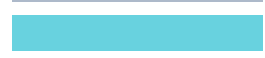
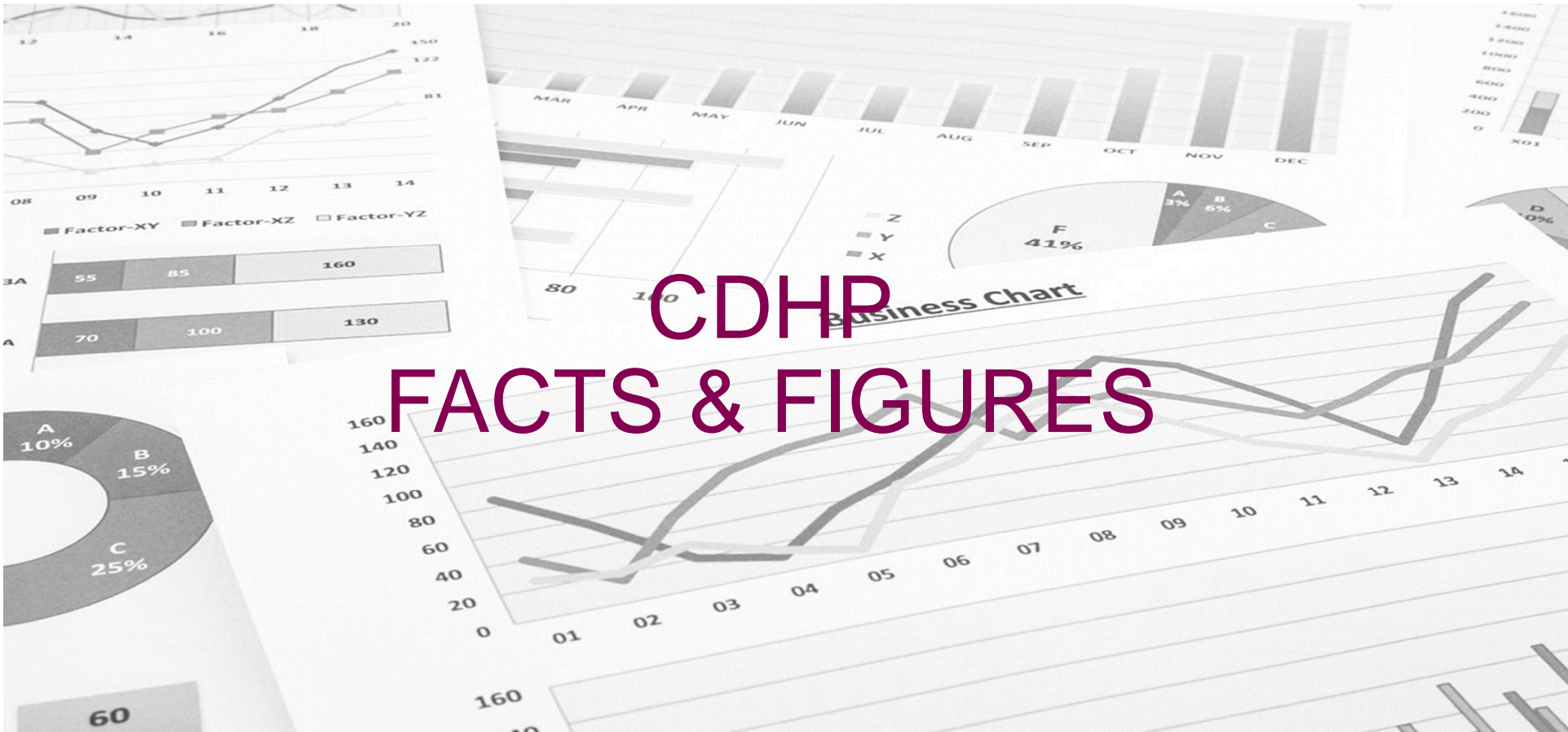


CDHPs: OPTIONS, CHOICES & KEY CONSIDERATIONS



TODAY'S PROGRAM

- CDHP Facts & Figures
- HSA and HRA Info & Insights
- CDHPs:
 - » Rx Benefit
 - » Preventive Drugs
 - » Cadillac Tax
 - » Private Exchanges
- Patient/Employee/Consumer Challenges of CDHPs
- Key Questions To Ask When Implementing A CDHP



A CONSUMER-DIRECTED HEALTH PLAN (CDHP) IS . . .

High Deductible Health Plan (HDHP)

with

Health
Reimbursement
Arrangement
(HRA)

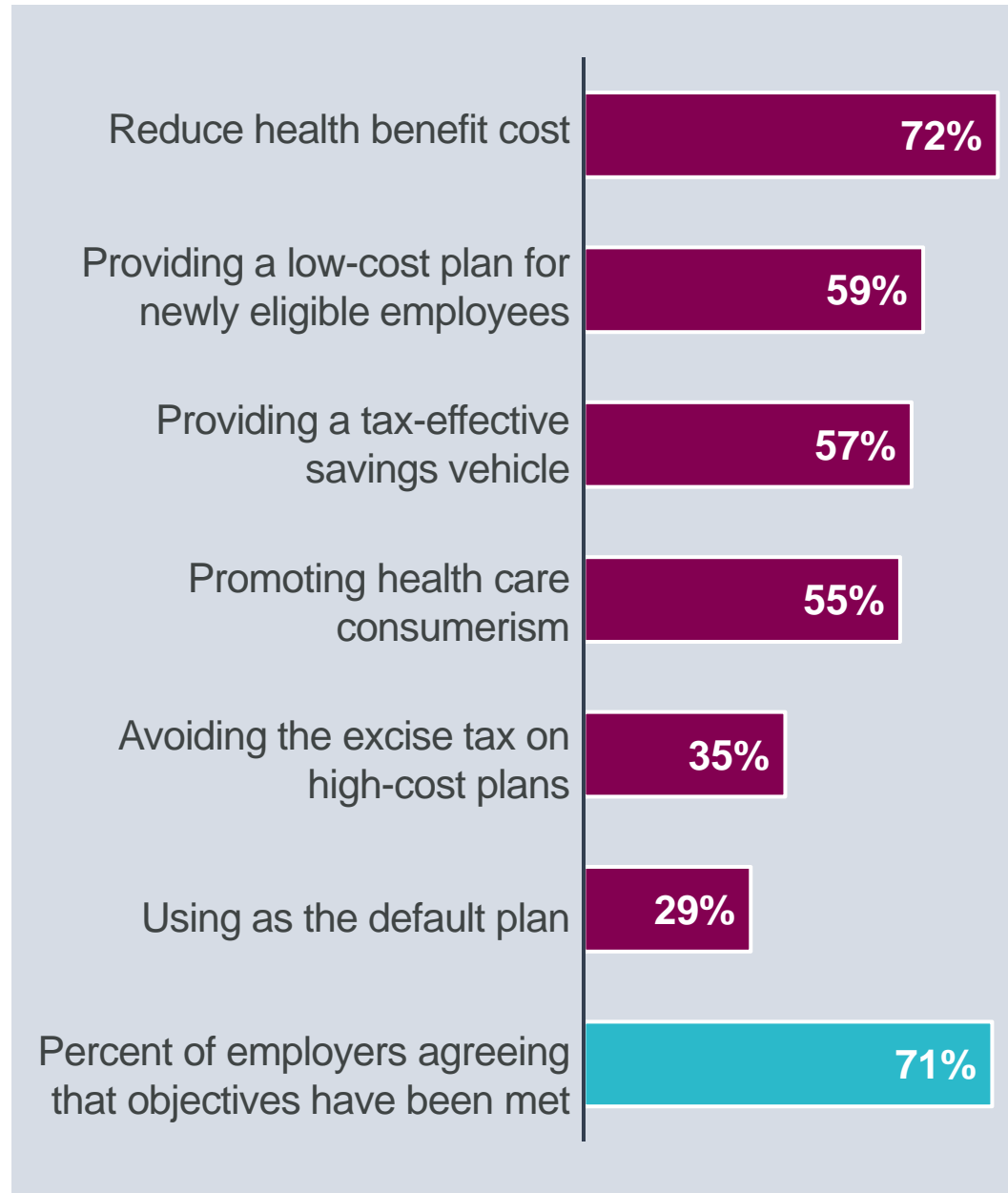
OR

Health Savings
Account
(HSA)

