

Future Trends in Health

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Agenda

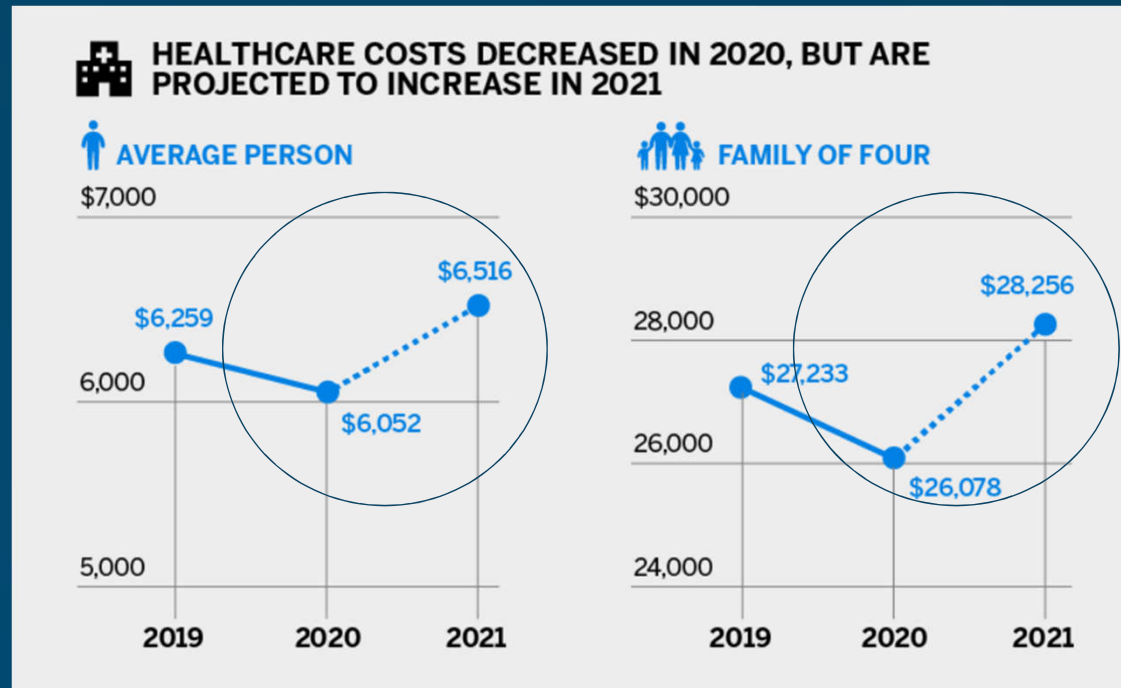
- **The Present Health Market – Challenges and Solutions**
- **The Future of Health Care- What Do Employees Want?**
- **2022 Health Plan Compliance & New Legislation**

**A Big Shout Out and Thank You to our
Healthcare workers and First Responders
as they continue to play a key role in
helping us through the pandemic!**

The Present Health Market Challenges & Solutions

State Of The Health Market - Overall

❑ Milliman Index



- ❑ Insurers returned \$2B* to consumers in excess premiums charges due to lower claims for 2020 under the ACA Medical Loss Ratio.
- ❑ In 2021 many patients returned to the healthcare system for delayed care*.
- ❑ A recent Mercer survey of Employer Sponsored Plans showed an overall increase of 6.3%, mid-size groups (50-499) at 9.3% and large groups (500+) at 5%. Rx costs rose 7.4% influenced by specialty drugs at 11.1%.

State Of The Health Market - Hospitals

- ❑ Stress, trauma, burnout and behavioral health disorders among caregivers are at historic levels.
- ❑ Operating margins dropped by double-digits before the current surge:
 - ❑ Discharges, Patient Days, ER and Operating Room use all declined.
- ❑ Labor costs grew 1.4%. There is a war for talent among nurses.
- ❑ During these difficult times hospitals are facing growing pressure from large employers, private insurers and Medicare to lower costs and disclose their prices.
- ❑ Fewer than 50% are in compliance with new disclosure laws.*
- ❑ Look for greater Merger activity this year.

*John Hopkins Bloomberg School of Public Health

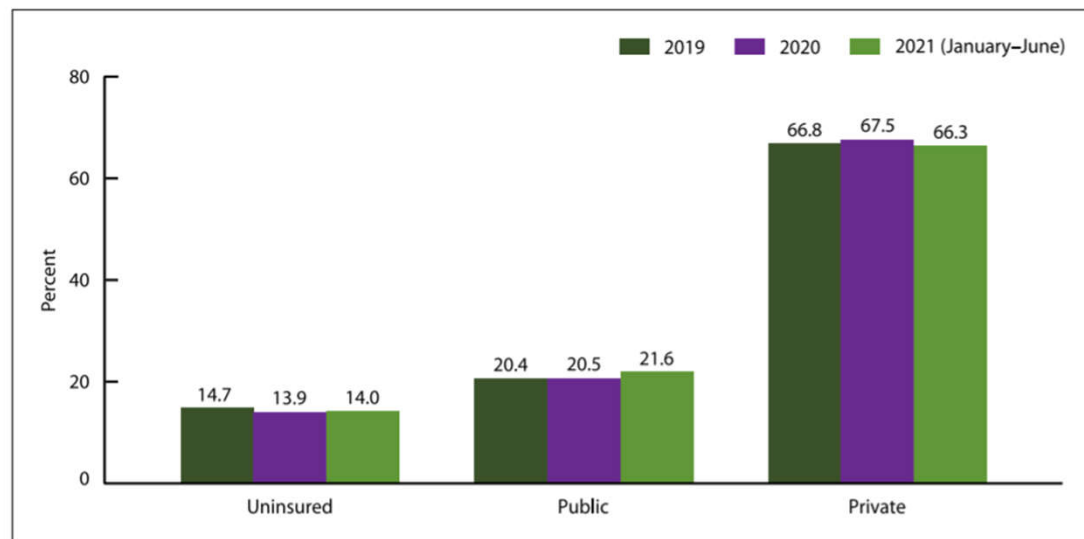
State Of The Health Market – Physicians*

- ❑ 2 of 5 physicians will be older than 65 in the next decade and consider retirement.
- ❑ The U.S. population will grow by 10.6% from about 328 million to 363 million by 2034 with Americans age 65 and older increasing 42.4%
- ❑ Advanced practice registered nurses and physician assistants will double in the next 15 years; 69% currently provide primary care.
- ❑ Actually the need will stabilize as lower hospital need will exist due to drop anticipated in Emergency Room visits and overall reduction in hospital inpatient utilization.
- ❑ Hospitals Employ 49.3% of Physicians.
- ❑ Many private practice physicians are selling, and hospitals and private equity backed physician groups are buying.

The Uninsured Dropped

First six months of 2021 = 9.6%; 2020 = 9.7%; 2019 = 10.3%

Figure 2. Percentage of adults aged 18–64 who were uninsured or had public or private coverage, by year: United States, 2019–June 2021

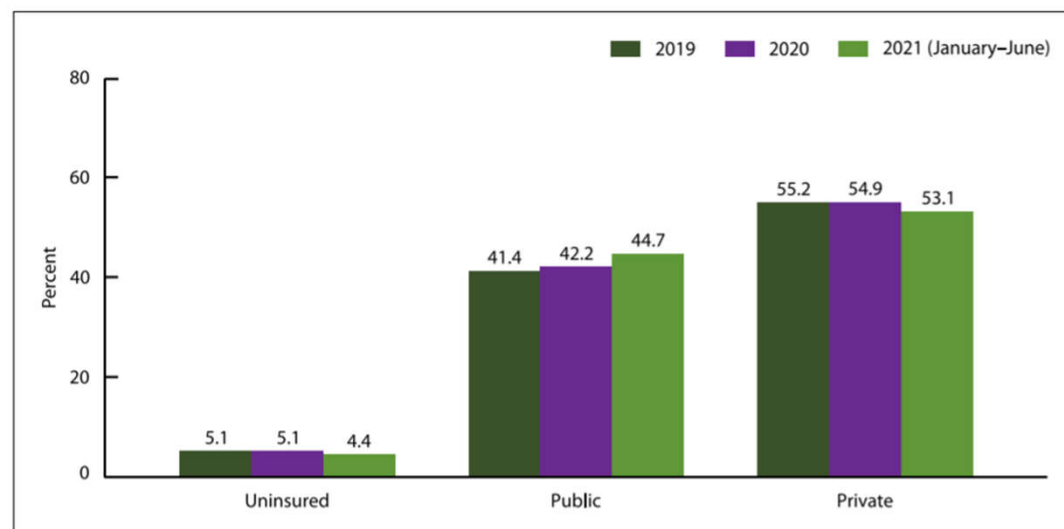


Adults 18 – 64 = 14%

Children 0-17 = 4.4%

* U.S. Census Bureau

Figure 3. Percentage of children aged 0–17 who were uninsured or had public or private coverage, by year: United States, 2019–June 2021



