

Health care costs, benefits, and reform: What's the next move for employers?

Results of Deloitte's 2013 Survey of U.S. Employers



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Introduction

Employers are the primary source of health insurance for a majority of Americans, and close to one in three consumers consider employers to be their preferred source of health insurance benefits.⁽¹⁾ As buyers, employers believe the health care system is expensive and wasteful; many are disappointed with the performance of the health care system, and it falls well-short of expectations. With few insights as to why health care is so expensive and what to do to control rising costs, employers are seeking to actively manage their health care costs and to figure out how best to respond to insurance-related provisions of the Affordable Care Act (ACA or the Act).

Facing a limited range of options to solve their health care cost problems, employers are looking for advice and information to help them optimize alignment among their current strategies and those they believe might have the greatest potential for managing costs. New strategies are likely to emerge as employers weigh their options and as the implementation of the ACA impacts their thinking. For example, recently, several large companies, including Walgreens, IBM, and Time Warner, have announced major shifts in benefits strategies, stepping away from company-administered benefits plans and providing subsidies to move workers or retirees to private health insurance exchanges.⁽²⁻⁴⁾ The ACA is considered to be complex, difficult to understand, and for small employers in particular, adds an additional layer of complexity and costs.

To understand how employers are approaching these challenges and opportunities, the Deloitte¹ Center for Health Solutions conducted an online survey of a nationally representative sample of employers, with 50 or more workers, offering health benefits.¹ The findings, as discussed in this report, explore employers' views and opinions about the performance of the U.S. health care system; their preparedness for the ACA; their strategies and tactics to manage or reduce company health care costs, including preferences around purchasing insurance through exchanges; and their uncertainty about where to find value in the health care system.

In 2013:

- 57 percent of all companies offered health benefits⁽⁵⁾
- 80 percent of eligible workers chose to receive benefits from their employer⁽⁵⁾
- Benefits were offered by:
 - 99 percent of large companies (200 or more employees)
 - 91 percent of smaller companies (50 to 199 employees)⁽⁵⁾
- The average annual premium for employer-sponsored family health coverage reached \$16,351, of which employers paid \$11,786 or 72 percent.⁽⁵⁾

Background

Eight in 10 employers offer health and other benefits to attract and retain talent in their bid to capture the skills and expertise necessary to support business success. Employer-sponsored insurance provided benefits to 55 percent (170.9 million) of the total population in 2012;⁽⁶⁾ or about 56 percent (149 million) of the nonelderly population.⁽⁷⁾ The cost of health care is high and rising. For the past 10 years, health care costs have exceeded U.S. economic growth by an average 2.5 percent annually. The anticipated average annual growth rate of health care costs is 5.8 percent per year through 2022,⁽⁸⁾ well above gross domestic product (GDP), average wages, and productivity gains. Improving economic conditions,⁽⁹⁾ the impact of the ACA's insurance coverage expansions, declining population health overall, and an aging population will drive this health care expenditure growth.⁽⁸⁾

The ACA, passed in March 2010, creates new requirements and options for employers. Insurance-related provisions, such as requiring employers to provide affordable coverage (deferred to 2015),⁽¹⁰⁾ small business tax credits, and expanding individuals' access to health insurance either through the individual mandate or through Medicaid expansion programs, will directly and indirectly impact employers' future benefits decisions.

¹ As used in this document, "Deloitte" means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

² Note: Data were collected in May-June 2013 prior to the 2 July 2013 announcement by the U.S. Department of the Treasury of deferral of compliance with the employer shared responsibility rule ('employer mandate') by one year, until 2015. Further information about the survey methodology is in the appendix.

Key findings

Forthcoming changes to the insurance market landscape in 2014 and 2015 will bring many employers to a crossroad. As health care reform continues to unfold, markets evolve, and costs continue to rise, employers will need to make important strategic decisions to shape company responses to health care reform. Some employers may decide to no longer provide health care coverage to employees to focus on other priorities and commercial objectives, while others may continue “business as usual” and provide benefits but potentially using different models. Individual employers’ decisions likely will be influenced by competitive considerations and the employer mandate (when effective in 2015).

A less than optimistic picture emerges from the findings of this study. Employers recognize that the health care system fails to meet their needs for information transparency, price transparency, and better value. From employers’ perspective, obtaining better value, transparency, and higher quality from health care are imperatives. Employers view the U.S. health care system as underperforming, expensive, and wasteful. And, they believe that the high cost of the health care system is primarily due to price. Health care costs are being driven by many factors, including hospital costs, prescription drug costs, system wastefulness, defensive medicine, poor lifestyle choices, government regulation, and fraud. Employers believe they are doing the best they can with the strategies available to them to control or reduce their health care costs. However, they don’t have the tools that they want to enable them to do a better job managing costs and addressing the quality and value issues they’re experiencing.

Although familiar with many of the ACA’s insurance elements, three years into implementation, the Act remains largely a mystery to many employers. This is the case even as companies are facing important strategic decisions about how they will respond to the launch of health insurance exchanges in 2014 (following enrollment that began October 1, 2013) and the employer mandate in 2015. Employers believe that the ACA will ultimately increase access to insurance for many individuals, but is unlikely to improve quality or substantially impact employers’ problems of costs. And, small companies in particular are not happy with the additional burden introduced by the ACA regulations. Faced with complex decisions about how best to respond to the Act, employers do not believe transparent and understandable information is available to help them make decisions, nor are trusted sources of help and advice. According to those surveyed, government agencies are the least well-regarded sources of information to help companies make value-based purchasing decisions.

Cost-sharing strategies designed to shift more responsibility for managing consumption and expenditures to employees are widely used by employers to reduce or control health care costs. “Tried and true” tactics such as increasing premium contributions and adjusting plan content are in play. But even as employers report that alternatives such as defined contributions and workforce reorganization may well have a “major” impact on managing costs, these strategies are less frequently used. There is a gap between what employers are currently using and the tactics they think could have a significant impact on managing costs. Taking steps to ensure greater employee engagement, behavior change, and lowering health risks is evident for some but not the majority of employers. Few appear to be evaluating the return on investment (ROI) of wellness programs or undertaking claims analyses to drive insights and decision-making.

Many employers appear to be adopting a “wait and see” approach regarding public and private exchanges. It may be that they are watching to see if the exchanges will gain traction, offer a viable solution, or are concerned about the risks of being a “first mover.” Smaller companies may wait to see where the large players lead. For others, it may be a timing factor. In many states, exchanges will not be open to companies of more than 50 employees until 2016, and in no states will exchanges be open for companies larger than 100 employees before 2017.

Employer views on the performance of the U.S. health care system

Employers give the overall performance of the U.S. health care system a mixed report card. Very few give the system an "A"; a "C" is the most common grade. For an industry expected to consume \$2.9 trillion or 18 percent of GDP in 2013,⁽⁸⁾ the predominant view is that the U.S. health care system is underperforming, with cost as the major concern.

Employers believe that costs are too high, and that they are driven by hospital costs, prescription drug costs, system wastefulness, defensive medicine, individuals' poor lifestyle choices, government regulation, and fraud. While employers view technology as a lesser cost driver — 58 percent designate it as "minor/no influence" — literature suggests that unlike in other industries where technology reduces costs, in health care new and expanded technological capabilities are the root cause of roughly half of the increase in long-term health care spending growth over the past few decades.⁽¹¹⁻¹⁴⁾

Employers believe that the health care system has fallen short in terms of delivering better value through improved performance and cost and price transparency.

In the eyes of three key players, the U.S. health care system underperforms

The overwhelming verdict from three key players in the health care system — employers, physicians, and consumers — is that the system's overall performance is mediocre. All three stakeholders approach health care from unique perspectives — seeing value, quality, costs, and system organization through very different lenses. But, two-thirds of employers and physicians and close to four in five consumers grade the performance of the health care system at a "C" or below.

Overall performance of the U.S. health care system

Using a typical report card scale with grades of A, B, C, D, and F, with A being excellent and F being failing, how would you grade the overall performance of the U.S. health care system?

