TheZetemaProject

Employer Impact

Possibilities and Challenges in the US Healthcare System

Debate Positions

Position A: Employers are well-suited to understanding the health needs of their employee populations. Employer-sponsored health insurance is the best way to ensure that employers' beneficiaries have access to high-quality, affordable healthcare.

Position B: Employers as a whole are not equipped to address the challenges facing the US healthcare system. We should explore policy reforms to facilitate their responsible exit from the health insurance market.

Discussion Questions

1. What are some innovative initiatives that employers are engaging in to reform the healthcare system? What current or future collection of employers has the scale to spur nation-wide change? What conditions are required?
2. What challenges are benefits managers at small and mid-size companies facing?
3. What benefits are employers responsible for with freelance, contract, and part-time employees?
4. Why have prior initiatives to remove employers from the health insurance market failed? What would it take to remove employers from the equation?

At a Glance

Who?	■ **Who are the stakeholders most affected by this?** **Patients/Employees:** 49% of Americans receive health insurance through their employer **Providers:** Who take commercial insurance or have direct contracts with employers **Payer:** Commercial health plans **Employers:** Employers with >50 full-time employees **Vendors:** Benefits consultants, wrap-around health service companies, PBMs

What?

- **What does employer-sponsored insurance provide?**
  - Employers provide health insurance to 49% of Americans (1)
    - 61% of that market is self-insured, split between thousands of employers (1)
  - Any employer, with >50 full-time employees, is required to provide minimum essential healthcare insurance to full-time employees and their families, which must cover at least 60% of covered services (2)
  - Employer-sponsored insurance benefits are tax free, providing a tax subsidy to employers (representing an estimated $300B in foregone federal revenues) (3)

Why?

- **Why is it important to consider changes to employer-sponsored health insurance now?**
  - **Increasing costs**
    - Employer-sponsored healthcare costs are continuing to climb despite the prevalence of high-deductible plans and narrow provider networks.
    - Increasing out-of-pocket costs are becoming more of a burden on employees and their families- the percentage of workers whose plan has a deductible >$1,000 has increased from 34% to 51% since 2012. (4)
    - According to the Centers for Disease Control and Prevention (CDC), health issues cause 69 million workers to skip work each year, reducing economic output by $260 billion per year. Healthier employees also cost less in the long run because their insurance is cheaper. In short, lower healthcare costs equals higher profits. (5)
  - **Slow pace of innovation**
    - Employer-led health care innovation has not demonstrated success at improving health or managing costs at scale. (4)

When?

- **When can we expect changes?**
  - They are already underway with some larger employers. Currently, only 3% of large, self-insured employers contract directly with an ACO for healthcare services, according to the most recent data from the National Business Group on Health. (6)

Where?

- **Where could we see some of these impacts?**
  - Hospital system executives see more opportunities on the horizon for direct-to-employer partnerships as employers look for new ways to bend the cost curve. Healthcare providers—increasingly dealing with competition from all sides of the industry—are all too happy to take employers' business and cut middlemen out of the equation. (6)
  - Tying an individual's health insurance to their employment can leave them vulnerable during job changes--state-based exchanges have helped but not eliminated this issue. (7)
    - There is a robust body of academic research demonstrating the presence and labor market inefficiency of "job lock" (choosing or keeping a job for health insurance)
    - Eliminating employer-based insurance could help with continuity of insurance coverage as employees move between jobs
  - Eliminating employers' health care spending would mean higher employer taxes if this money is instead spent on wages, particularly for larger employers with higher paid employees. (4)

