3 Trend



n=111



Consumerism

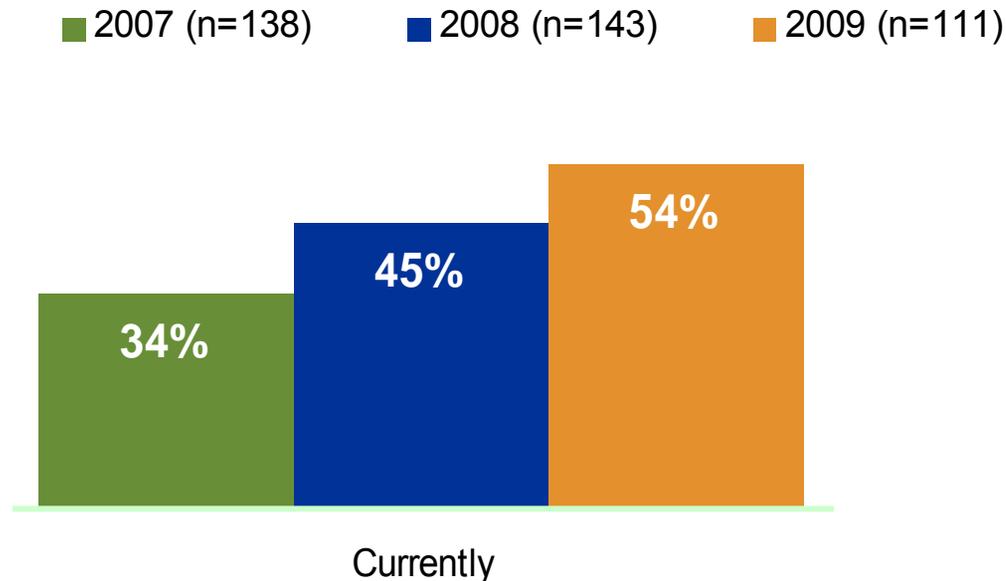
- ▶ Consumerism remains a powerful trend in employers' health management strategy.
 - ▶▶ Employers are convinced that in order to improve employee health and better control benefit costs, employees must become better consumers of health care and take greater accountability for managing their own health as well as the cost of care.
 - ▶▶ The availability of CDHPs continues to grow, with 54% of employers offering them to employees in 2009, and almost 70% expecting to offer them by 2011.
 - ▶▶ In 2009, almost half of employers perceive they are seeing decreases in total medical, outpatient and pharmacy costs through their CDHPs, demonstrating a higher level of comfort in these parameters.
 - ▶ However, according to surveyed employers, the lack of demonstrated outcomes for CDHPs with employee absence, disability and workers' compensation costs, remains a barrier to adoption.
 - ▶▶ Evidence suggests that employers are complementing CDHPs with a variety of tools, including programs that emphasize employee education and reinforce desired behaviors.



CDHP Offering and Approach

- ▶ The percentage of employers offering a CDHP option continues to rise in 2009.
- ▶ Of the employers offering a CDHP, 80% offer it as one option among others, 13% offer it as the only option.

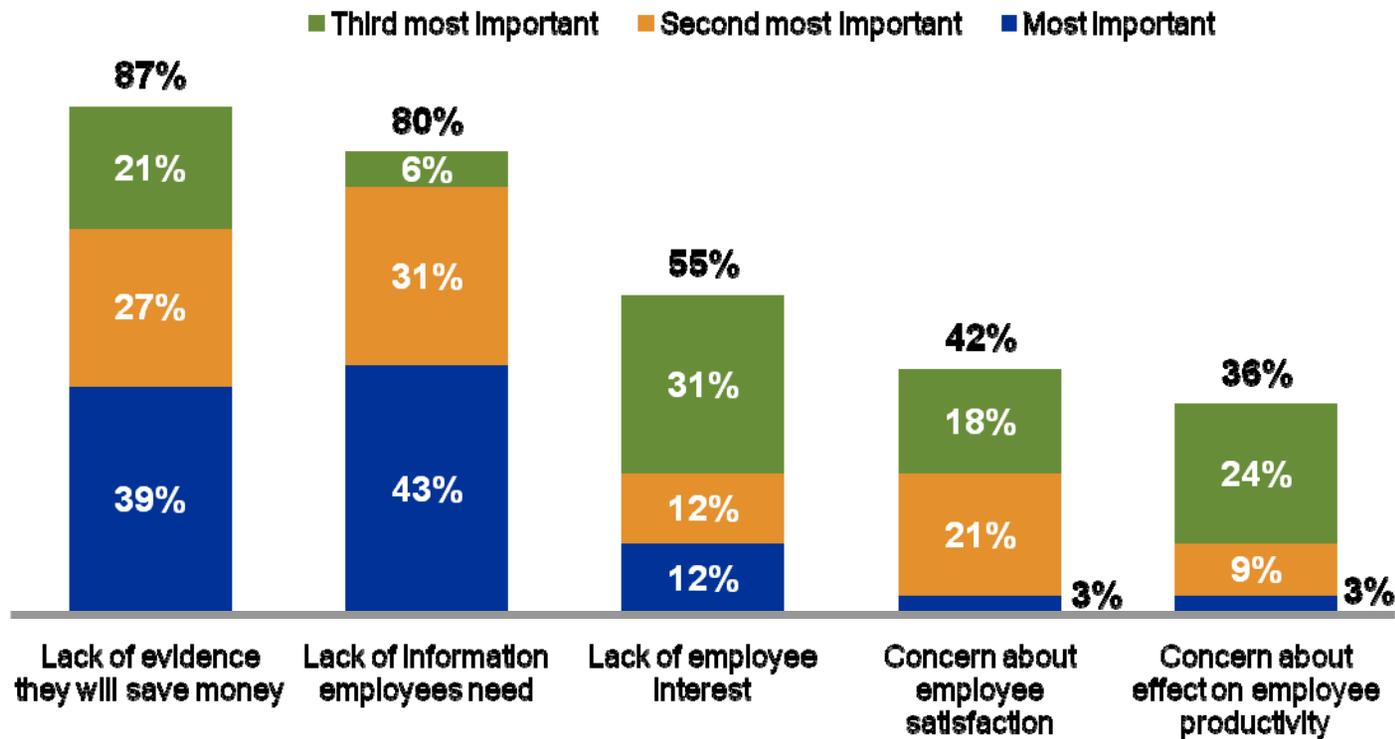
Employers' Offering CDHPs



Factors Preventing Employers' Adoption of CDHPs

- ▶ The largest reported barrier to CDHP adoption was lack of evidence that CDHPs will save money.