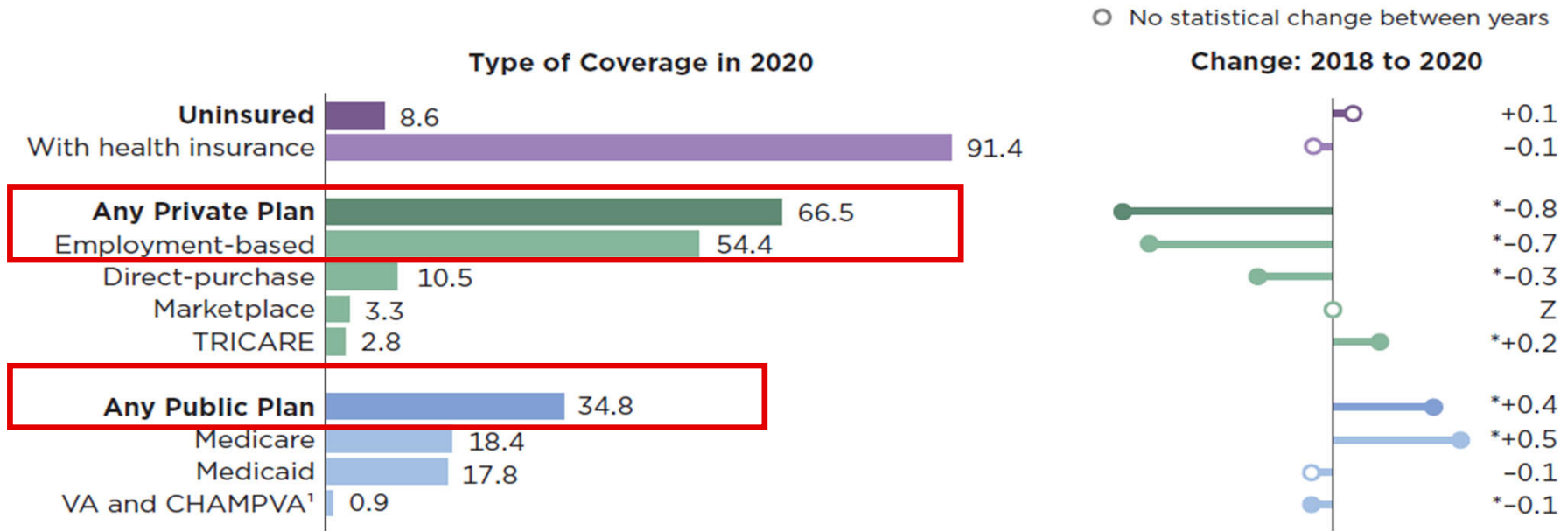
Where Do Americans Get Health Coverage?

- ❑ Private Plans Cover 66.5%; Employer-based = 55.4%
- ❑ Public Plans cover 34.8% of the U.S. Population

Figure 1.

Percentage of People by Type of Health Insurance Coverage and Change From 2018 to 2020

(Population as of March of the following year)



* Denotes a statistically significant change between 2018 and 2020 at the 90 percent confidence level.

Z Rounds to zero.

¹ Includes CHAMPVA (Civilian Health Medical Program of the Department of Veterans Affairs), as well as care provided by the Department of Veterans Affairs (VA) and the military.

Note: The estimates by type of coverage are not mutually exclusive: people can be covered by more than one type of health insurance during the year. Information on confidentiality protection, sampling error, nonsampling error, and definitions in the Current Population Survey is available at <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar21.pdf>>.

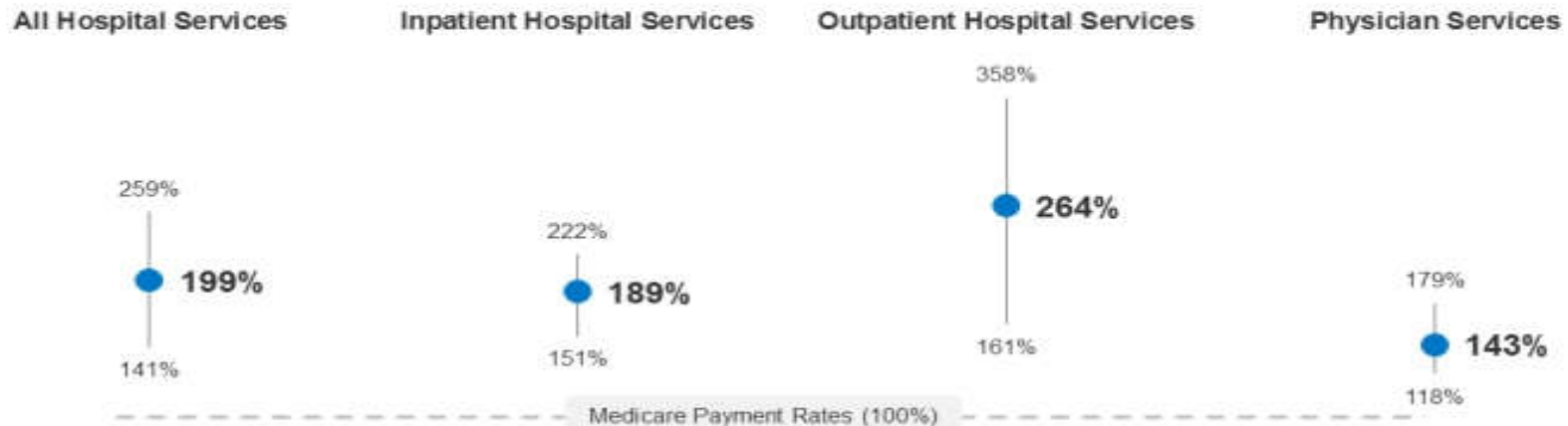
Source: U.S. Census Bureau, Current Population Survey, 2019 and 2021 Annual Social and Economic Supplement (CPS ASEC).

Do Private Plans Subsidize Public Plans?

ES Figure 1

Private Payment Rates Are Higher Than Medicare Rates for Hospital and Physician Services

● Average Private Insurance Rates as a Percentage of Medicare Rates, Across Studies Using 2010-2017 Data



SOURCE: KFF analysis of 19 published studies comparing private insurance and Medicare payments to providers. Because some studies analyze payments to providers in multiple service categories, the number of studies across all categories is greater than 19.



Figure 1: Private Payment Rates Are Higher Than Medicare Rates for Hospital and Physician Services

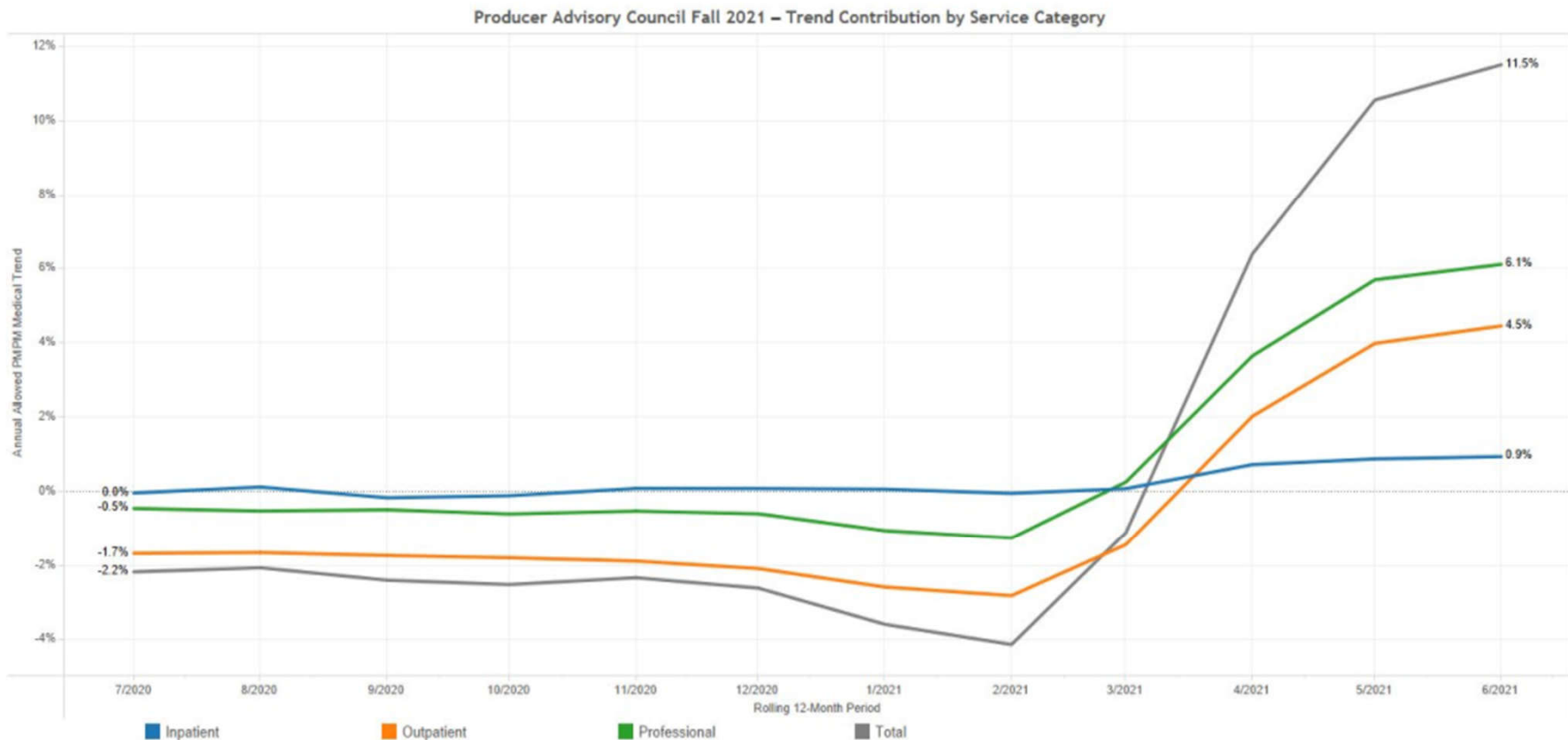
- ❑ Physicians and Hospitals charge higher rates to Private plans than they do Public Plans.*
- ❑ As the Public segment grows how will it impact Private plans?

* Kaiser Family Foundation

State Of The Health Market - Trend

- Blue Cross estimates Average Annual Trend at 11.5% for 2022 – heavily driven by increased utilization.