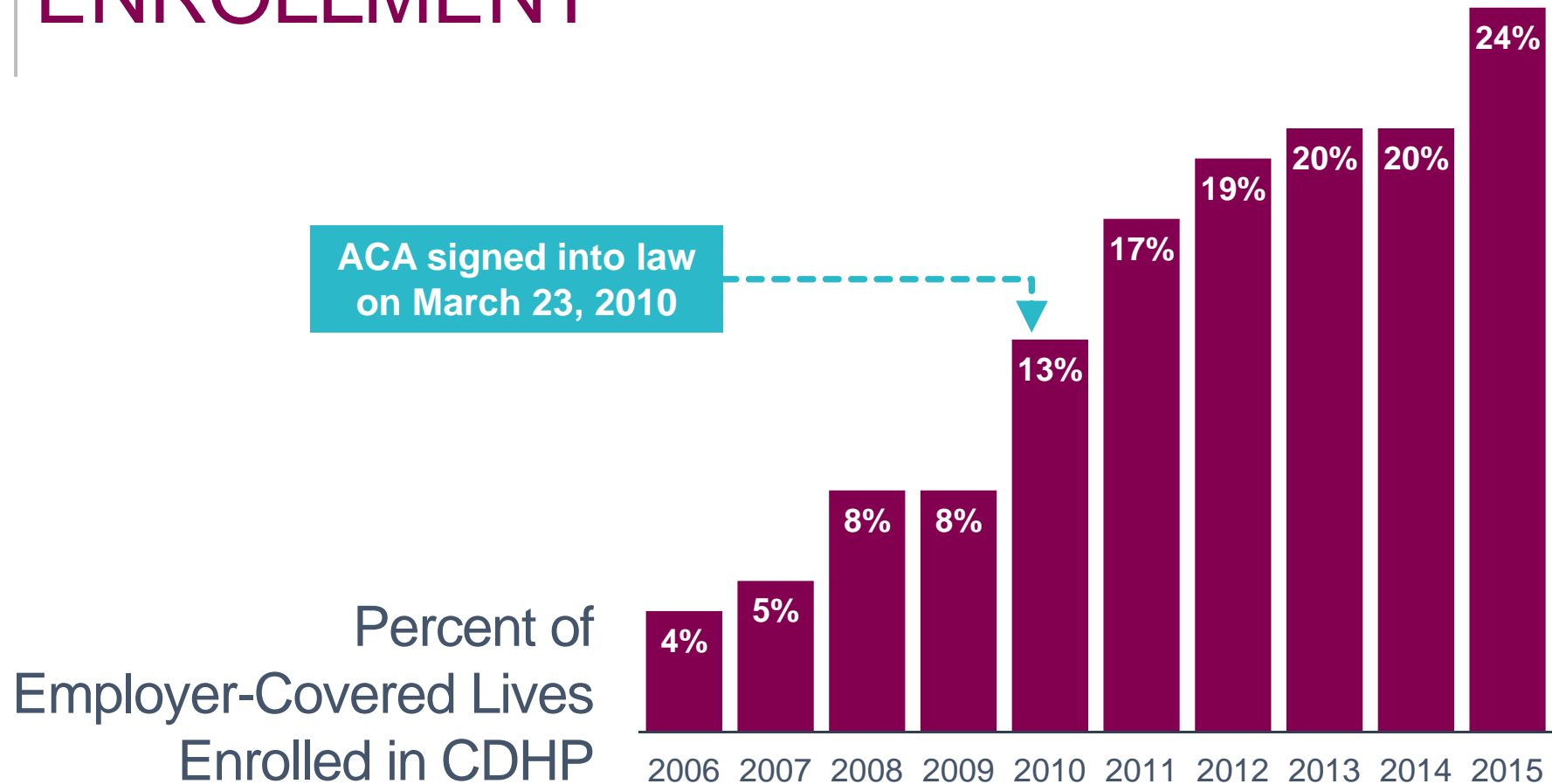


WHY DO EMPLOYERS UTILIZE CDHPs?