Percent of Employers Ranking Each Factor as a Top 3 Barrier

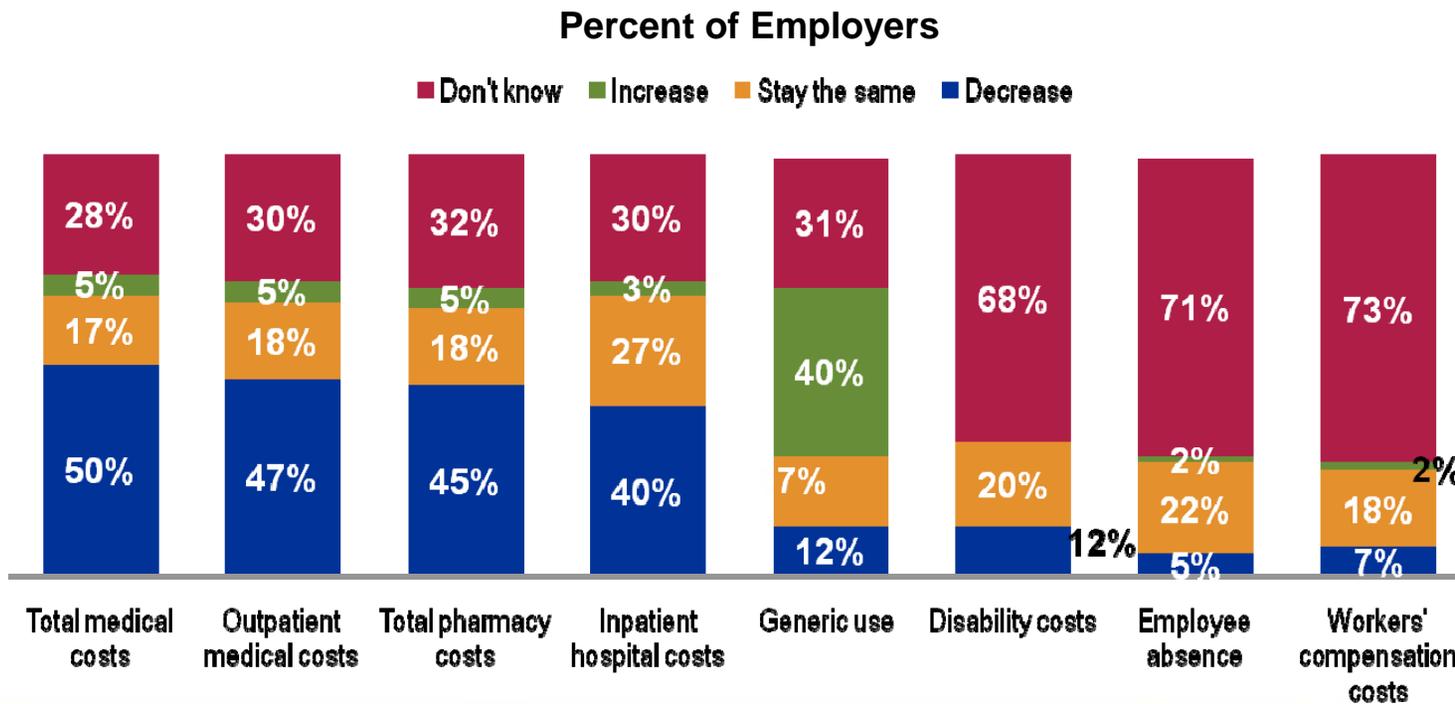


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Outcomes Achieved by Employers with CDHPs

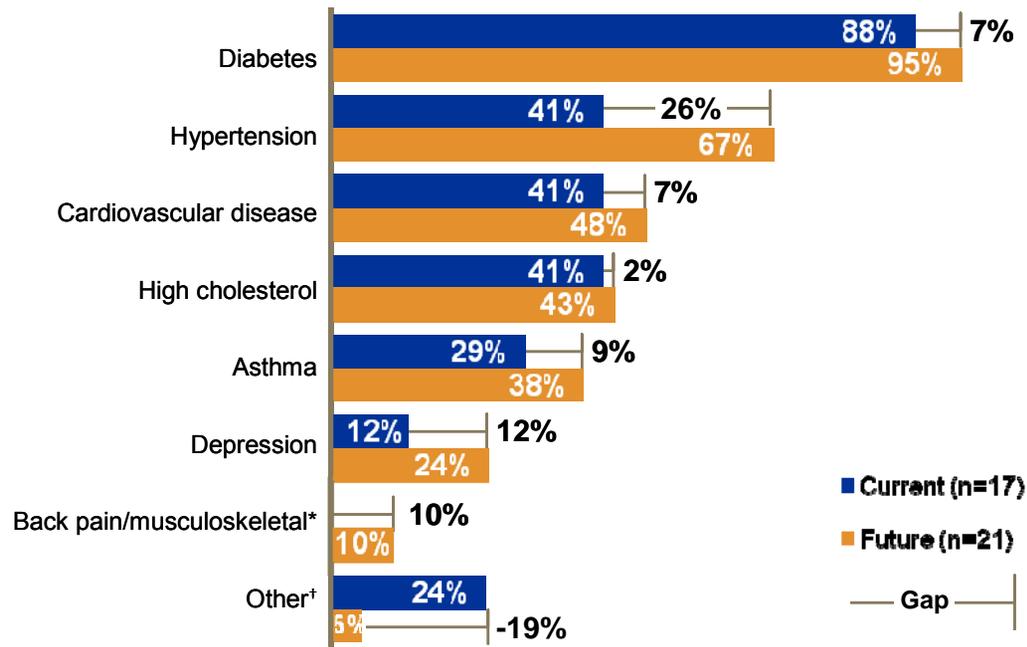
- ▶ Half of surveyed employers reported lower total medical costs.
- ▶ Forty percent or more of employer respondents report CDHPs had a beneficial impact on total medical, outpatient, prescription drug and inpatient hospital costs.



Employers Focus on Value of Benefits

- ▶ 15% of respondents currently offer value based benefit design and 19% anticipate adoption of VBBD over the next 12-18 months.
- ▶ Findings show diabetes, hypertension, and cardiovascular disease are the most frequently reported current and planned VBBD disease states.

Disease States Employers Are Lowering the Copay/Coinsurance for Prescription Drugs to Increase Compliance



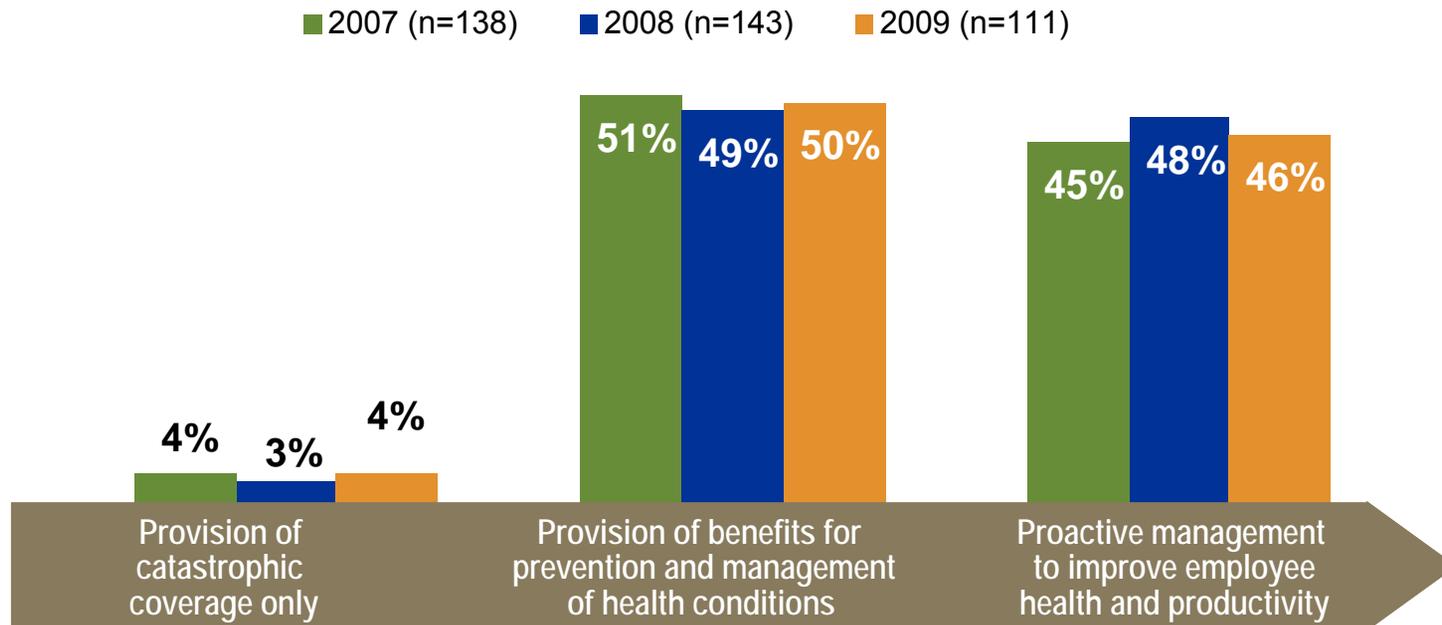
*Disease state currently does not have lower copay/coinsurance.
 †Other includes plan to lower co-pay only for generics that treat chronic conditions, diabetes comorbid conditions, smoking cessation, and none.



