HEALTH WEALTH CAREER

STATE OF IDAHO BENEFIT STRATEGY DEVELOPMENT

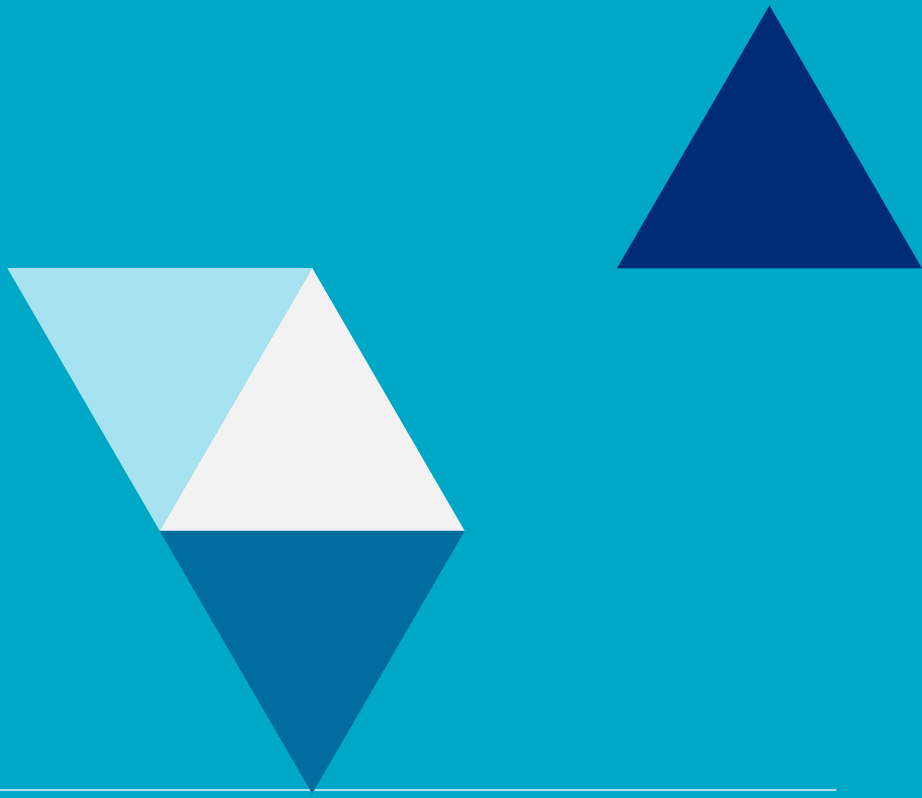
PROJECT KICK OFF

BOISE, ID
JUNE 2, 2017

TODAY'S DISCUSSION

- EXTERNAL ENVIRONMENT: MARKET TRENDS
- BENCHMARKING
- STRATEGY DEVELOPMENT PROCESS
- STAKEHOLDER FEEDBACK
- NEXT STEPS

EXTERNAL ENVIRONMENT
MARKET TRENDS



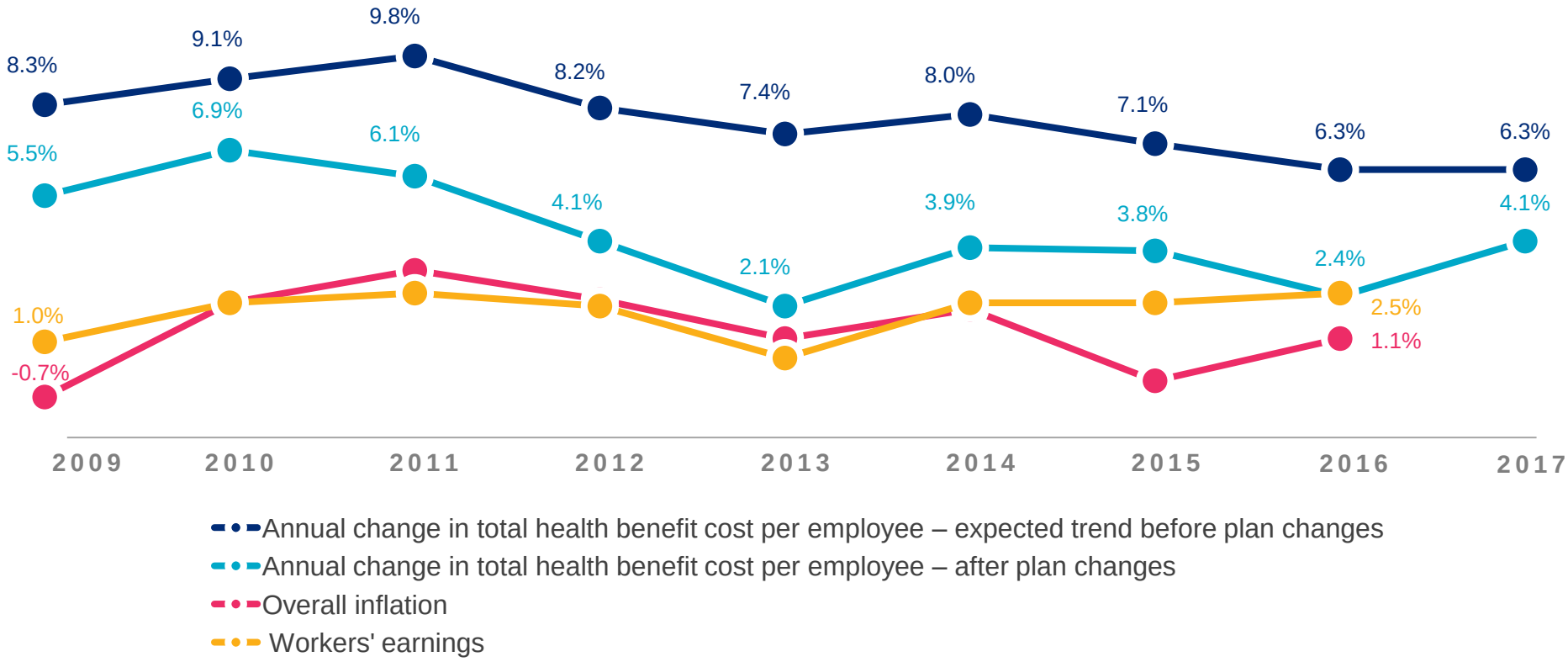
TODAY'S REALITY
A MARKET THAT ISN'T WORKING FOR YOU

CURRENT SYSTEM		IMPLICATIONS FOR EMPLOYERS
	Complex and fragmented	Difficult to manage 
	Lack of true competition	Irrational market behavior 
	Cost continues to outpace inflation	Unsustainable costs for employers and employees 
	Quality is inconsistently defined	Significant effort to manage a high-performing plan 
	Unsustainable over the long-term	Unclear what the future brings 

MARKET TRENDS

HEALTHCARE COSTS CONTINUE TO OUTPACE INFLATION IN THE US

SPECIALTY PHARMACY COST ESCALATION: 40–50 NEW SPECIALTY DRUGS IN THE PIPELINE FOR THE NEXT FIVE YEARS (~2% IMPACT ON UNDERLYING TREND!)



[1] Projected

Source: Mercer's National Survey of Employer-Sponsored Health Plans

MARKET TRENDS
CONTINUED HEALTHCARE COST ESCALATION

WITH CONTINUED HEALTHCARE COST ESCALATION EXPECTED, EMPLOYERS ARE FOCUSING ON IMPROVING TRANSPARENCY, REDUCING WASTE, MANAGING SPECIALTY DRUGS AND OVERALL LARGE CLAIM RISK MANAGEMENT…

US **spends more** on healthcare than other high-income countries, but has **worse outcomes**

"U.S. Health Care from a Global Perspective," The Commonwealth Fund

34% estimated waste in US healthcare spending

"Health Policy Brief: Reducing Waste in Health Care," Health Affairs

One Wellmark enrollee on a public exchange plan filed **$18M** in 2015 claims

"One Wellmark Enrollee Filed $18 Million in 2015 Claims," LifeHealthPRO

Specialty drugs represent **35%** of drug spend, expected to increase to more than **50%** over the next five years

IMS Health Drug Spend 2016 Report

Medical technology is the #1 force behind higher healthcare expenditures, accounting for an estimated **38% - 65%** of spending increases

Robert Wood Johnson Foundation, Health Policy Snapshot, "What are the biggest drivers of cost in U.S. health care?

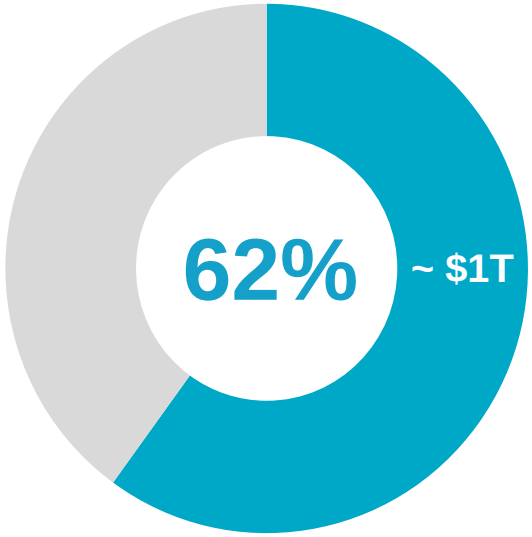
Between 2010 and 2014, claims above $1.5 million increased **1,200%**

HM Insurance Group Internal Analysis

EMPLOYERS SHOULD HAVE GREATER INFLUENCE BASED ON THEIR PURCHASING POWER

TODAY, OTHER STAKEHOLDERS DEFINE THE RULES

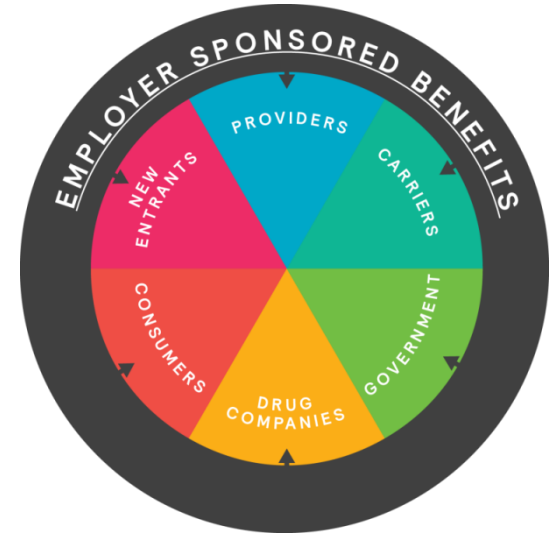
WHILE YOU PAY FOR THE PROGRAM…



Percent of non-Medicare Americans covered by employers

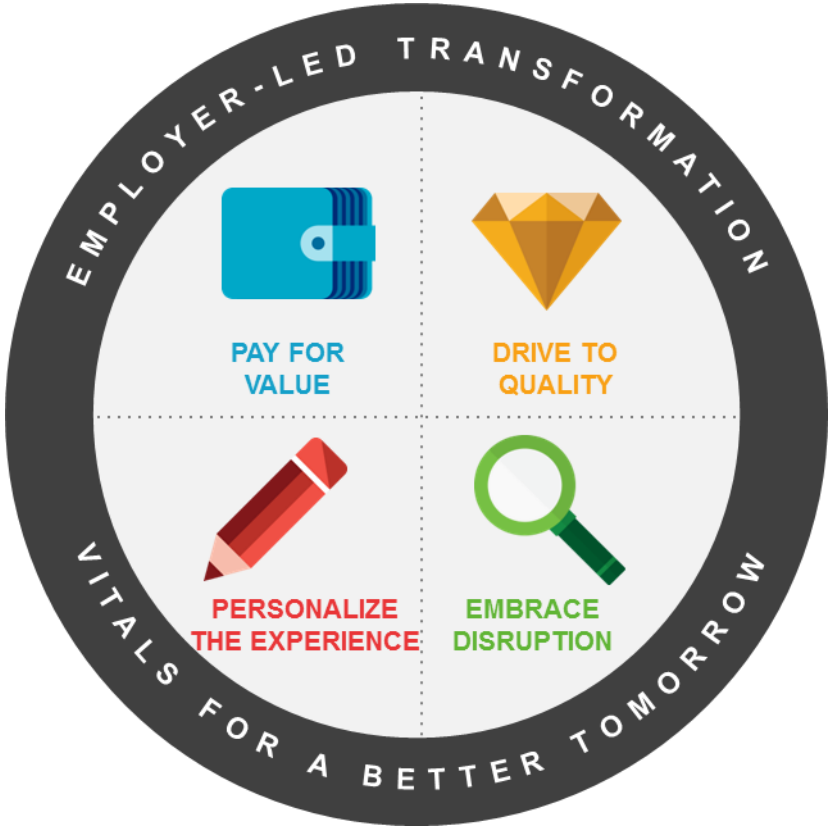
…OTHERS CONTROL THE SYSTEM.

WE HELP YOU TAKE CONTROL!



EMPLOYER-LED TRANSFORMATION
CONVERGING ON THE *VITALS FOR CHANGE*

MOMENTUM IS ACHIEVED THROUGH EMPLOYER FOCUS ON ALL FOUR VITALS



PAY FOR VALUE

Aligning reimbursement with value, not volume

DRIVE TO QUALITY

Delivering the right care at the right time, in the right setting, error free

PERSONALIZE THE EXPERIENCE

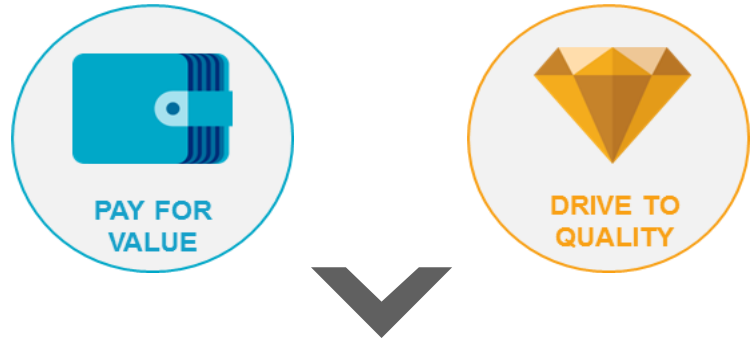
Leveraging better data and technology to engage employees in the right behaviors, every day

EMBRACE DISRUPTION

Injecting change into the system – with internal stakeholders and external partners – to be future-ready

WHAT'S WORKING TO HOLD DOWN COST GROWTH?

