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THE TOP BENEFIT TRENDS

Presented by: Nicole Pfeiffer

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The Top Benefit Trends

Presented By | Nicole Pfeiffer, VP Employee Benefits

Cottingham & Butler

THE BORING BIO STUFF



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SPHR, SHRM-SCP, GBA, CMS
Vice President
Employee Benefits

Nicole Pfeiffer is a Vice President of Employee Benefits for Cottingham & Butler. Nicole offers consultative advice to business decision-makers regarding their employee benefit plans. Nicole has been with Cottingham & Butler since April 2004. Prior to Nicole's role in Employee Benefits, she worked as the Vice President of Human Resources and Director of Marketing for the firm. Prior to joining Cottingham & Butler, Nicole worked for Procter & Gamble in a Business Development role.

Specific Experience

- Specializes in Employee Benefits Consulting
- Experience in Human Resources and Marketing

Education

- MBA from The University of Iowa Tippie School of Management
- BS in Mathematics and BBA in Business Admin from the University of Iowa
- Designations: SPHR, SPHR-SCP, GBA and CMS

Speaking Engagements

- State of IL SHRM Annual Conference 2014, 2015, 2016, 2017
- State of IA SHRM Annual Conference 2015, 2016, 2017
- State of WI SHRM Annual Conference 2016, 2017
- Various Regional and Local SHRM Events

Volunteerism

- Board of Director's Past President for the Dubuque Women's Leadership Network
- Board of Director's Past President for the Dubuque March of Dimes



HOW WE WILL ROLL

This presentation offers an overview of the top benefit trends that your organization should know in order to best serve your workforce and achieve your organizational goals.

Learning Objectives

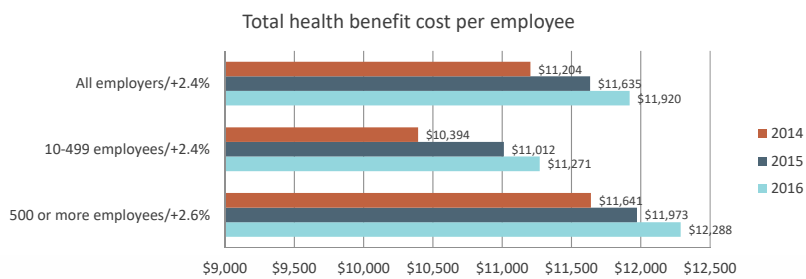
- Learn the top benefit trends that you should be monitoring to protect the financial wellbeing of your health plan, remain compliant, enhance HR efficiency and improve employee satisfaction.
- Find out what percentage of other employers are implementing or plan to implement these benefit trends.
- Come away with strategies you can execute in order to support your employee benefits and organizational goals.

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COSTS ARE UP... AT A SLOWER PACE

- The average total health benefit cost per employee rose from \$11,204 in 2014 to \$11,635 in 2015 to \$11,920 in 2016; a 2.4% overall average increase
- This amount includes employer and employee contributions for medical, dental and other health coverage for employees and their covered dependents
- Employers predict that in 2017 health benefit cost per employee will rise by 4.1%. This estimate reflects changes employers will make to reduce costs – changing plan designs and moving employees into lower cost plans. With no changes, the estimated increase is over 6%



Source: Mercer 2016 Annual Survey, distributed July 2017

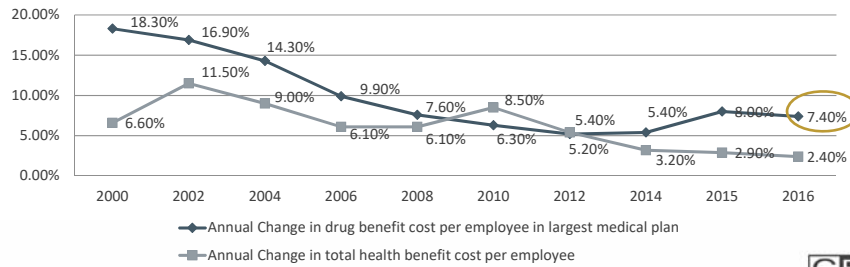
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MEDICAL VS. RX: A TALE OF 2 CLASSES

- Prescription drug benefit cost growth is accelerating, driven largely by high-cost specialty drugs.
- Following several years of increases averaging around 5%, drug benefit cost per employee jumped by 8% in 2015 for large employers and to 7.4% in 2016.
- New drugs for treating complex diseases like cancer, multiple sclerosis and hepatitis C top the list of cost drivers
- Among the 49% of large employers that track specialty drug spend, the average increase in 2016 was 22%.