Health Benefits Philosophy Trending Toward Value Approach

- ▶ Over the last four years, there has been a dramatic shift from an employer philosophy of providing catastrophic coverage to one of managing appropriate use of benefits and programs proactively to improve employee health and productivity.

Employer Health Management Philosophy by Percent of Employers

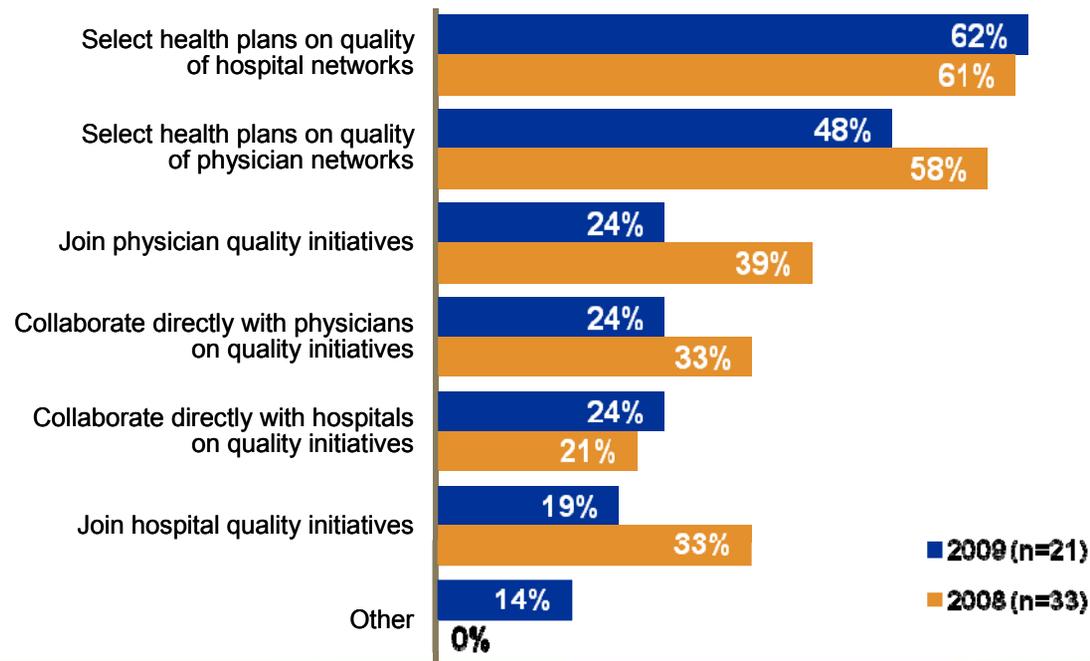


Employers' Plans to Support Pay-for-Performance Initiatives

- ▶ Of employers participating in pay-for-performance initiatives, 62% indicate they select health plans based on quality of hospital networks.
- ▶ Nearly one-quarter of employer respondents anticipate direct collaboration with physicians on quality initiatives such as Bridges to Excellence.

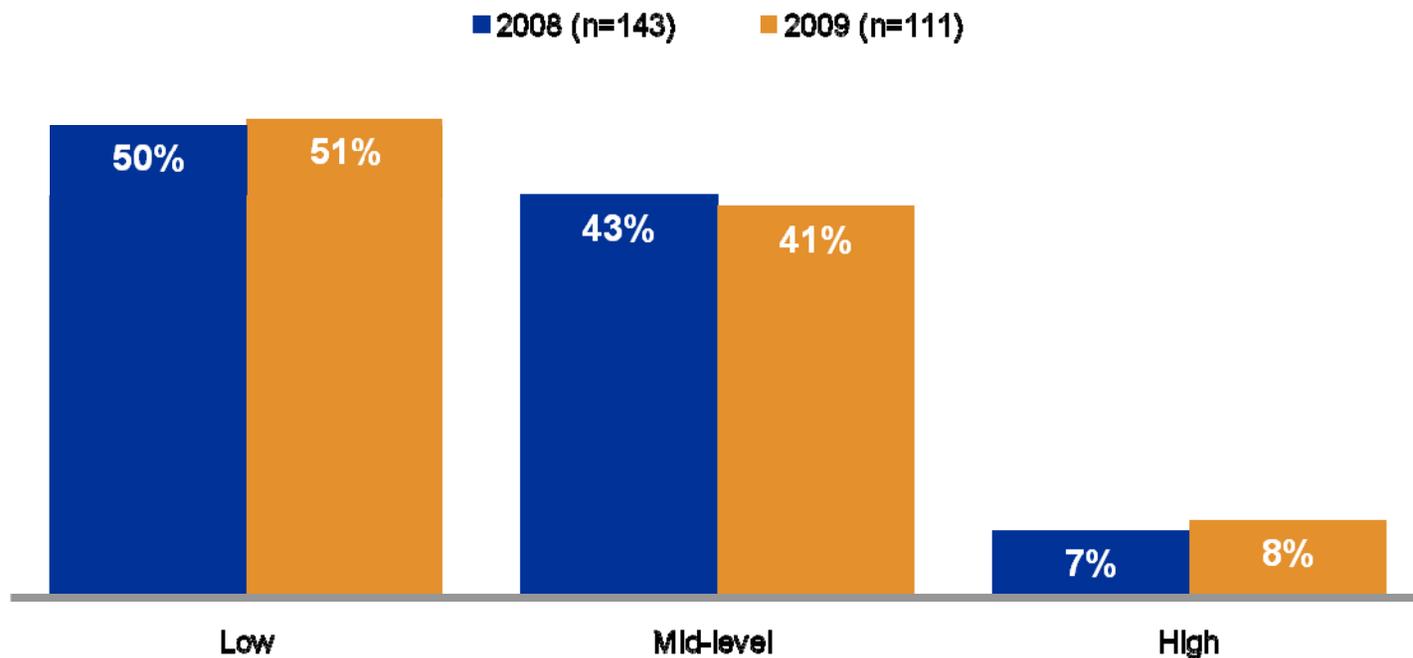
Types of Employer Support for Pay-for-Performance Initiatives

(Percentage participating or planning to participate in such initiatives)