	Employers	Physicians	Consumers*
Favorable "A" or "B"	33%	31%	21%
Average "C"	38%	44%	31%
Poor "D" or "F"	29%	25%	45%

Chart displays weighted percentages for employers and physicians
Data are rounded

* 3 percent of consumers responded "don't know"

Data sources: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
Deloitte Center for Health Solutions: 2013 Survey U.S. Physicians
Deloitte Center for Health Solutions: 2013 Survey of U.S. Health Care Consumers
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Employers consider the health care system wasteful, inefficient, and expensive

Cost is perceived as being driven by hospital costs, prescription drug costs, system wastefulness, defensive medicine, poor lifestyle choices, government regulation, and fraud.

Drivers of overall health care system costs

The total costs of the health care system have increased by about 4%* annually in the last few years. Many factors drive those costs. In your view, how much influence do each of the following have on overall health care system costs?

* Hartman et al. Health Affairs, 32, No.1, (2013), 87-99.

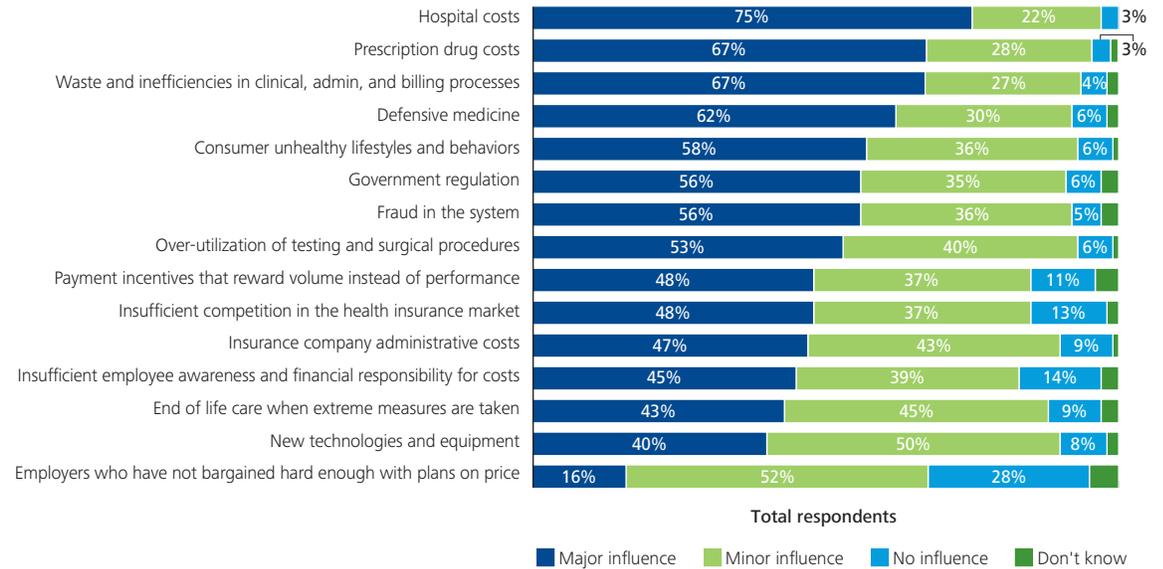


Chart displays weighted percentages

Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
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Drivers of health care costs

Views vary by company position. C-suite executives point to hospital costs, waste and inefficiencies, and prescription drug costs as the top three drivers of health care costs. HR executives round out their top three cost drivers with government regulation.

Top three influences on health care system costs

The total costs of the health care system have increased by about 4%* annually in the last few years. Many factors drive those costs. In your view, how much influence do each of the following have on overall health care system costs?

* Hartman et al. Health Affairs, 32, No.1, (2013), 87-99.

Owner/CEO/President		CFO		HR Executive	
Hospital costs	72%	Hospital costs	81%	Hospital costs	70%
Waste/Inefficiencies	68%	Waste/Inefficiencies	69%	Government regulation	60%
Prescription drug costs	66%	Prescription drug costs	67%	Prescription drug costs	59%

Note: "major influence" shown
Chart displays weighted percentages

Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
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Value and performance transparency underpin employer views on health care system improvement

Employers believe that health care system improvement hinges on the availability of better information and more transparency. In their view, price and quality of care/performance transparency, insurance system reform, payment for outcomes, and the use of health information technology (HIT) are key to improving system performance. Many expect that the employer penalty for not providing coverage will have little impact: 22 percent of total respondents believe this will have a 'high impact' on improving the overall performance of the health care system, 42 percent say this will have a 'low impact' (not shown).

Top three health care system performance improvement strategies

Please rate the likely impact of each feature shown below in improving the overall performance of the U.S. health care system:

50-100 employees		101-999 employees	
Quality of care information	54%	Price transparency	56%
Price transparency	51%	Increase use of HIT	47%
Medical loss ratio	46%	Medical loss ratio	41%
1000-2499 employees*		2500+ employees	
Cover pre-existing conditions	42%	Increase use of HIT	49%
Align payment with outcomes	39%	Price transparency	46%
Price transparency	36%	Align payment with outcomes	46%

Note: "high impact" shown
Chart displays weighted percentages

* Small sample; directional only

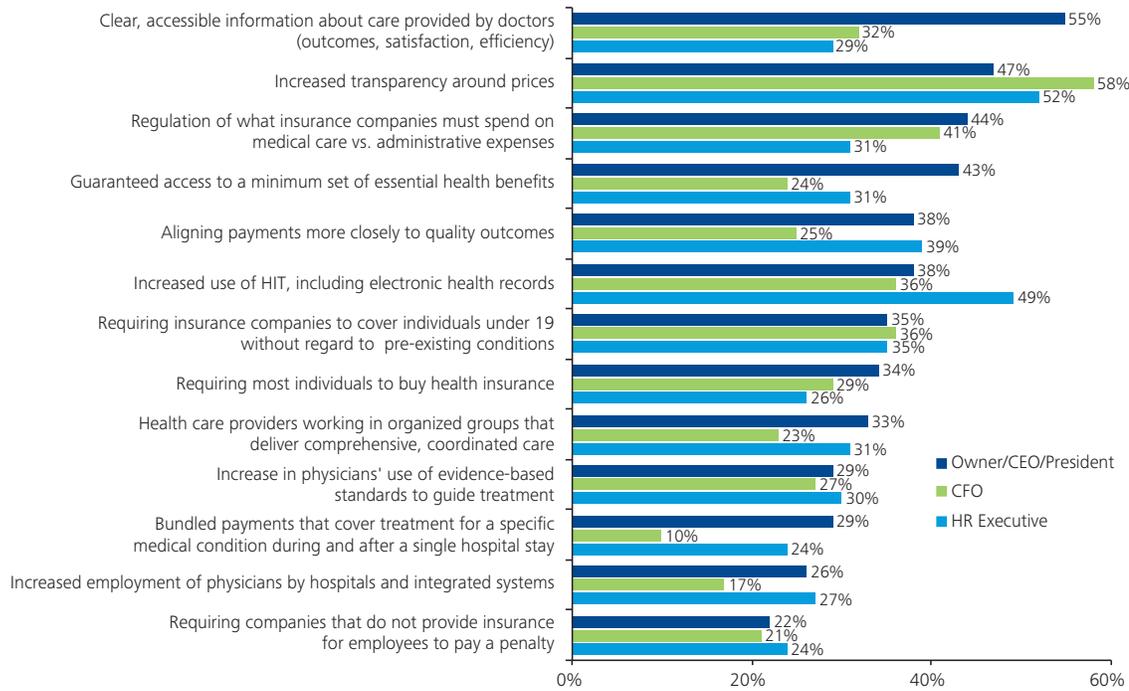
Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
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Views vary by company position

Differing views are held by C-suite executives and HR executives on system improvement. Owners/CEOs/presidents favor transparent information on care outcomes, satisfaction, and efficiency (55 percent), whereas CFOs (58 percent) and HR executives (52 percent) stress the importance of increased price transparency.