Drug Benefit Costs Growth Compared to Total Health Benefit Cost Growth for Large Employers



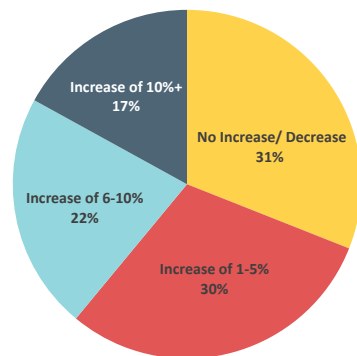
Source: Mercer 2016 Annual Survey, distributed July 2017

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WHERE DO YOU RANK?

Cost Increase Varies By Large Employers in 2016



Based on large employers providing costs for 2016

- While the average cost per employee rose by just 2.4% for large employers in 2016 – it's easy to forget that individual plan performance can vary widely
 - Costs were flat or even a decline for 31% of large employers
 - There was an increase of 1-5% for 30% of large employers
 - 22% of large employers saw a 6-10% increase
 - 17% of large employers incurred a 10% or greater jump in costs
- Some variability is beyond an employer's control
- Research suggests that through using a broad range of cost management strategies many employers are holding down cost increases
- Which strategies are these employers utilizing?

Source: Mercer 2016 Annual Survey, distributed July 2017

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TOP BENEFIT TRENDS

PROGRAM DESIGN	WORKFORCE HEALTH	CARE DELIVERY AND INFRASTRUCTURE	AND DON'T FORGET
Offer CDHPs	Spousal Provisions	Telemedicine	Communication Strategies
Health Savings Accounts	Worksite Health Programs	On-site Clinics	Enrollment Tools
Voluntary Benefits	Wellness Programs and Incentives	Performance Networks	HR Concierge Services
Transparency Tools	Smoker Surcharges	Surgical Centers of Excellence	Compliance
Referenced-based Pricing		Accountable Care Organizations	
Funding Strategy		Private Health Benefits Exchange	
Pharmacy Design			

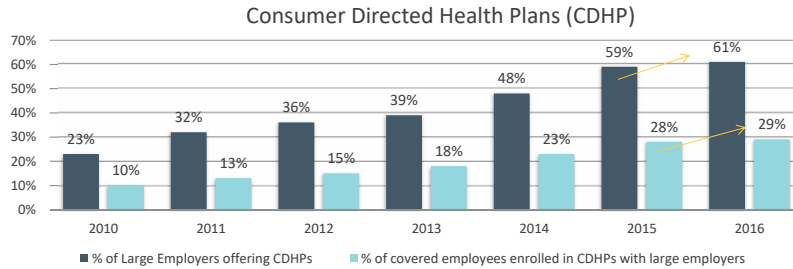
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Program Design and Infrastructure

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ALMOST EVERYONE IS DOING IT



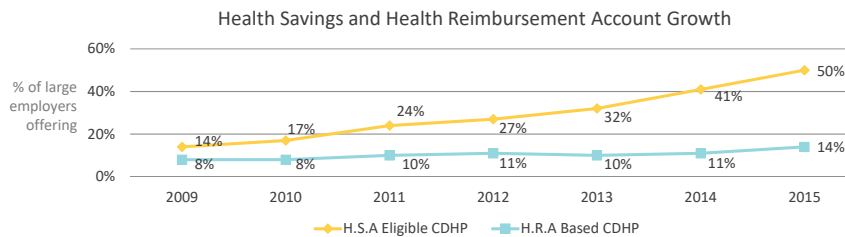
- In 2016, offerings of CDHPs by large employers jumped from 59% to 61% and enrollment rose from 23% to 28%
- By 2018, three out of four large employers say they will offer a CDHP
- Currently, only 11% of employers offer a CDHP as the only plan available to employees, although this is expected to rise to 21% by 2018