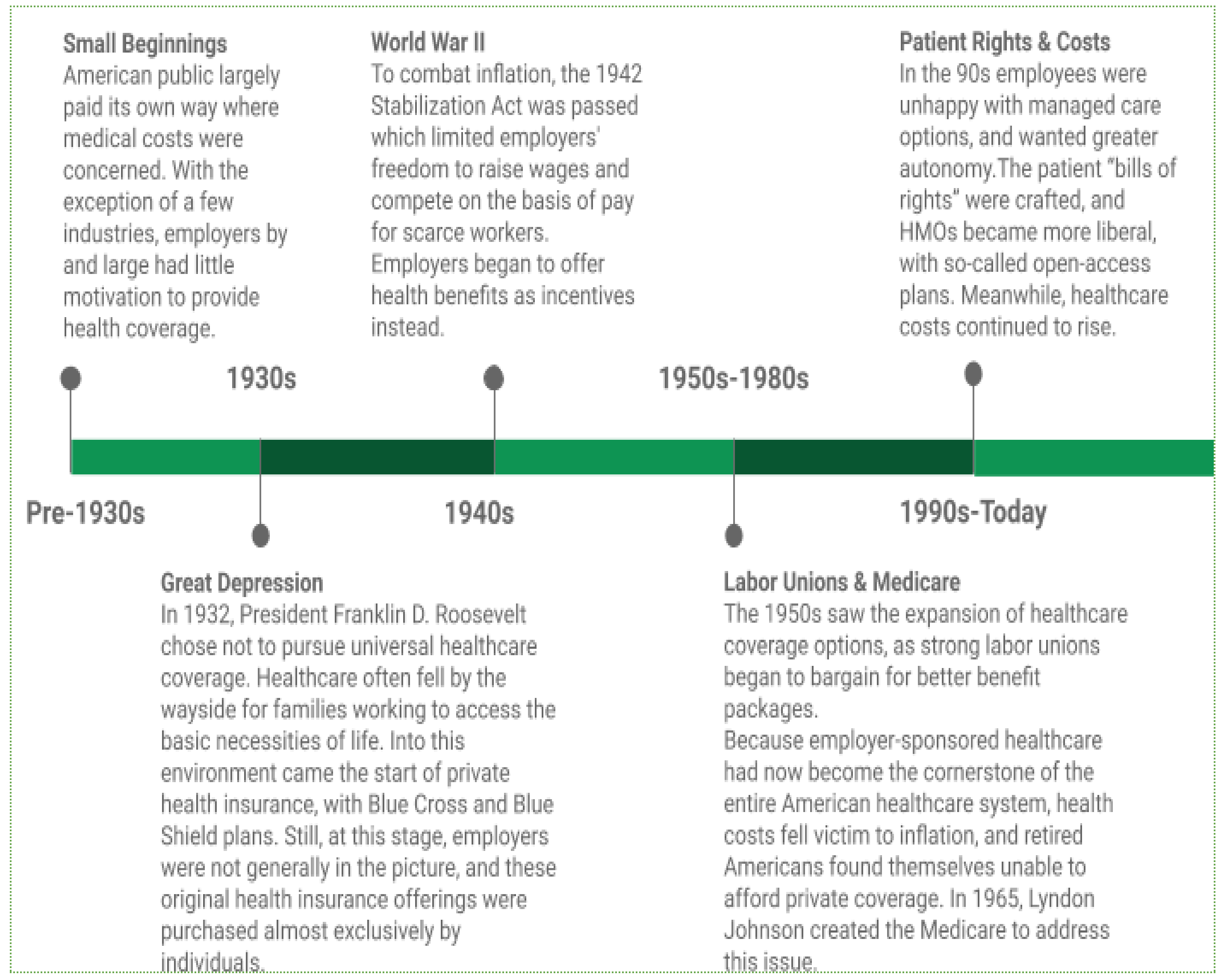
How?

- **How does innovation in the employer space move forward? How could it be done?**
  - Innovation, including value-based payments, lag behind the employer market because it relies on initiative from individual employers, their consultants, and third-party

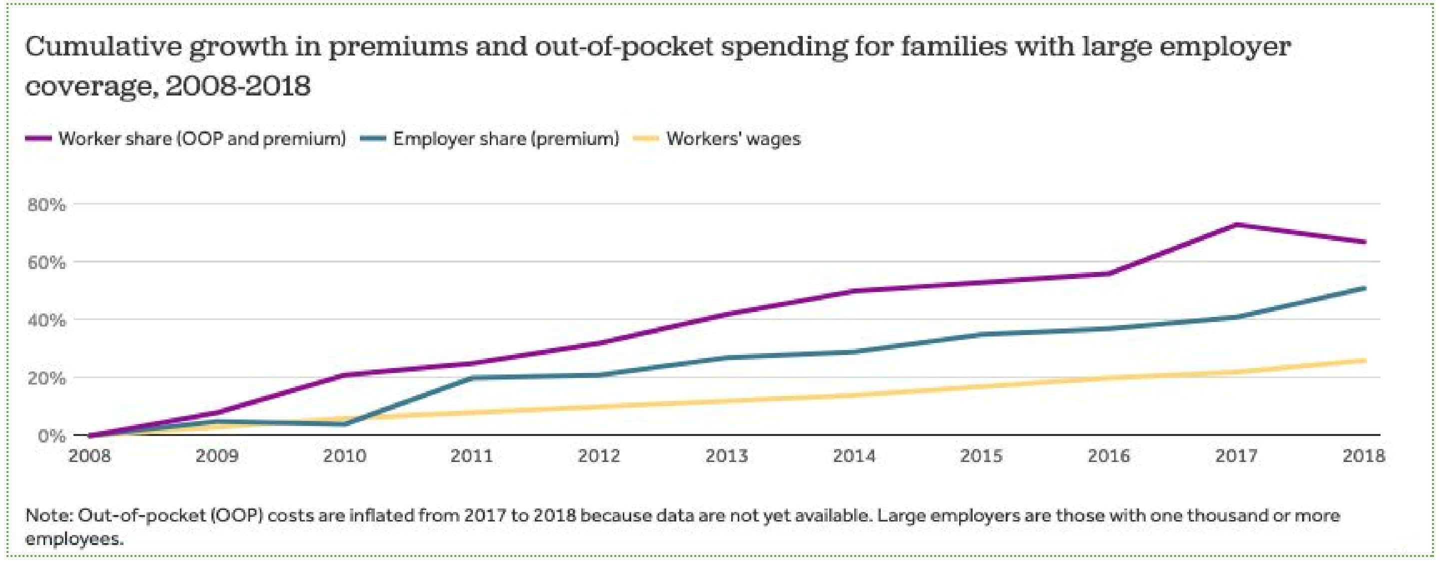
administrator's (TPA) willingness to participate. (8)
- There have been prior attempts to remove employers from the health insurance market or reduce their involvement, ex. private exchanges, state-based exchanges, and the "Cadillac Tax." However, these have had little impact on employer-based health insurance. (9,10)
- The Pacific Business Group on Health established the Employers Centers of Excellence Network (ECEN) in 2013 to support value-based purchasing and allow multiple employers to gain collective purchasing power to make positive improvements to the healthcare system. (11)