Employer Preferred Level of Government Involvement in Healthcare Provision

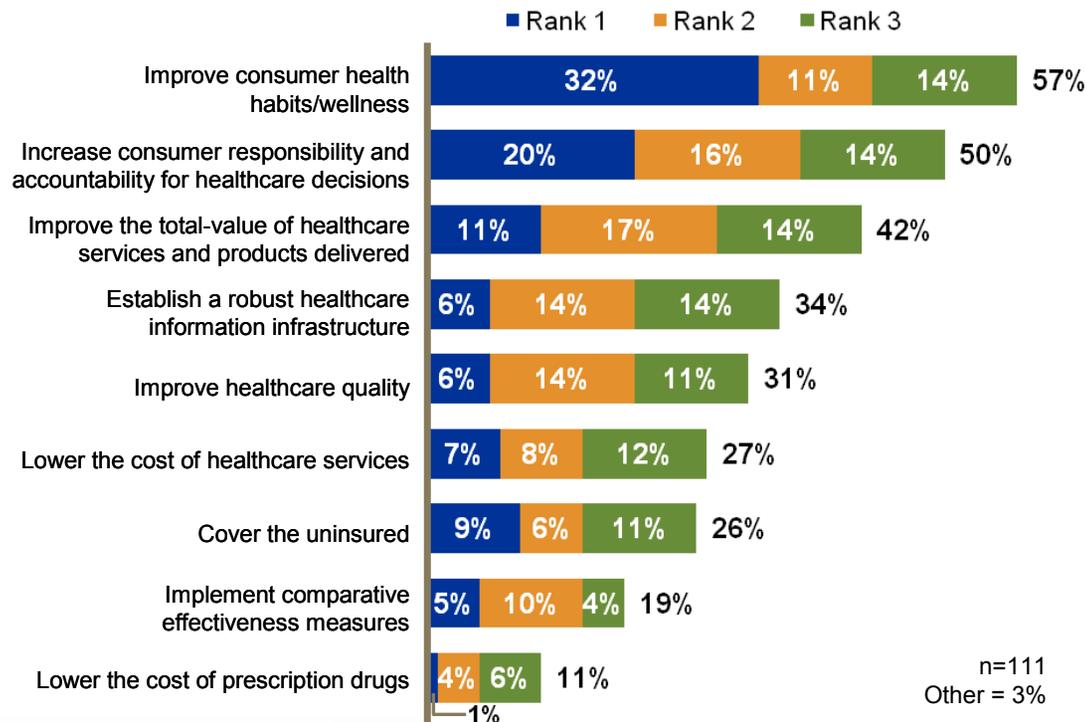
- ▶ Despite the current economic climate, employers are still not interested in a government takeover of healthcare provision.
- ▶ Only 8% of employer respondents prefer a high level of government involvement and most indicate a preference for low level government involvement.



Priorities for Healthcare System Sustainability

- ▶ Employers remain focused on improving consumer health habits, responsibility, accountability and total value.
- ▶ Once again, the lowest-priority objective for surveyed employers is lowering the cost of prescription drugs.

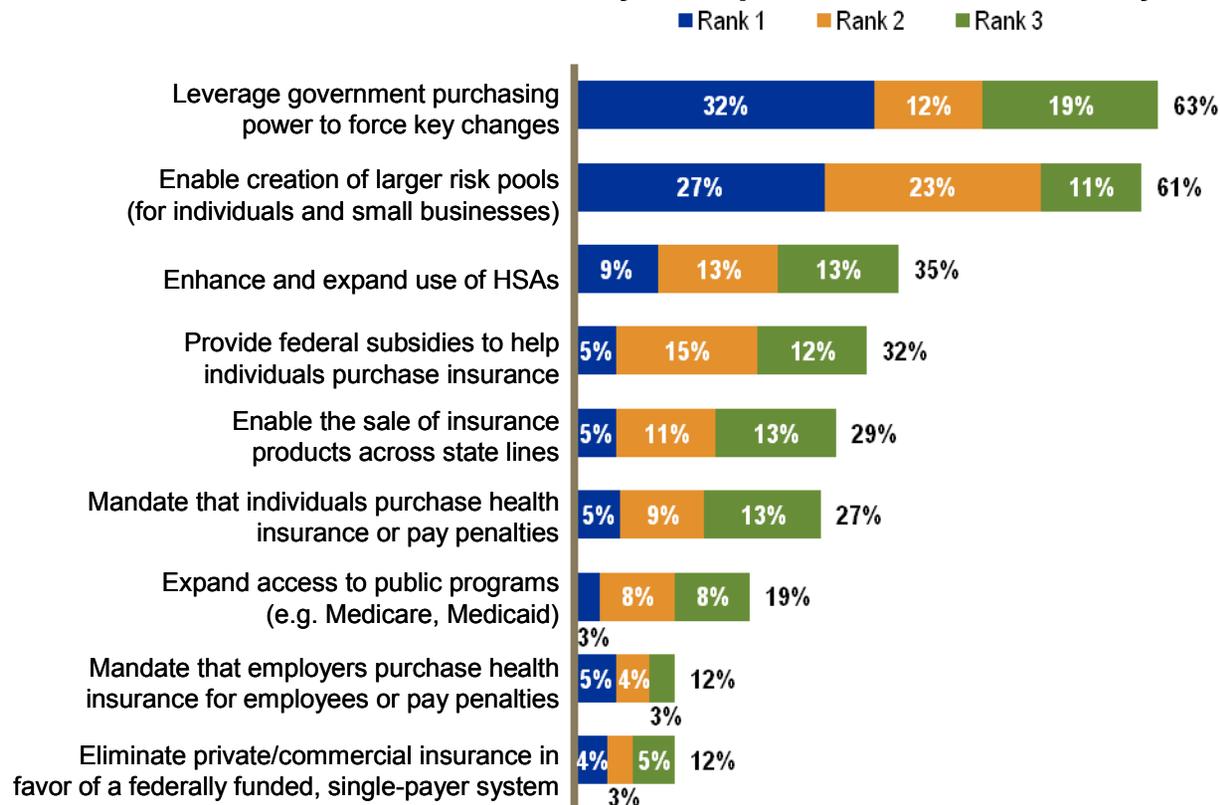
Priorities for Healthcare System Sustainability



Policies Most Likely to Improve the Healthcare System

- Employers view leveraging government purchasing power to force key changes and enabling the creation of larger risk pools as effective in improving the healthcare system.

Policies Most Likely to Improve the Healthcare System



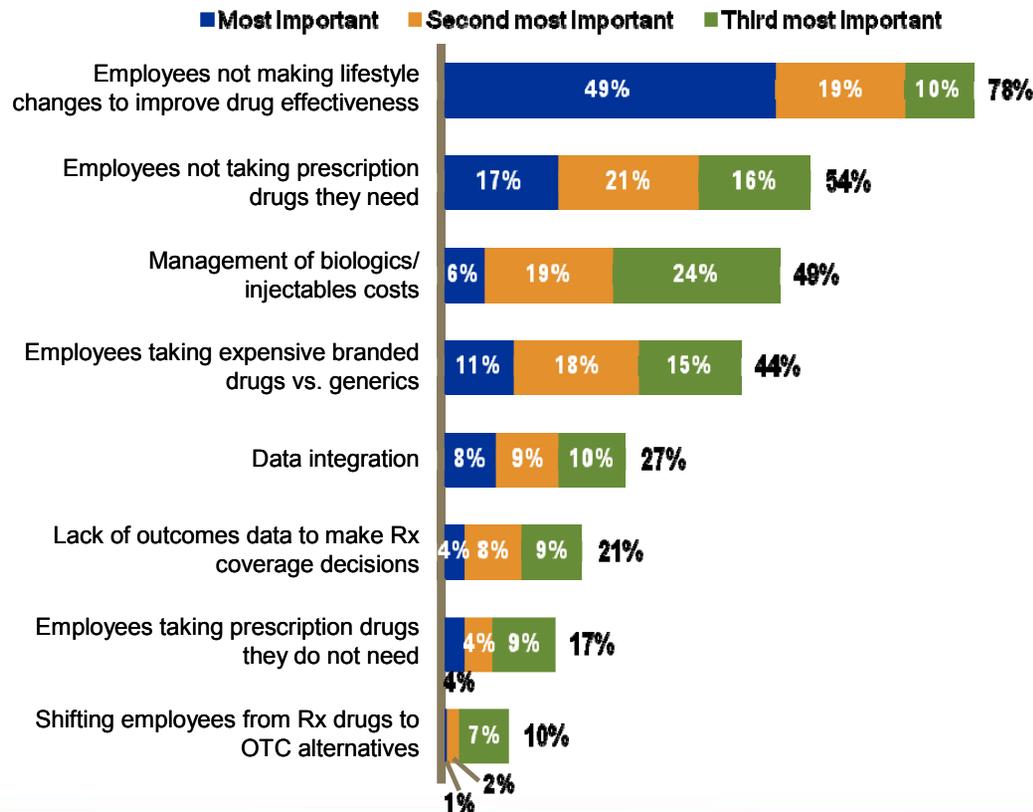
Pharmacy Benefit Challenges



Current Pharmacy Benefit Challenges

- ▶ Employees not making lifestyle changes to improve drug effectiveness and not taking prescription medications they need continue to rank as the most important current pharmacy benefit challenges facing surveyed employers.