Source: Mercer 2016 Annual Survey, distributed July 2017

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HSA PLANS ARE WINNING THE CDHP POPULARITY CONTEST



HRA Plans

- Generally offer richer benefits than HSAs, as there is no IRS-mandated deductible
- Accounts are always funded by the employer
- Average enrollment rate is typically higher for an HRA than an HSA eligible plan when offered alongside other medical plan choices

HSA Plans

- Accounts may or may not be funded by the employer
- Accounts can be funded by the employee
- Employees own the account and can take the money in the account even if they change jobs
- Unused money at the end of the year rolls over to the next year
- Account contributions are not subject to federal tax at the time of deposit or withdrawal (if used for qualified expenses).
- HSA funds can be invested and earn tax-free interest
- Saves employers large dollars on FICA

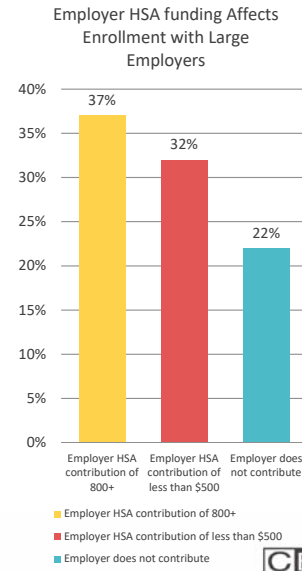
Source: Mercer 2015 Annual Survey, distributed July 2016

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FUND IT AND THEY WILL COME

- Full replacement HSA plans remain relatively uncommon; most HSA sponsors – 90% - offer the HSA alongside another medical plan choice.
- The decision to fund employees' accounts drives enrollment.
 - Among plans when the employer contributes \$800 or more, average enrollment rate is 37% of eligible employees
 - Among plans when the employer contributes less than \$500, average enrollment is 32%
 - Among plans when the employer does not contribute, average enrollment is 22%
- Employee communication is also critical
 - Just over 50% of HSA sponsors say they provide extensive or very extensive communication - they have average enrollment of 35% compared to 24% among those companies providing less extensive communication.
- Employee reaction
 - 66% largely positive
 - 30% mixed positive and negative
 - 3% largely negative



Source: Mercer 2015 Annual Survey, distributed July 2016

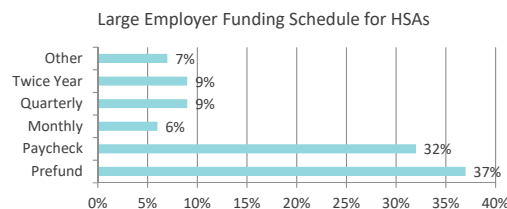
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HOW MUCH SHOULD I CONTRIBUTE?

- Percentage of Employers making an HSA contribution
 - Large: 75%
 - Small 55%
- For large employers the median employer contribution was \$500 for employee-only and \$1000 for family coverage. This remained unchanged from 2015.
- Employers can choose when to fund the employees' accounts
 - Some prefund so that employees can access the funds on the first day of the plan year.
 - Because prefunding puts the employer at risk if the employee leaves early in the year, some employers contribute on a schedule.

Employer Account Contributions	Large	Small
Employers making a contribution	75%	55%
Employers not making a contribution	28%	45%

Median Employer Contribution Amount (Annual)	Large	Small
Employee only	\$500	\$1000
Family	\$1000	\$1250

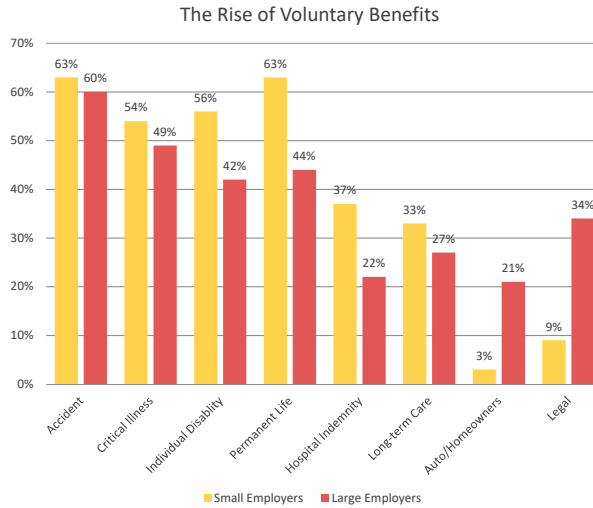


Source: Mercer 2016 Annual Survey, distributed July 2017

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IT COSTS YOU NOTHING AND IT COULD FILL A GAP