Improving the overall performance of the U.S. health care system

Please rate the likely impact of each feature shown below on improving the overall performance of the U.S. health care system:



Note: "high impact" shown
 Chart displays weighted percentages

Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
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Employer views on the Affordable Care Act

Employers are clearly divided about health care reform, and many smaller companies do not favor the ACA. Reform is viewed by employers as likely to achieve greater access to health insurance and health care for many individuals, but unlikely to impact the other primary goals of improving quality and lowering costs. Three years into the reform process, the ACA is still not well understood. In addition, employers see a need to accelerate changes that address value and quality.

The ACA's first phase has focused on health insurance industry changes. It presents an opportunity for smaller employers (initially those with fewer than 50 or 100 employees, depending on the state) to gain access to new channels to purchase employee health benefits – potentially offering a broader choice of plans and increased affordability via more transparency and market competition in many states. Health care delivery system reorganization, targeted in the ACA through accountable care pilots and other mechanisms, is likely to be slower to materialize, which is perhaps reflected in employers' skepticism about whether the ACA will succeed in reducing costs or improving quality.

For larger organizations, reform offers the opportunity to revisit and rethink company benefits strategies. ACA-driven insurance market changes may offer new approaches and opportunities for alternative sources of health care coverage. Emerging strategies may include a comprehensive talent management approach based on workforce segmentation and the creation of various benefits structures reflecting different health care needs and personal circumstances. New styles of plans that feature accumulation of benefits or equity may be one lever to encourage individuals to pay attention to and be accountable for their health status and resources consumption.

Are employers ready for health care reform? It depends on who you ask, as there is a large gap between the perspectives of the C-suite and the HR team on this topic.

Divided employer views on health care reform

Larger companies (over 1,000 employees) are split: around half feel that the ACA is a “good start,” just under half disagree, and others are ambivalent. Smaller employers do not favor the ACA, with more than 50 percent of medium-size and small employers saying it is a “step in the wrong direction.”

Health care reform: a “good start” or a “step in the wrong direction”?

Based on what you know or have heard about the Affordable Care Act, is it a good start toward reforming the health care system or a step in the wrong direction?

	“Good start” 	“A step in the wrong direction” 	“Don’t know/ no opinion” 
• 50-100 employees	33%	52%	15%
• 101-999 employees	33%	55%	11%
• 1,000-2,499 employees*	50%	46%	4%
• 2,500+ employees	47%	41%	12%
Total respondents	34%	53%	13%

** Small sample; directional only
Chart displays weighted percentages*

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Only one “Triple Aim” goal likely to be achieved

Nearly half of employers believe that the ACA will succeed at improving access to insurance, but most are skeptical about the ACA’s impact on reaching the other two “Triple Aim” goals of reducing costs and improving quality of care.

Access rather than cost reduction or quality improvement

Looking ahead to 2019 at the policies implemented (and yet to be implemented) by the Affordable Care Act, do you believe it will succeed in...?

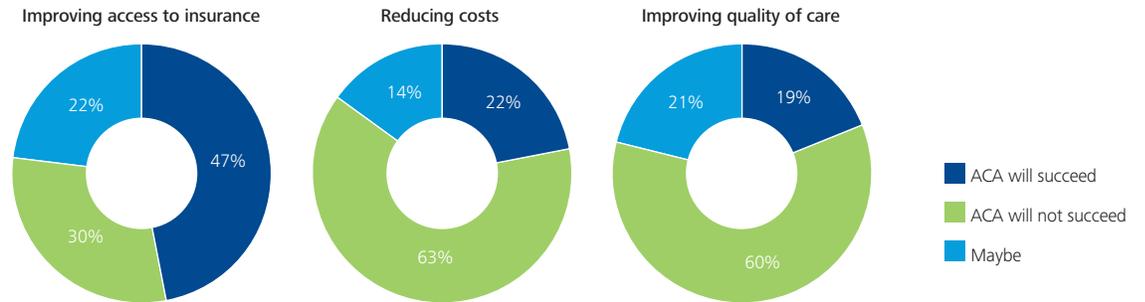


Chart displays weighted percentages

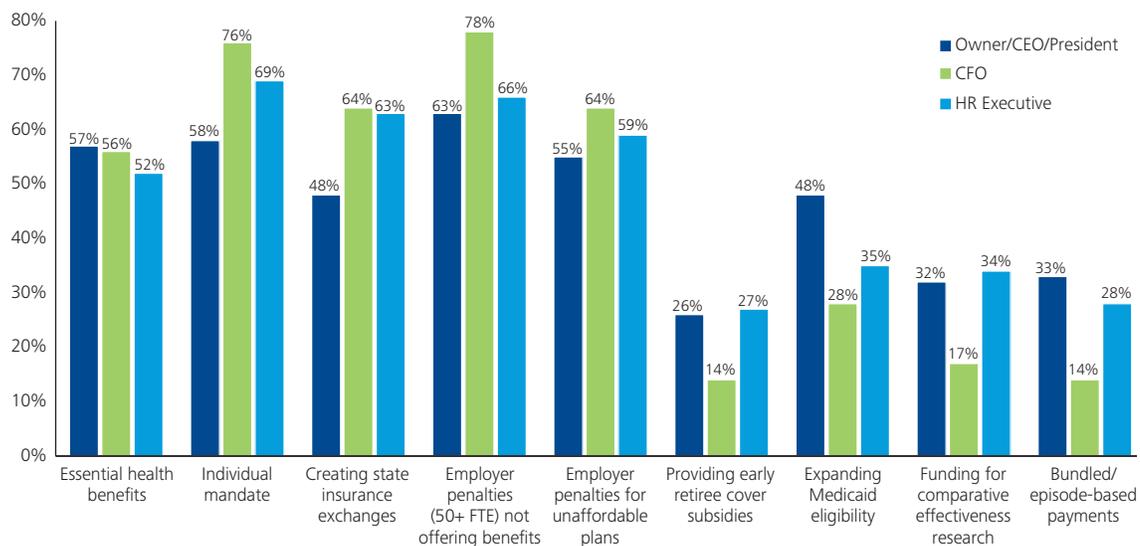
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Three years in, many employers do not fully understand features of the ACA

Employers still don't understand the full scope of the ACA. Most are familiar with the employer penalty provisions and the "employer mandate." CFOs, in particular, are attuned to the individual mandate and to penalties; HR executives show a broader based familiarity with key provisions of the ACA specific to health insurance.

Views differ by position: C-suite and HR

On a scale of 1 to 10, with "1" being not at all familiar and "10" being very familiar, how familiar are you with the following elements of the health reform law that relate to health insurance?



Note: Rating of 8,9, or 10 shown
Chart displays weighted percentages

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Ready, set...change

Only one in three employers feel that their HR department is completely prepared to navigate the changing health care environment — a finding consistent across all organization sizes (not shown).

Employer preparedness

To what extent do you feel that your HR department is prepared to navigate the changing health care environment for your company?

“Completely prepared”*
(those responding 8,9, or 10)



“Not at all prepared”
(those responding 1,2, or 3)



34%	Owner/CEO/President	13%
28%	CFO	22%
40%	HR Executive	2%
33%	All respondents	17%

**A 10-point scale where 10 is “completely prepared” and 1 is “not at all prepared.”*

Table shows weighted percentages

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Employer views on strategies and tactics to manage health care costs

“Cautious and watchful” describes many employers’ current mindset. Focused on managing and controlling their health care costs, employers are sticking with strategies that they have likely employed for some time. And, there is a clear difference between the practices employers are currently using and the perceived potential impact of those strategies on reducing or managing costs.