Current Pharmacy Benefit Challenges

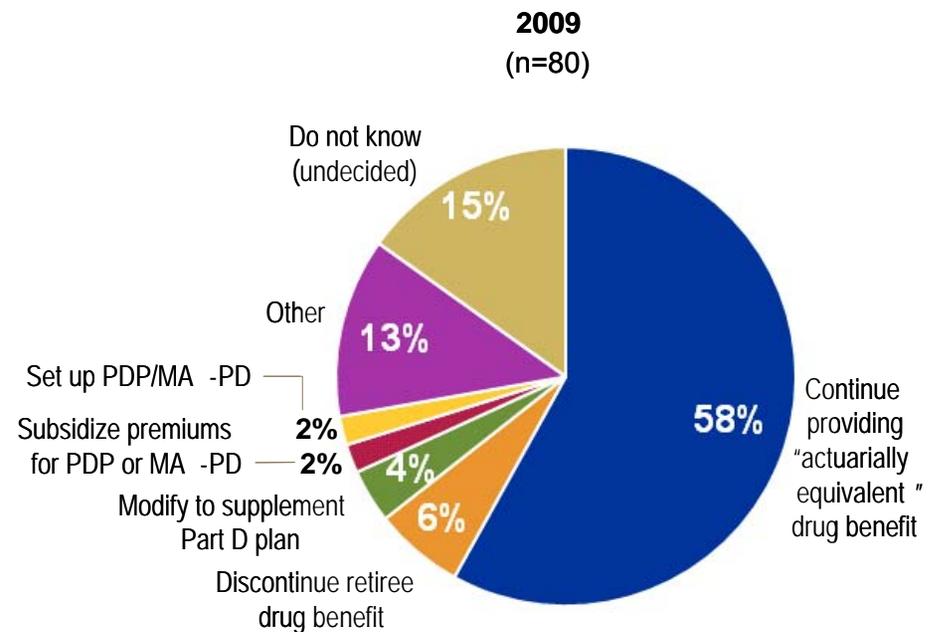
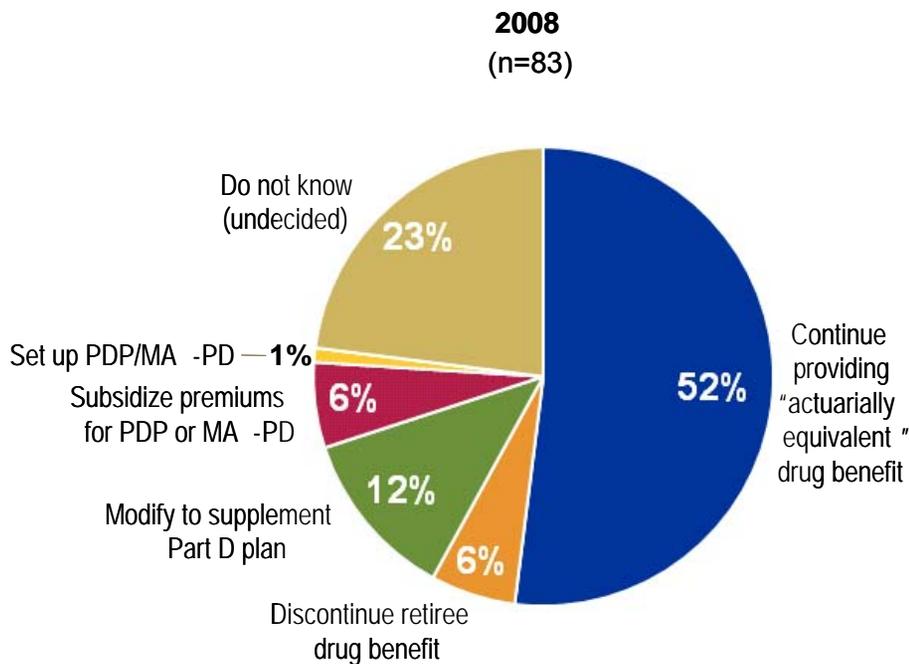


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Retiree Pharmacy Benefit Strategies

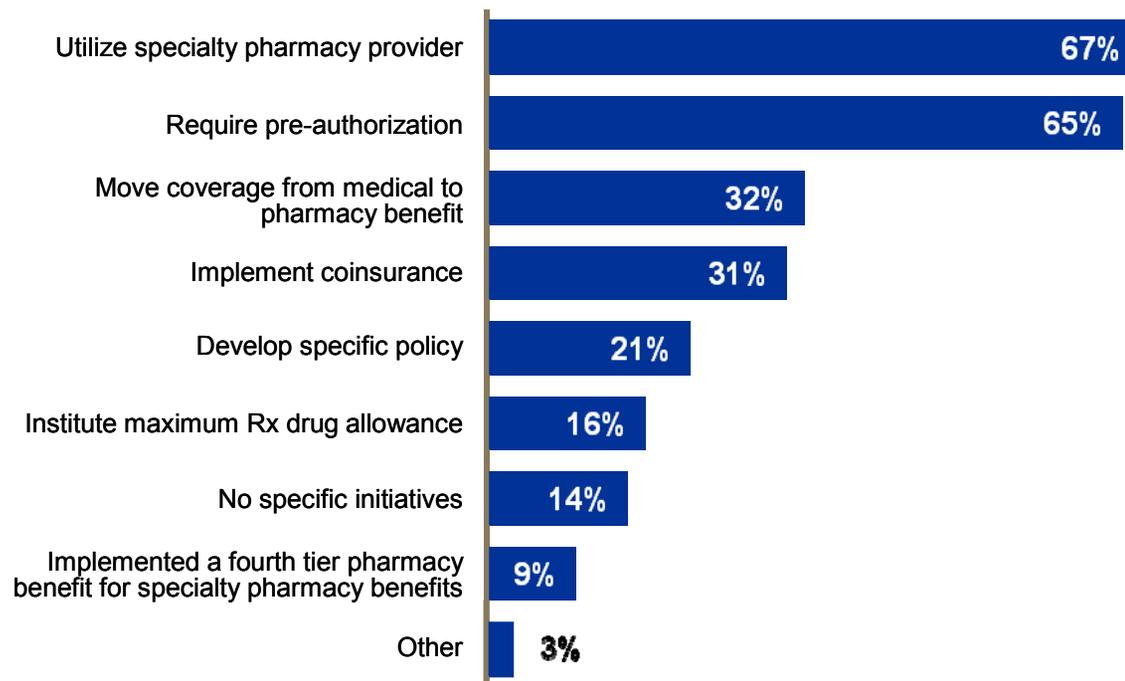
- ▶ Most employers offering Retiree Rx benefits say they will continue to provide actuarially equivalent (to Part D) benefits to retirees over the next 12-18 months
- ▶ Only 6% of employers plan to discontinue retiree benefits this year.