- Another way for employers to help employees feel more comfortable in choosing a HDHP is to provide an array of voluntary benefits
- About three-fourths (75%) of employers say that giving employees the opportunity to fill gaps in core benefits is an important objective
- Today, these benefits are working together with the major medical plan as a portfolio of benefits

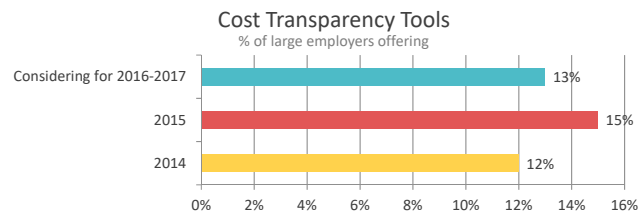


Source: Mercer 2016 Annual Survey, distributed July 2017

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IT PAYS TO SHOP AROUND



- A key tool for an empowered consumer – the ability to compare prices for health services – is finally becoming a reality
- More large employers are contracting with a specialty vendor to provide their employees with a “transparency tool” – an online resource to help them compare provider price and quality
- When employees can comparison shop, employers can give employees incentives to avoid the most expensive providers

Where should I get my knee replacement surgery?

Hospital	Price	Quality	Volume
Memorial Hospital	\$7,359	Below average surgical safety	Average volume
Pomerado Hospital	\$4,560	Above average surgical safety	High volume
Fallbrook Hospital	\$4,560	Average surgical safety	Average volume

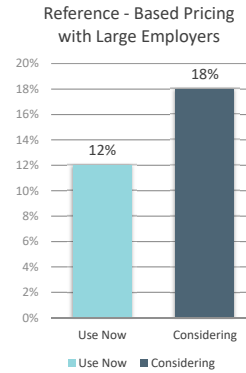
Source: Mercer 2016 Annual Survey, distributed July 2017

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DRAWING A LINE IN THE SAND FOR PROVIDER REIMBURSEMENTS

- Medical claims data illustrates that a wide price variation often exists for the same healthcare services, even within the same city and provider network
- Higher prices do not necessarily correlate to better quality care
- With RBP, employers set a benefit limit, or “reference point” for specific types of services covered under your health plan
- The patient is responsible for the cost above that amount (sometimes offered with legal defense)
- Most often implemented with consumer friendly tools that allow employees to easily find high-quality healthcare providers that offer needed medical services for fees at or below the applicable reference price



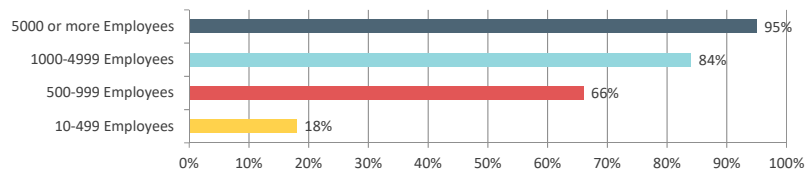
Source: Mercer 2016 Annual Survey, distributed July 2017

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FUND IT YOURSELF

Self-Funded Medical Plan



- Most small employers fully insure their primary medical plan, while the majority of large employers are self-funded
- There has been some movement to self-funding among employers with 10-499 and 500-999 employees, perhaps as a way to avoid ACA provisions and fees
- There is a strong trend toward self-funding as a cost management strategy. You'll also gain transparency and control over plan management
- What was once viewed as an approach for larger businesses is growing increasingly popular among smaller, fully insured organizations for the flexibility it provides.