Percentage of Employers Utilizing CDHPs Considering Objective Important

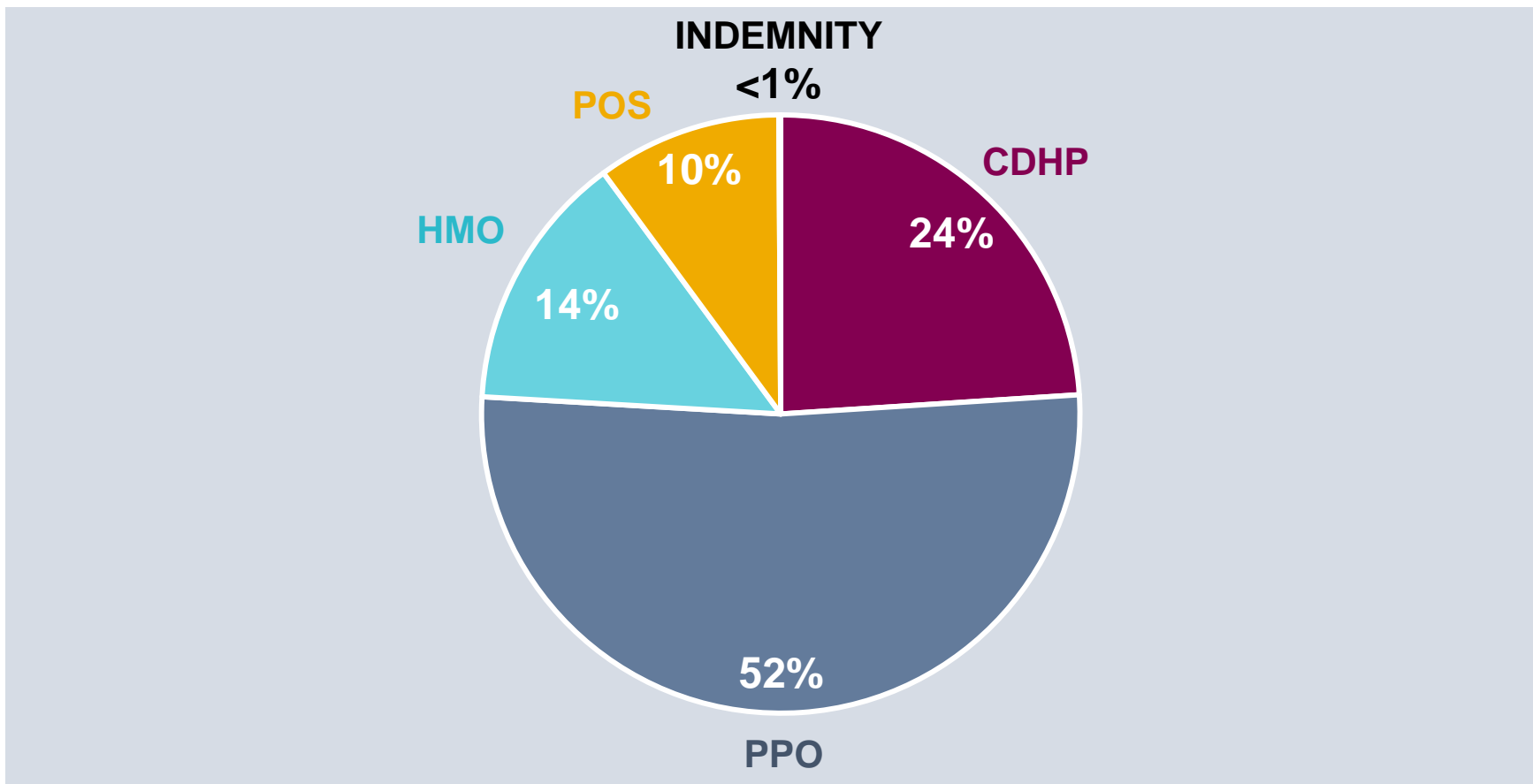


ROBUST 10-YEAR GROWTH IN CDHP ENROLLMENT

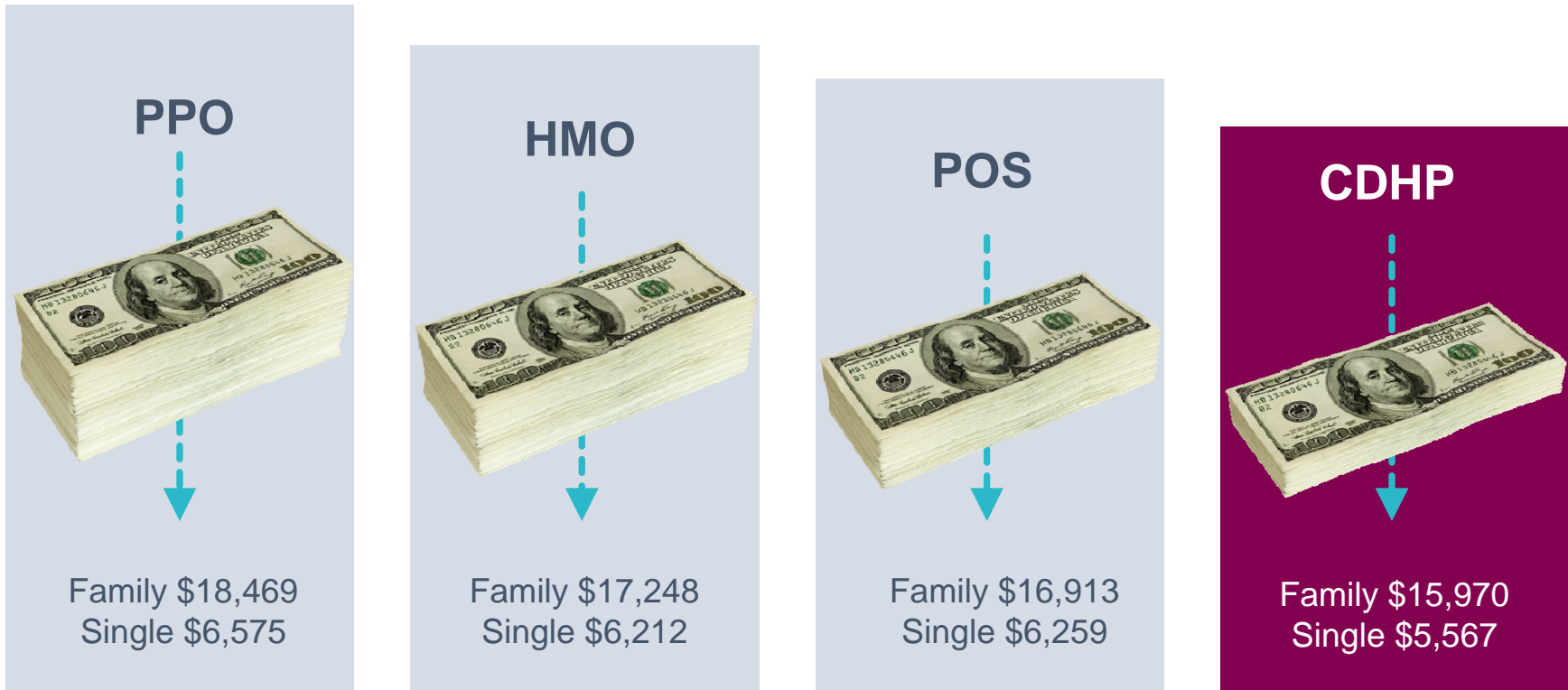


CDHP MARKET SHARE OF EMPLOYER HEALTH PLANS

Employee Enrollment by Health Plan Type

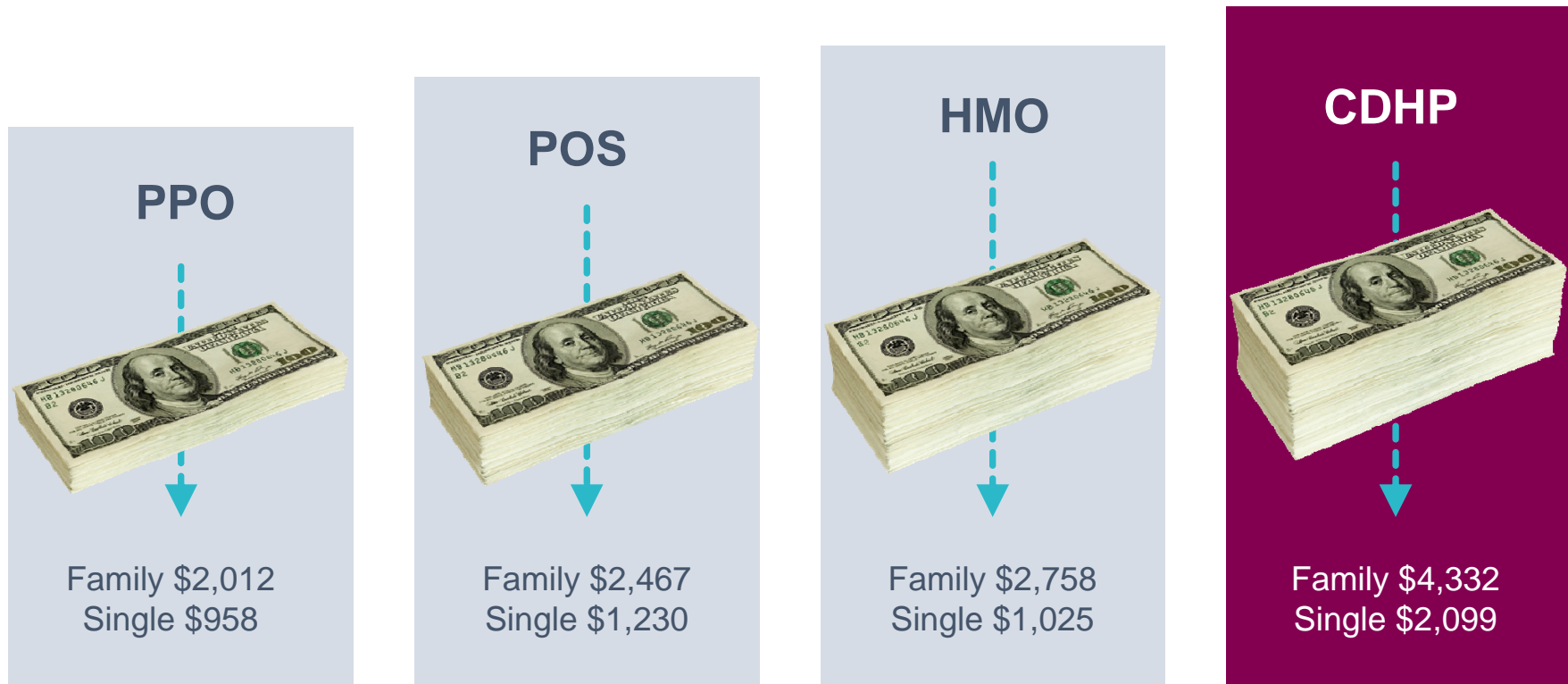


CDHP ANNUAL PREMIUMS COMPARED TO OTHER PLANS



- » CDHP family premium is 14% lower than PPO family premium
- » CDHP single premium is 15% lower than PPO single premium

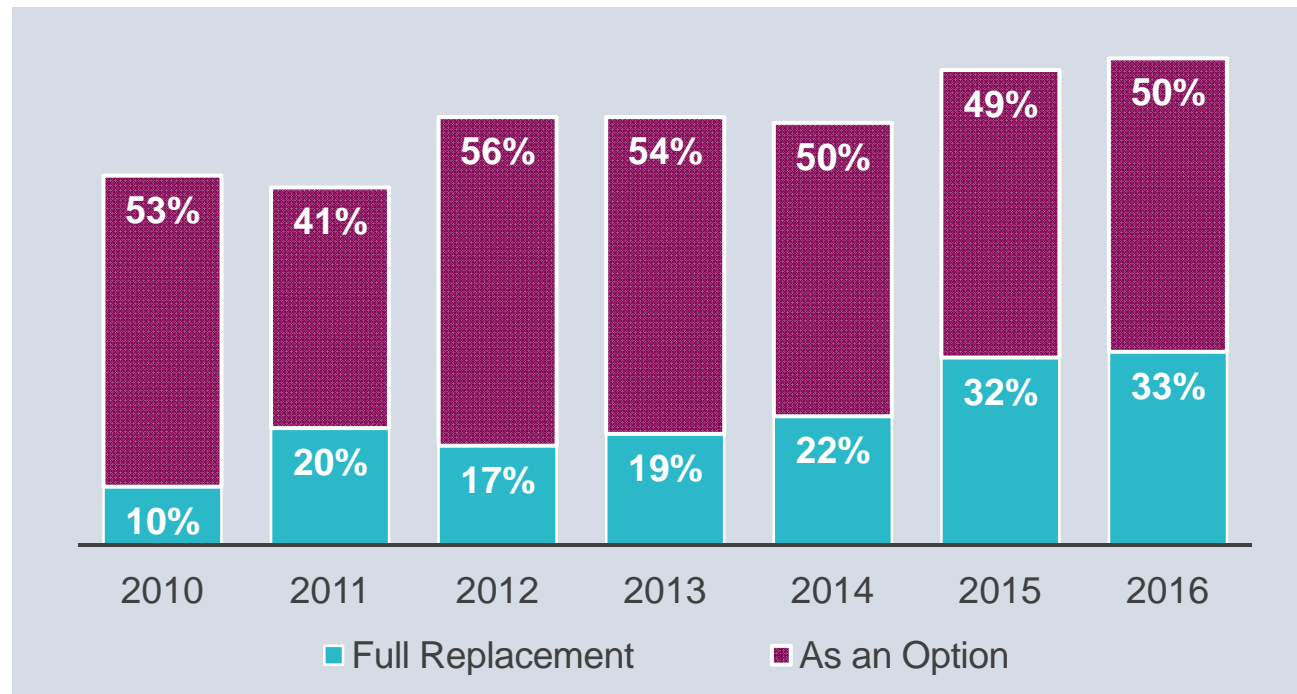
CDHP ANNUAL DEDUCTIBLES COMPARED TO OTHER PLANS



- » CDHP family deductible is 215% higher than PPO family deductible
- » CDHP single deductible is 219% higher than PPO single deductible

TRENDS IN FULL REPLACEMENT CDHPs

CDHP Uptake 2010 - 2016¹



“Account-based health plans—especially full-replacement plans—have proved effective in helping employers hold the line on costs . . . They also show promise for helping organizations avoid the PPACA excise tax on high-cost plans.”²

¹2016 Large Employers' Health Plan Design Survey. National Business Group on Health. August 2015. ²19th Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care. National Business Group on Health and Towers Watson. 2014.