RESPONDENTS' COST TRENDS WERE ANALYZED BASED ON THEIR USE OF 25 BEST PRACTICE COST-MANAGEMENT STRATEGIES



High-performance networks	Offer CDHP	Primary care on-site clinic	Telemedicine
Transparency tool provided by specialty vendor	Medical homes	Mandatory generics or other Rx strategies	
Surgical centers of excellence	Worksite biometric screening	Accountable care organizations	Offer EAP

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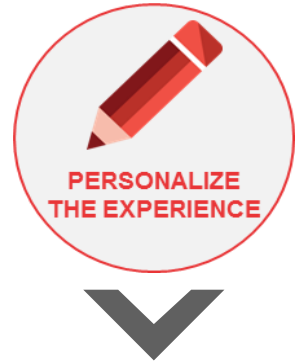


- Use private health benefits exchange
- Offer well-being programs
- Offer voluntary supplemental health insurance
- Flexible benefits strategy
- Make a contribution to employees' HSAs
- Use incentives for well-being programs
- Spouses and/or children may participate in well being programs
- Offer technology-based well-being resources (apps, devices, web-based)
- Provide opportunity to participate in personal/ group health challenges and peer to peer support

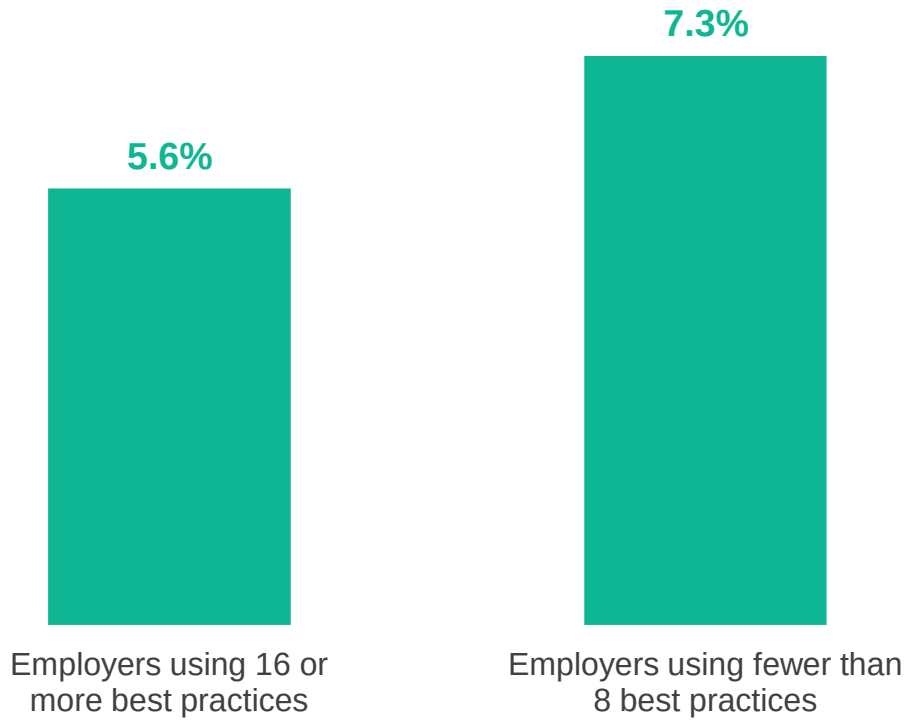
WHAT'S WORKING TO HOLD DOWN COST GROWTH?

RESPONDENTS' COST TRENDS WERE ANALYZED BASED ON THEIR USE OF 25 BEST PRACTICE COST-MANAGEMENT STRATEGIES

- Reference-based pricing
- Collective purchasing of Rx benefits
- Smoker surcharge
- Steer members to specialty pharmacy for specialty drugs
- Onsite exercise/weight loss or yoga programs

THE RESULT: UNDERLYING COST IS RISING MORE SLOWLY FOR EMPLOYERS USING MORE OF THESE BEST PRACTICE STRATEGIES

EXPECTED INCREASE IN MEDICAL PLAN COST IN 2017 (BEFORE CHANGES), AMONG LARGE EMPLOYERS*



*Based on unweighted data.

ABOUT MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS

Oldest
Marking 31 years of measuring health plan trends

Largest
2,544 employers participated in 2016

Most comprehensive
Extensive questionnaire covers a full range of health benefit issues and strategies

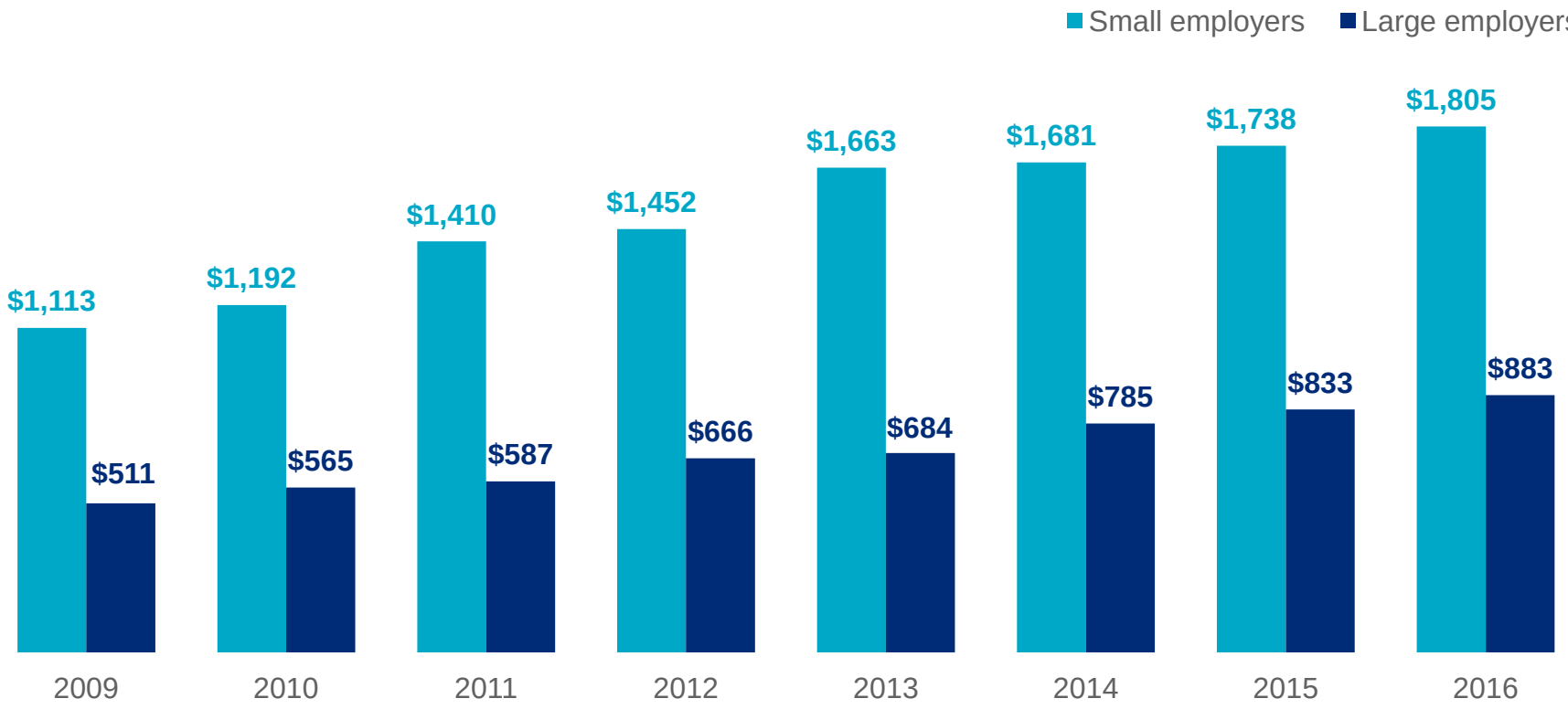
Statistically valid
Based on a probability sample of private and public employers for reliable results

Includes employers of all sizes, all industries, all regions
Results project to all US employers with 10 or more employees

Employer size groups in presentation
Small: 10-499 employees / Large: 500+ employees / Jumbo: 20,000+ employees