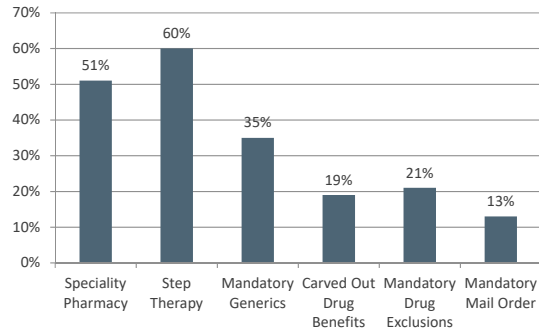
Source: Mercer 2016 Annual Survey, distributed July 2017

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A PRESCRIPTION FOR LOWER RX SPENDING

Rx Cost Management Features for Large Employers



- 78% of large employers have some type of cost management feature in place with their prescription drug plan
- Just over half of large employers (51%) use some method to encourage their employees to fill specialty medications through a specialty pharmacy
- The majority (81%) of employers continue to offer prescription drugs through the medical plan, though the larger the employer, the more likely it is to have carved out the Rx benefit to a PBM

Source: Mercer 2016 Annual Survey, distributed July 2017

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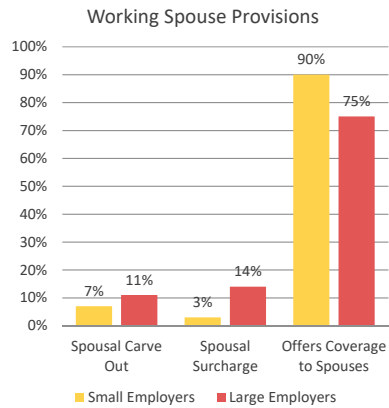


Workforce Health

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SHOULDN'T ANOTHER CEO BE RESPONSIBLE?

- Employers are not required to offer insurance to spouses (ACA)
- Some employers are putting in provisions that exclude/charge more to spouses with other coverage available (Working Spouse Provisions)
- Removing 1 spouse can save an employer approximately \$6k annually
- Most spousal surcharges are the cost of single coverage at the competition (\$100-\$150/month)



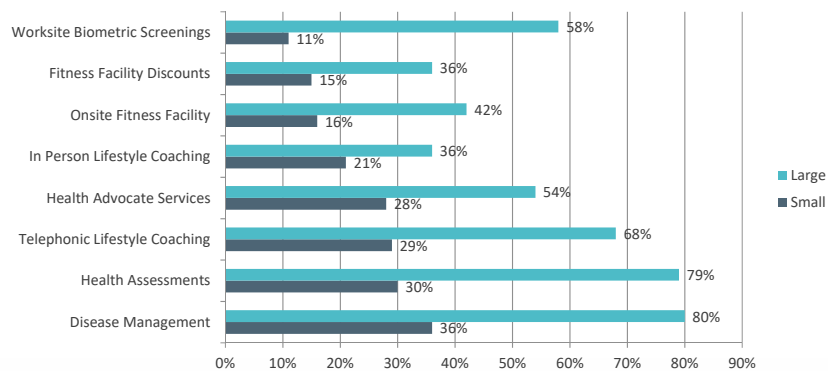
Source: Mercer 2016 Annual Survey, distributed July 2017

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TRENDING FASTER THAN MY TREADMILL WILL GO

- Nearly all large employers offer programs designed to support health and well-being
- Small employers are joining the trend on offering these services



Source: Mercer 2016 Annual Survey, distributed July 2017

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SHOW ME THE \$

- About half of large employers (49%) offered financial incentives in connection with their health and well-being programs. Only 29% of small employers offer incentives.
- Incentives are most commonly used to encourage employees to participate in programs (79%)
- Only 21% of employers provide outcome-based incentives for achieving, maintaining or showing progress toward a specific health status target
- Employers are recognizing that including spouses can build better participation and engagement.
 - 62% of large employers make some element of the well-being program available to spouses
 - 50% of small employers make some element of the well-being program available to spouses
 - Of the program that include spouses, only half make spouses eligible for incentives

Program Incentives (Large Employers)	% Large Employers
Provide incentive for completing the health assessment	54%
Median premium reduction	\$360
Median cash/gift card amount	\$50
Provide incentive for completing the biometric screening	40%
Median premium reduction	\$415
Median cash/gift card amount	\$50
Provide incentive for participating in lifestyle coaching program	27%
Median premium reduction	\$360
Median cash/gift card amount	\$100