Current Management Initiatives for Biologics/Injectables

- ▶ Relative to 2008, surveyed employers appear to have become much more aggressive in managing the cost and utilization of biologics/injectables.
- ▶ Only 14% of employers have not implemented any specific biologics/injectables initiatives.

Percent of Employers Using Each Initiative



n=111

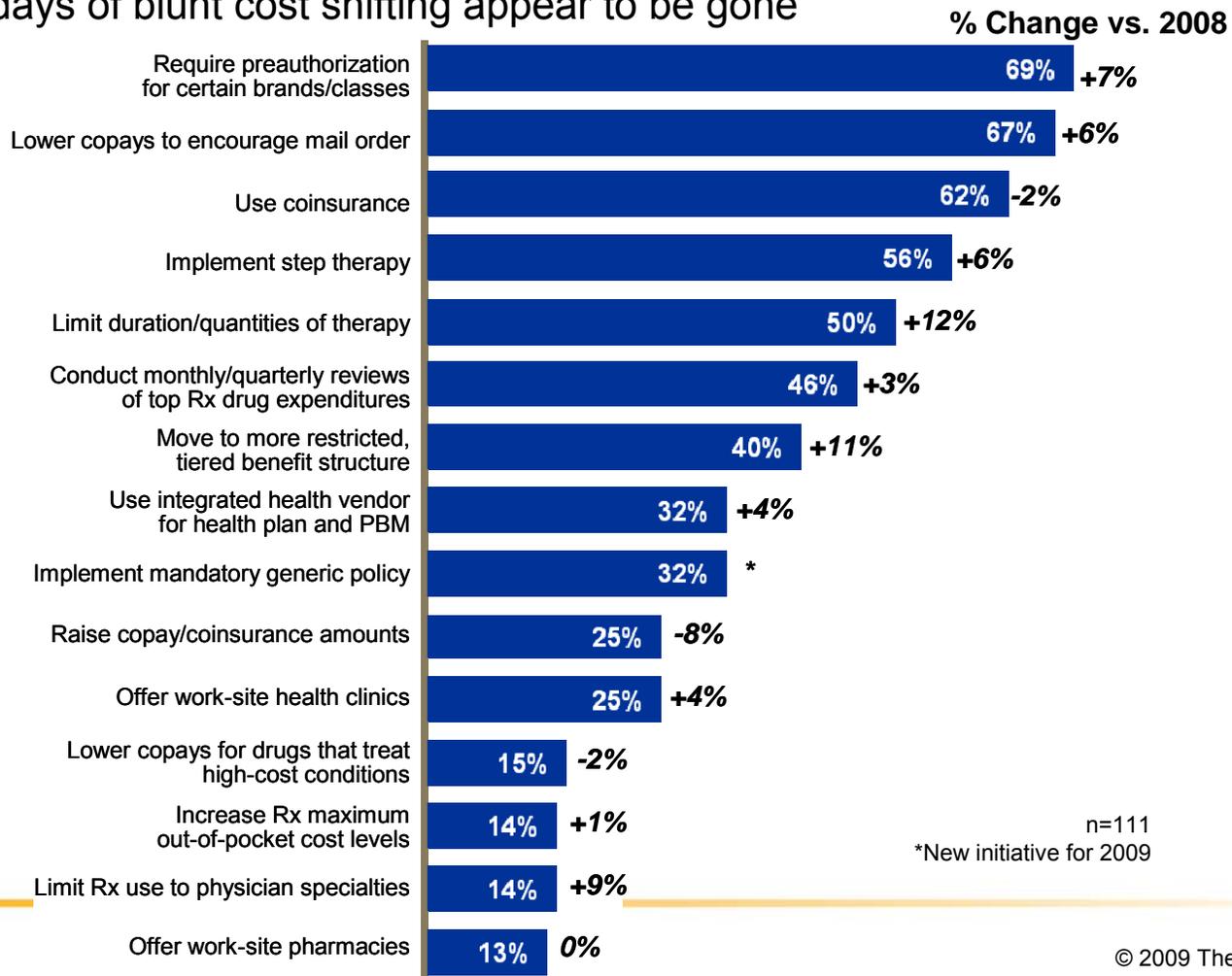


Employers' Pharmacy Management Initiatives

Current Initiatives to Manage Drug Costs

- ▶ Generally speaking, employers are working through their pharmacy benefit policies to be more precise about controlling pharmacy benefits.

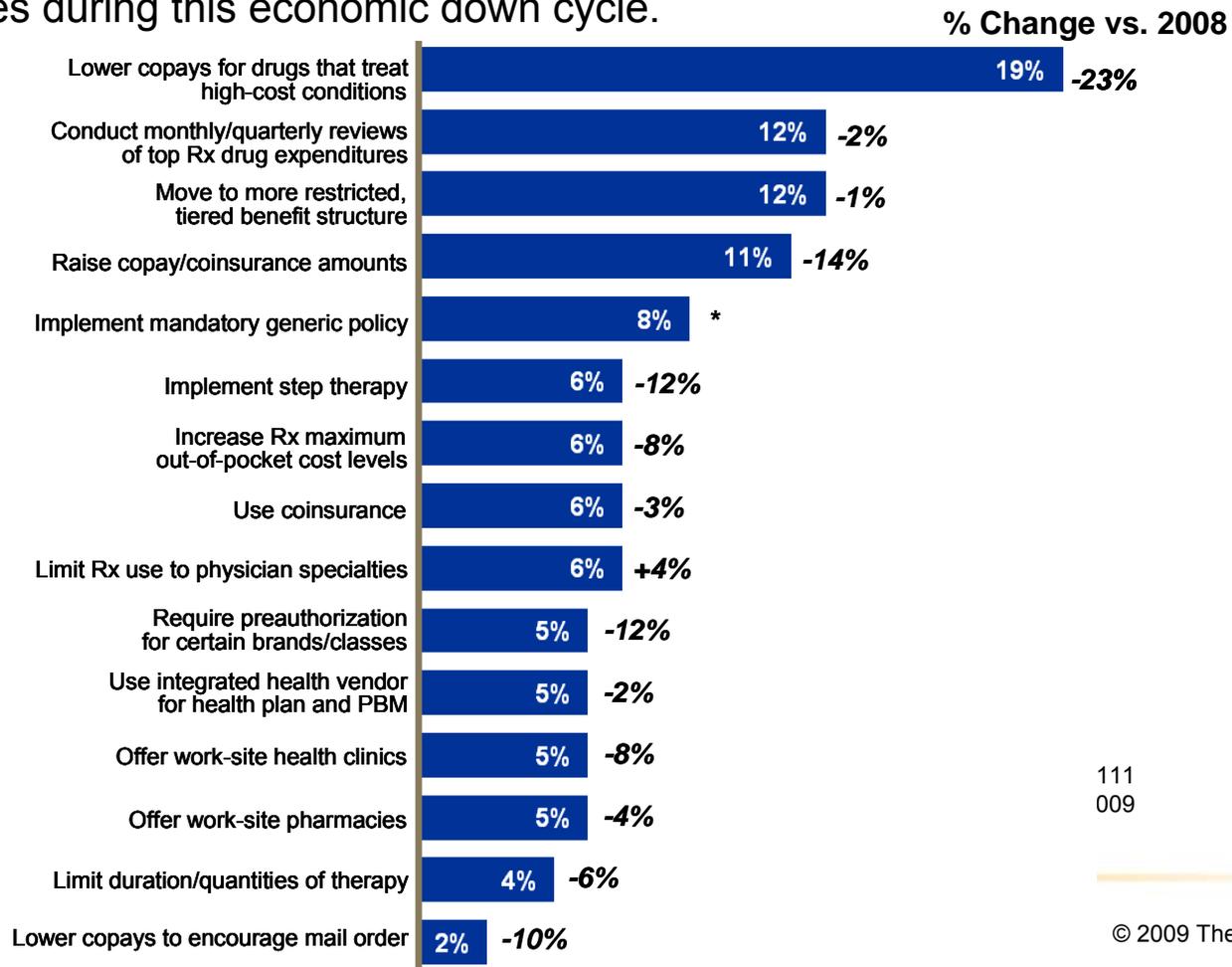
The days of blunt cost shifting appear to be gone



Future Pharmacy Management Initiatives

(Percent of Employers Planning to Launch Each Initiative Within 12-18 Months)

- ▶ The significant decrease in the intent to “Lower copays for drugs that treat high-cost conditions (value-based pharmacy benefit design)” reflects the overall trend identified in our report to pull back on investments in programs and benefit changes during this economic down cycle.