Cost-sharing and plan design are favored tactics for addressing health care costs, consistent with findings elsewhere, suggesting that consumers are assuming more of the total cost of care. A clear trend of employers shifting expenses to employees is evident in the increasing numbers of employees with deductibles. From 2006 to 2013, the percentage of covered workers enrolled in a plan with a general annual deductible rose from 55 percent to 78 percent.⁽⁵⁾ The average deductible for single coverage rose from \$584 to \$1,135 over that same period.⁽⁵⁾ A recent study reports that while the rates of employer-sponsored insurance in Massachusetts continued to be strong post-reform in that state, employers had recalibrated their coverage by scaling back benefits and increasing employee cost-sharing and financial responsibility.⁽¹⁵⁾

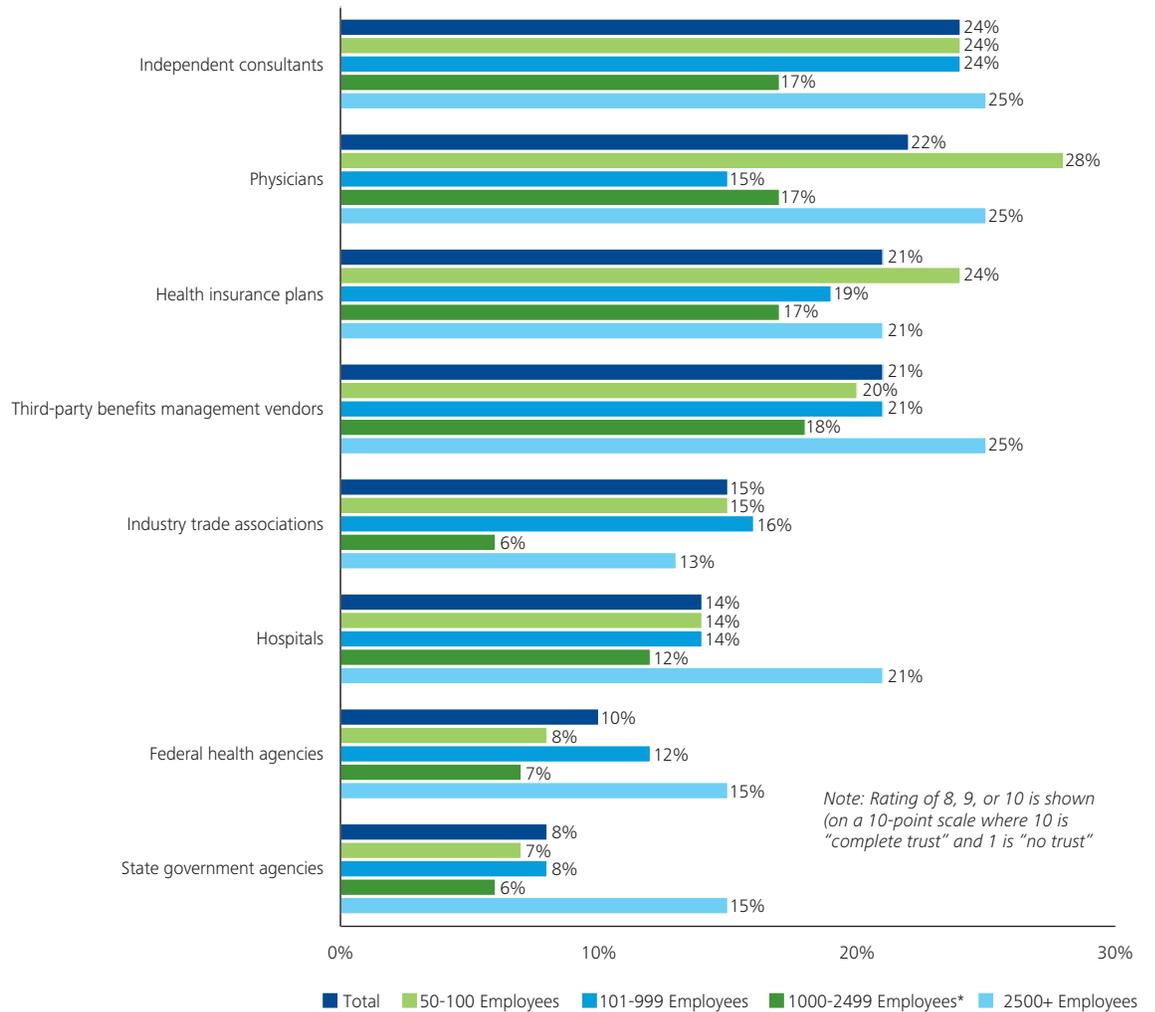
Many employers maintain a focus on health maintenance and wellness in their efforts to manage health care spending. Fewer use education, information, or incentives to shape employee behavior, although this tactic is more common in the largest companies. Deep-seated organizational change and significant communications are required to support many of these behavioral strategies, as evidenced in a recent example of employee backlash against wellness programs that were perceived to be intrusive.⁽¹⁶⁾ Complicating this challenge is consumers’ lack of understanding of health insurance: even those with insurance have a poor understanding, with just 14 percent being able to explain the four key concepts of deductibles, co-pays, co-insurance, and out-of-pocket maximums.⁽¹⁷⁾ This clearly presents a challenge for employers seeking to drive greater engagement and responsibility for health care consumption choices among their employees through the financial aspects of health plan design.

Going it alone? No single trusted source of information for value-based decisions

Employers lack trusted sources of information to help them make value-based purchasing decisions. Government agencies are identified as the least well-regarded sources. The smallest companies rely upon physicians, consultants, and health plans for information; the largest companies have a broader base of sources of information relying on independent consultants, third-party benefits managers, and physicians for information. One in three (34 percent) HR executives trusts independent consultants as compared with 22 percent of CFOs and 20 percent of owners/CEOs/presidents. One in four (25 percent) CFOs prefers third-party managers as a source of information; one in four (26 percent) owners/CEOs/presidents prefers physicians (all not shown).

Trusted sources of information

Employers are seeking improved value for their investment in health care. How much trust do you have in the following sources of information to help your company purchase health care services based on value (high quality, low cost)?



* Small sample; directional only
Chart displays weighted percentages

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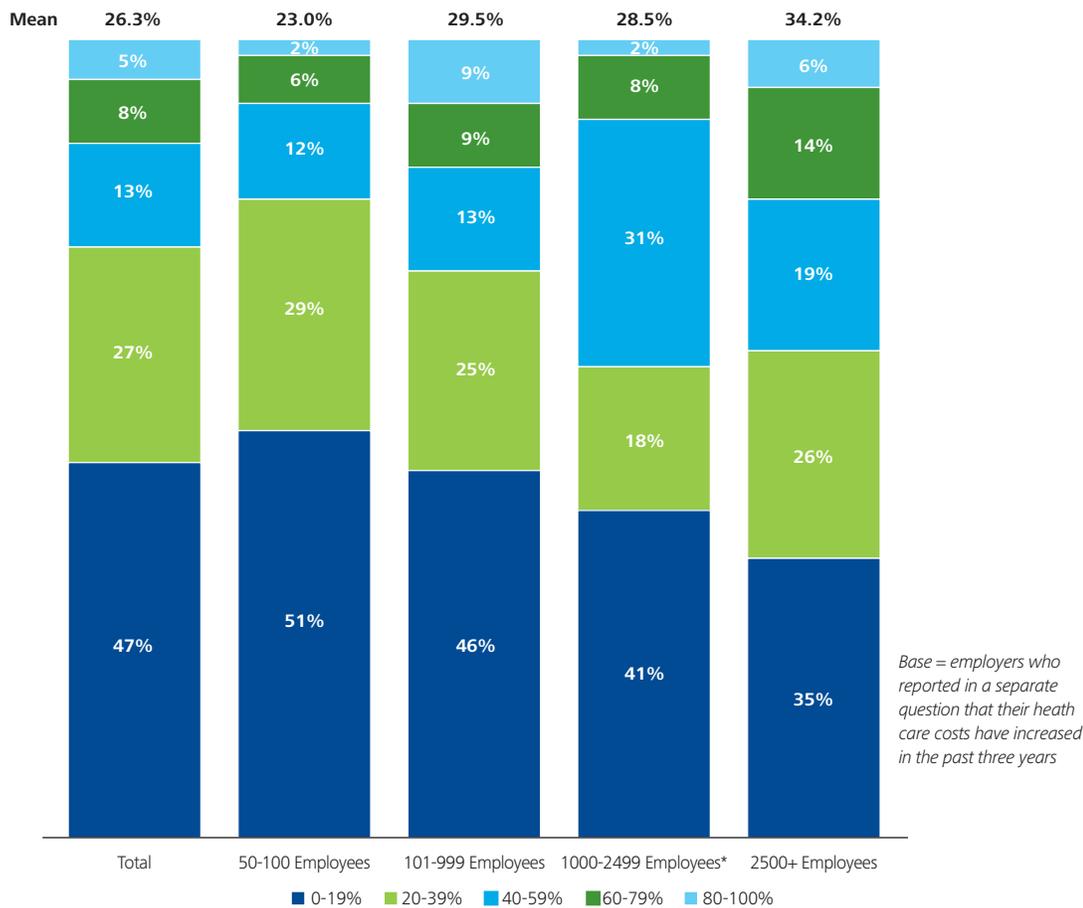
Employers' cost increase experience differs from national spending