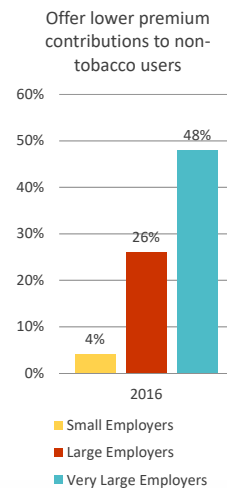
Source: Mercer 2015 Annual Survey, distributed July 2016

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WHO SAYS QUITTERS NEVER WIN?

- Employers are beginning to reward non-tobacco utilization
 - 26% of large employers (500-999 employees) are using smoker surcharges
 - 48% of very large employers (20,000+ employees) are using smoker surcharges
 - Smoking surcharges are less common in smaller employers (under 500 employees)
- The median annual reduction in premium per employee is \$600 in 2016 up from \$500 in 2015.
- Measuring compliance is done in the following ways:
 - 85% of all employers use the honor system
 - 13% use nicotine tests
 - 2% other



Source: Mercer 2016 Annual Survey, distributed July 2017

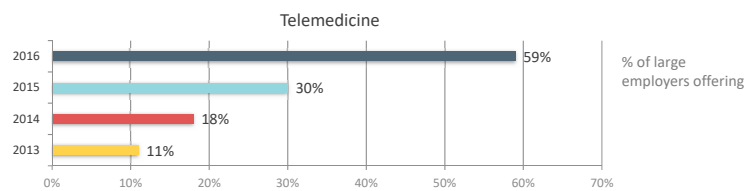
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Care Delivery

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SKIP THE LINE AND PAY LESS



- As we encourage employees to be smart shoppers, the pressure is on to provide real and financially substantive “shopping choices”
- Employers are moving quickly to implement telemedicine services – telephonic or video access to providers – as a low cost alternative to an ER or office visit for some types of non-acute care
- Why pay \$125 for an average office visit, when you can pay \$40 for an average telemedicine visit?
- Offers the convenience of being treated quickly while staying in the comfort of home
- Utilization remains modest, but more than a fourth of employers offering telemedicine services reported utilization of 10% or higher

Source: Mercer 2016 Annual Survey, distributed July 2017

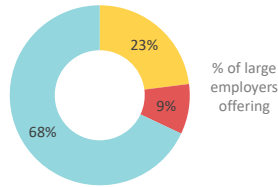
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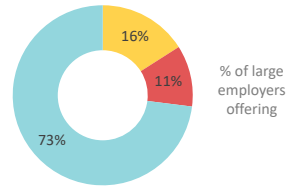
COME RIGHT IN TO MY OFFICE

- One clear way to send a message about the importance of health is with an on-site or near-site clinic that provides primary care services and supports worksite health initiatives
- This tends to be the most popular with very large employers (20,000+ employees)
- Benefits include: better management of chronic conditions, earlier treatment of illness or injuries, fewer ER visits, improved productivity, reduced absenteeism, reinforcement of a wellness culture
- Common barriers: lack of space, lack of utilization by employees; multiple locations, expense

Clinic for Occupational Health Services



Clinic for Primary Care Services



■ Currently
■ Considering for 2017
■ Not offering/Not Considering

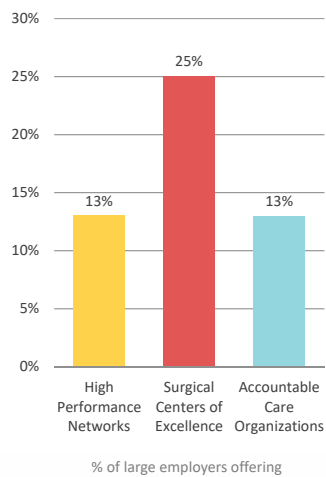
Source: Mercer 2015 Annual Survey, distributed July 2016