EMPLOYERS HAVE RELIED ON COST-SHIFTING TO CURTAIL COST GROWTH IN THE HEALTH REFORM ERA

AVERAGE PPO DEDUCTIBLE FOR INDIVIDUAL, IN-NETWORK COVERAGE

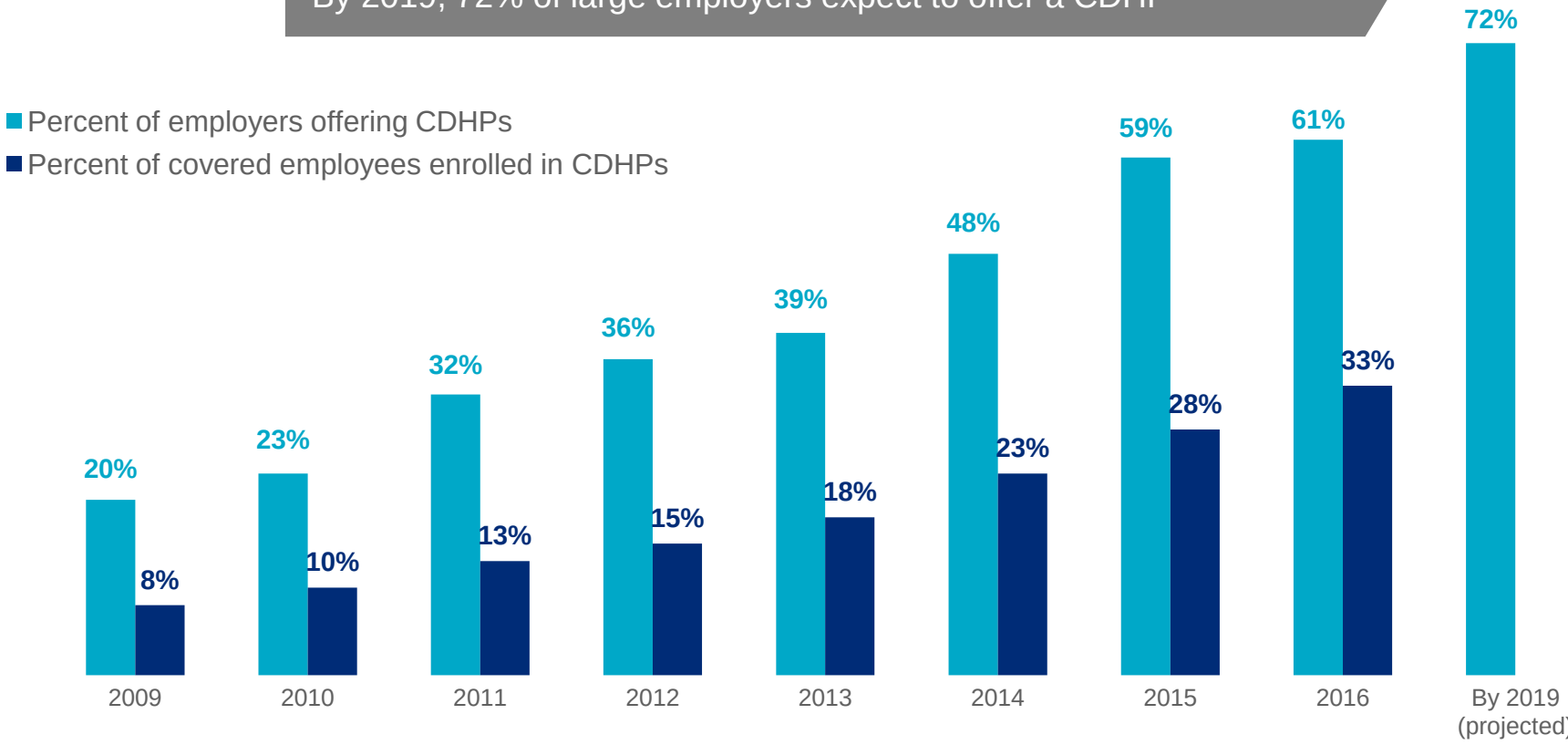


TOP COST-MANAGEMENT STRATEGY: CONSUMER-DIRECTED HEALTH PLANS

PAY FOR VALUE | DRIVE TO QUALITY | EMBRACE DISRUPTION

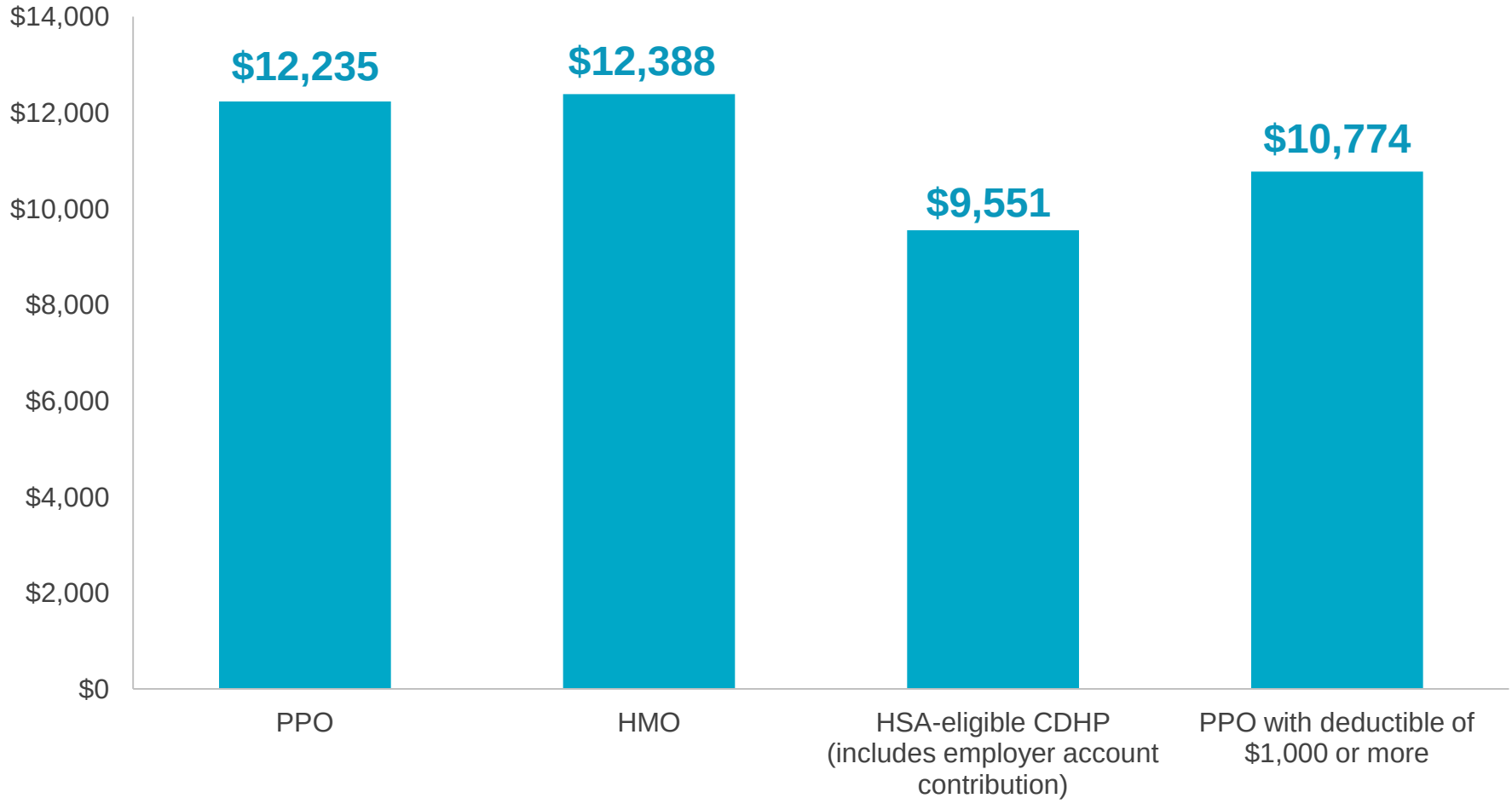
LARGE EMPLOYERS

By 2019, 72% of large employers expect to offer a CDHP



HSA-ELIGIBLE CDHPS COST SIGNIFICANTLY LESS

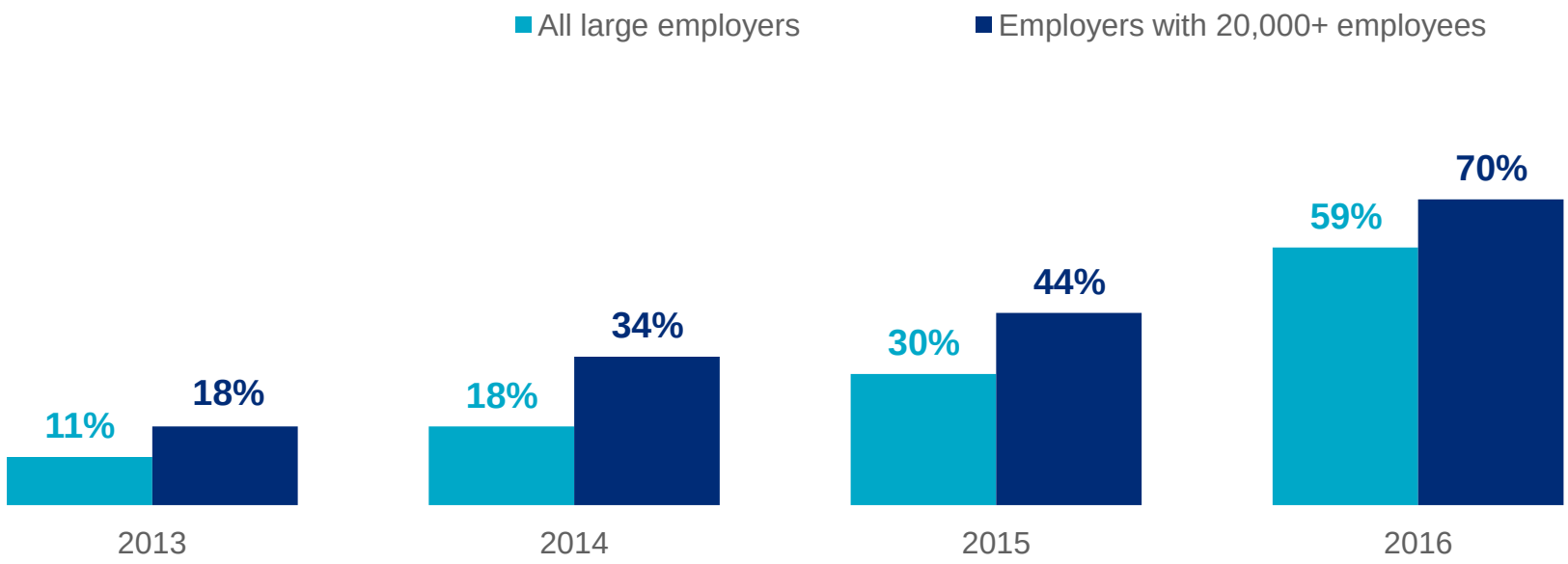
AVERAGE MEDICAL PLAN COST PER EMPLOYEE, AMONG LARGE EMPLOYERS



HELPING EMPLOYEES SAVE ON OFFICE VISITS
TELEMEDICINE IS FAST-GROWING TREND

PAY FOR VALUE

PERCENT OF EMPLOYERS OFFERING TELEMEDICINE



AMONG LARGE EMPLOYERS OFFERING TELEMEDICINE

64%
Require a copay

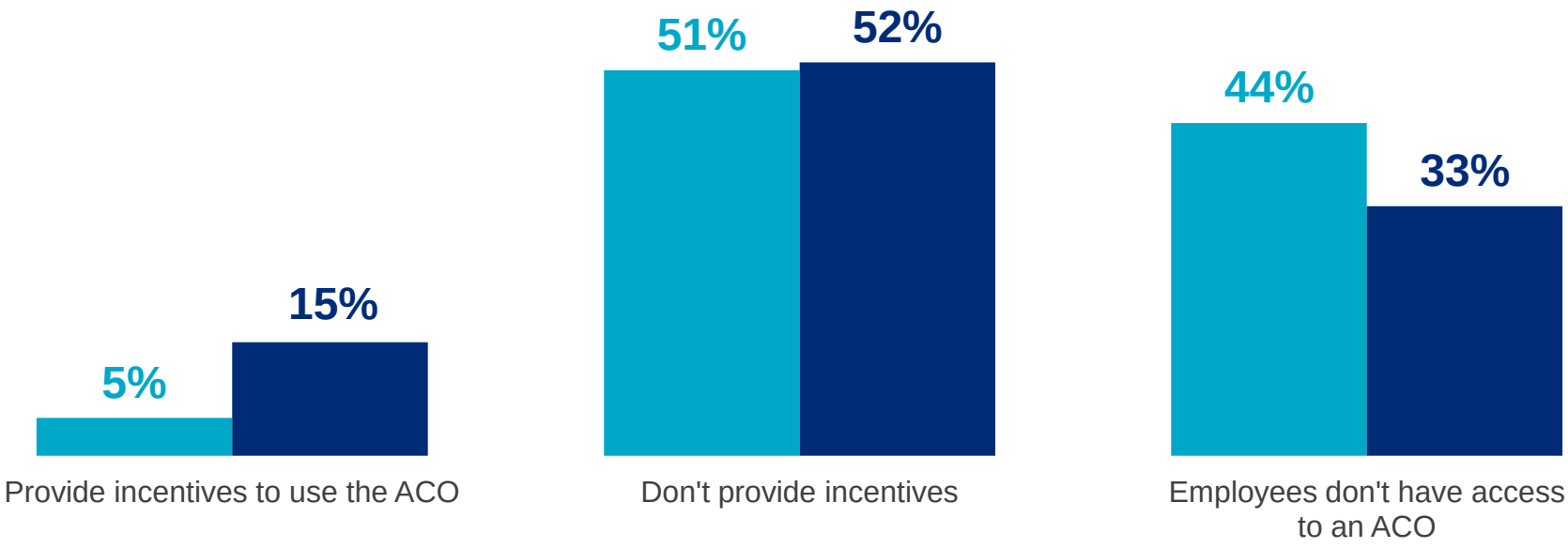
$25
Is the median copay

13%
Require coinsurance

ACCOUNTABLE CARE ORGANIZATIONS

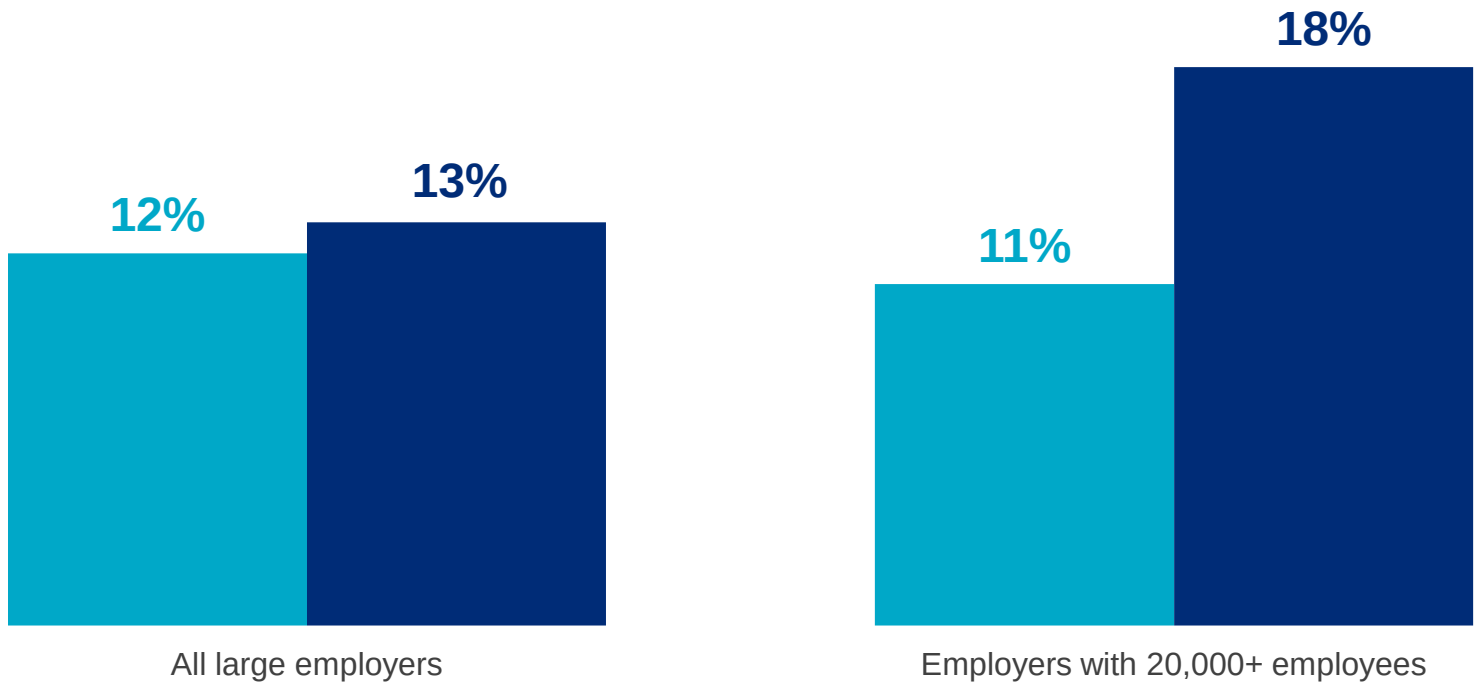
THE LARGEST EMPLOYERS ARE ADDING INCENTIVES, AND SOME ARE SEEING RESULTS

AMONG EMPLOYERS WITH 5,000+ EMPLOYEES OFFERING ACOS WITH INCENTIVES[1], 13% REPORT SOME COST SAVINGS ACHIEVED WITH THE ACO; BUT MOST CAN'T MEASURE



[1] Results from supplemental survey of employers with 5,000 or more employees

STRONG INTEREST IN REFERENCE-BASED PRICING AMONG THE LARGEST EMPLOYERS

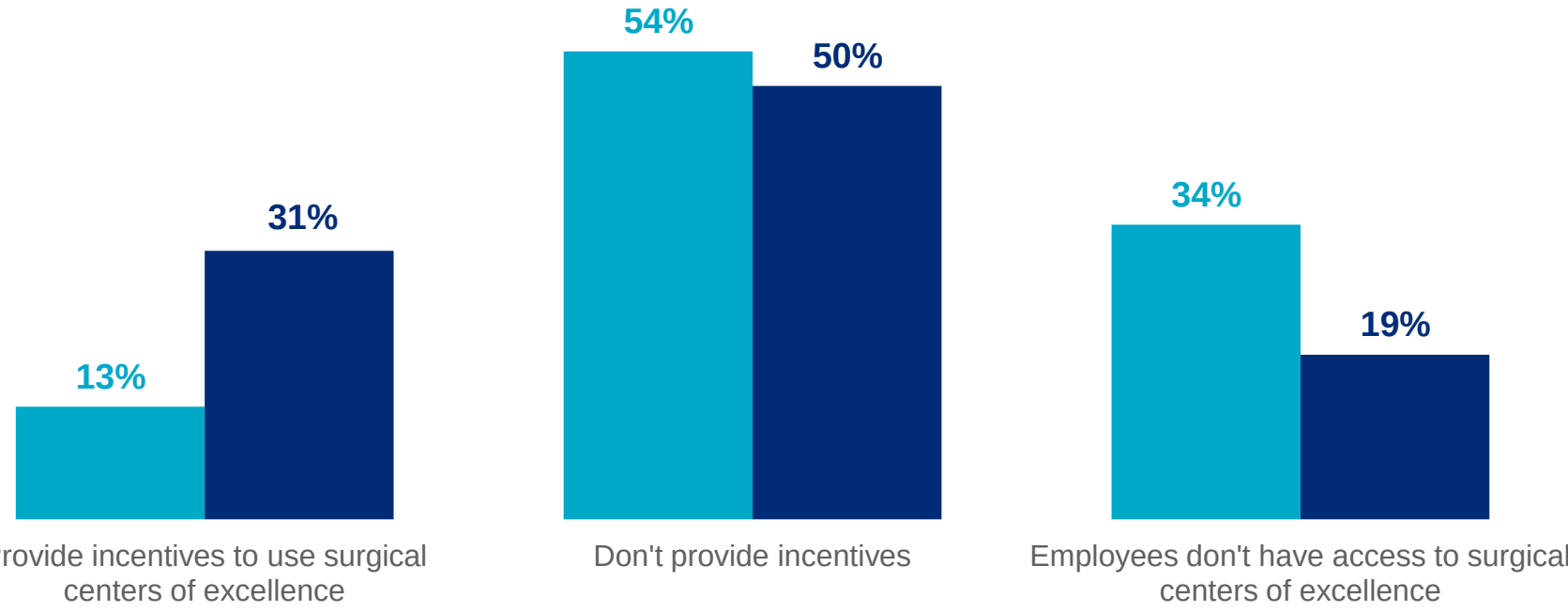


SURGICAL CENTERS OF EXCELLENCE

PAY FOR VALUE

DRIVE TO QUALITY

AMONG EMPLOYERS WITH 5,000+ EMPLOYEES OFFERING COES WITH INCENTIVES[1], 31% HAVE DIRECT PROVIDER CONTRACTS OR CUSTOMIZED CARRIER ARRANGEMENT