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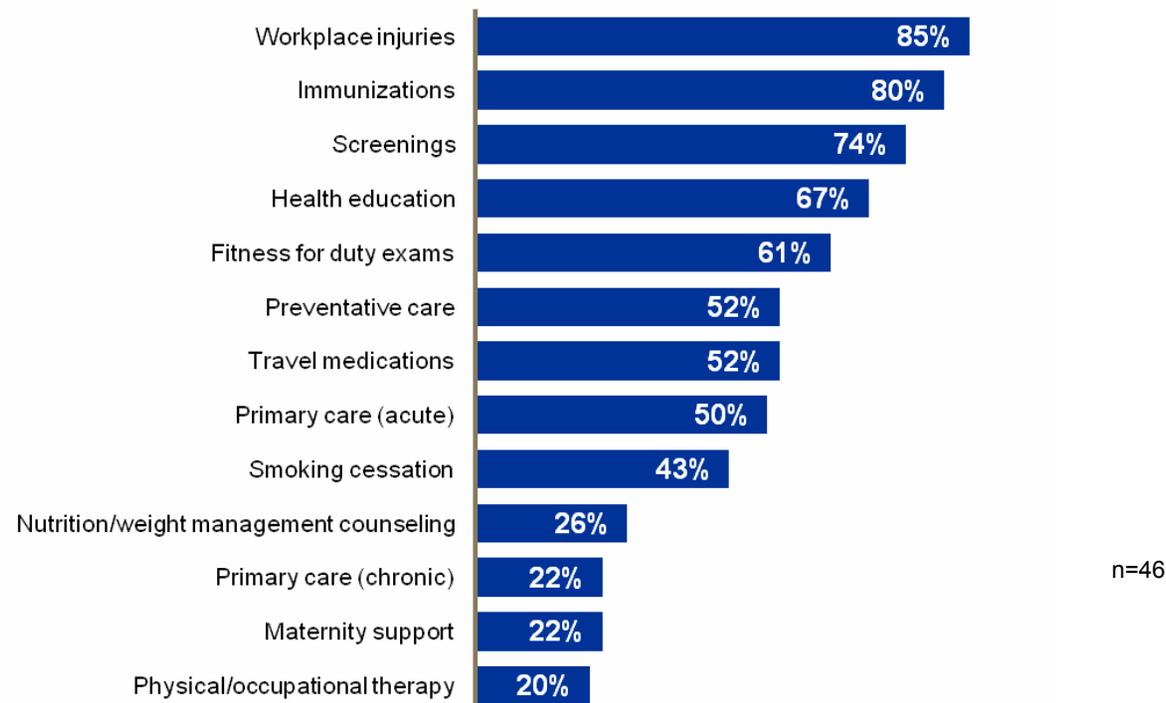


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Services Currently Offered at Worksite-Based Health Clinics

- ▶ 41% of surveyed employers offer worksite-based health clinics.
- ▶ The services most commonly offered at the worksite-based health clinics of surveyed employers include: Workplace injury treatment, immunization, screenings, health education and fitness for duty exams.

Services Offered at More Than Half of Worksite-Based Clinics

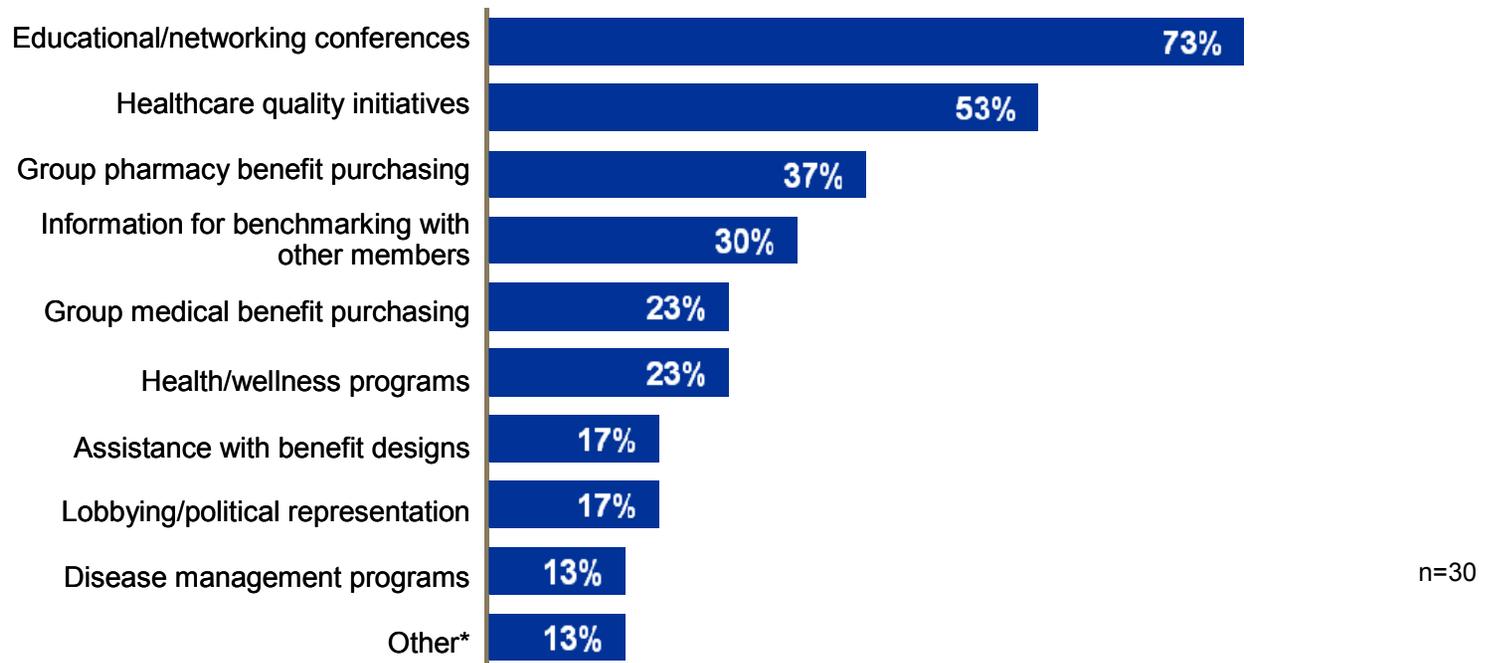


Services Provided by Employer Health Coalitions

Coalition Services Used by Employers

- ▶ Coalitions report that their employer members most frequently utilize educational/networking conferences, healthcare quality initiatives and group pharmacy benefit purchasing.