Annual U.S. national health care spending grew around four percent per year from 2009 to 2011. ⁽¹⁸⁾ Employers' experience, however, is different. 80 percent of employers say their health care costs increased over the past three years (17 percent stayed the same, three percent decreased); respondents estimate average growth of around 30 percent over that time (not shown). Employers anticipate health care cost growth will average 19 percent in 2013-2014 (not shown).

Many employers are passing on cost increases to employees to reduce or manage overall costs. Employers who experienced increased health care costs estimate that they passed-on an average 26 percent of the total cost increase to employees through benefit restructuring and cost-sharing mechanisms.

Cost-sharing with employees

In the past three years, what percentage of the cost increase in health coverage do you estimate your company passed through to employees via employee contributions, increased co-pays/deductibles, or coverage restrictions?



* Small sample; directional only
Chart displays weighted percentages

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Most commonly used cost management tactics

Using “tried and true” cost-sharing and wellness programs are among employers’ top strategies to manage costs, but their use varies by company size. Specifically, employers choose to:

- Increase employee financial responsibility for health care costs (54 percent)
- Use health improvement and wellness strategies (36 percent)
- Use plan design such as consumer-directed health plans or utilization management to detect unnecessary care (28 percent)

While defined contributions and benefits restructuring are considered as potentially having a high impact on managing costs, many employers have yet to adopt these strategies.

There is a gap between tactics employers are currently using and what they consider to have “high” impact on managing or reducing health care costs. For example, few employers (18 percent) report reducing the number of employees eligible for benefits by limiting hours worked – although one in four (25 percent) says this strategy may have a high impact on managing or reducing health care costs. Recent research suggests that a shift in the labor market towards part-time work as a result of the ACA is unlikely, with the incidence of part-time work expected to increase by one to two percentage points or less when the ACA is fully implemented.^(19, 20)

Tactics employers believe will impact cost management

*Which of the following strategies do you currently use to reduce or manage [your company's] health care costs?
Of the following strategies, how much of an impact does each have on reducing or managing a company's total health care costs?*

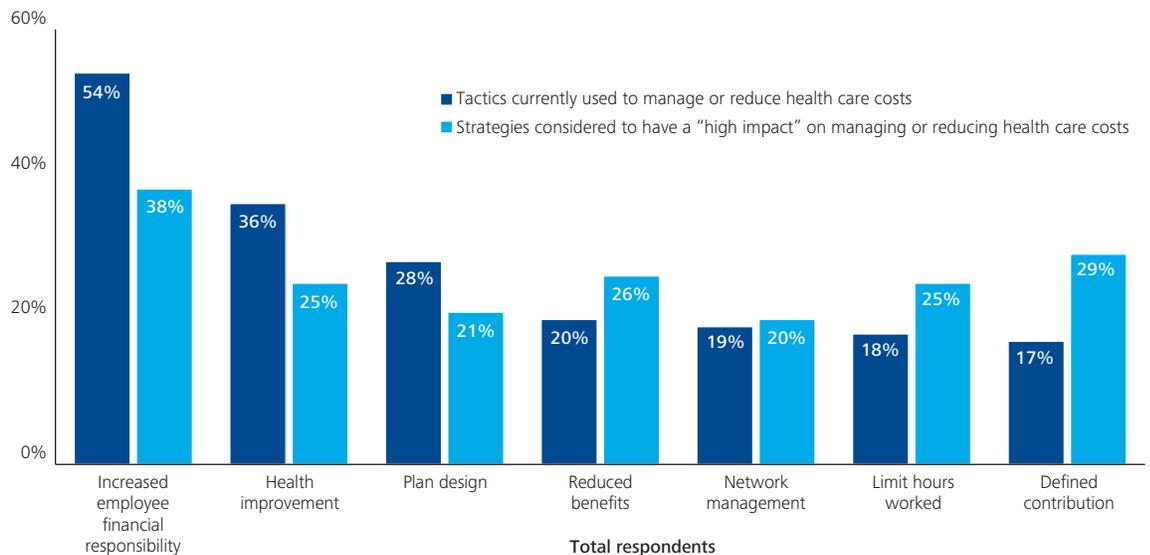


Chart displays weighted percentages

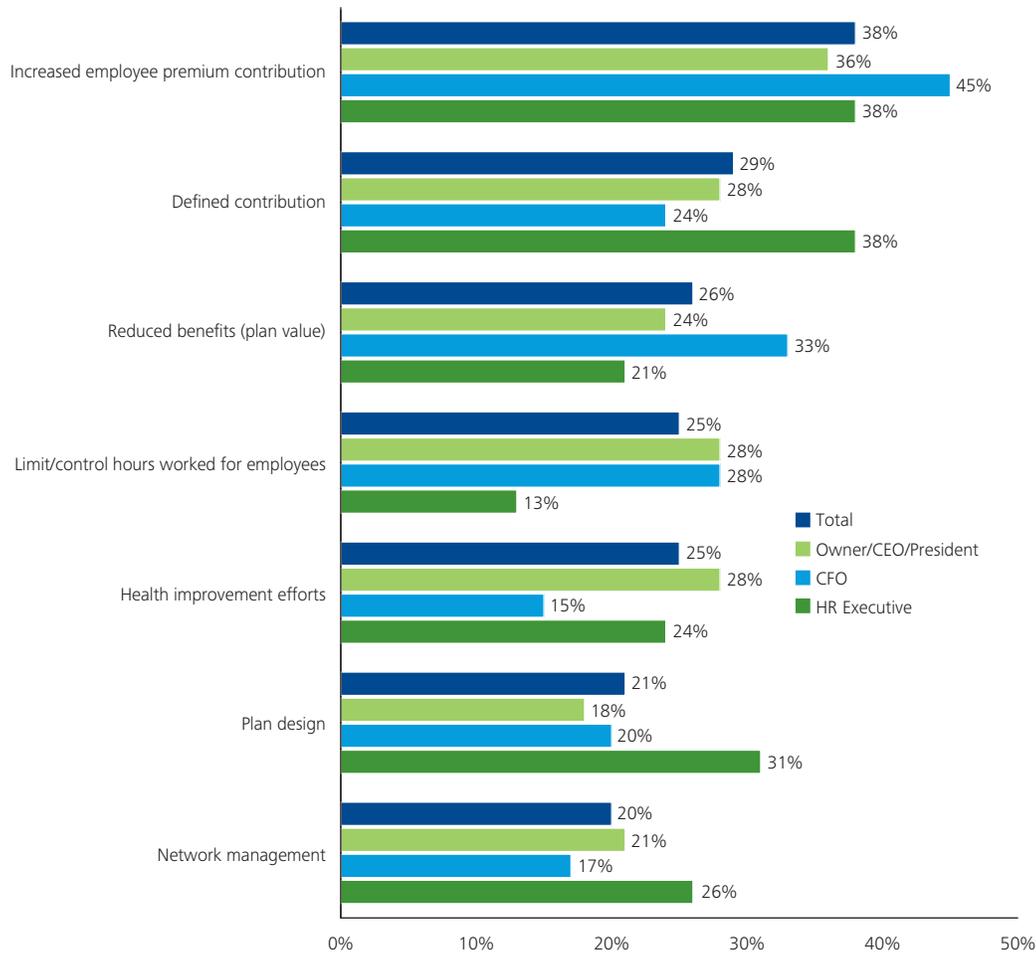
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Top tactics with potential to impact cost management

To impact managing companies' health care costs, all types of executive respondents favor increasing employee financial responsibility (38 percent), but views differ by position.