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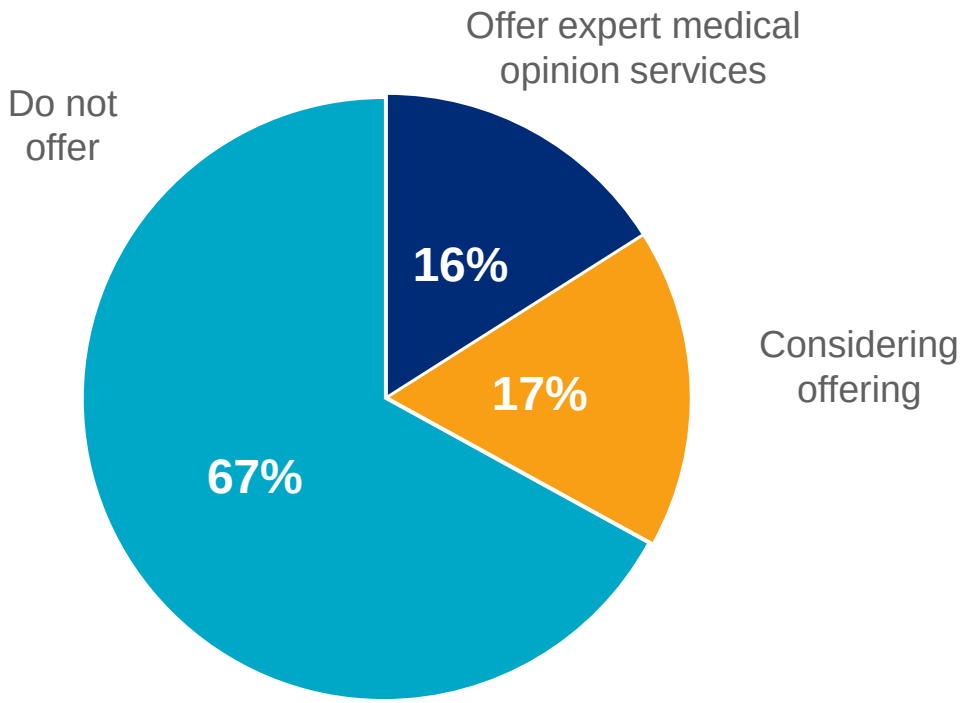
EXPERT MEDICAL OPINION



Most important objectives for offering EMOs	
Steer patients to high-quality providers	80%
Assist patient who have complex conditions	78%
Lower medical plan cost	74%
Expand access to care	53%

Results from supplemental survey of employers with 5,000 or more employees

HEALTH ADVOCACY

Many definitions exist in the market, but it generally refers to an enhanced customer service function staffed by highly qualified associates who seek to connect the dots between the caller's question and the underlying root-cause needs in an effort to predict the next question or unspoken need to simplify the caller's healthcare journey

Health advocacy is also referred to as concierge, navigators, or health guides

LIGHT ***COMPREHENSIVE***

Enhanced transactional customer service ▶ **Concierge support to reduce administrative hassle** ▶ **Concierge support who also advocates on member's behalf** ▶ **Single point of contact providing customer service AND care management** (new paradigm) ▶ **Single point of contact also responsible for steerage, overall program engagement, and digital navigator integration**

Softer Savings & VOI

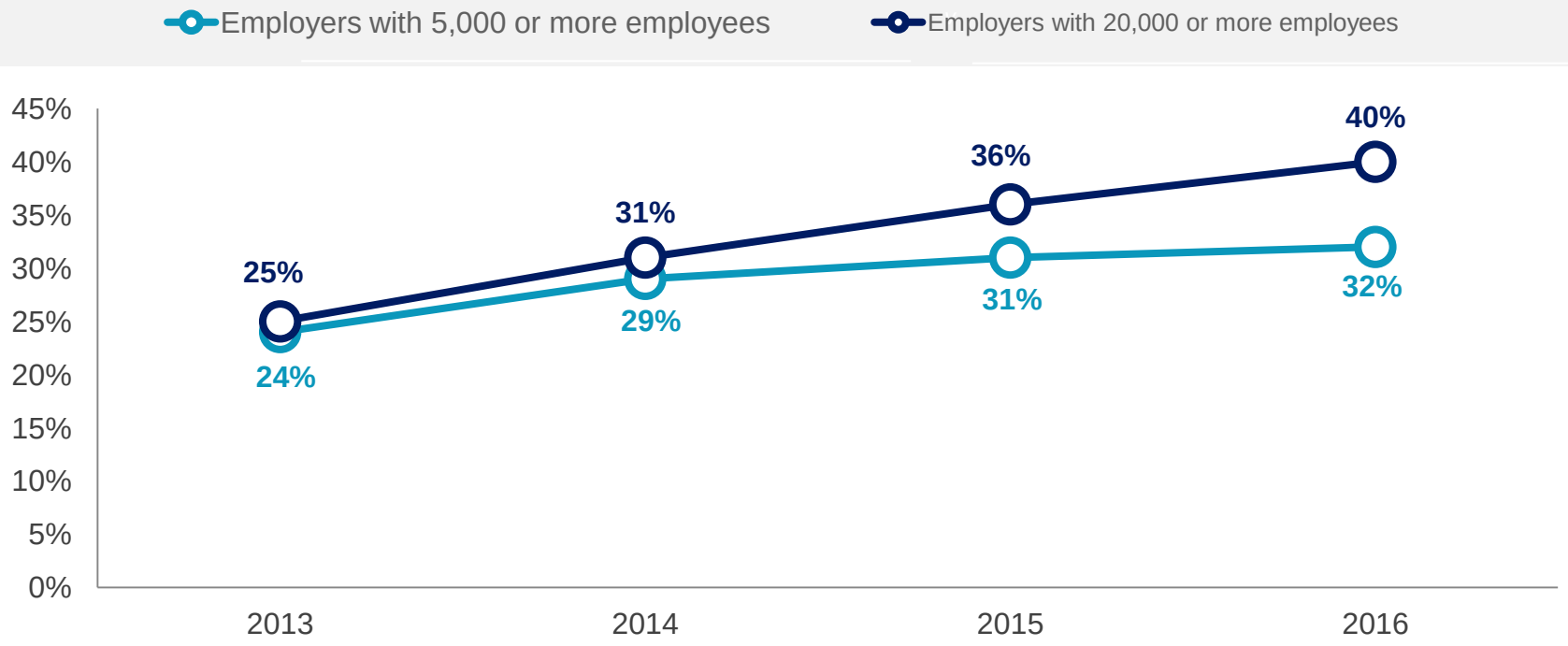
- Valued by employees, but generally underutilized by the workforce
- More limited in scope and operates more as an episodic experience between member and advocate
- Lower overall disruption to an employer

Harder Dollar Savings / ROI

- Valued by employees and their families
- Higher disruption for employers to implement
- Increased ability to customize client strategy

PROVIDE WORKSITE OR NEAR-SITE MEDICAL CLINIC FOR PRIMARY CARE SERVICES

PAY FOR VALUE



MORE THAN HALF OF RESPONDENTS WITH AN ONSITE CLINIC **(58%)**
SAY THAT IT IS INTEGRATED WITH THEIR POPULATION HEALTH INITIATIVES[1]

[1] From supplemental survey of employers with 5,000 or more employees

OFFER HEALTH AND WELL-BEING PROGRAMS FOR A RANGE OF NEEDS

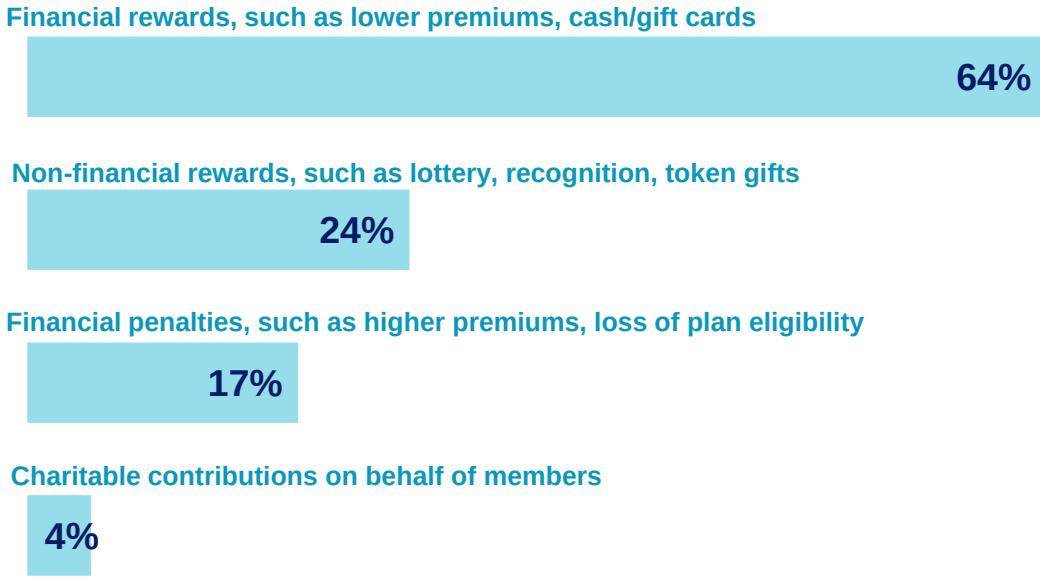
PERCENTAGE OF EMPLOYERS OFFERING PROGRAM

	500+ EMPLOYEES	20,000+ EMPLOYEES
Disease management	80%	87%
Health assessment	79%	85%
Telephone or web-based health / lifestyle coaching	68%	83%
Health advocate services	54%	58%
Face-to-face health / lifestyle coaching	35%	38%
Sleep disorder diagnosis & treatment	33%	33%
Resiliency program / stress management program	41%	50%

OFFER INCENTIVES IN CONNECTION WITH WELL-BEING PROGRAMS

PERSONALIZE THE EXPERIENCE

LARGE EMPLOYERS



EARNED FOR	
Participation	66%
Outcomes	29%
No incentives provided	25%

MAXIMUM ANNUAL VALUE	MEDIAN
Participation	$300
Outcomes	$350

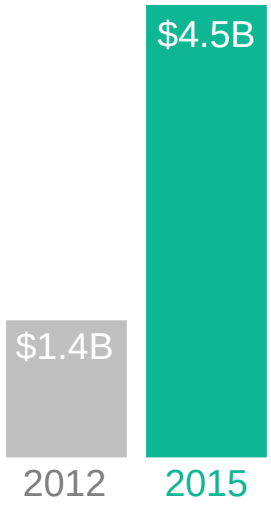
Offer lower premium for non-tobacco use

2015	2016
22%	26%

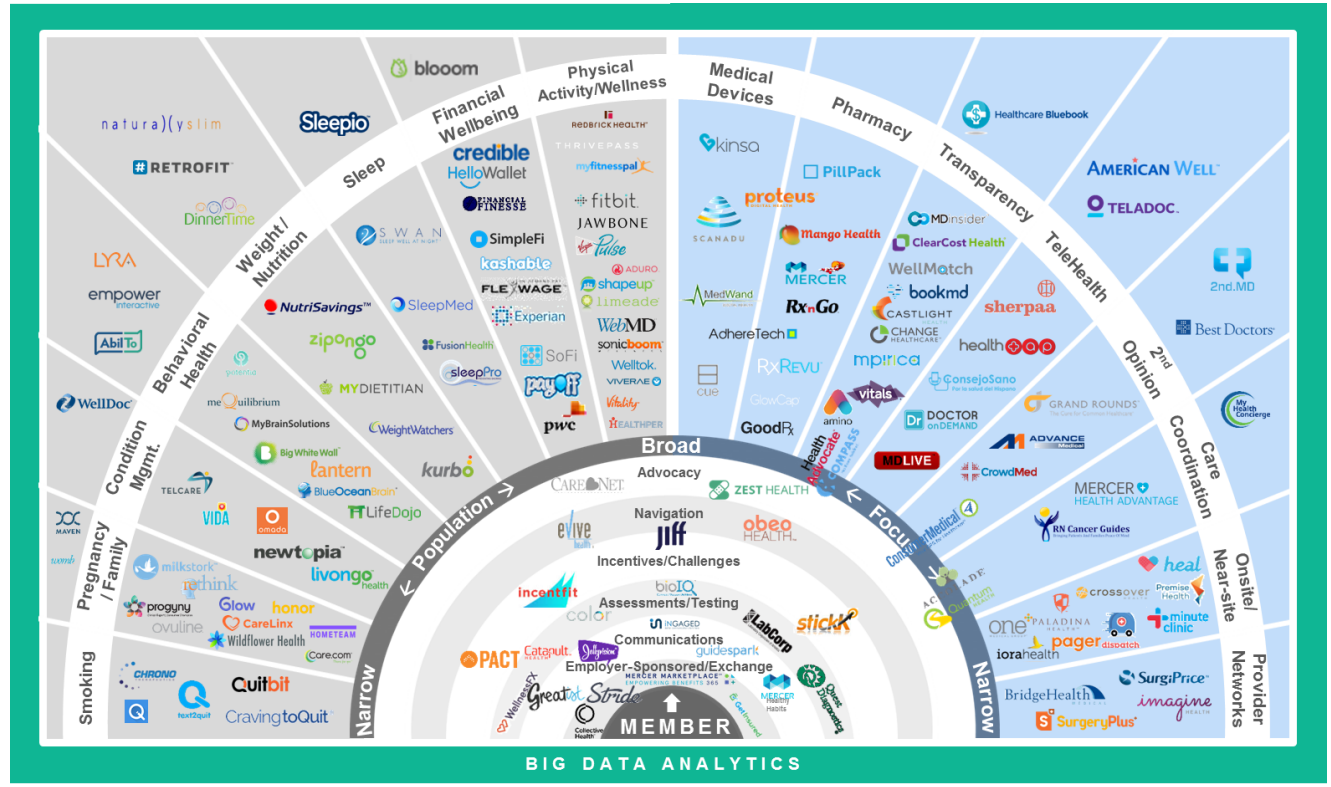
MARKET TRENDS
"EXPLOSION" OF INNOVATION

UNPRECEDENTED FUNDING FOR DIGITAL HEALTH BRINGS EXPLOSION OF NEW OPTIONS FOR EMPLOYERS — ALONG WITH CORRESPONDING CHALLENGES TO EVALUATE AND INTEGRATE