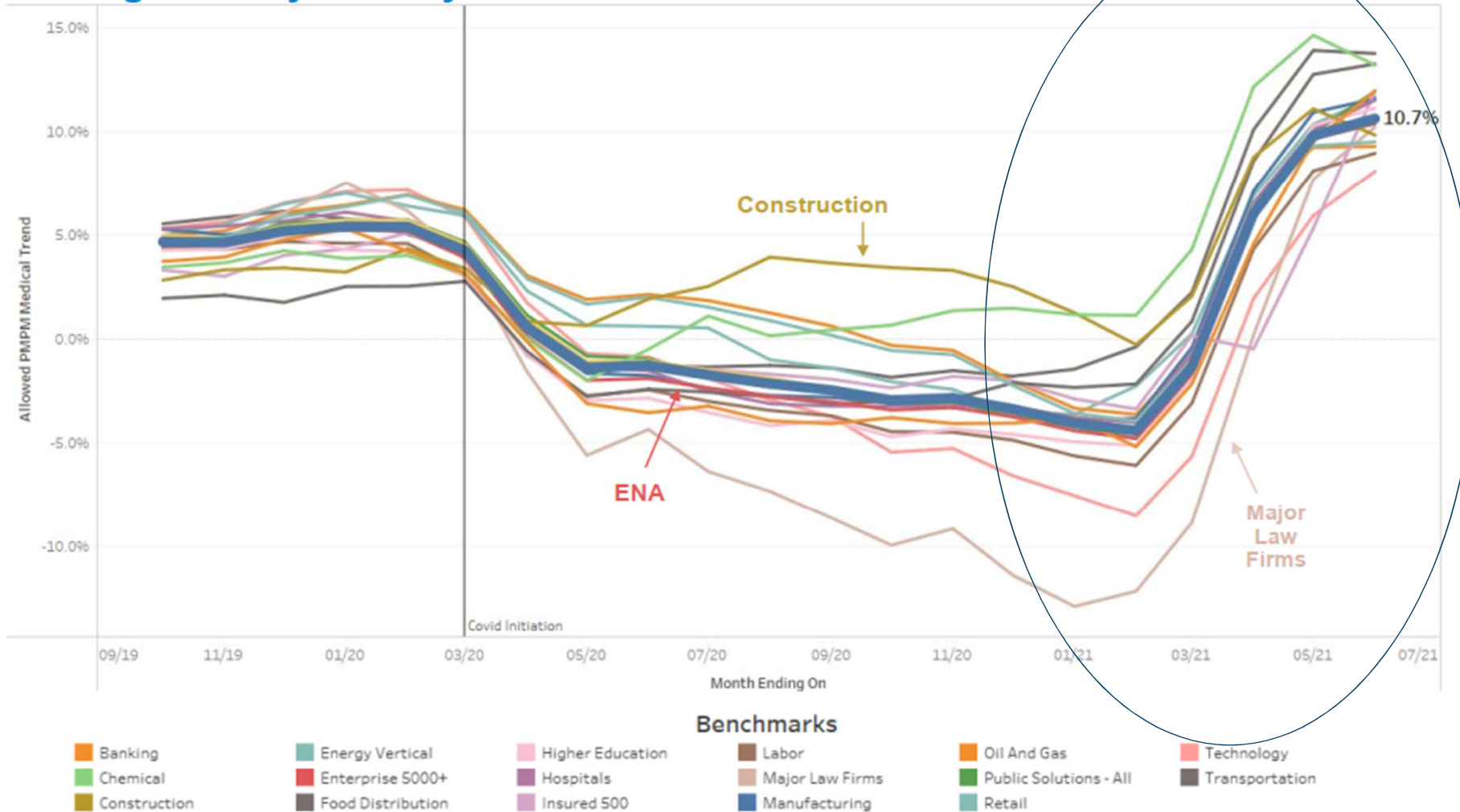
Trend Over Time: By Service Category



Blue Cross ASO Book Trend – All Industries

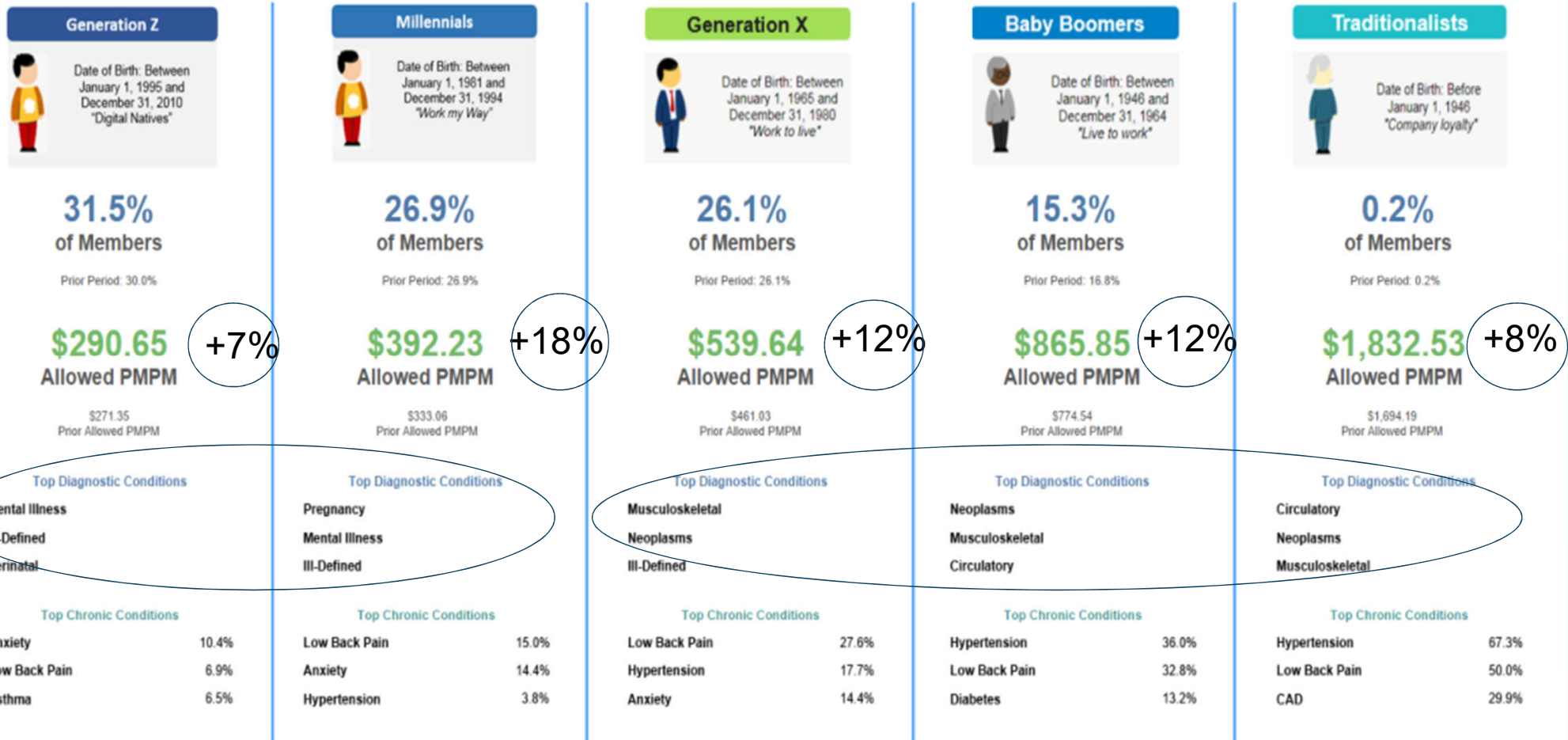
Health Care Cost Landscape

Rolling Trend by Industry



Generational Profiles Impact

Generational Profiles



Driving Factors



INFLATORS

COVID-19 Costs

Costs for testing and treatment associated with COVID-19 for employees and covered dependents.

COVID-19 “Long Haulers”

Potential long-term costs associated with those previously diagnosed with COVID-19, both physical and mental. A catch-all category for increased severity of health decline due to COVID-19.

COVID-19 Vaccines

Administrative costs for FDA-approved COVID-19 vaccines, subject to availability. Actual cost of vaccines funded by the federal government.

Chronic Condition Diagnoses and Management

Delays in diagnoses and timely treatment of chronic conditions, due to deferral in consumers seeking care.

Delayed Cancer Diagnoses

Deferred utilization is assumed to contribute to delays in cancer diagnoses, thus additional expected costs at more advanced stages.



DEFLATORS

Telehealth

COVID-19 was a catalyst for providers and members to utilize telemedicine and virtual health care. If used appropriately, this can result in decreased spend through reduced utilization of ancillary services and some unit cost favorability associated with telemedicine.

Cold/Flu Impact

With social distancing, enforcement of PPE (personal protective equipment) in public places, and general avoidance of health care utilization, cold/flu cases are expected to remain extremely low, including during the peak season from January through March.

OTHER FACTORS

Mental Health

COVID-19 intensified the already increased focus on mental health (MH) in recent years and exacerbated increased utilization in certain conditions, such as Mood Disorders and Depression. As conditions normalize, mental health will be a focus area to support existing and new MH utilizers.

Baby Bust

Economic uncertainty caused by COVID-19 will likely lead to a reduction in pregnancies and babies born in 2020–2021, according to various industry sources.

Narrow Networks

Industry sources suggest that more employers will adopt narrow networks as a cost savings mechanism, based on various studies demonstrating meaningful savings for early adopters.