Top tactics

Of the following strategies how much of an impact does each have on reducing or managing a company's total health care costs?



*Note: "high impact" shown
Chart displays weighted percentages*

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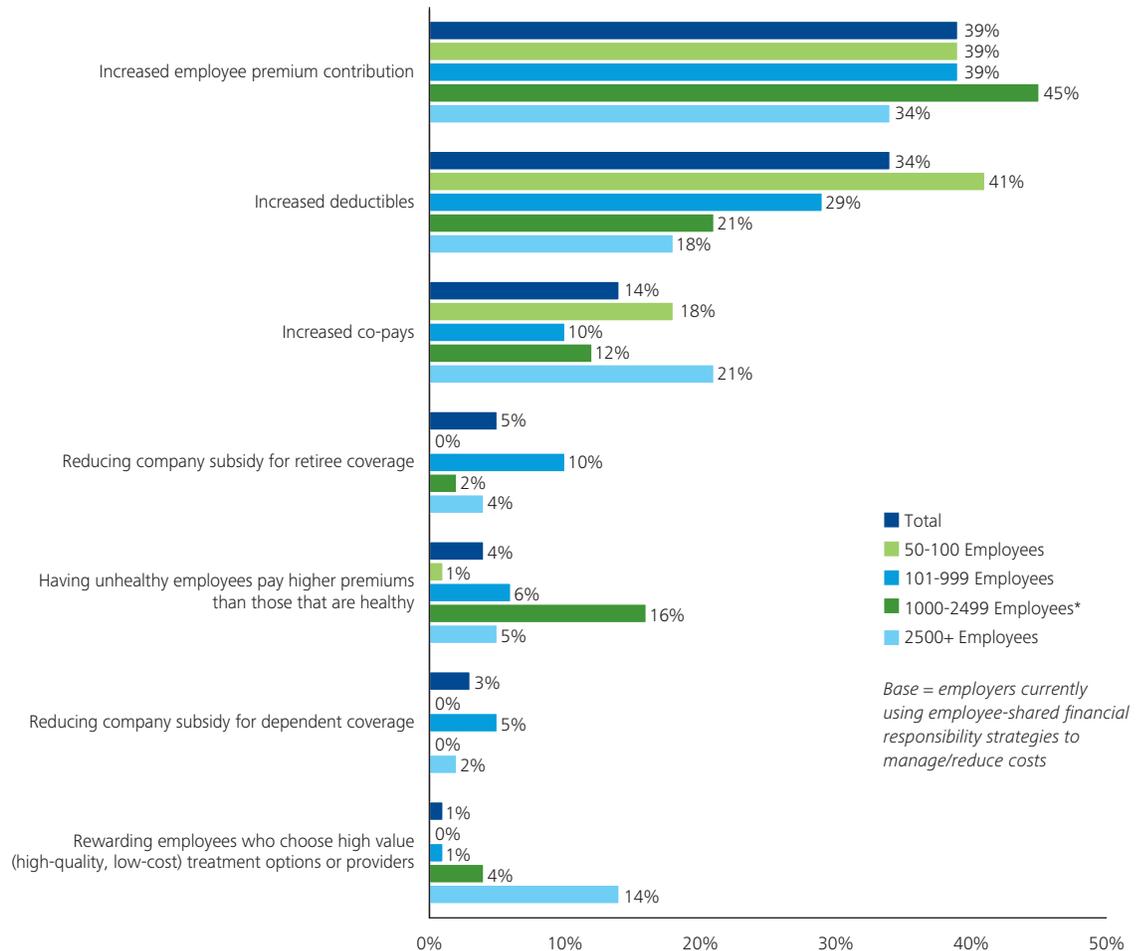
Sharing financial responsibility

Of companies currently using tactics to share financial responsibility with employees, employers consider the most effective approaches to reducing or managing total health care costs to be:

- Increasing premium contributions (39 percent of total respondents)
- Increasing deductibles: favored by 41 percent of smaller companies (50-100 employees) versus 18 percent of larger companies (2,500+ employees)
- Increasing co-pays: preferred by 21 percent of the largest companies (2,500+ employees) versus 10 percent of smaller companies (101-999 employees)
- Using incentives to direct employees towards high-value option choices: favored by 14 percent of the largest companies (2,500+ employees)

Effective measures to share financial responsibility with employees

In your company, which of the following tactics to share financial responsibility with employees has been the most effective in reducing or managing total health care costs?



* Small sample; directional only
Chart displays weighted percentages

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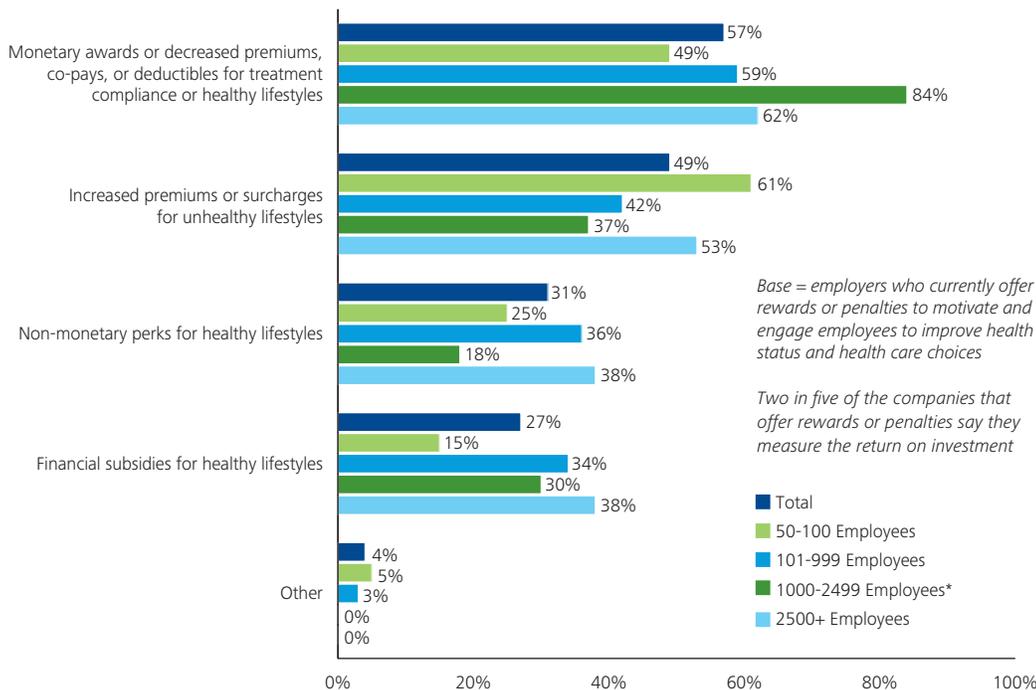
Shaping employee behavior through information and engagement

Around half of companies share information about care cost and quality with their employees. Larger companies, in particular (69 percent of those with 2,500+ employees), do so as compared with the smallest companies (47 percent of those with 50-100 employees) (not shown).

Some employers (26 percent) invest in rewards and penalties, technologies, and coaching. Over one in three (37 percent) include family members to encourage improvements in employees' and dependents' health status (not shown). Incentives and penalties are more likely to be used by larger companies. Monetary rewards are the most common incentive, offered by more than half of companies which use rewards or penalties as incentives. Two in five (39 percent) respondents measure the return on investment of their wellness programs.

Rewards or penalties to promote improved employee health care choices

You mentioned that your company offers rewards or penalties to motivate and engage your employees to improve their health status and health care choices. What rewards or penalties does your company use?