Digital health venture funding[1]:



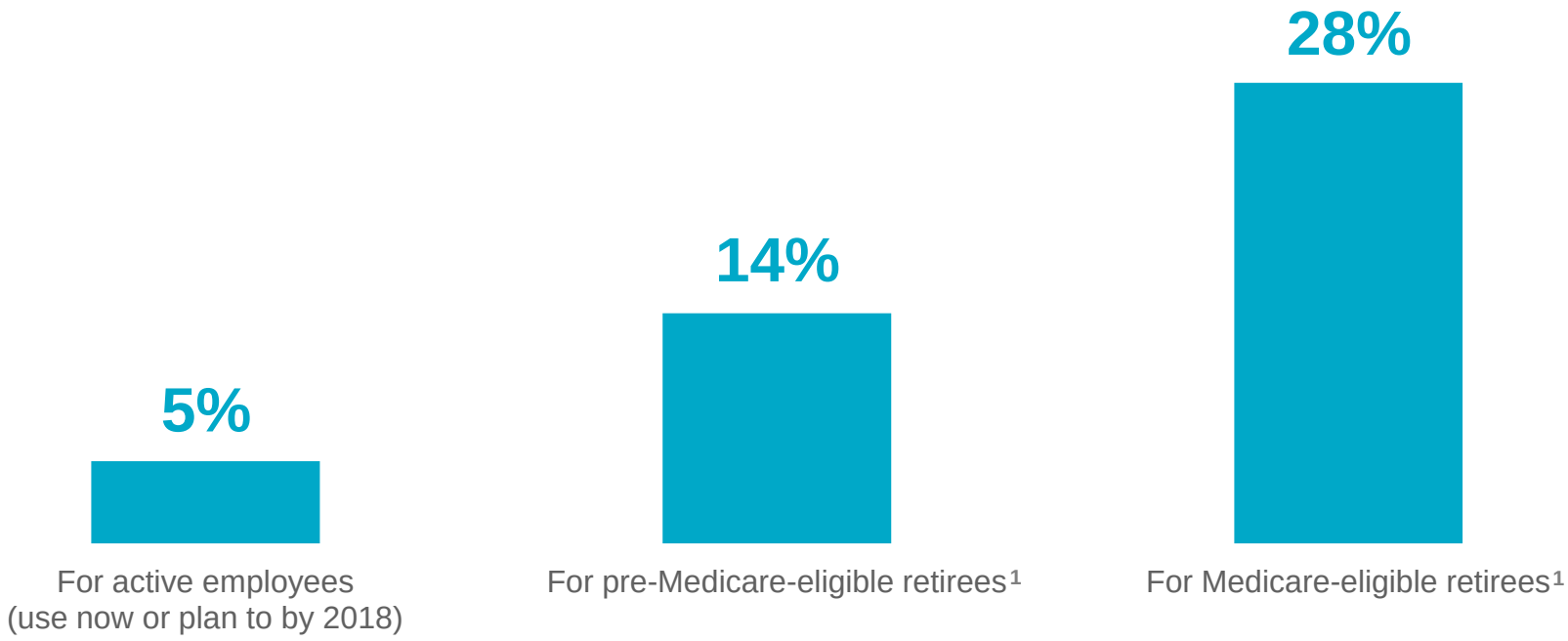
[1]Rock Health



THE CHALLENGE:

- Organizing an approach to assess new solutions
- Integrating new solutions into overall program design and strategy
- Measuring results and taking action to expand/modify/discontinue

PRIVATE BENEFIT EXCHANGES OFFER EMPLOYERS A WAY TO OFFER CHOICE



[1] Among current retiree medical plan sponsors

VOLUNTARY BENEFITS PROVIDE THE SUPPLEMENT SOME WANT IN MOVING TO HIGH-DEDUCTIBLE PLANS

PERSONALIZE THE EXPERIENCE

LARGE EMPLOYERS

WHY EMPLOYERS OFFER VOLUNTARY BENEFITS

69% To fill gaps in employer-paid benefits

60% Reduce financial stress and improve financial health

55% Accommodate employee requests

COMMON VOLUNTARY BENEFITS & PREVALENCE %

22% Hospital indemnity

49% Cancer/ critical illness

44% Whole / universal life

42% Individual disability

60% Accident

69% OF EMPLOYERS SAY THEIR OBJECTIVES HAVE BEEN MET

WHAT IS FINANCIAL WELLNESS?
A LIFELONG JOURNEY

PERSONALIZE THE EXPERIENCE

CONSUMER FINANCE PROTECTION BUREAU'S (CFPB) FOUR ELEMENTS OF INDIVIDUAL FINANCIAL WELLNESS

1. Have control over day-to-day, month-to-month finances
2. Have the capacity to absorb a financial shock
3. Are on track to meet financial goals
4. Have financial freedom to make choices to enjoy life

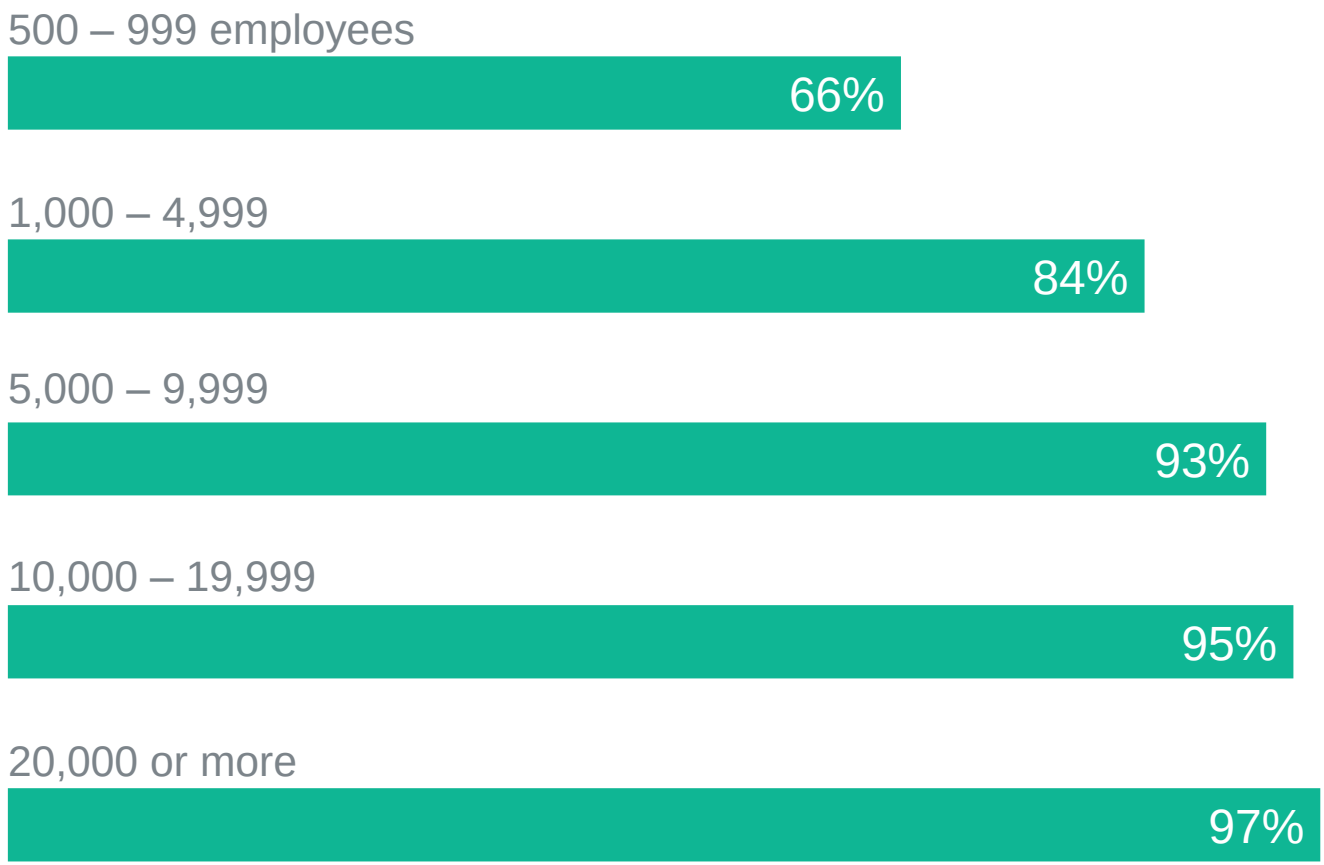
FINANCIAL WELLNESS NEEDS

- Participant enters workforce
- Life event occurs and an intervention is needed
- Phase of employment changes (e.g., nearing retirement, leaving company)
- Participant enters retirement, drawdown phase

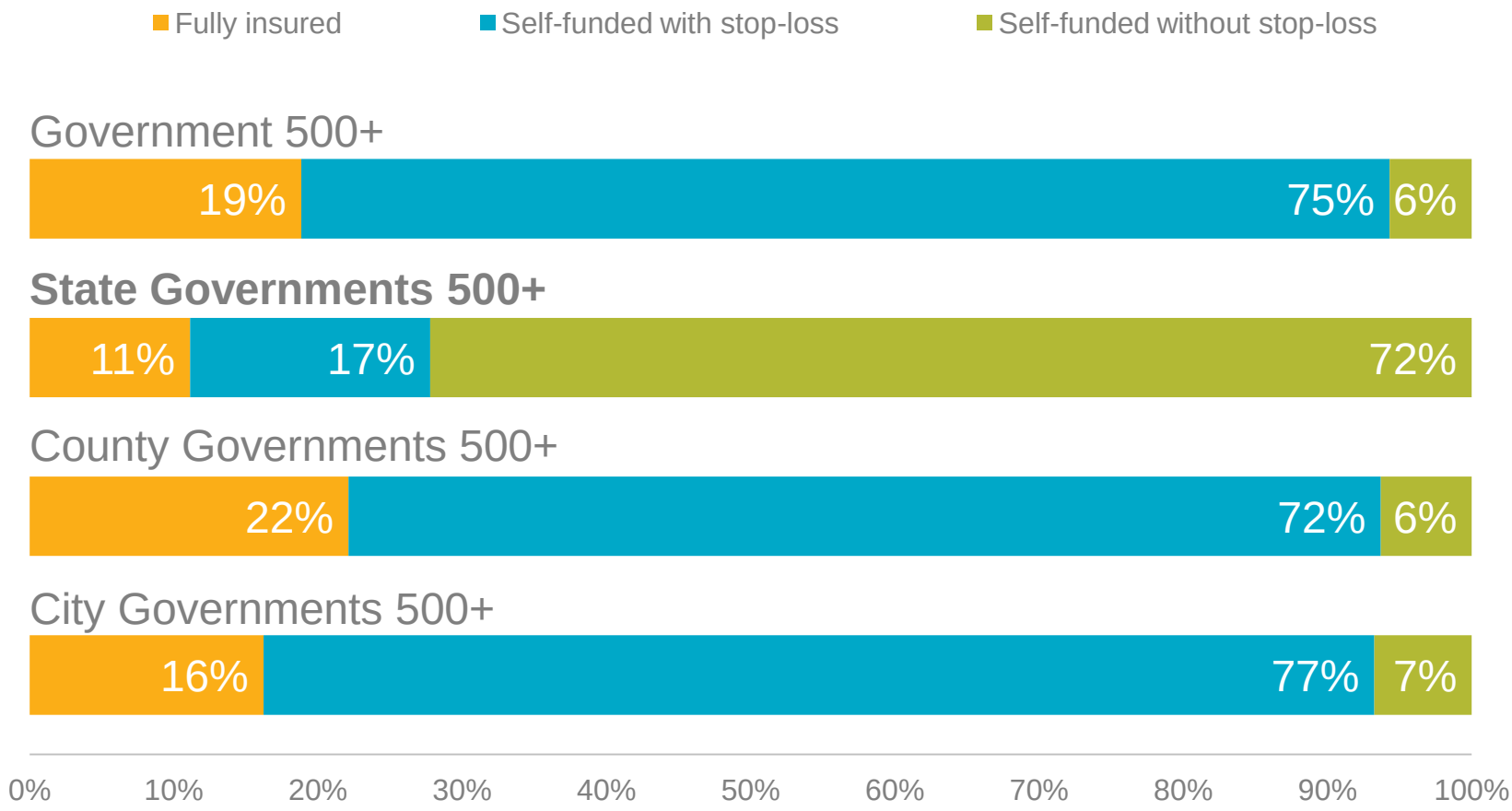
Comprehensive employer financial wellness programs help employees with:

ASSETS | LIABILITIES | INCOME/EXPENSES | INSURANCE

SELF-FUND LARGEST MEDICAL PLAN OF ANY TYPE, BY EMPLOYER SIZE

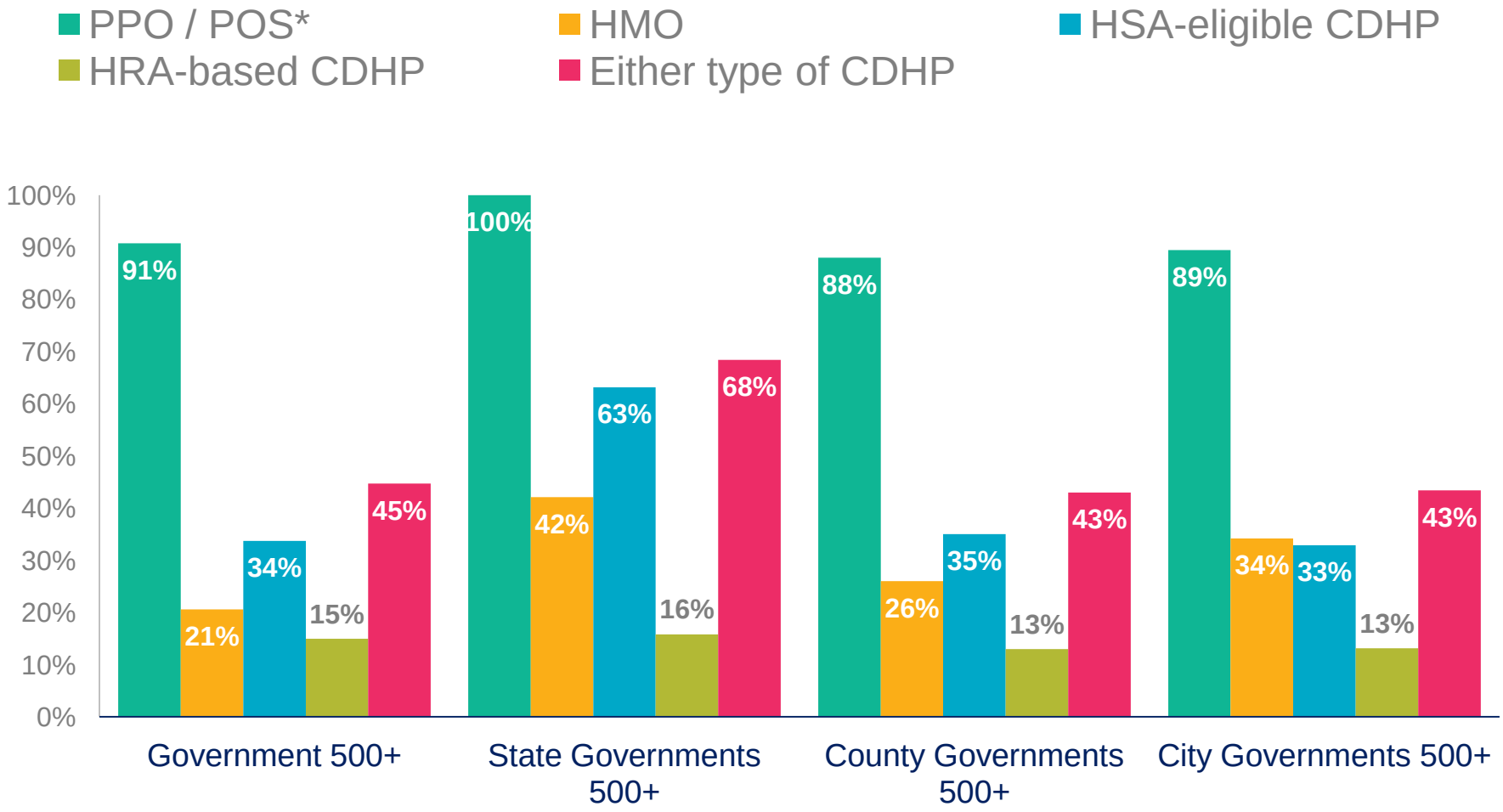


GOVERNMENT EMPLOYERS - FUNDING METHOD FOR MOST PREVALENT PLAN



TYPE OF MEDICAL PLANS OFFERED – GOVERNMENT EMPLOYERS

Percent of employers offering each type of medical plan



*Includes traditional indemnity plans -Traditional Plans no longer a factor in offerings

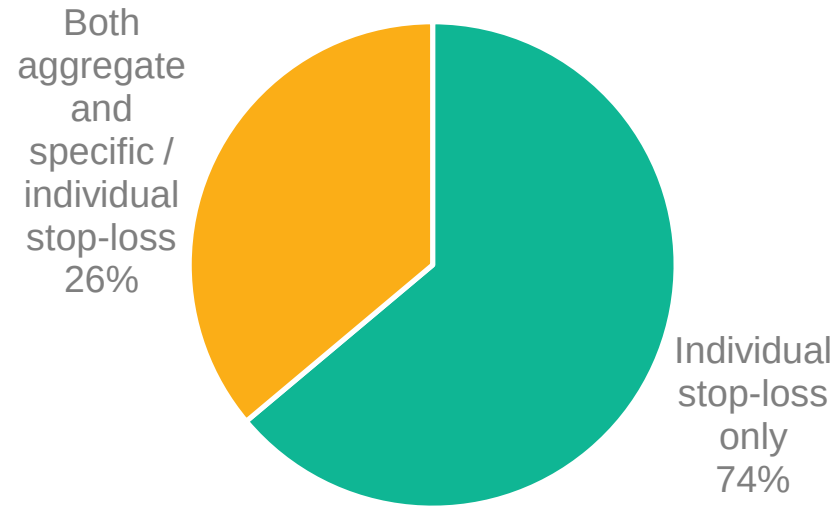
TYPE OF STOP-LOSS COVERAGE USED

Based on employers with stop-loss insurance

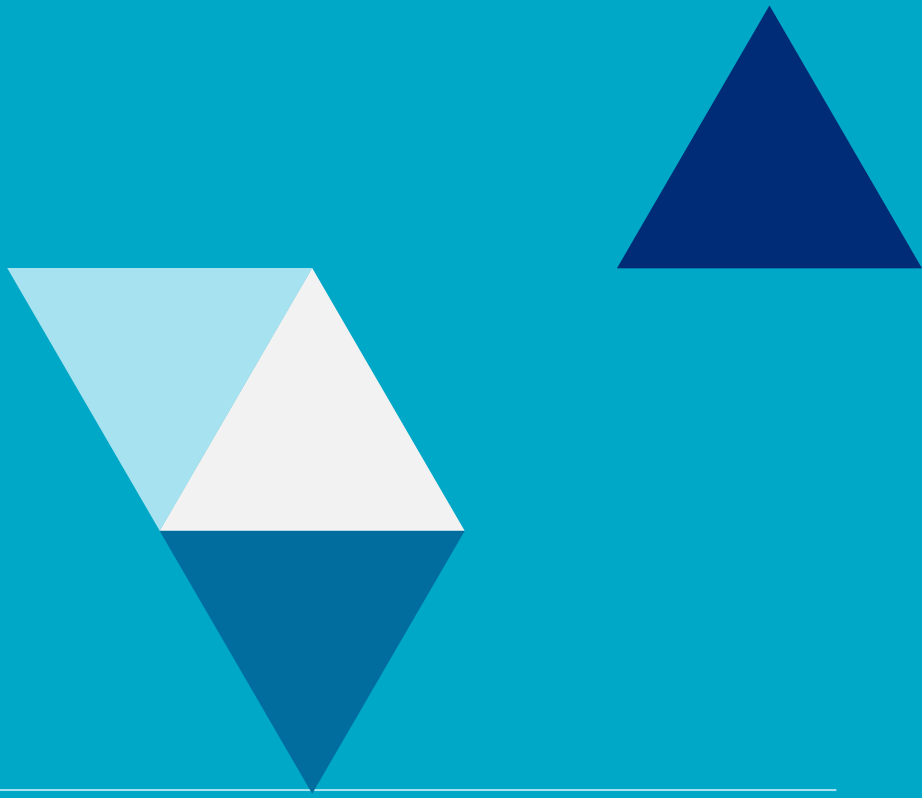
Median per-person stop-loss deductible, among large employers with specific / individual insurance: $250,000

Large employers

20,000+ employees



STATE OF IDAHO SPECIFIC BENCHMARKING



INTERNAL ENVIRONMENT
PLAN DESIGN BENCHMARKING — PPO

OBSERVATIONS ON OVERALL PLAN ELEMENTS COMPARED TO KEY BENCHMARKS

	State of Idaho	Gov't 500+	State Gov't 500+	National 500+
	PPO	PPO	PPO	PPO
Individual/Family Deductible	$250 / $750 ●	$500 / $1,000	$423 / $900	$600 / $1,500
Individual/Family OOPM	$3,250 / $6,750 ●	$2,500 / $5,000	$2,985 / $5,970	$3,000 / $6,600
Cost-Sharing – Physician Visit (PCP/SPC)	$20 / $20 ●	$25 / $40	$25 / $43	$25 / $40
Cost-Sharing – Hospital Stay (Co-Pay / Coinsurance)	15% ●	$250 / 20%	$250 / 20%	$275 / 20%
Cost-Sharing – Emergency Room (Co-Pay / Coinsurance)	15% ●	$150 / 20%	$100 / 20%	$150 / 20%

● *Favorable compared to benchmark* ● *Unfavorable compared to benchmark*

Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2016

INTERNAL ENVIRONMENT
PLAN DESIGN BENCHMARKING — TRADITIONAL

OBSERVATIONS ON OVERALL PLAN ELEMENTS COMPARED TO KEY BENCHMARKS

	State of Idaho	Gov't 500+	State Gov't 500+	National 500+
	Traditional	PPO	PPO	PPO
Individual/Family Deductible	$350 / $1,050 ●	$500 / $1,000	$423 / $900	$600 / $1,500
Individual/Family OOPM	$4,300 / $8,600 ●	$2,500 / $5,000	$2,985 / $5,970	$3,000 / $6,600
Cost-Sharing – Physician Visit (PCP/SPC)	20% / 20% ●	$25 / $40	$25 / $43	$25 / $40
Cost-Sharing – Hospital Stay (Co-Pay / Coinsurance)	20% -	$250 / 20%	$250 / 20%	$275 / 20%
Cost-Sharing – Emergency Room (Co-Pay / Coinsurance)	20% -	$150 / 20%	$100 / 20%	$150 / 20%

● *Favorable compared to benchmark* ● *Unfavorable compared to benchmark*

Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2016

INTERNAL ENVIRONMENT
PLAN DESIGN BENCHMARKING — HSA

OBSERVATIONS ON OVERALL PLAN ELEMENTS COMPARED TO KEY BENCHMARKS

	State of Idaho	Gov't 500+	State Gov't 500+	National 500+
	High Ded.	HSA	HSA	HSA
Individual/Family Deductible	$2,000 / $6,000 ●	$2,000 / $4,200	$1,500 / $3,000	$1,800 / $3,900
Individual/Family OOPM	$5,000 / $10,000 ●	$3,000 / $6,000	$3,400 / $6,300	$3,750 / $7,000
Account Funding	None ●	$600 / $1,000	$723 / $1,300	$500 / $1,000
Cost-Sharing – Physician Visit	30% ●	20%	20%	20%

Note that the current High Deductible plan offered to State Employees is **not** a Qualified High Deductible Plan, so employees are ineligible to make or receive HSA contributions, due to the fact that prescription copays apply before satisfaction of the deductible.

● *Favorable compared to benchmark* ● *Unfavorable compared to benchmark*

Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2016

INTERNAL ENVIRONMENT
PLAN DESIGN BENCHMARKING — RX

OBSERVATIONS ON OVERALL PLAN ELEMENTS COMPARED TO KEY BENCHMARKS

	State of Idaho		Gov't 500+	State Gov't 500+	National 500+
Retail (30-day supply)	PPO, Traditional & HDHP		PPO	PPO	PPO
• Generic	$10	-	$10	$8	$11
• Formulary Brand	$25	-	$29	$28	$31
• Non-Formulary Brand	$50	-	$49	$56	$52
Mail (90-day supply)					
• Generic	$30	●	$18	$17	$21
• Formulary Brand	$75	●	$56	$57	$66
• Non-Formulary Brand	$150	●	$93	$108	$114

● *Favorable compared to benchmark* ● *Unfavorable compared to benchmark*

Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2016

INTERNAL ENVIRONMENT
EMPLOYEE CONTRIBUTION BENCHMARKING

STATE OF IDAHO CONTRIBUTIONS FOR FULL–TIME FY2017

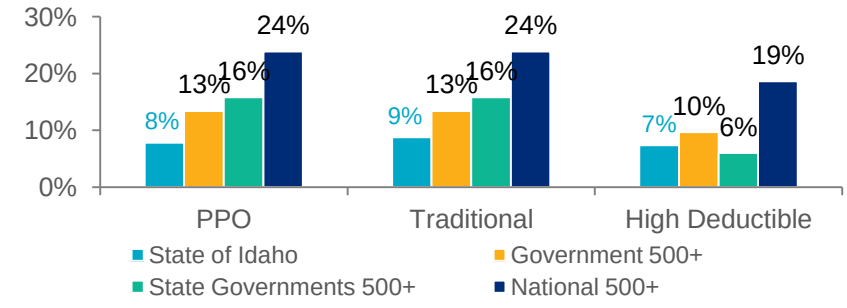
Monthly employee $ contributions:

% employee cost share:

Individual

Individual $

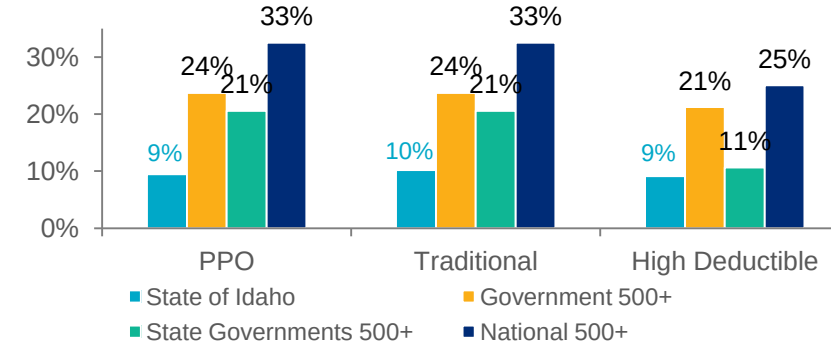
Plan Type	State of Idaho	Government 500+	State Governments 500+	National 500+
PPO	$47 ▼	$83	$126	$132
Traditional	$58 ▼	$83	$126	$132
High Deductible	$38 ▼	$47	$35	$84



Family

Family $

Plan Type	State of Idaho	Government 500+	State Governments 500+	National 500+
PPO	$171 ▼	$349	$337	$467
Traditional	$202 ▼	$349	$337	$467
High Deductible	$141 ▼	$248	$144	$321



Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2016

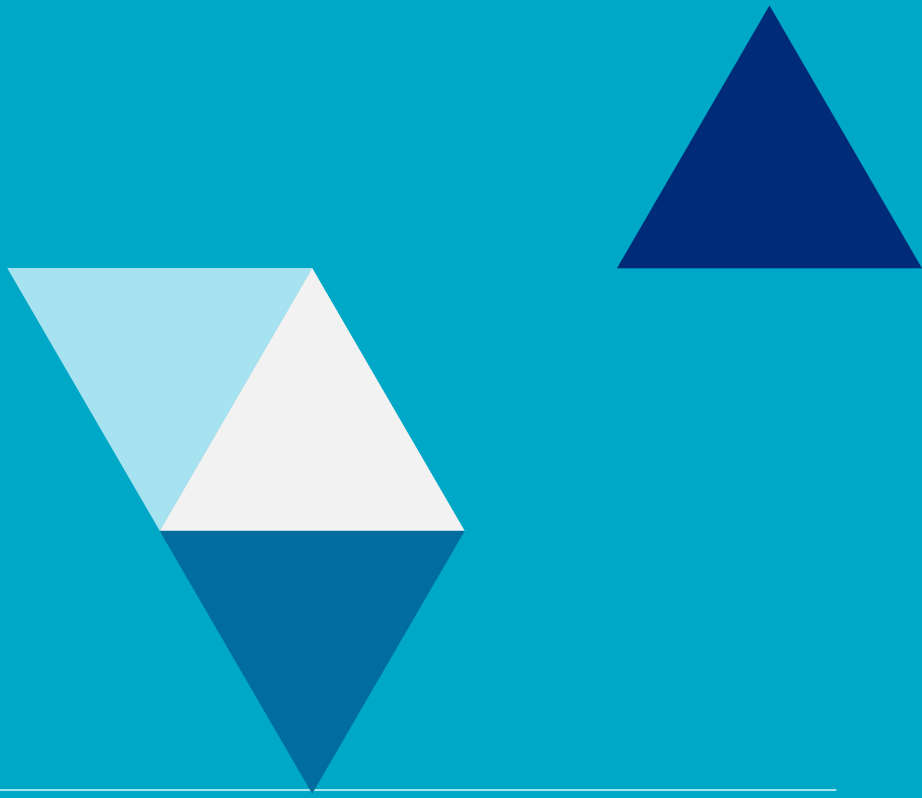
INTERNAL ENVIRONMENT
PROGRAM OFFERINGS

OBSERVATIONS ABOUT THE STATE OF IDAHO RESULTS VS. KEY BENCHMARKS

	State of Idaho	Government 500+	State Governments 500+	National 500+
CARE DELIVERY				
Near/on-site primary care medical services	No	21%	35%	15%
Telemedicine (through health plan)	No	47%	56%	46%
Telemedicine (through specialty vendor)	No	5%	0%	14%
Accountable Care Organizations (ACOs)	No	48%	63%	56%
Patient-Centered Medical Homes (PCMHs)	No	45%	63%	55%
WORKFORCE HEALTH				
Outcomes-based incentives	No	31%	29%	29%
Health assessment (HA)	Yes	86%	89%	79%
Transparency tools	Yes	85%	100%	87%
Resiliency program	No	47%	44%	41%
Infertility coverage	No	54%	76%	57%
Gender reassignment surgery coverage	Yes	11%	17%	14%
PROGRAM DESIGN				
High-performance networks	No	55%	63%	55%
Surgical centers of excellence	No	58%	69%	66%
Non-surgical centers of excellence	No	58%	63%	64%
Referenced-based pricing	No	17%	13%	12%

Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2016

STRATEGY DEVELOPMENT PROCESS

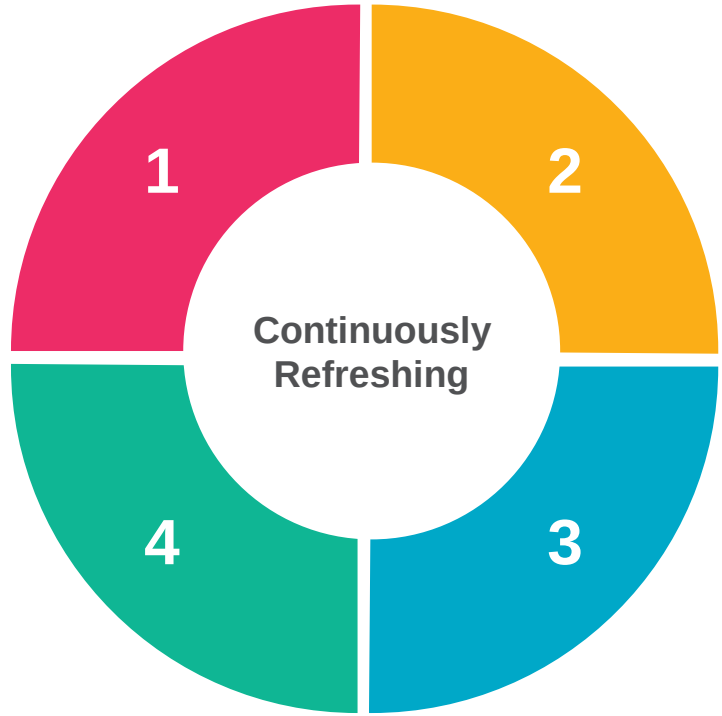


TODAY'S DISCUSSION
YOUR GO FORWARD STRATEGY

MACRO CONTEXT

Environmental context

- *"Vitals for Change" – a Mercer Point of View*
- *Market trends*



YOUR BASELINE

Understanding current state

- *Your team's input*
- *Benchmarking*

YOUR STRATEGY

Go forward strategy

- *Finalize your plan and take action!*

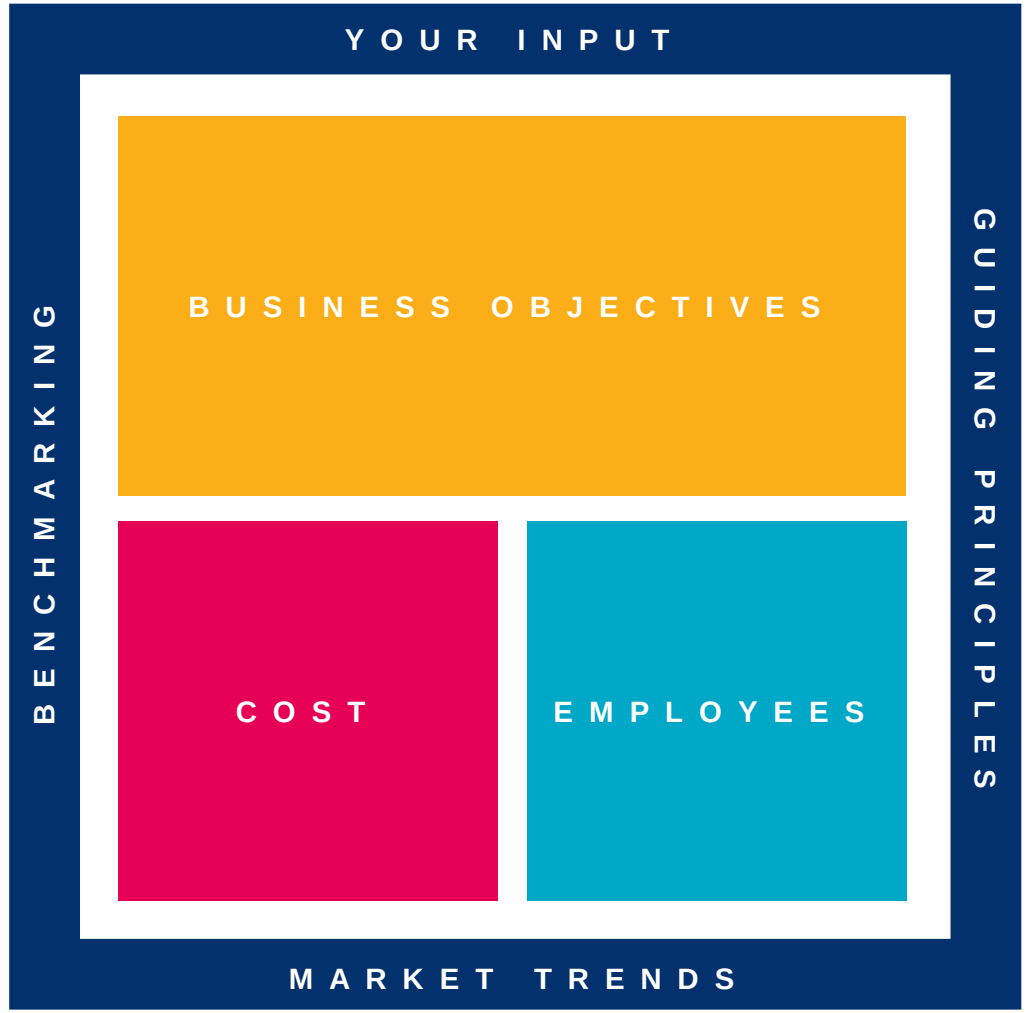
YOUR OPTIONS

Evaluating approaches

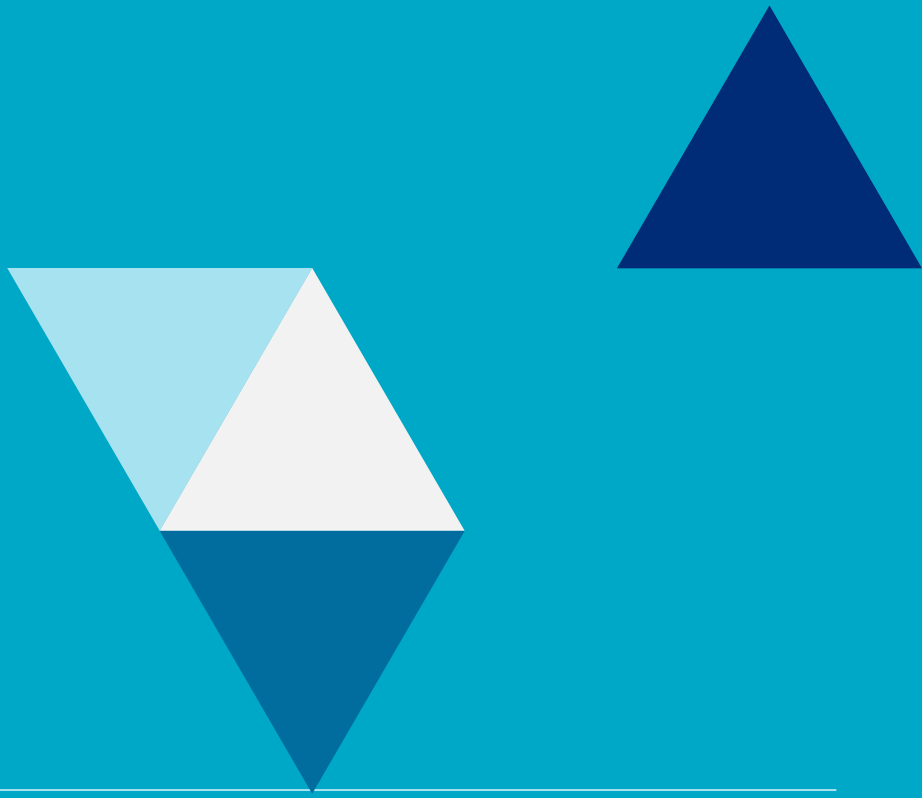
- *Your opportunities and solutions*

A successful strategy delivers your business and financial objectives

YOUR BASELINE
KEY COMPONENTS



STAKEHOLDER FEEDBACK



STAKEHOLDER INPUT
OVERVIEW

UNDERSTANDING YOUR FULL RANGE OF STAKEHOLDER PERSPECTIVES, LEVEL OF SUPPORT AND PRIORITIES IS CRITICAL TO BUILDING A SUCCESSFUL STRATEGY.

WHY IS THIS FEEDBACK SO IMPORTANT?	WHAT WILL WE ASK?	WHO WILL WE ASK?
Healthcare benefits have moved from the back page to the front page… ⌄ …meaning a broader group of stakeholders questioning long-term health/benefits strategy… ⌄ …and evolving and potentially competing internal priorities.	Cost (tolerance, implications, affordability, consistency, and cost-sharing philosophy) + Employees (choice, accountability and technology) + Program elements + admin (benefit delivery, performance and market responsiveness) + Business/Talent objectives (what, why and how much)	Legislative Council Interim Committee on State Employee Group Insurance Other stakeholders?

STAKEHOLDER INPUT
HEALTHCARE COST TOLERANCE

Average healthcare costs for employer-sponsored plans are projected to increase by 7-10% annually over the next three years. What level of company cost increase (net of employee out-of-pocket costs through plan design and payroll contributions) is acceptable over the next three years?

None – we plan to decrease our overall healthcare cost over the next three years

0% - 2%

2% - 4%

4% - 6%

We don't have a budget and will absorb underlying cost increase because of our competitive labor environment

☐ Area of focus for 2018

STAKEHOLDER INPUT
HEALTHCARE COST IMPLICATIONS

Depending on the organization, healthcare costs have a greater or lesser impact on the business and its talent / people strategy. To what extent do your healthcare costs impact your business?

Not at all – our organization's business is not impacted by our employee healthcare costs

Greatly – healthcare costs are a significant factor impacting our organization's business and talent/people strategy

☐ Area of focus for 2018

STAKEHOLDER INPUT
EXCISE TAX

Starting in 2020, health benefit coverage that costs more than $10,200 for an individual employee or $27,500 for dependent coverage will be subject to a 40% excise tax. How does responding to the looming excise tax impact your long-term health and benefits cost strategy?

We believe our plan(s) are unlikely to ever trigger the excise tax

We will take no special steps to reduce cost below the threshold amounts

We will attempt to bring cost below the threshold amounts, but it may not be possible

We will attempt to bring cost below the threshold amounts, and are confident that we will be able to do so

We will do whatever is necessary to bring plan cost below the threshold amounts

☐ Area of focus for 2018

STAKEHOLDER INPUT
BENEFIT AFFORDABILITY/CONSISTENCY

Many employers struggle with providing healthcare to their employees – especially their lower-paid employees – at an affordable price. As a result, many are incorporating strategies that provide different benefits/incentives to different populations of their workforce. What method(s) do you think you should use to address employee affordability considerations?

	YES	NO
We should address affordability via multiple plan design options with varying price points		
We should address affordability via employee contributions that vary by salary (i.e. higher-paid employees pay more)		
We should address affordability via company subsidies for employees earning less than a certain threshold (through employee contributions or account funding)		
We do not need any special provisions for addressing employee affordability		

☐ Area of focus for 2018

STAKEHOLDER INPUT
COST-SHARING, PLAN DESIGN V. CONTRIBUTIONS

Today

Desired future state

Employers share the cost of healthcare with employees through two methods: (1) contributions deducted from employee paychecks, and (2) cost sharing at the time services are used (e.g., deductibles). Do you have a philosophy regarding employee healthcare cost sharing?

No set strategy; our strategy is flexible based upon year-over-year cost increase and budget	Cost sharing should be weighted toward employee contributions	Cost sharing should be weighted toward plan "utilizers" through plan design out-of-pocket expenses	Cost sharing should be equally weighted between employee contributions and plan design out-of-pocket expenses	Company should establish a set employer contribution; employees select the best plan option for dollars provided (defined contribution)

☐ Area of focus for 2018

STAKEHOLDER INPUT
COST SHARING, DEPENDENT COVERAGE

Many employers are reconsidering the portion of costs paid for employees' dependents to enroll in the healthcare plans. Do you have a philosophy regarding cost sharing for employee versus dependent coverage?