HSA AND HRA INFO & INSIGHTS

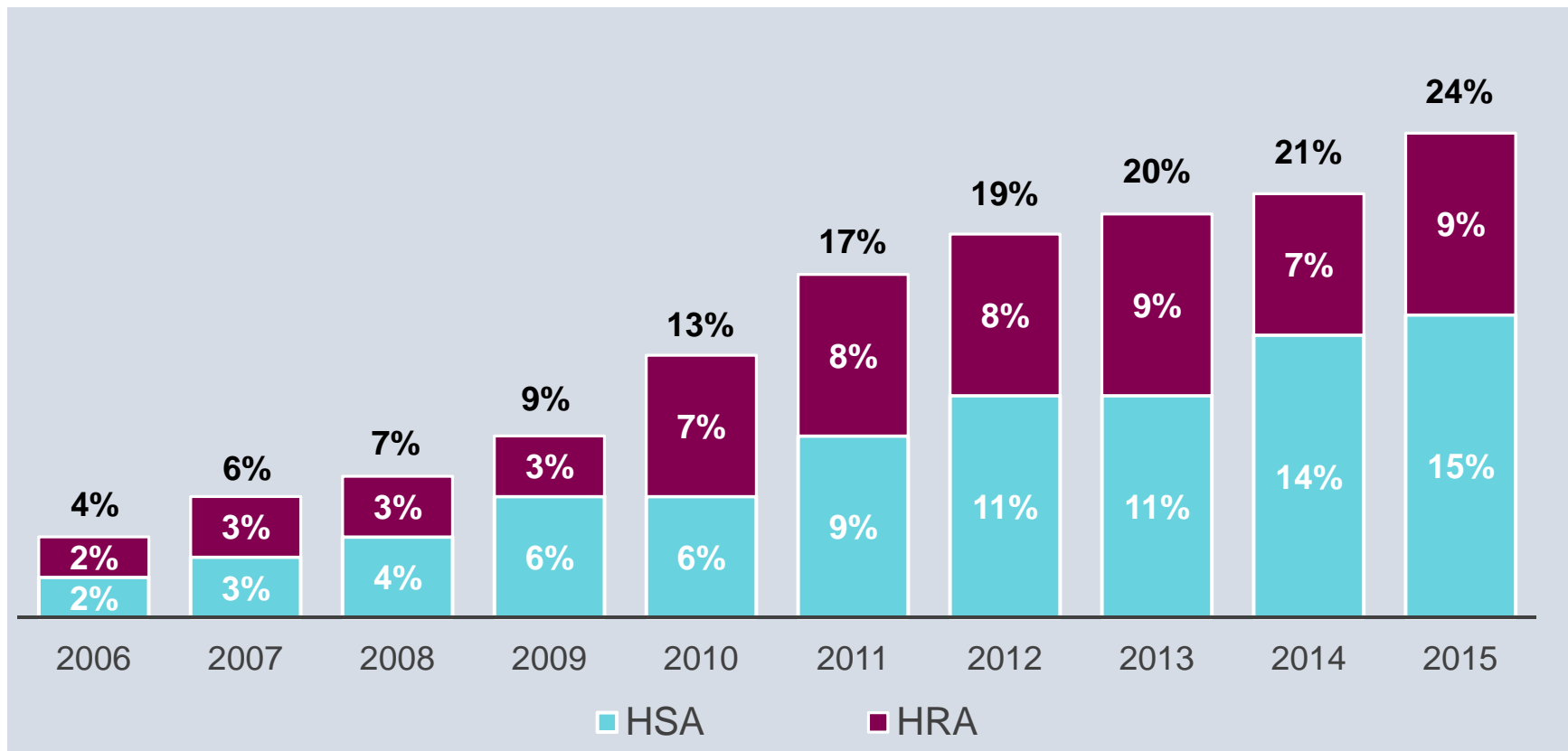


HRA & HSA COMPARISONS

	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Type of Account	» Benefit account, owned and directed by employer, set aside to pay for an employee's qualified medical expenses.	» A tax-advantaged account, owned by the employee, that is used to pay for employee's qualified medical expenses. » Regulated by IRS.
Pretax Employee Contribution	⊘	✓
Employer Contribution and Rollover	✓	✓
Portable	⊘	✓
Assets in the Fund Allowed to Be Used for Investing Purposes	⊘ <i>The funds may only be used for qualified medical expenses.</i>	✓ <i>The individual may use the assets in the fund to invest in any IRA instruments.</i>
Account Must be Linked with a HDHP	⊘ <i>Can be paired with any plan type.</i>	✓
Employee <u>Must</u> Pay for Rx Until Deductible Met	⊘ <i>Can be paired with any Rx plan type.</i>	✓ <i>Allows employer to cover preventive drugs outside of deductible.</i>

HSA vs. HRA ENROLLMENTS

Percent of Employer-Covered Lives Enrolled in
CDHPs with HSA and CDHPs with HRA



Note: Due to rounding, in some cases the percentages at the tops of the bars may not match those in the reference paper.

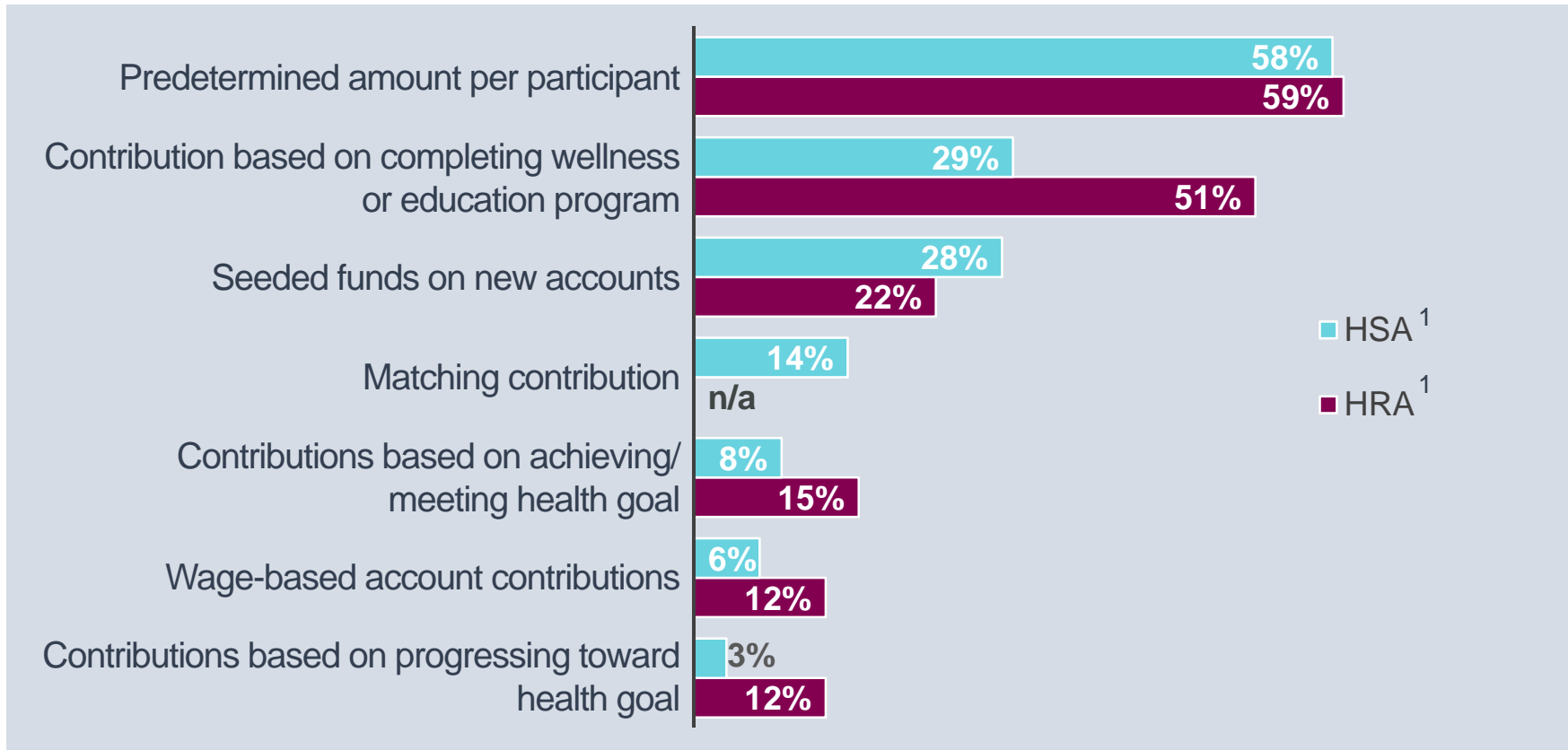
The Kaiser Family Foundation and Health Research and Educational Trust. *Employer Health Benefits 2015 Summary of Findings*. September 2015.