* Small sample; directional only
 Chart displays weighted percentages

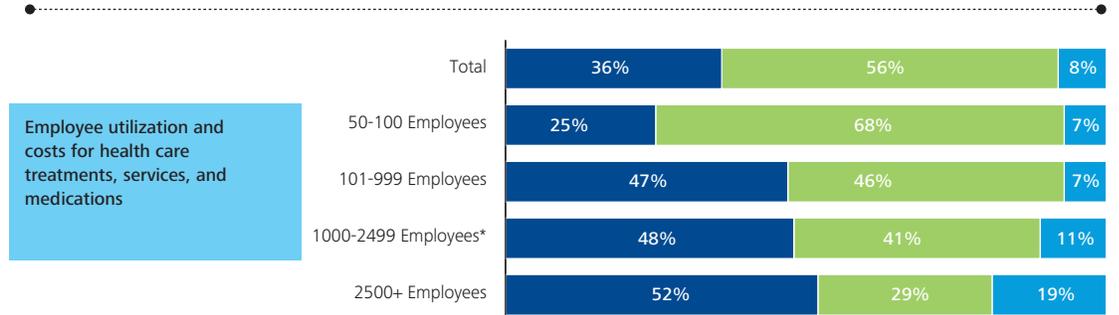
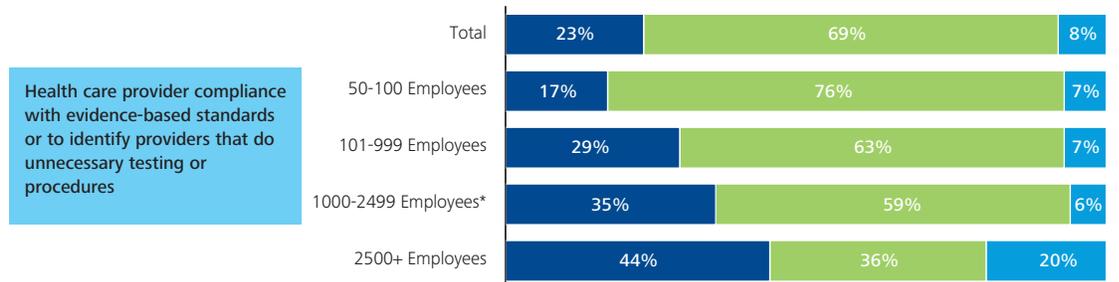
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Few undertake claims analyses to drive insights and decision-making

Despite seeking to actively manage health care costs, the majority of employers have not analyzed their own claims data. This varies by employer size; larger companies are more likely to have undertaken claims analysis than are smaller employers.

Analyzed company's claims data

Has your company analyzed its own clinical claims data to determine...?



■ Analyzed company's claims data ■ Has not analyzed company's claims data ■ Don't know

** Small sample; directional only
Chart displays weighted percentages*

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Exchanges (public or private) are not familiar to all employers

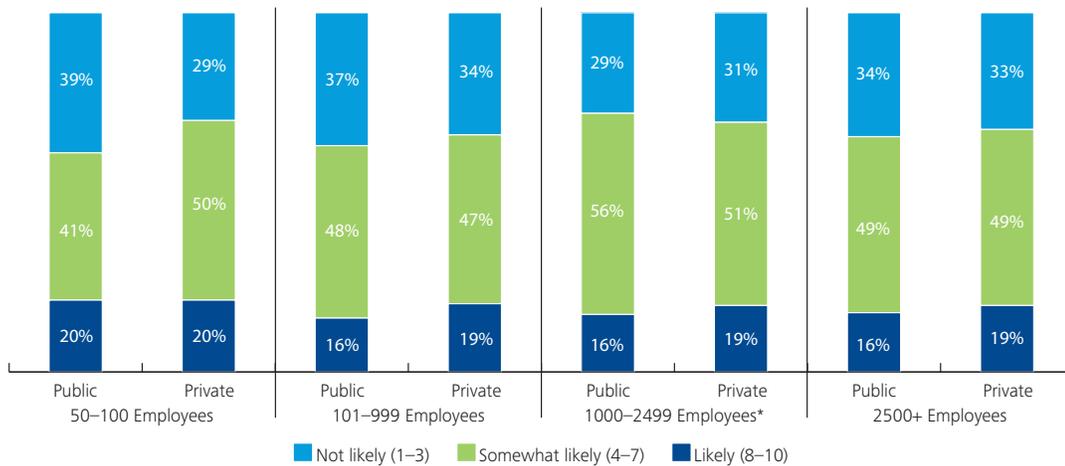
Employers with between 50 and 100 employees are currently eligible to participate in public health insurance exchanges (depending on the state). Of these, 20 percent say they are “likely” to participate in public health insurance exchanges. Others, either by choice or lack of the option, are adopting a “wait and see” position with respect to public exchanges. Some, however, are starting to shift to new benefits management strategies such as defined contributions.

Three in five employers are familiar with health insurance exchanges (not shown).

Many employers say their likelihood of using exchanges is possible but not right now – this is true of both public exchanges (if they meet state eligibility requirements) and private exchanges.

Interest in using health insurance exchanges

*If 50-100 employees: How likely is your company to use a public exchange if your company met the eligibility requirements in your state?
 If 100 or more employees: How likely is your company to use a public exchange in 2017 when they are opened up to large employers?
 All employers: How likely is your company to use a private health insurance exchange as a channel for providing health insurance for your employees?*



* Small sample; directional only
 Data are rounded and may not total 100

Responses based on a scale of 1 to 10, where “1” is not at all and “10” is very likely

Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
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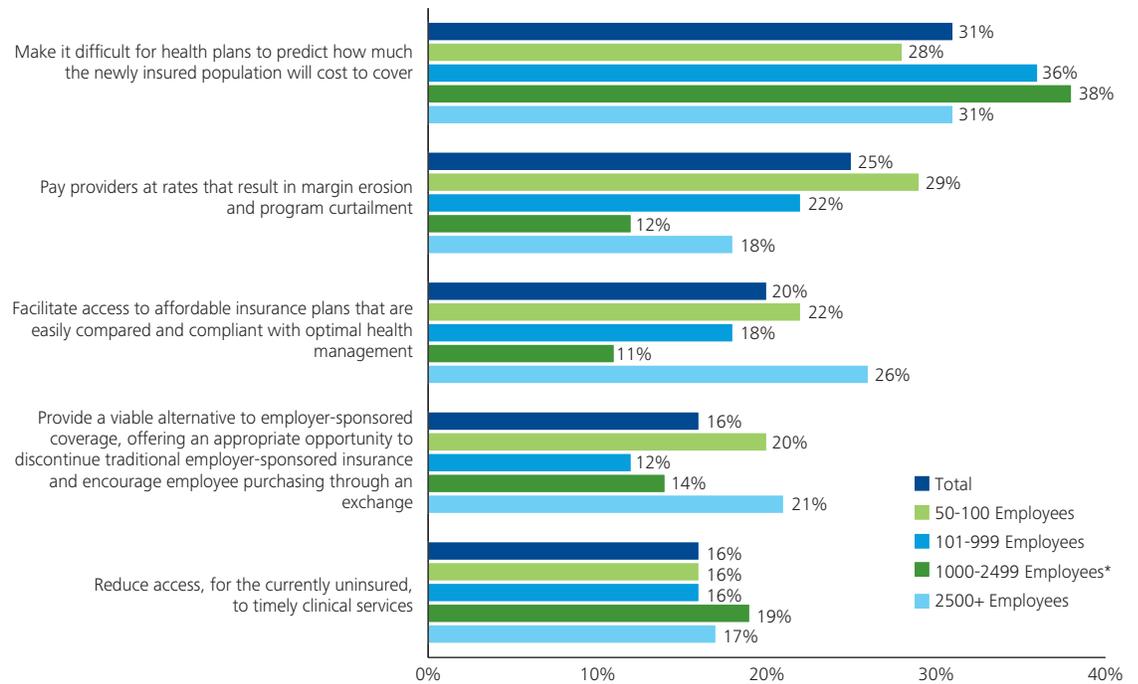
Impact of health insurance exchanges

Around one in three employers anticipate public exchanges may challenge the insurance system (e.g., contribute to margin erosion, create difficulties in predicting costs); fewer than one in five employers view exchanges as a viable option to replace employer-sponsored coverage.