	YES	NO
We should pay the same percentage of costs for employees and dependents		
We should pay slightly more for employees than dependents (<5 point difference)		
We should pay much more for employees than dependents (>5 point difference)		
We should have a spousal surcharge for spouses that enroll in the plan if the spouse has other coverage available		
We should not provide coverage to spouses even if they are eligible		

☐ Area of focus for 2018

STAKEHOLDER INPUT
EMPLOYEE CHOICE

How important is it for employees to have multiple health plan options from which to choose?

Not important – maintaining employee choice is not an important factor for our health benefits strategy

Very important – we will work to enhance employee choice in whatever way possible

☐ Area of focus for 2018

STAKEHOLDER INPUT
EMPLOYEE ACCOUNTABILITY

Today

Desired future state

Employees today are being given an increasing amount of financial responsibility in all types of healthcare plans. What is your philosophy regarding employee accountability for individual health and well-being decision-making/risk (e.g., navigational accountability, out-of-pocket cost risk) versus employer “paternalism”?

Minimize employee accountability – provide richer plans that minimize employee financial risk

Balance employee accountability – provide a selection of plans and tools for individual employee decision making

Maximize employee accountability – provide a wide selection of plans (including high deductible options), tools & employee-paid supplemental coverages to support individual employee decision making

☐ Area of focus for 2018

STAKEHOLDER INPUT
BENEFIT DELIVERY, HIGH-TECH V. HIGH-TOUCH

An explosion of technology-based healthcare innovation in recent years has led to the development of many web or app-based tools that employees can use to access, learn about and manage their own health and benefits. What is your opinion on the effectiveness of “high-tech” (e.g., a mobile app that helps employees navigate their care options when ill/injured) versus “high-touch” (e.g., a concierge call-center model) benefit delivery for your employee population?

High-touch is still the most effective method for our employee population – our employees need/prefer traditional one-on-one health and benefits support

A combination of high-touch and high-tech tools from which our employees can choose those that work best for them

High-tech – our employees want and expect novel health and well-being products and services that are intuitive, transparent, personalized and technology-enabled

☐ Area of focus for 2018

STAKEHOLDER INPUT
MARKET RESPONSIVENESS

In today's transforming health and benefits environment, cutting-edge strategies and solutions are emerging regularly. Does your organization strive to be an "early adopter" of new solutions, or do you prefer to pursue "tested and proven" solutions?

"Tested and proven" solutions – we prefer to implement approaches once their value and operational underpinning have been established

"Early adopter"– the opportunity to pioneer new and transformative strategies outweighs the "not proven" risk

☐ Area of focus for 2018

STAKEHOLDER INPUT
EMPLOYEE WELLBEING OBJECTIVES

Many employers offer health management programs to assist in managing care and controlling costs. Some employers focus on basic care management programs that address high cost claimants, whereas others invest in more robust programs to cover the full health risk spectrum. What is your philosophy regarding health management programs?

We should provide basic care management programs for high cost members

We should provide programs covering part of the health risk spectrum

We should provide integrated programs covering the full health risk spectrum

☐ Area of focus for 2018

STAKEHOLDER INPUT
HEALTH AND PERFORMANCE

Nearly all large employers offer programs designed to support employee health. In addition to formal health management programs, employers are providing a range of activities to engage employees and create a culture of health in the workplace, which is shown to drive improvements in attraction, retention and engagement. To what extent, if any, should your organization utilize health and well-being strategies as a lever to drive overall workforce performance?

Not at all – health and well-being programming is not a driver of workforce performance

A high extent– health and well-being programming is central to our workforce strategy

☐ Area of focus for 2018

STAKEHOLDER INPUT
LEADERSHIP INVOLVEMENT/SUPPORT OF HEALTH

Many companies have taken steps to maximize leadership support of a culture of health, such as holding leaders accountable in performance reviews for supporting the health and well-being of their employees. To what extent are leaders in your organization supportive of a culture of health/held accountable for workforce health outcomes?

Promoting a culture of health is not on leadership's agenda; leaders demonstrate little awareness of our health programs/their impact on business	Leaders are aware of our overall health strategy/programs, but do not have an ongoing role in promoting & supporting employee health and are not held accountable for employee health-related outcomes	Leaders are somewhat supportive of employee health/our health programs, but are not held accountable for employee health-related outcomes	Leaders are very supportive of employee health/our health programs, but are not held accountable for employee health-related outcomes	Leaders are very supportive of employee health/our health programs, and are held accountable for employee health-related outcomes

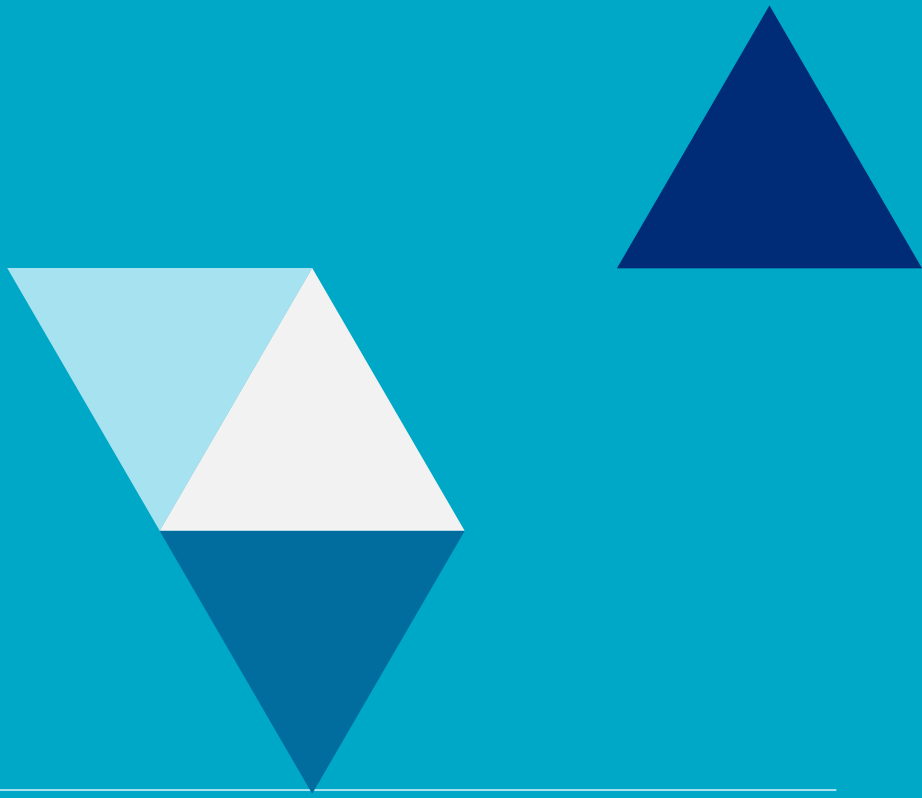
☐ Area of focus for 2018

STAKEHOLDER INPUT
HEALTH AND BENEFITS PRIORITIES

You are being given 20 “points” to “spend” on the below listed elements of healthcare/benefits strategies, to indicate those that are most important for your organization. Please indicate the relative priority of the below listed elements by allocating your 20 points (i.e., spend all 20 points on one item that is important above all others, spend 5 points on two highest-priority items and 2 points on five medium-priority items, etc.).

		POINTS
General	Ensuring healthcare/benefits strategy and solutions are globally relevant	
	Consistently being an early adopter of the newest healthcare/benefits strategies and solutions	
	Offering a comprehensive total rewards package to support holistic employee needs	
Cost	Keeping organizational healthcare spend at or below a determined threshold	
	Keeping benefits affordable for all employees	
	Maintaining consistency of benefits offered across all employee groups	
	Continuing to offer coverage for employee dependents	
Employee Experience	Maximizing employee benefit choice	
	Maximizing employee benefit accountability	
	Delivering benefits to employees in a “high-tech” way	
	Delivering benefits to employees in a “high-touch” way	
Employee Health	Offering programs to support employee health	
Execution	Maintaining direct control of key health benefits features (e.g., plan design, administration platform)	

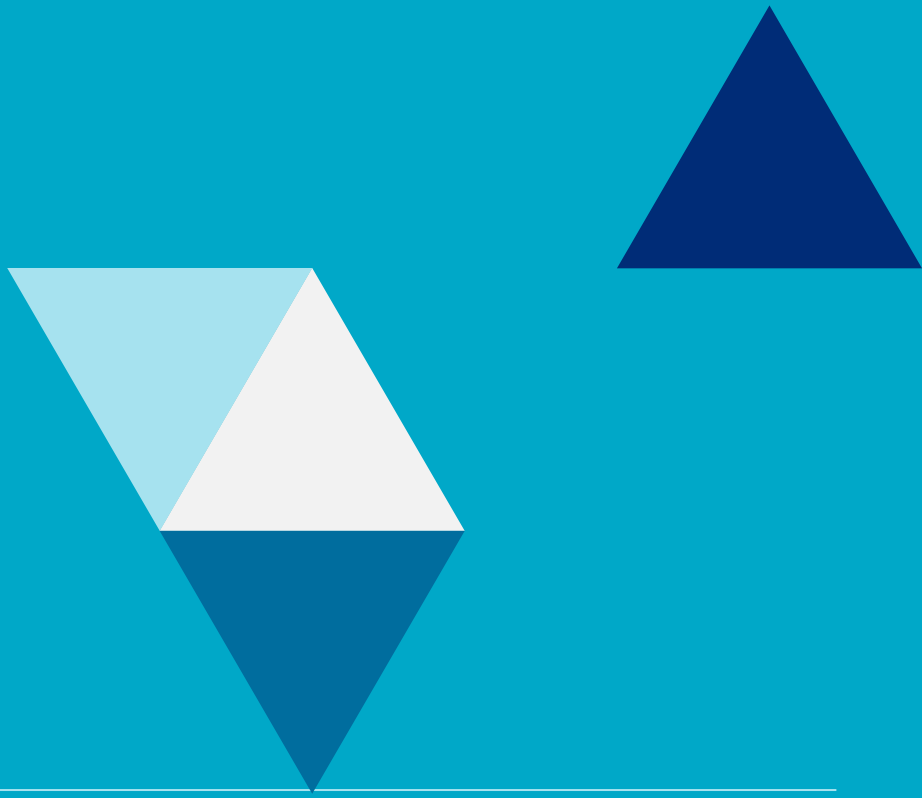
NEXT STEPS



NEXT STEPS

- SCHEDULE SUBSEQUENT MEETINGS
- PREPARE DRAFT OF GUIDING PRINCIPLES

APPENDIX



PAY FOR VALUE

WHAT IT IS

Aligning reimbursement with value, not volume

- Reimbursement changes are already underway; as the ultimate purchaser, employers expect to pay for better patient outcomes, more efficient care, and an improved member experience

EMPLOYER CORE STANDARDS

- ✓ Understand what percentage of your covered workforce is being cared for by a provider with a value-based reimbursement model
- ✓ Know how much you're paying in additional fees for lives attributed to value-based reimbursement models, like ACOs and PCMHs
- ✓ Request carrier reporting that includes the expected and actual impact of value-based reimbursement on cost, quality and member experience
  - ✓ Build this into carrier contracts and/or RFPs
- ✓ Define your network strategy

MERCER SUPPORT

- Help you understand what pay-for-value reimbursement structures are currently in place and their costs and ROI
- Help you build out your future reimbursement strategy

Pay for value current state diagnostic ▶ **Pay for value opportunity landscape** ▶ **Multi-year roadmap for network strategy**

DRIVE TO QUALITY

WHAT IT IS

Delivering the right care at the right time, in the right setting, error free

- Better outcomes eliminate waste and improve care

EMPLOYER CORE STANDARDS

- ✓ Inventory all the sources of quality information from your current vendors and determine which source to promote
- ✓ Actively monitor, mitigate and manage high cost claims
- ✓ Know where your workforce is receiving low-quality care by understanding your overuse/underuse/misuse baseline
- ✓ Evaluate plan design options to create a meaningful cost differential between seeking care at high- and low-quality care settings
- ✓ Modify carrier contracts to exclude payment for “Never Events” (serious events that are preventable)

MERCER SUPPORT

- Assess the current state related to quality of care
- Determine areas of opportunity
- Help you build out your future strategy

Sources of quality information inventory

Overuse/ underuse/ misuse of care baseline

High cost claims surveillance

Address “never events”

Multi-year roadmap for strategy to drive to quality

PERSONALIZE THE EXPERIENCE

WHAT IT IS

Leveraging better data and technology to engage employees in the right behaviors every day – not just when care is needed

- Relevant, personalized and timely health information fuels action and enables shared-accountability

EMPLOYER CORE STANDARDS

- ✓ Hold vendors accountable for achieving a high Net Promoter Score (NPS) by including as a performance guarantee or contract provision
- ✓ Offer services that provide high touch/high tech support to drive employees to become more empowered consumers, either through existing or new vendors
- ✓ Your employees are the customer of your benefits offering; create a baseline assessment of what the various segments of your workforce want and value

MERCER SUPPORT

- Help you understand what tools and resources are available to drive engagement
- Hold your vendor partners accountable for superior service
- Help you build your future strategy

Engagement tools/ resources inventory

Net promoter score (NPS) PGs

Consumer experience audit

Multi-year roadmap for diverse workforce needs

EMBRACE DISRUPTION

WHAT IT IS

Injecting change into the system – with internal stakeholders and external partners – to be future-ready, even if it creates short-term disruption

- Fundamental change requires evaluation and action on topics that have been considered untouchable in the past

EMPLOYER CORE STANDARDS

- ✓ Assess and score how each of your vendor partners align with your strategic objectives
- ✓ Define your expectations for all vendor partners, establish a disciplined approach to convey your priorities during stewardship meetings and agree to a cadence for measurement and reporting
- ✓ Review procurement and contractual requirements associated with out-clauses and forming new partnerships with start-ups
- ✓ Create the business case for change with internal leaders, socializing the business imperative for change

MERCER SUPPORT

- Help you understand how your current vendor partners align with your strategic objectives
- Drive changes in alignment where needed
- Help you create the business case for change

Vendor partner scorecard ▶ **Alignment of vendor performance with expectations and priorities** ▶ **Create the business case for change**

MERCER

MAKE TOMORROW, TODAY