Percent of Coalitions Identifying Service as One of Top Three Used by Employers

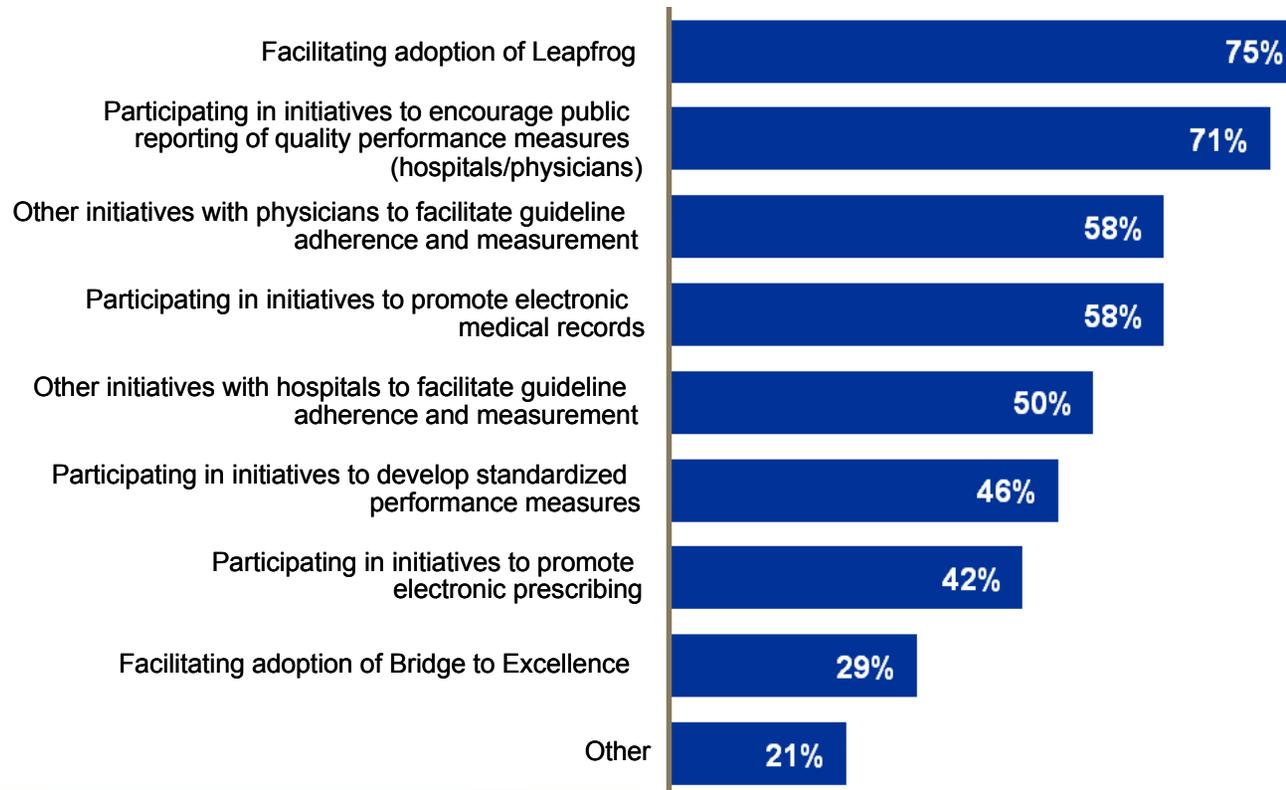


*Other includes healthcare price and quality data, hospital contracting, initiatives around specific diseases, and vision plan.

Coalition's Participation in Specific Quality Initiatives

- ▶ Quality initiatives with the highest participation among surveyed coalitions include facilitating adoption of LeapFrog and encouraging public reporting of quality performance measures.

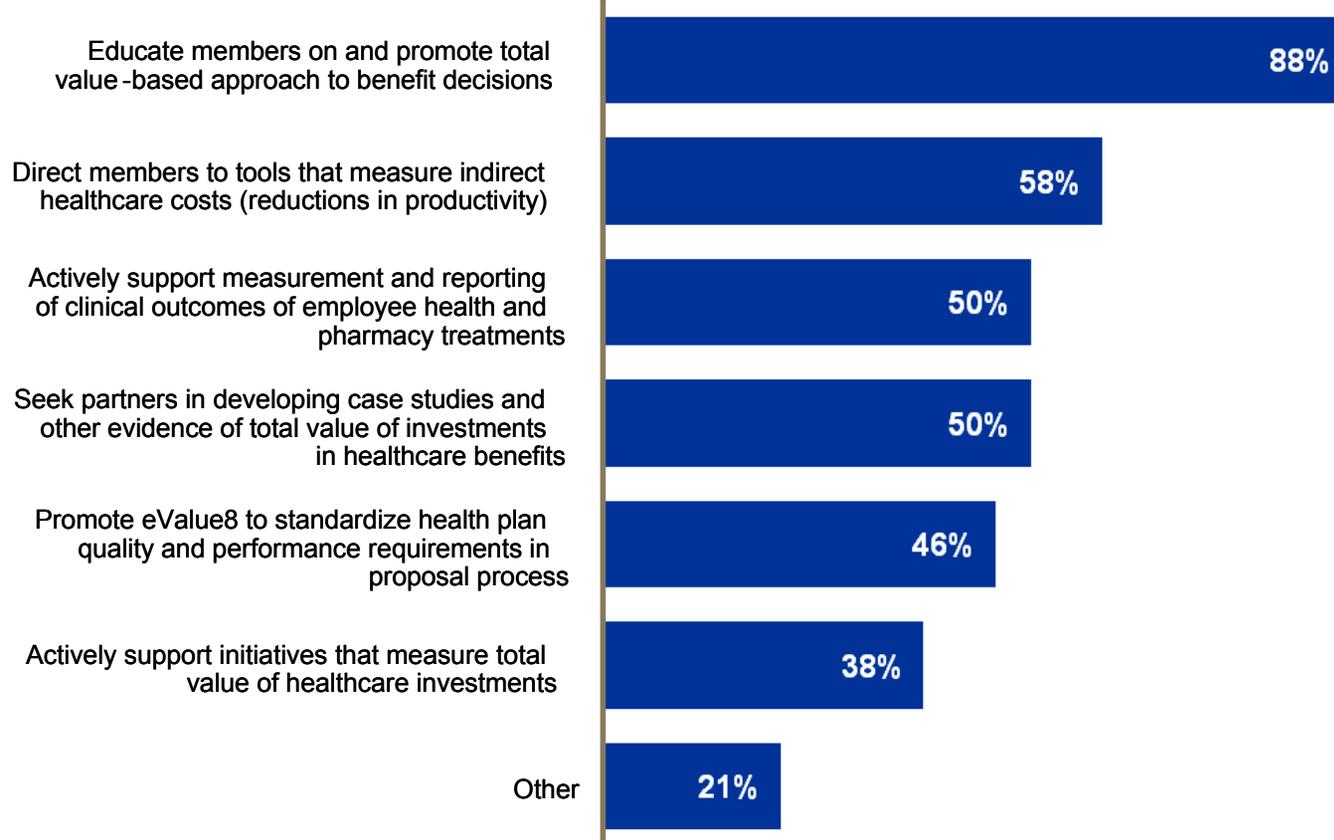
Percent of Coalitions that Participate in Quality Initiatives Using Each Initiative



Coalition's Specific Value-Driven Initiative Participation

- ▶ Nearly 9 out of 10 surveyed coalitions are educating their members on a value-based approach to benefit decisions.

Percent of Coalitions that Promote Value-Driven Approaches Using Each Initiative



n=24



Thank You!

- ▶ We value your participation and hope you will continue to support our research efforts!
- ▶ Please contact us with questions and/or comments.

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