Twenty-seven percent of employers believe that private exchanges will enable consumers to make better health care choices, and nearly as many believe that private exchanges will be a viable alternative to public exchanges.

Public exchanges

To what extent do you agree or disagree with the following statements about public health insurance exchanges?



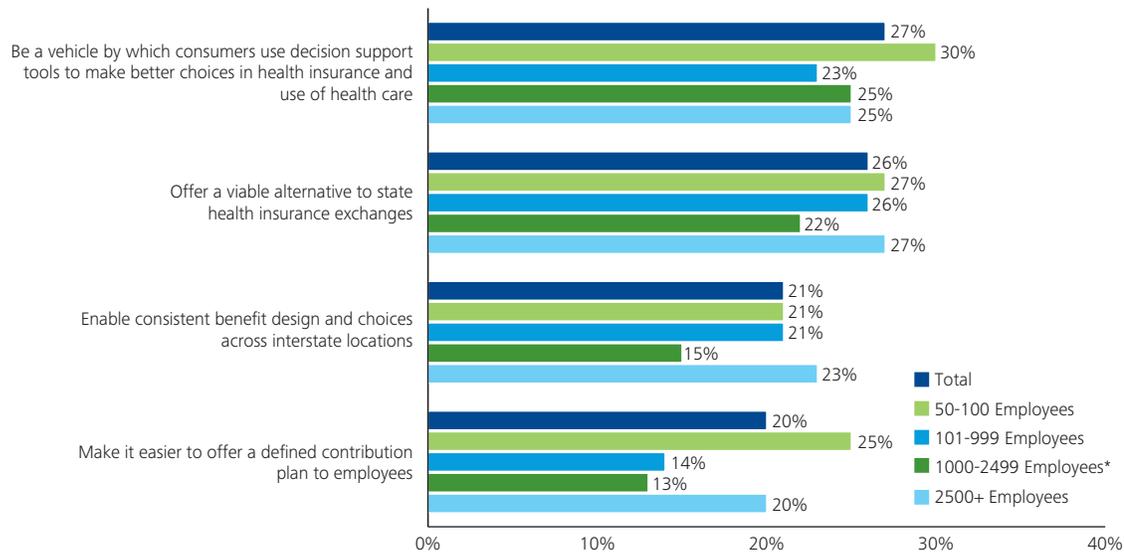
* Small sample; directional only

Note: Rating of 8, 9, or 10 shown on a 10-point scale where 10 is "totally agree" and 1 is "totally disagree" Chart displays weighted percentages

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Private exchanges

To what extent do you agree or disagree with the following statements about private health insurance exchanges?



* Small sample; directional only

Note: Rating of 8, 9, or 10 shown on a 10-point scale where 10 is "totally agree" and 1 is "totally disagree"
 Chart displays weighted percentages

Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
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Our view

Employers play a significant role in the provision and financing of health insurance and their opinions about health care reform and experiences with the health care system matter. Employers are dissatisfied with what they are getting from their investment in employee health: the health care system is perceived to be costly, wasteful, underperforming, and lacking in transparency. They expect better value for their money. Based on survey responses, the health care reform law is considered to be too complex, adds an extra level of burden for smaller organizations, and unlikely to impact employers' key problems in managing or reducing health care costs. Many say they are not likely to use health insurance exchanges for now (if eligible) or in the future (when eligible) – either public or private. Employers are looking for solutions.

Good news and bad news await employers as higher economic growth levels are anticipated in 2014,⁽⁹⁾ but a quickening in the growth of health care spending from 4 percent to 6.1 percent in 2014 is also forecast.⁽⁸⁾ Therefore, there is a need to accelerate changes that focus on transparency of value, performance, and quality. Employers will continue to optimize current strategies and explore new and emerging approaches, including wellness, incentives for compliance, and surcharges to encourage better lifestyles.

As employers' decisions and intentions become clearer, other stakeholders may play a role in deliberations. In particular:

Policy makers and government agencies may need to:

- Focus on transparency and clear standards that enhance the ability of employers to make comparisons and value-based decisions
- Continue to focus on how to improve (and measure) the value of care provided (cost and quality)
- Continue to foster innovation and delivery system reforms (e.g., evidence-based, use of technology/mobile and virtual health)
- Become a trusted adviser/partner with employers, offering avenues for advice, information, and assistance as employers navigate health care system changes

Health care providers and health plans may seek to:

- Focus on price and quality transparency: help employers understand and evaluate what they are buying
- Create new sites and models of care that lower the unit price of services

- Shift focus towards prevention, health improvement, and population management
- Increase focus on delivering evidence-based medicine and on reducing both inappropriate variations in care and in disparities in pricing
- Develop greater clarity and transparency around health plan value propositions. This will help to build greater trust in negotiating the relationship between employers and insurers, as well as assist employees (and other consumers) in selecting high-value plans
- Assist employers with their shift towards increased focus on employee engagement and health improvement. Care management and wellness programs are likely to increase in importance to employers and health plans, especially in industries that compete for talent, as defined contribution program design becomes standard for companies
- Facilitate employers tracking/evaluation of the ROI of investing in prevention and wellness
- Develop innovative capabilities to address population health, drawing upon behavioral science and levers such as incentives and penalties to help employers pursue healthy workplace programs and develop service delivery options such as convenient care in onsite clinics, retail clinics, and the use of mHealth technologies

Conclusion

Employee ill health is expensive — to employers and to the nation. Employers are active and engaged in managing company health care costs while seeking improvements in their workforce's health status. Companies are seeking clear channels for growth through better cost control, increasing cost-sharing strategies with employees, and restructuring benefits packages.

Many employers are sitting on the fence with respect to any radical changes in their employee health care coverage strategy. Talent management considerations and organizational operating structures/models will determine actions to a great extent. However, the clock is ticking. Individual employers' decisions will be influenced by talent considerations, the employer mandate (when effective in 2015), and observing competitors' actions. Employers have a great number of unmet needs and those that can offer a solution would enjoy a large market; employers regardless of size are asking for greater transparency and options to control costs. What is clear is that "doing nothing" is not an option.



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Appendix

The Deloitte Center for Health Solutions conducted an online survey of a nationally representative sample of employers with 50 or more workers who offer health benefits. Employer data were collected prior to the July 2013 announcement of deferral of compliance with the employer shared responsibility rule ('employer mandate') by one year, until 2015. This survey provides "baseline" assessments of employers' views and behaviors just as some major shifts in insurance coverage requirements and opportunities are about to impact the health care environment.

Survey sample	A web-based survey of 500 randomly selected employers with 50 or more workers offering health benefits; stratified by company size with systematic controls for industry and location intended to represent the private workforce that offers health benefits.
Respondents	Included owners, chief executive officers (CEOs)/presidents, and chief financial officers (CFOs). Also surveyed were chief human resources officers (CHROs) and individuals responsible for health benefits program decisions, who are collectively reported as "HR executive."
Timing	The survey was fielded between May 31 – June 24, 2013. Note: Responses were collected prior to the July 2, 2013 announcement of deferral of compliance with the employer shared responsibility rule ('employer mandate') by one year, until 2015.
Questionnaire	The 32-item questionnaire probed opinions about the ACA and anticipated strategies for employee health benefits coverage and cost containment. Areas covered included: current and anticipated changes in employer health benefits, opinions about the performance of the U.S. health care system overall, opinions about cost drivers, awareness of key features of the ACA, current and likely future employee benefits strategies, and understanding and potential responses to health insurance exchanges
Sample weighting	Using data from the U.S. Census and the Kaiser Family Foundation, the survey results were weighted to align with the U.S. employer population of companies offering health benefits with 50+ employees. The results were weighted with respect to: (1) geographic region, (2) industry, and (3) company size (as measured by number of employees).

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