The COVID Cost Impact

- ❑ 2021 COVID-19 average cost for treatment*:
 - ❑ No Treatment - \$339
 - ❑ <3 weeks = \$ 3,711
 - ❑ 3-6 weeks = \$12,476
 - ❑ >6 weeks = \$17,285
 - ❑ Indirectly - higher acuity cases now exist that went untreated.
- ❑ Short Term Disability Carriers are being overrun with claims
 - ❑ 100% increase in COVID claims in the last three weeks vs. Q4.
 - ❑ 40+% of Short-term disability claims are COVID related.
 - ❑ Staffing is being reallocated and additional staff hired and incentive pay being offered to accommodate the increase.

Driving Factors- Pharmacy

- ❑ Pharmacy is the #1 driver of health care costs. Specialty medications account for 66% of all pharmacy spend.*
- ❑ Specialty medications may be covered under the Medical or Pharmacy Benefit (retail). In fact, 67% of specialty spend falls under Medical.*
- ❑ Carving out Specialty only ends up covering 1/3 of specialty spend (retail) and loses integrated data for clinical support of other conditions.
 - ❑ 1 in 3 individuals with a serious medical condition also suffer depression.**
- ❑ The newest Specialty drug Aduhelm for Alzheimer's originally cost \$56,000 per year but due to low efficacy and slow adoption, AbbVie lowered price to \$28,000. It was partially the cause of Medicare part B premium increasing 15% recently so that may change.
- ❑ For the record, Healthcare spends more on lobbying than any other group.***

*Cigna Commercial Book of Business

**The Cleveland Clinic

Biological, Biosimilar and Gene Therapy

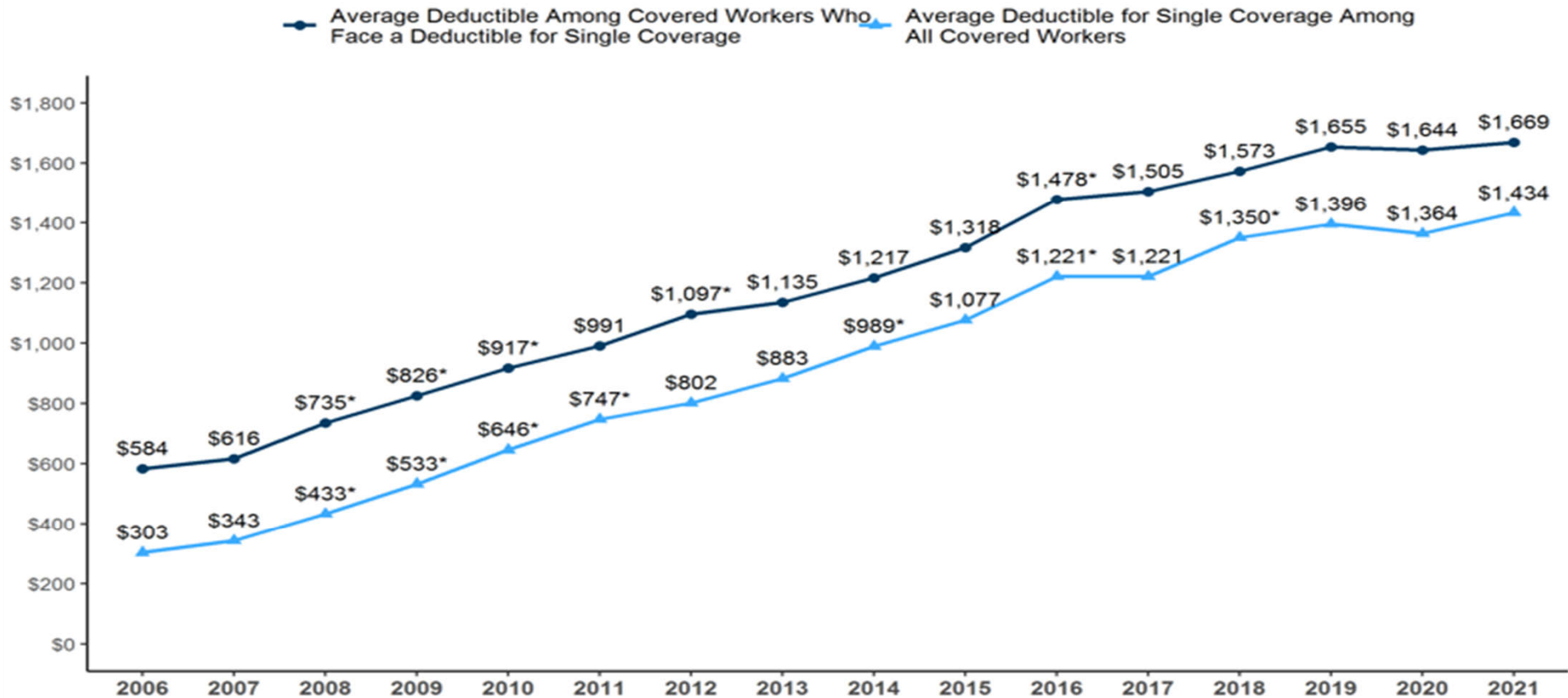
- ❑ In 2008, there were eight Specialty drugs approved by the FDA compared to 53 today, half of those approved for medical, not retail.
- ❑ In 2021 five high-cost therapies were approved with a price tag of \$400k to nearly \$750K.
- ❑ Oncology is the top driver the past 11 years*.
- ❑ The FDA has approved 31 biosimilar medications since 2015 but only 60% made it to market. More will come.
- ❑ Gene Therapy provides an alternative to medication and surgery to treat disorders by implanting healthy genes.
- ❑ Currently there are 4 gene therapies approved in the U.S. with costs ranging from \$400k to \$2.13M.
- ❑ Insurance carriers are developing reinsurance for plans to purchase to absorb these shock claims.

Average Deductibles

❑ Not much change recently, average deductibles remain high but stable.

Figure 8

Average General Annual Deductibles for Single Coverage, 2006-2021



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Average general annual deductibles are among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

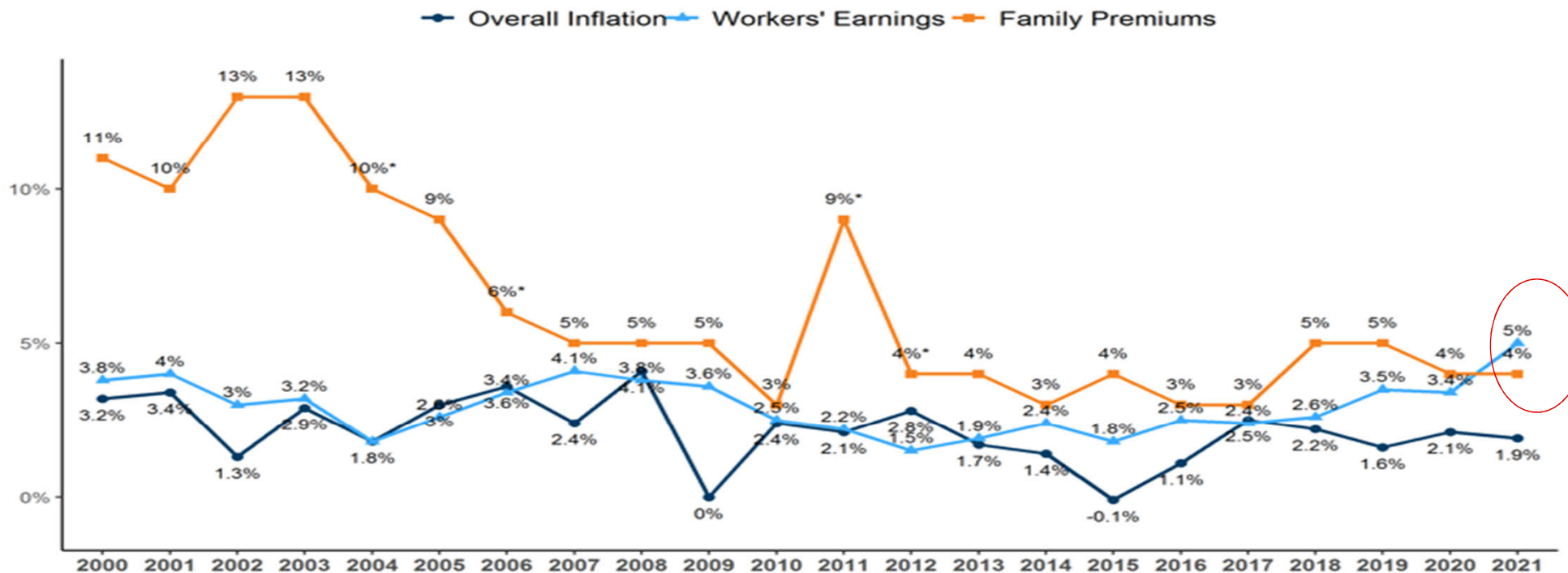
SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2017

Benefit Cost Share Slows

- Most employers seek little disruption to their plans due to the pandemic, but are still concerned about cost.
- 2021 was the first year wages exceeded family premium increases in 20 yrs!