HSA & HDHP FINANCIAL STANDARDS FOR 2016



FOR 2016	
HSA Contribution Limit (<i>employer + employee</i>)	Individual: \$3,350 Family: \$6,750
HDHP Minimum Deductibles	Individual: \$1,300 Family: \$2,600
HDHP Maximum OOP Amounts	Individual: \$6,650 Family: \$13,100

EMPLOYER CONTRIBUTIONS TO HSAs and HRAs



Some Employers Do Not Contribute to HSAs²

» **45%** of Employers Do Not Contribute to **Individual HSAs**

» **44%** of Employers Do Not Contribute to **Family HSAs**

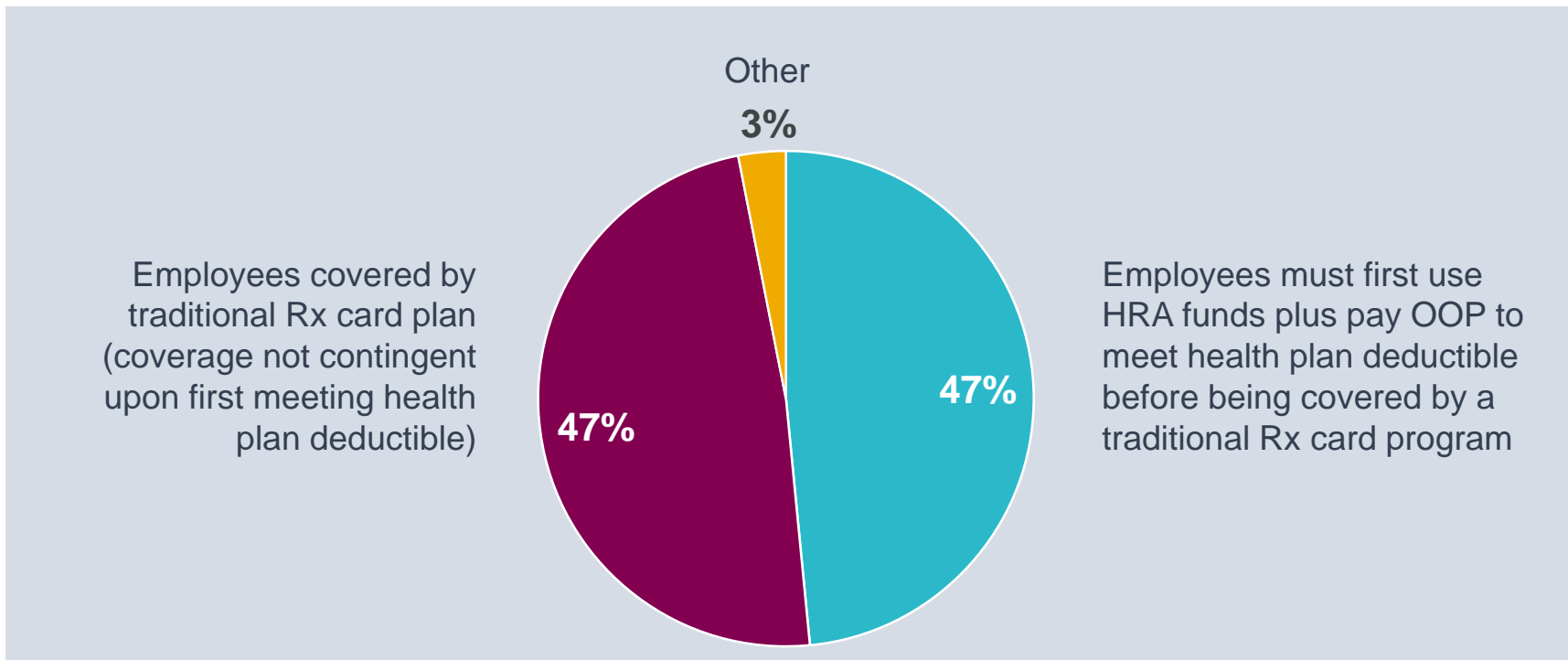
¹National Business Group on Health. *2016 Large Employers' Health Plan Design Survey*. August 2015. ²The Kaiser Family Foundation and Health Research and Educational Trust. *2015 Employer Health Benefits Survey*. September 2015.



**CDHPs:
RX BENEFIT
PREVENTIVE DRUGS
CADILLAC TAX
PRIVATE EXCHANGES**

PHARMACY BENEFIT—CDHP + HRA

Rx Coverage in CDHPs with HRAs



Employers have the flexibility to pair a HRA with any prescription drug card plan of their choosing.

PHARMACY BENEFIT—CDHP + HSA



Department of the Treasury
Internal Revenue Service

Publication 969

Cat. No. 24216S

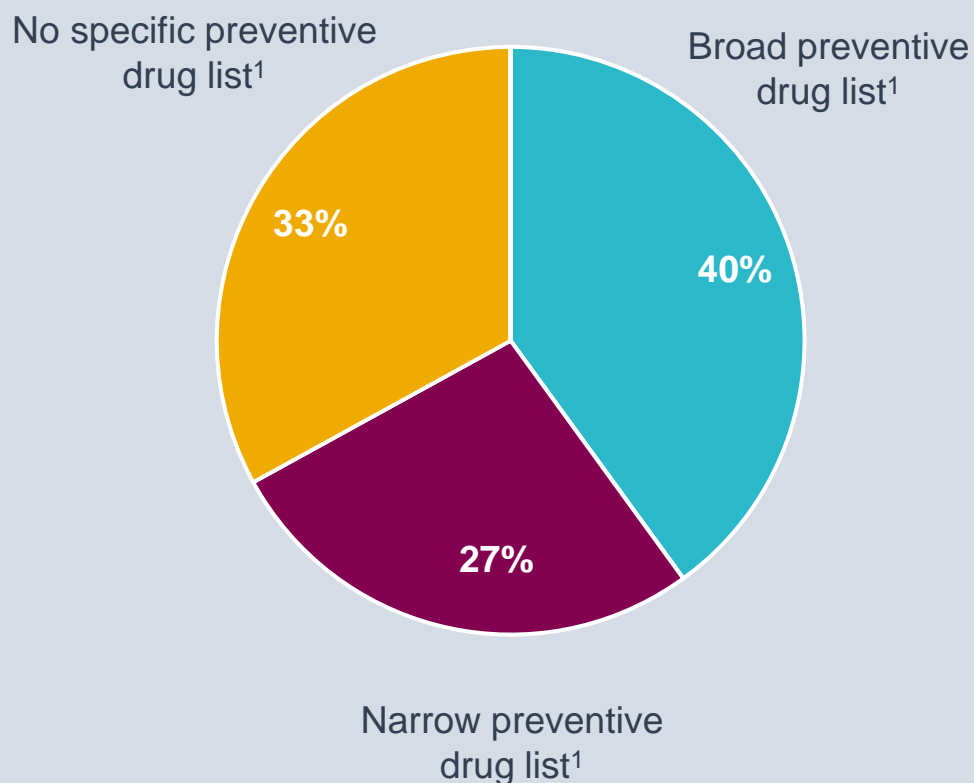
Health Savings Accounts and Other Tax-Favored Health Plans

As **regulated by the IRS**, when HSAs are utilized **Rx spending** must be paid out of the **deductible**.

However, the ACA and certain IRS rulings have created an allowance for “**preventive**” drugs to be covered **outside of the deductible**.

Given the lack of clarity as to what constitutes a “preventive” drug under ACA and relevant IRS statutes, many employers—as advised by their PBMs, health plans and consultants—are proactively designating important categories of drugs as “preventive” and covering them under a separate tiered cost-sharing design.

Preventive Drug Coverage in CDHPs with HSAs



“This value-based design feature is growing in popularity, and it encourages the use of therapies by removing some of the financial barriers to ongoing preventive treatment.”²

¹Benfield/Gallagher Benefit Services, Inc. *Special Report Employer Market Healthcare Reform & Private Exchanges*. July 2015.