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NARROW IT DOWN

Delivery System Innovations



- High Performance Networks: Narrowing the network to obtain deeper network discounts. Tradeoff is less choice for plan participants.
- Surgical Centers of Excellence (COE): Focus on complex conditions requiring specialized care. Typically, in the larger health care system, these conditions generally see the widest variations in outcomes and costs. Organ transplants and specialized surgeries.
- Accountable Care Organizations: Deliver integrated care to the patient by bringing together doctors, hospitals and other health care providers, with the providers taking responsibility for results.
- These delivery systems are more commonly used with very large employers

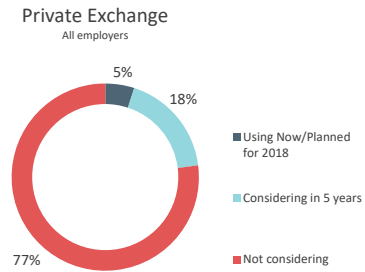
Source: Mercer 2015 Annual Survey, distributed July 2016

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PUSHING THE “EASY” BUTTON

- Among all employers 5% are using a private exchange now or planning to implement for 2017
- About 18% of all employers surveyed are considering in the next 5 years and 77% of employers are not considering private exchanges
- Considerations: Online Enrollment Platform and Tools, Consolidated Billing, Employee Choice Options, Defined Contribution Model, Data Access, Customer Support, Fixed Fees, Getting Out



Source: Mercer 2016 Annual Survey, distributed July 2017

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And Don't Forget

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TALK, TALK, TALK, TALK, TALK

- An employee's perceived value of their benefits plan can either be enhanced or diminished by the communication strategy

	Above Average Benefits Plan	Below Average Benefits Plan
Effective Communication Strategy	84% of employees respond favorably regarding their benefits	76% of employees respond favorably regarding their benefits
Ineffective Communication Strategy	26% of employees respond favorably regarding their benefits	22% of employees respond favorably regarding their benefits

- Communicate early, often, and in a variety of ways. Use written, visual, in-person, and electronic varieties – enrollment guides, educational videos, postcards, flyers, texts, email, meetings
- Make communication easy to understand and fun – web portals, animated videos, decision support tools
- Discover new resources – call center enrollment, online enrollment, videos, patient advocacy resources



Source: MetLife 2013 Annual Survey

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NO MORE PAPER PLEASE

BENEFITS OF ONLINE ENROLLMENT

- Reduces over-insurance by illustrating best-fit plan options for each individual
- Improves employee participation in tax-advantaged healthcare savings accounts
- Improves employee satisfaction and instills confidence in their decisions
- Educates employees on the true cost of healthcare and value of employer contributions
- Provides insight to employers on consumer choice and engagement during benefit selection
- Eases HR's administration, saving time and reducing errors



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1-800 ASK HR



- Many employers are receiving free HR services as part of their employee benefits brokerage services
- The HR services include same day HR advice by a licensed HR professional, a document database, online training courses, and legislative updates

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THE COMPLIANCE TSUNAMI

- Employers will continue to struggle with a slew of increasing compliance burdens that are set to expand dramatically in 2016 and beyond
 - ACA Reporting
 - FLSA White Collar Exemption Reclassification
 - Form 5500 Proposed Changes
 - EEOC updated Wellness Regulations
 - EEO-1 Reporting
 - DOL Health Plan Violation Fee Increases
- Are you receiving help and support in order to ensure your company avoids compliance fines and audits?
 - Regular Compliance Notifications
 - Compliance Webinars
 - Mock DOL Audits
 - Handbook Reviews



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TOP BENEFIT TRENDS

PROGRAM DESIGN:	WORKFORCE HEALTH:	CARE DELIVERY AND INFRASTRUCTURE:	AND DON'T FORGET
Offer CDHPs	Spousal Provisions	Telemedicine	Communication Strategies
Health Savings Accounts	Worksite Health Programs	On-Site Clinics	Enrollment Tools
Voluntary Benefits	Wellness Programs and Incentives	Performance Networks	HR Concierge Services
Transparency Tools	Smoker Surcharges	Surgical Centers of Excellence	Compliance
Referenced-Based Pricing		Accountable Care Organizations	
Funding Strategy		Private Health Benefits Exchange	
Pharmacy Design			

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REACH OUT WITH QUESTIONS



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