Figure 2

Average Annual Increases in Premiums for Family Coverage Compared to Other Indicators, 2000-2021



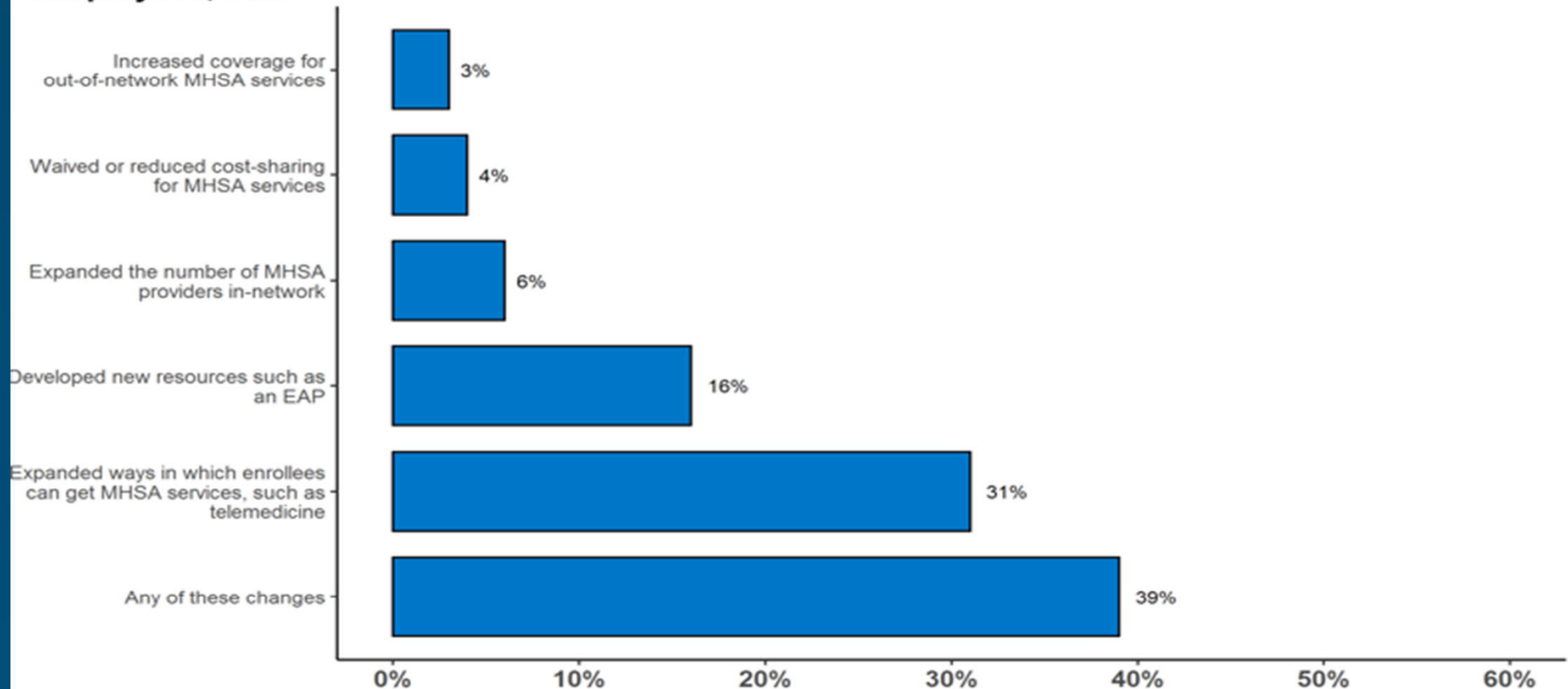
* Family Premiums Estimate is statistically different from estimate for the previous year shown ($p < .05$).

SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 1999-2021; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2021.

Employers of 50+ Expand Mental Health

Figure 16

Among Firms with 50 or More Employees Offering Health Benefits, Changes the Firm Made Since the Beginning of the COVID-19 Pandemic to Meet the Mental Health Needs of Employees, 2021



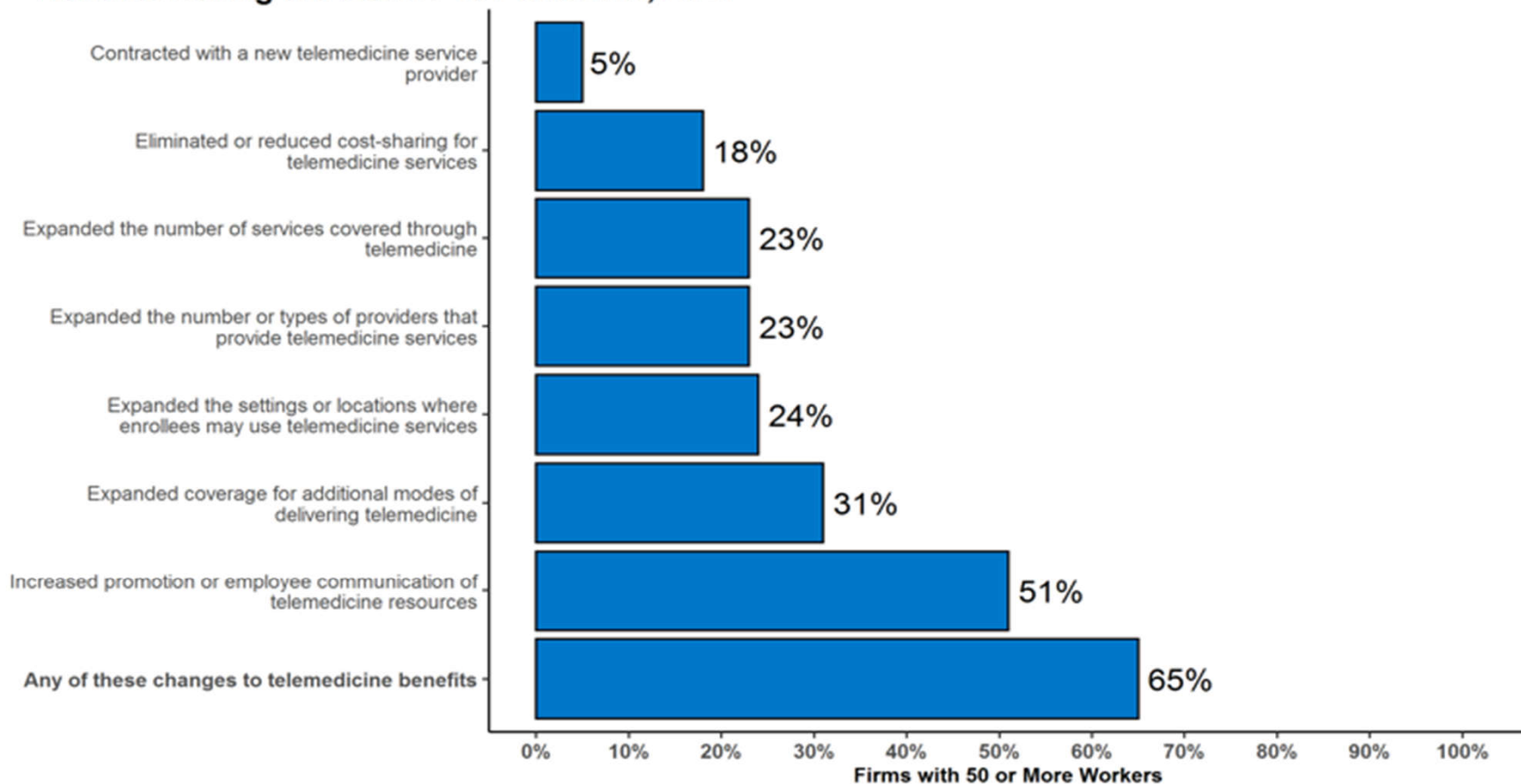
NOTE: MHSA refers to Mental Health and/or Substance Abuse. EAP refers to Employee Assistance Programs. We asked respondents about changes they made due to the COVID-19 pandemic from January 2020 that were still in effect at the time of the interview.

SOURCE: KFF Employer Health Benefits Survey, 2021

Expanded Promotion of Telemedicine

Figure 18

Among Firms Offering Telemedicine Benefits, Changes the Firm Made to Telemedicine Benefits During the COVID-19 Pandemic, 2021



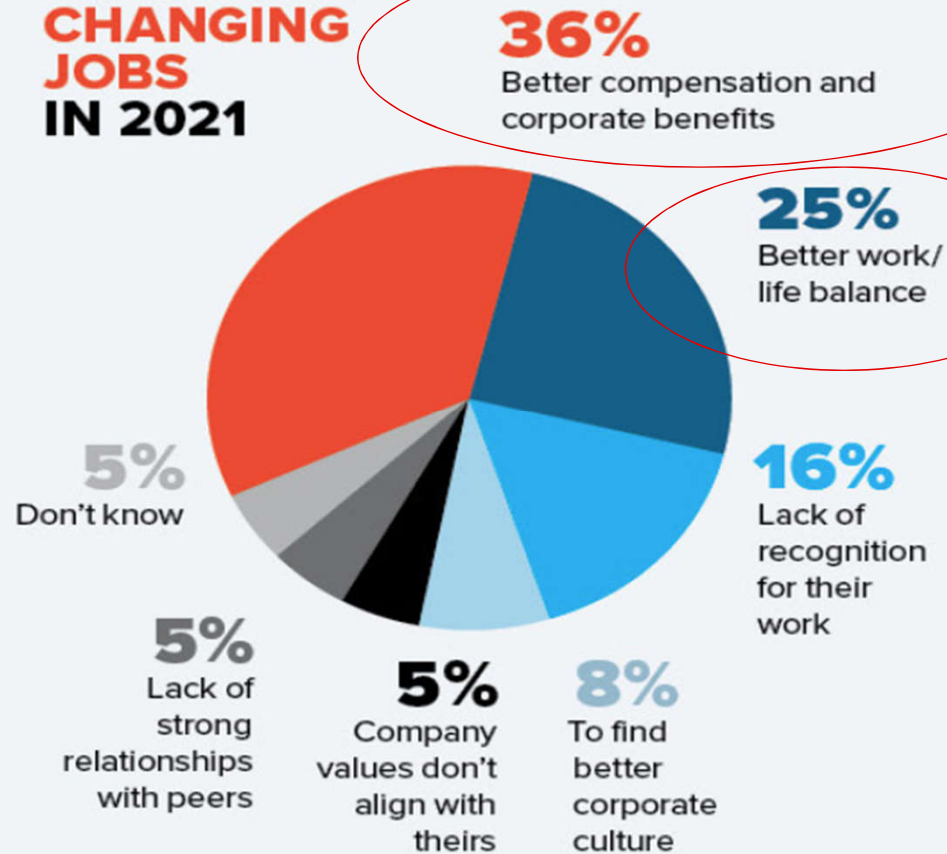
NOTE: We asked respondents about changes they made due to the COVID-19 pandemic from January 2020 that were still in effect at the time of the interview.