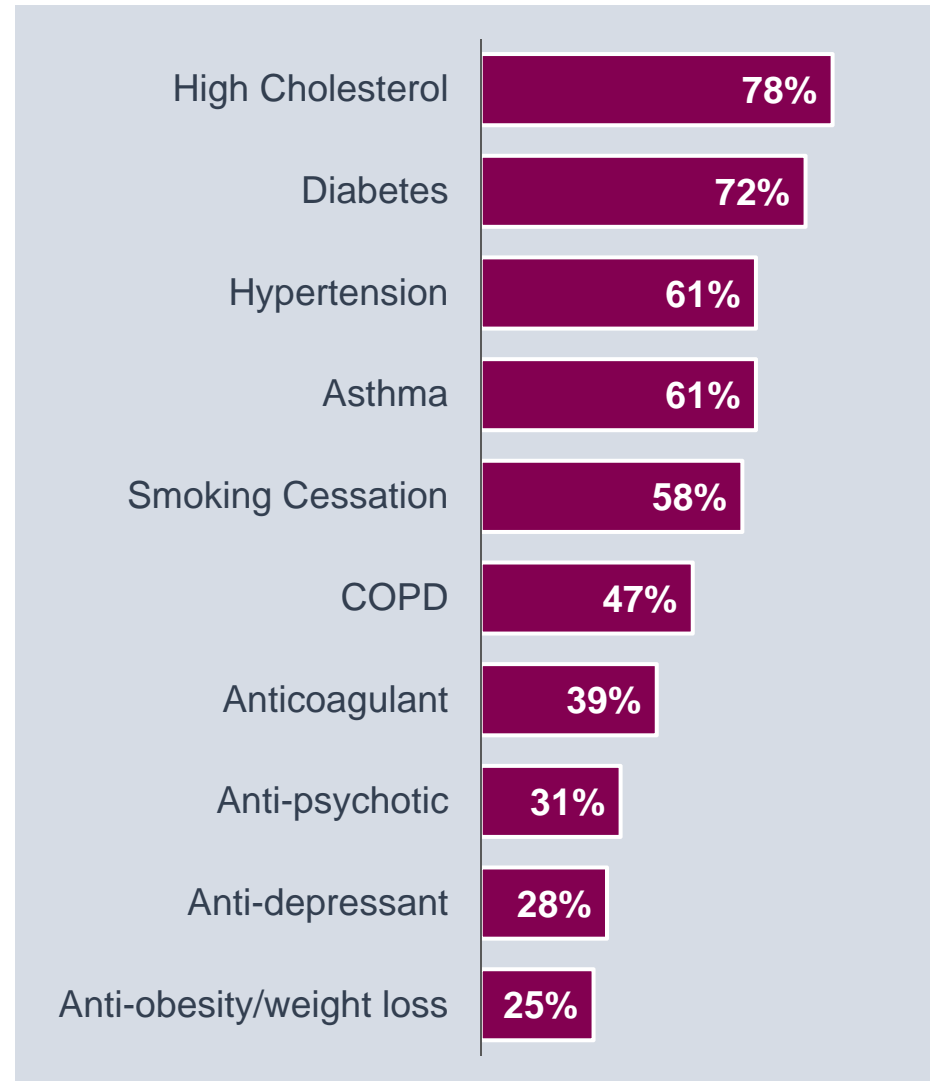
²Mercer. *National Survey of Employer-Sponsored Health Plans*. 2014.

CDHPs & PREVENTIVE DRUGS

What “**preventive**” drugs are employers covering **outside** of the **HSA deductible**?

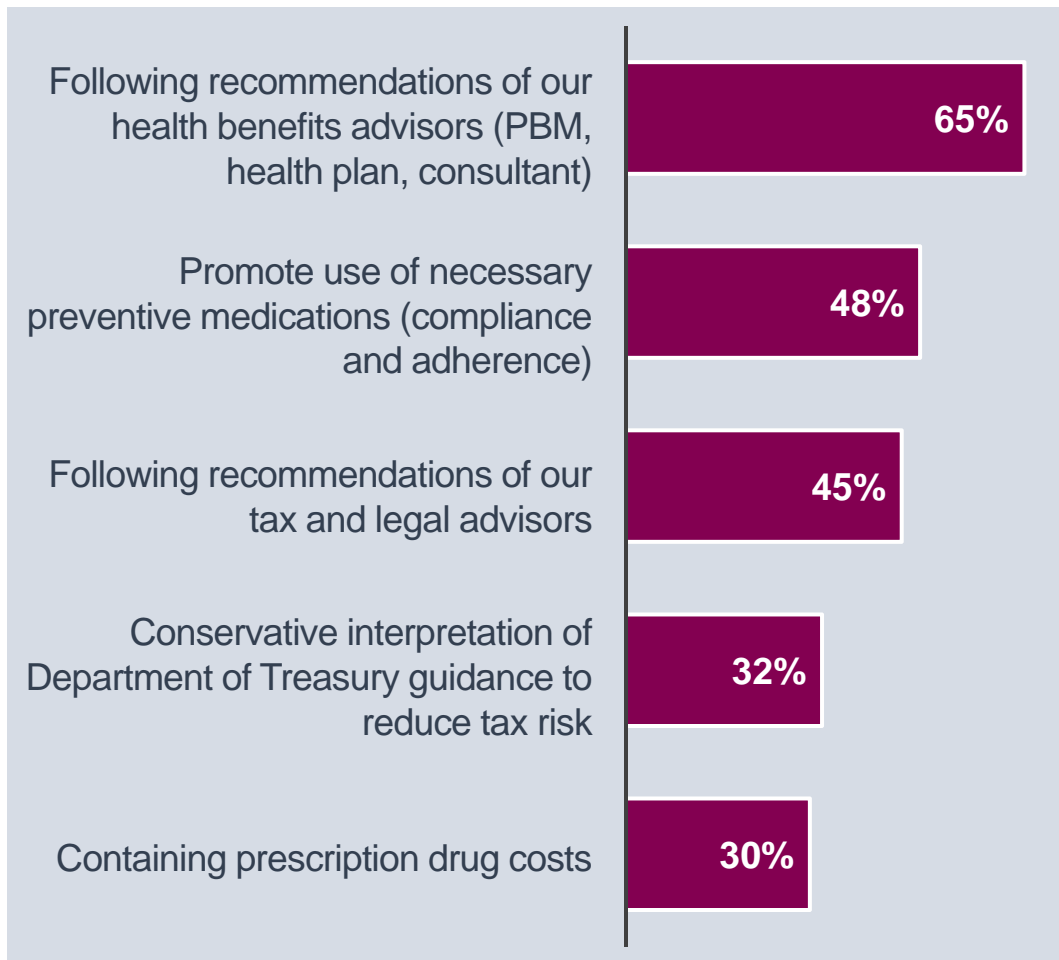
Research Finding: Of those employers with a preventive drug list, 60% have a broad preventive drug list and 40% have a narrow preventive drug list.²

Top 10 Drug Categories Cited By Respondents¹



¹National Pharmaceutical Council and Benfield/Gallagher Benefit Services. *Consumer-Directed Health Plans: Pharmacy Benefits and “Better Practices.”* September 2014. ²Benfield/Gallagher Benefit Services, Inc. *Special Report Employer Market Healthcare Reform & Private Exchanges.* July 2015.

CDHPs & PREVENTIVE DRUGS



What factors influence employers approach to “preventive” drug lists?

Research Finding:
86% of employers are very or somewhat interested in learning what different PBMs recommend on their preventive drug lists and why.

CDHPs & THE “CADILLAC TAX”

Given this sobering reality . . .

Year	“Cadillac Tax” Threshold for Self-Only Plan ¹	% of Employers Hitting Threshold with Premium, HSA, HRA Contributions ¹	% of Employers Hitting Threshold with Premium, HSA, HRA, FSA Contributions ¹
2018	\$10,200	16%	26%
2023	\$11,800	22%	30%
2028	\$13,500	36%	42%

“Implementing a new CDHP (or increasing enrollment in an existing plan) is a key strategy for employers to avoid the excise tax on high-cost plans.”²



- » **36%** of employers **will add a CDHP or increase enrollment** in a CDHP to avoid Cadillac tax.²
- » **35%** of employers report that avoiding the Cadillac tax was an **important objective of implementing a CDHP.**²

¹The Henry J. Kaiser Family Foundation. *How Many Employers Could be Affected by the Cadillac Plan Tax?* Issue Brief. August 2015.

²Mercer. *National Survey of Employer-Sponsored Health Plans.* 2014.

CDHPs AND PRIVATE EXCHANGES



Research shows that CDHPs are far more common within private exchanges than outside private exchanges.

What role do CDHPs play in private exchanges?

Private Exchange	% of Members Who Selected a HSA-Qualified Plan
Towers Watson	84% Have access to HSA-based plan
Arthur J. Gallagher & Co.	65%
Mercer	59%
Aon Hewitt	49%
Average selection of HSA when offered outside a private exchange	26%



PATIENT/EMPLOYEE/CONSUMER
CHALLENGES OF CDHPS

CDHP IMPACT ON PRESCRIPTION DRUG USAGE



Annualized **spending growth** on pharmaceuticals is **5 to 9.5 percentage points lower** in the three years post CDHP implementation.¹

National Bureau of Economic Research. 2015.

Workers significantly **reduced their prescription drug use** after the plan was implemented.

Enrollees filled **1.37 and 0.85 fewer prescriptions** after one and four years, respectively.²

Health Affairs. 2013

Medication adherence in CDHP employees **decreased by 31%** across all observed disease states compared to PPO enrollees.

Patients with **diabetes** and patients with **asthma** were **most affected**.³

Journal of Occupational Medicine. 2009

¹National Bureau of Economic Research. *Do "Consumer-directed" Health Plans Bend The Cost Curve Over Time?* Working Paper 21031. March 2015. ²Fronstin P, Sepulveda MJ, Roebuck MC. *Health Affairs.* 2013;32(6):1126-1134. ³Nair KV, et al. *J Occup Environ Med.* 2009;51(5):594-603.

CDHP IMPACT ON HEALTH CARE UTILIZATION



Active workers significantly **reduced their physician office visits** after the plan was implemented.

CDHP enrollees **less likely to receive** some recommend **cancer screenings**.¹

Health Affairs. 2013

After 4 Years, HSA plan enrollee **annual physicals, well-child visits, and preventive visits** were down slightly relative to the comparison group.²

Employee Benefits Research Institute. 2014.

Sick, but “well off” consumers, **reduced consumption** of healthcare **by 22%**.

Consumers substantially **reduce spending** when **under the deductible**, but not at all when OOP maximum has been met.³

UC Berkeley National Bureau of Economic Research

¹Fronstin P, Sepulveda MJ, Roebuck MC. *Health Affairs*. 2013;32(6):1126-1134. ²*Quality of Health Care After Adopting a Full-Replacement, High-Deductible Health Plan With a Health Savings Account: A Five-Year Study*. Employee Benefits Research Institute. Sept. 2014. ³Brot-Goldberg ZC, et al. *What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics*. NBER Working Paper No. 21632. Oct. 2015.

CONSUMER CONFUSION ABOUT CDHPs



- » **Only 10%** of CDHP enrolled respondents correctly **understand cost-sharing arrangements**.
- » **50%** mistakenly reported that all office visits applied toward their deductible, **not recognizing that preventive visits were exempt**.
- » **19%** reported that they had **delayed or avoided** a preventive office visit **because of its cost**.

CONSUMER SATISFACTION WITH CDHPs

Are you satisfied with your health plan?¹

- » Employee with CDHP: 48% said “yes”
- » Employee with other type of health plan: 62% said “yes”

Would you recommend a CDHP to a colleague?¹

- » Employee with CDHP: 40% said “yes”
- » Employee with other type of health plan: 52% said “yes”

“Surveys show that although CDHPs may help plan participants and employers costs, participants may not always get the quality they were accustomed to in a traditional plan. This suggests that employers and employees need to weigh their health care costs against employee satisfaction before they decide to make a switch.”²



**KEY QUESTIONS TO ASK WHEN
IMPLEMENTING A CDHP**

KEY QUESTIONS TO ASK WHEN IMPLEMENTING A CDHP



INTEGRATED
BENEFITS
INSTITUTE

What They Did

Extensive analysis of peer-reviewed literature on the link between CDHPs and:

- Medical utilization
- Treatment and workforce productivity

What They Found

- » **Utilization and Cost:** CDHPs will likely contribute to lower medical care utilization and costs to employer.
- » **Health Behaviors:** Some of these savings will come from employees foregoing or delaying beneficial medical care, rather than from employees being informed and prudent health care consumers.
- » **Productivity:** Avoidance of beneficial medical care will likely result in lost productivity for some workers—the value of this lost productivity may exceed the cost of the forgone medical care.

KEY QUESTIONS TO ASK WHEN IMPLEMENTING A CDHP

What They Concluded

Taken together, a cautionary tale for employers emerges from the research literature on CDHPs and medical care utilization, and the research literature on treatment adherence and workforce productivity.



“Whether they self-insure for health care benefits or partner with an insurance provider, employers must understand that while they may shift the costs of healthcare to external organizations or to employees, they can never fully shift the costs of lost work time and reduced performance to others.”

KEY QUESTIONS TO ASK WHEN IMPLEMENTING A CDHP

1. What is the strategy for informing enrollees about which CDHP services are covered for free or at low cost?



2. How does the CDHP facilitate employees' abilities to shop around for services when it is feasible to do so?

\$ 20.00	\$ 30.00	\$ 50.00
BASIC	STANDARD	ULTIMATE
✓ Lorem Ipsum	✓ Lorem Ipsum	✓ Lorem Ipsum
✓ Lorem Ipsum	✓ Lorem Ipsum	✓ Lorem Ipsum
✗ Lorem Ipsum	✓ Lorem Ipsum	✓ Lorem Ipsum
✗ Lorem Ipsum	✓ Lorem Ipsum	✓ Lorem Ipsum
✗ Lorem Ipsum	✗ Lorem Ipsum	✓ Lorem Ipsum

KEY BIG QUESTIONS TO ASK WHEN IMPLEMENTING A CDHP

3. Are there resources employees can consult to help them understand which care options are both indicated and of relatively good value?



4. Is there evidence that covered disease and lifestyle management programs improve health and reduce lost productivity for participants?



In Conclusion ...

EMPLOYERS & EMPLOYEES AND THEIR CDHPs

- » *Questions?*
- » *Discussion*
- » *Thank You!*