SOURCE: KFF Employer Health Benefits Survey, 2021

The Future of Healthcare What Do Employees Want?

Redesigning the Employee Benefit Experience

WHY EMPLOYEES ARE CONSIDERING CHANGING JOBS IN 2021



Source: *Engagement and Retention Report*, Achievers Workforce Institute, February 2021.

The Great Resignation

- ❑ 20 Million workers resigned in the last half of 2021*



Assurex Benefit Study June 2021

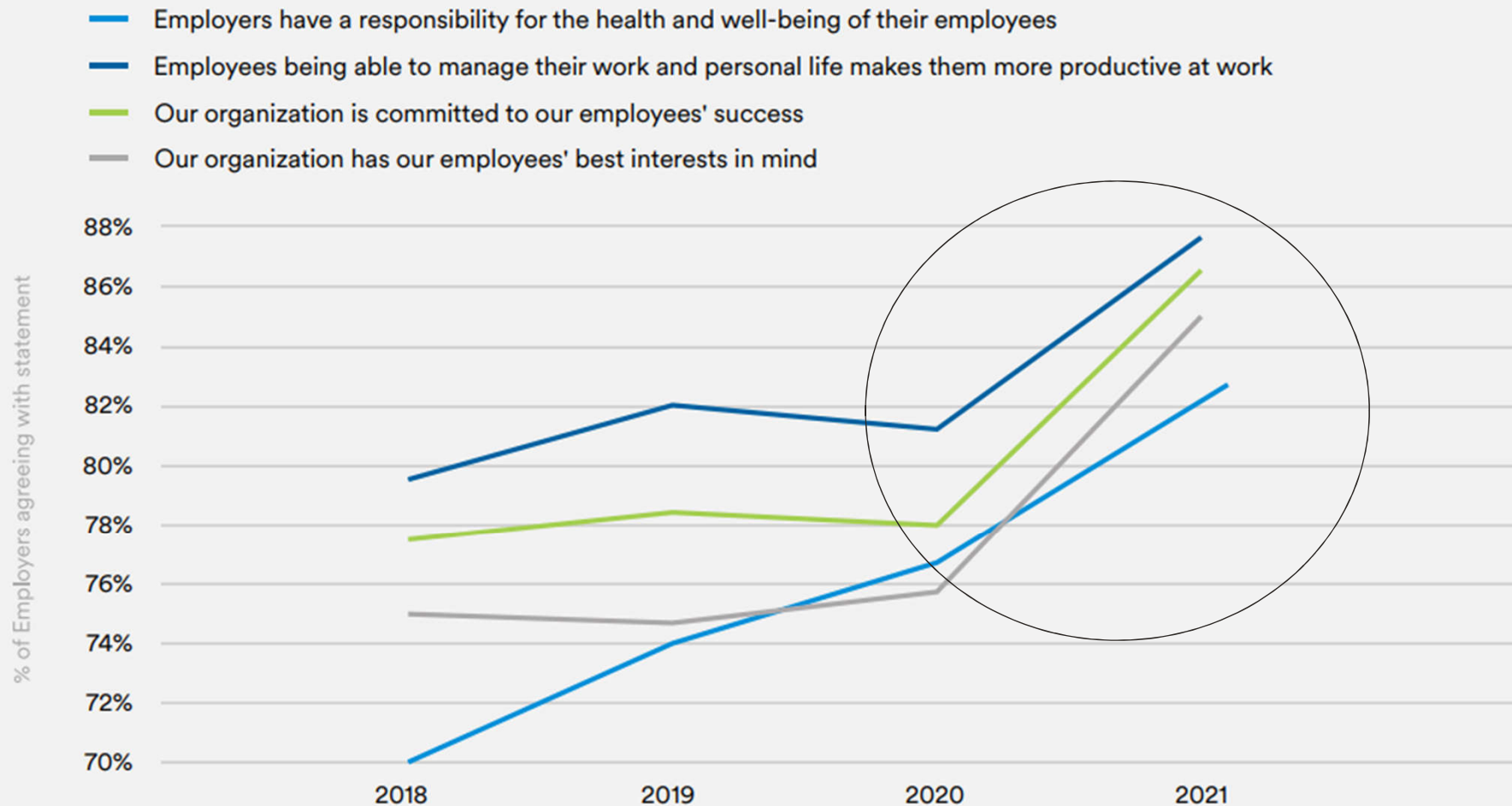
- ❑ The Number one driver of retention is Benefits**
- ❑ Companies with the right people in the right roles have 42% lower turnover**
- ❑ Remote-friendly companies are experiencing 33% lower turnover.**
- ❑ Inclusive companies are experiencing 19% lower turnover.**

* 60 Minutes

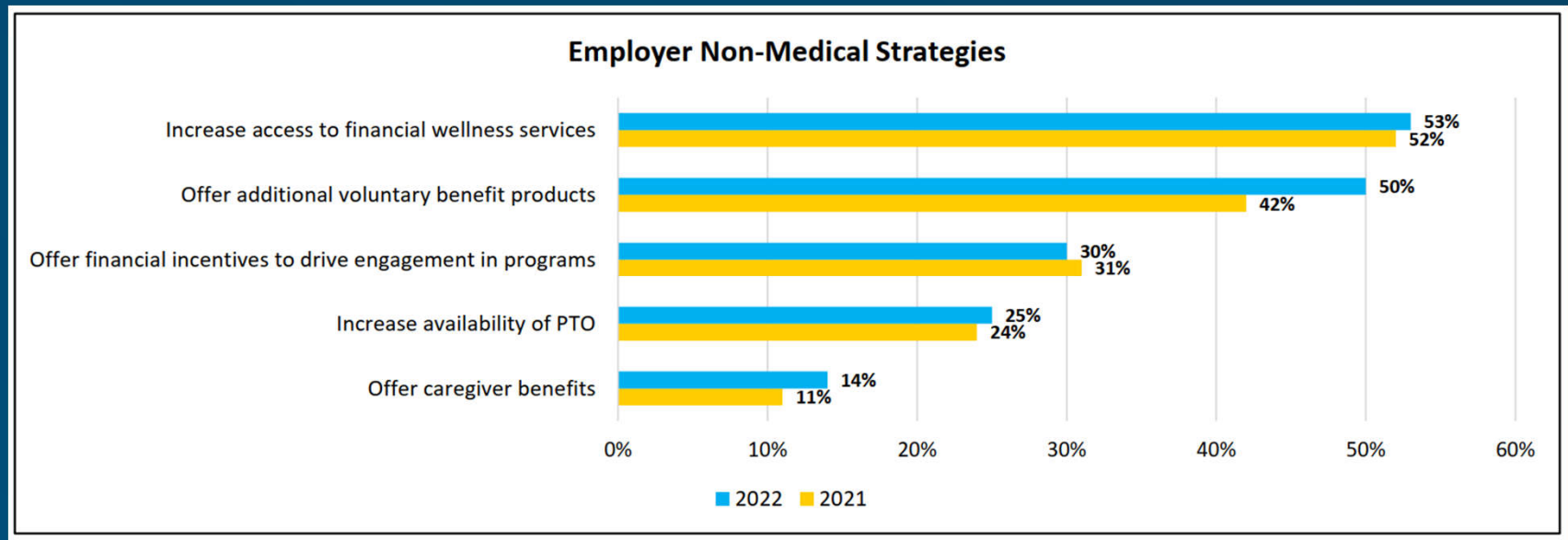
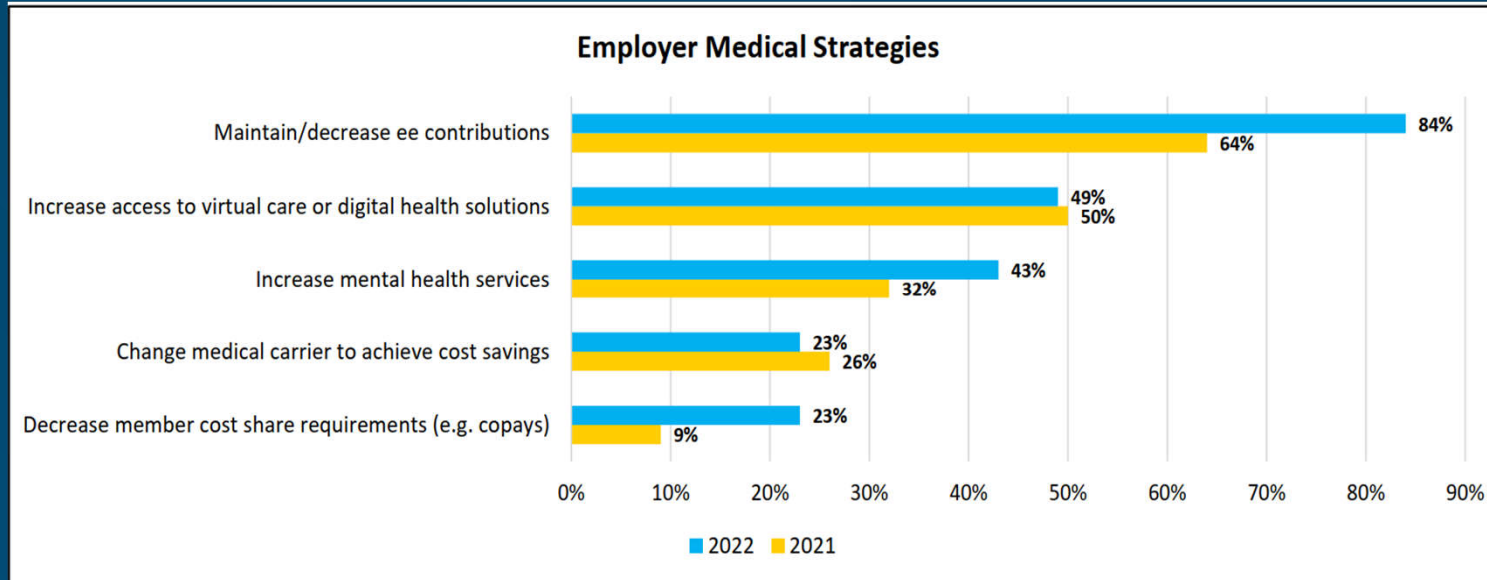
** The Predictive Index, - The State of Talent Optimization

Employers Feel Responsible for Well-Being

There has been a shift in employer attitudes towards employee well-being as a result of the pandemic



Employer Strategies for 2022*

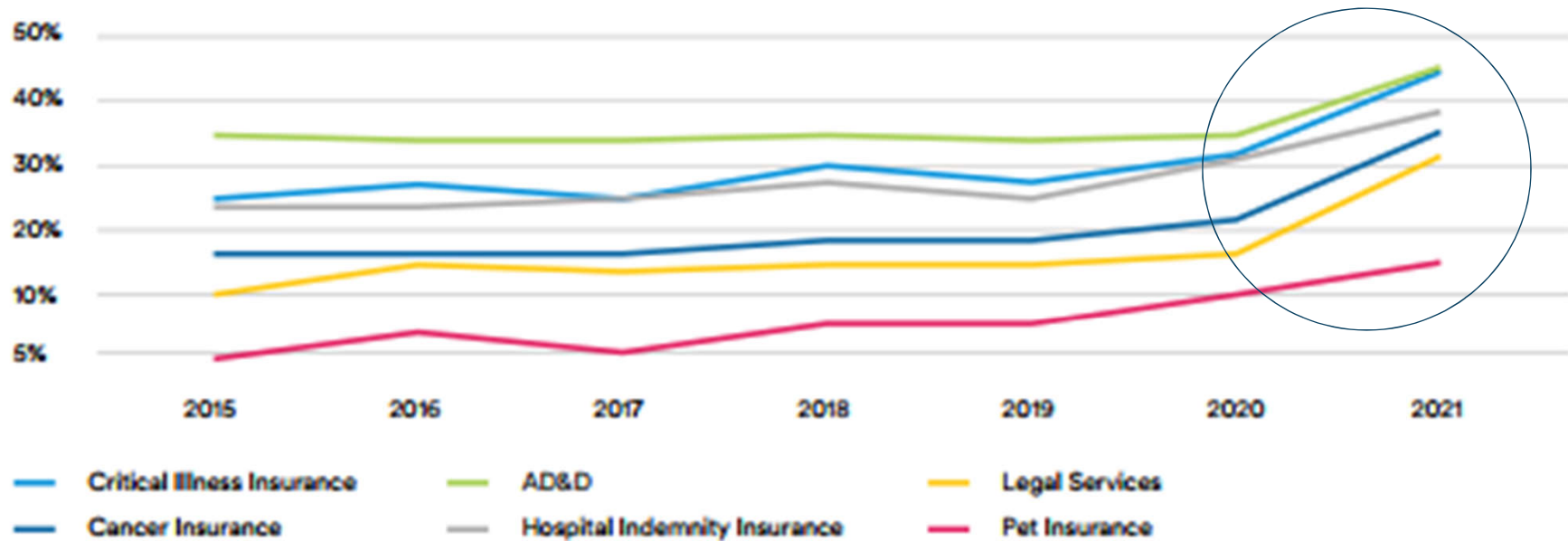


Based on 335 employer respondents (allowed to select multiple responses), August 2021

Personalizing The Benefit Portfolio

Interest is Spiking for Emerging Plans

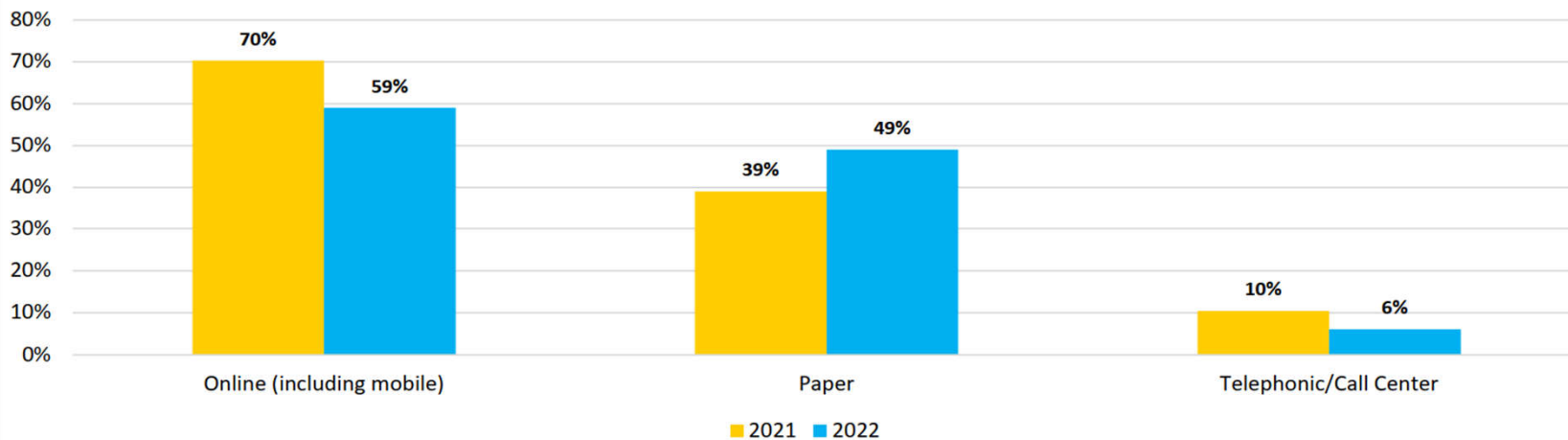
Legal, cancer, critical illness, and pet insurance are among some of the plans in which employee interest grew the most from 2020 to 2021.



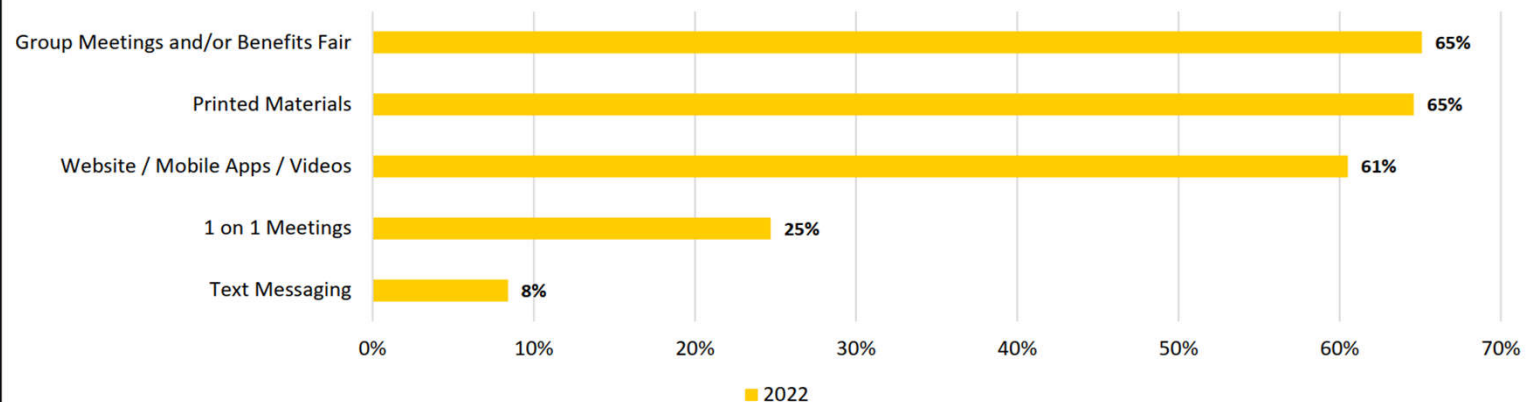
Benefit Communication Need Increases*

- 80% of employers in MetLife survey identified Benefit Communications as a challenge during the remote environment.
- Need to increase value and educate proper usage.

Method of Annual Enrollment for 2022



Method of Communication to Share Benefits Information



The Need to Control Plan Spend Remains

Many employers did not wish to disrupt their programs during the pandemic due to fear of losing employees. Many Savings Tactics were put on hold.

- ❑ Long Term Cost Saving* strategies have slowed:
 - ❑ Direct Contracting fell from 30% in 2020 to 26% in 2021
 - ❑ Performance-based networks also fell from 48% in 2020 to 35% in 2021
 - ❑ Value-based plan design consideration remained high but engagement decreased to 51% from 55%.
 - ❑ There is interest developing in the Private Exchange with ICHRA's however, that remains flat at 8%

Strategies Slowly Engaged for Savings

- ❑ Near Term Cost Saving* considerations are popular in 2021-2022:
 - ❑ Pharmacy - 80% look toward their PBM for pharmacy solutions:
 - ❑ Prior authorization
 - ❑ Quantity limits
 - ❑ Step therapy rules
 - ❑ Pharmacy Network strategies
 - ❑ Specialty carve-out
 - ❑ Specialty collaboration with Physician for Biosimilar use
 - ❑ Closed formularies
 - ❑ Site of care
 - ❑ International Pharmacy
 - ❑ Direct Primary Care
 - ❑ Telehealth – including Mental Health

*PwC Touchstone Survey 2021

*PwC Behind the Numbers 2022

The Future - Lower Cost Sites of Care

- ❑ Delivering Cost Effective, Accessible and Easy Health Care
 - ❑ JPMorgan Health - Continuation from Haven but alone, personal accountability- heavy emphasis on primary care.
 - ❑ Walmart-MeMD- expanded telehealth focus. Medical and Mental health.
 - ❑ CVS- Aetna connected plan with CVS Health
 - ❑ Walgreen's – Onsite Clinics/ Primary Care - lightly defined
 - ❑ Rush Healthcare - Urgent House Calls
 - ❑ Amazon Care – Healthcare made easy: Urgent and primary care telehealth with nurse or doctor via an app, in-person care and prescription delivery.
 - ❑ UHC - Optum Virtual Care First – 15% lower cost than traditional plans. Includes a slate of virtual care benefits. Members can join wearable – enabled wellness programs. whole-person health, which may help prevent and detect disease before it starts.

Innovation

- ❑ AI for better outcomes and health equity advancement.
- ❑ AI for better administration, better patient care and enhanced experiences for patients and providers.
- ❑ Wearable: Lingo by Abbott, “this will be like having a window into your body” says Abbott Chairman and CEO, Robert Ford.
- ❑ Others Wearables: Oura Ring, Apple Watch, Fit-bit
- ❑ Smart Orthopedics: Smart Knee*- first in a broader portfolio of smart implant technologies in various orthopedic surgery applications
 - ❑ Collect patient data to see if healing as expected
 - ❑ Data to support greater life of the implant

Social Determinants Of Health



Social Determinants Of Health

- ❑ SDoH are the conditions in which we are born, grow, live, work and age that influence our physical health and well-being*.
- ❑ They include complex and integrated social economic factors including access to health care and even healthy food*
- ❑ The COVID-19 pandemic has greatly exposed the impacts and vulnerability of individuals challenged by SDoH.
- ❑ McKinsey & Company study finds that even large employers can help advance health equity in the workplace**. Three actions include:
 - ❑ Help employees meet basic needs (housing and transportation)
 - ❑ Ensure benefits are easy to access, understand and use
 - ❑ Change workplace culture to destigmatize receiving care
- ❑ PCORI will focus on six key areas impacting SDoH

*Business Group on Health

** McKinsey & Company

2022 Health Plan Compliance Overview & New Legislation



COVID-19 Vaccine Mandate-SCOTUS Ruling

- ❑ The Supreme Court issued a stay that blocks the OSHA Emergency Temporary Standard (ETS) which would have required employers with 100 or more employees to implement a workplace vaccine or testing requirement.
- ❑ Because IL OSHA's preemptory rule incorporates the federal standard, IL OSHA will similarly stay enforcement of its rule while it monitors federal litigation and determines next steps.
- ❑ The Court allowed the Centers for Medicare & Medicaid Services (CMS) vaccination requirement, for certain health care workers, to move forward.
- ❑ Other big news this past week: group health plans, including self-funded plans, and insurers to provide coverage for over-the-counter in-home COVID-19 diagnostic tests beginning January 15.

ACA Requirements Remain

- ❑ ACA - Health Coverage Requirements Continue
 - ❑ 10 Essential Health Benefits + Pediatric Dental & Vision on small groups <50
 - ❑ No annual or lifetime dollar limits on essential health benefits
 - ❑ No Pre-existing condition exclusions
 - ❑ Must cover specific preventive care services at 100%
 - ❑ Provides dependent coverage of adult children up to age 26.
- ❑ Notices and Disclosures
- ❑ W-2 Reporting: – 250+ W-2s
- ❑ IRS Reporting: new forms just released for 1094/1095
- ❑ Pay or Play Penalties continue. Affordability Test at 9.61% for 2022
- ❑ Mental Health Parity and Addiction Equity Act (MHPAEA)
- ❑ HIPAA Portability, Privacy and Security

New Plan Limits

Limit	2021	2022	Change
HSA Contribution Limit			
Self-only	\$3,600	\$3,650	Up \$50
Family	\$7,200	\$7,300	Up \$100
Catch-up contributions*	\$1,000	\$1,000	No change
HDHP Minimum Deductible			
Self-only	\$1,400	\$1,400	No change
Family	\$2,800	\$2,800	No change
HDHP Out-of-Pocket Maximum			
Self-only	\$7,000	\$7,050	Up \$50
Family	\$14,000	\$14,100	Up \$100
Health FSA			
Limit on employees' pre-tax contributions	\$2,750	\$2,850	Up \$100
Carryover limit	\$550	\$570	Up \$20
Dependent Care FSA*			
Tax exclusion	\$10,500 (\$5,250 if married and filing taxes separately)	\$5,000 (\$2,500 if married and filing taxes separately)	Return to traditional rules

New-Consolidated Appropriations Act (CAA)

- ❑ CAA signed into Law December 27, 2020 with many Benefit Provisions.
 - ❑ Greater Health Care Transparency
 - ❑ Requires group health plans to report information on medical plan costs and prescription drug spending to the Secretaries of HHS, Labor and the Treasury.
 - ❑ Enhanced EOB requirements starting 1/1/2022 with greater information on cost share. New I.D. Cards required with more benefit information.
 - ❑ Strengthen Mental Health Parity enforcement and increase transparency with respect to how health plans are applying these laws.
 - ❑ Gag Clauses Prevented- insurance companies and health plans can't add language to their contracts that keeps providers, plans or members from requesting cost or quality information.

New-Consolidated Appropriations Act (CAA)

- ❑ Ban on Surprise Medical Bills beginning 1/1/2022
 - ❑ Emergency services, regardless of where they are provided, must be treated on an in-network basis without requirements for prior authorization.
 - ❑ Bans out-of-network charges for ancillary care (like an assistant surgeon) at an in-network facility in all circumstances.
 - ❑ When patients unexpectedly receive care from out-of-network health care providers at in-network facilities.
 - ❑ Bans other out-of-network charges without advance notice.
- ❑ Creates new field of certified Independent Arbitrators to assist in the billing dispute resolution process between providers or facilities and health plans if not resolved in 30 days.
- ❑ Disclosure of Broker Compensation to ERISA - covered group health plan sponsors for direct or indirect compensation with contracts signed 12/27/2021 and after for Medical, Rx, Dental, Vision, EAP and Wellness.

New - Illinois Mandates and Disclosure



- ❑ 42 Illinois Mandates required as Essential Benefits under Illinois Law
- ❑ The Illinois Consumer Coverage Disclosure Act (CCDA) requires employers to disclose a written list of their offered benefits compared to the list of essential benefits mandated by the State of Illinois.
- ❑ This CCDA applies to all employers sponsoring group health plans to employees in Illinois, regardless of where the employer or plan is domiciled. It is required on all size plans, including Grandfathered plans, Self-Funded, Level-Funded and Non-ERISA plans, Employers must provide this disclosure to new hires and distribute annually or upon request.
- ❑ The law will be enforced by the Illinois Department of Labor. The first offense will not exceed a \$1,000 penalty, the second \$3,000 and third or subsequent \$5,000.

Future - State Level Public Options

- ❑ As Federal Legislation gets stalled, look for Health Care Legislation to increase at the State Level.
- ❑ Illinois is anticipated to move to a State Exchange, away from the current Federal Exchange.
- ❑ The Feasibility Study from last year showed options and costs for expanding Medicaid and possibly adding an individual Public Option.
- ❑ There are 9 states currently with Legislation supporting a State Public Option program.

**What Impact would these actions have on
Employer Sponsored Health Plans?**

Questions & Discussion

Key Takeaways

Key Takeaways

- COVID-19 continues to leave its mark on all facets of Healthcare.
- Stress, trauma, burnout and behavioral health disorders among caregivers are at historic levels.
- Hospital staffing has been crippled, especially nurses who are leaving or being poached for competitive pay rates, sign-on bonuses and perks from competing hospitals and related businesses.
- Hospital mergers continue at high rates and private physician practices are tossing in the towel to be acquired, either by hospitals or larger private equity-backed physician practices, or retiring.
- More acute health issues are being caused by postponement of treating current conditions or seeking preventive tests.
- Increased medical cost and utilization will bring trend to 11.5% in 2022.

Key Takeaways

- Pharmacy, including Specialty and Gene Therapy drugs remain the number one driver of health costs. New emphasis on Medical specialty drugs and their site of care delivery.
- The Virtual Employee and changing Generational demands have caused a change in Benefit and Compensation models to mitigate the impact of The Great Resignation
- Employers have been slow to change current benefit plans or implement any major cost savings models to avoid disruption during the pandemic.
- More personalized, holistic, voluntary benefits are being sought to meet personal needs and retain help.
- Employers have expanded wellness and mental health benefits and are taking responsibility for employee well-being.
- More communication and education throughout the year is being implemented to engage virtual employees and show value offered.

Key Takeaways

- Social Determinants of Health continue to take priority in employer group healthcare planning and Legislation.
- Legislation creates more compliance for groups on federal and state levels.
- Expect adoption of state exchange and possible public option plan.
- Facing challenged budgets and more recent demands to retain talent, employers will once again need to review alternative healthcare options to control cost.
- Remedies include: Sites for Lower Cost Care, Pharmacy Changes, Direct Primary Care, Wellness, Telehealth, Mental Health, Expanded Communication and Innovation, all with emphasis on SDoH.

The pandemic was a catalyst for many changes. Will the current healthcare model revert back to status quo or come out leaner under the return to Normal?