Background

Where did employer-sponsored insurance come from? (12)



How does employee out of pocket spending compare to wage growth? (13)



Case Studies

#1 Boeing	
Overview	■ Boeing bypasses payers and contracts directly for employee benefits with major health systems using an ACO model. (14, 15) – ACO: An affiliation of providers working to treat an individual across care settings with payment tied to cost, quality, and satisfaction targets.
Employers	■ “Specifying expectations in a contract is where the ‘direct’ in direct-contracting gains some muscle” - *Jeff White, Boeing health care benefits strategist* (16) ■ Pros for Boeing include: – Leverage over cost and control – Coordination between primary care and behavioral health specialists – Quality of care and higher patient satisfaction scores
Patients	■ Boeing’s arrangement offers employees a reason to choose the plan: (15) – Lower premiums – No copays for primary-care visits – Increased HSA company contributions – Full generic drug coverage – Freedom to choose specialists without a primary care physician (PCP) referral
Providers	■ Getting the data on each patient’s medical history allows MemorialCare, a 2,000-physician medical group associated with MemorialCare Health System, to tailor its offerings to improve care effectively and efficiently. (16) – “Under a typical contract between a health plan and a health system, the insurer won’t share the data it has on the population being served. That makes it much harder for the providers to tailor specific programs for the

		population. In a direct-to-employer relationship, we don't have that problem. Because we can design programs specifically for that population, we can make a significant change in how health is delivered. Plus, patients are more responsive when it's your doctor's office calling versus a health plan that may not even be based in the same state." *-Mark Schafer, MD, CEO of the MemorialCare Medical Foundation* ■ Health systems only share in the savings if they hit their targets.
	Payers	■ Health insurers are racing to avoid commoditization and are repositioning to add value differently in the new retail paradigm. More important than added scale and instead of reimbursement deals with providers they are collaborating to create differentiated coverage alternatives. (17) – Examples of integrated and expanded initiatives include: » Cigna's Collaborative Care, which has 124 care arrangements in 29 states and comprises nearly 50,000 physicians, including BJC Healthcare/Washington University Physicians » Aetna's Innovation Health partnership with Inova Health System Foundation, created to serve Virginia with a "collaborative model"
	Vendors	■ **Care Coordination** (18) – Boeing provides technical support in the adoption of care management infrastructure to support members with medically complex needs. – Purchasers manage internal relationships with limited support from their benefits consultants and legal counsel. – Both Boeing and purchasers use data warehouse vendors. ■ **Administration** (18) – Boeing uses its TPAs to pay claims and perform other functions normally done by an insurance administrator. – Health plans maintain the ACO contract and capitate professional services (ex. administrative services only (ASO) for claims payment) to medical group organizations, which in turn are delegated for claims administration.

#2 Apple		
Overview		Apple opened primary care clinics for its employees. Named AC Wellness, the purpose is initially to serve Apple's employees in Santa Clara County for Apple's headquarters. AC Wellness is a separate subsidiary of Apple. The clinics ensure that a provider is adhering to guidelines, controlling referrals to only high-value providers and facilities and keeping primary care at the center of healthcare. They may also contract with a telehealth company to provide services for nights and weekends when the clinics aren't open. (19, 20)
	Employers	■ A 2017 employer survey conducted by business consulting firm Mercer and the National Association of Worksite Health Centers found a third of companies with more than 5,000 employees now offer general medical clinics at their work sites. According to the survey, half of these companies have reported a return of 1.5 or higher – meaning that for every dollar invested, they've saved a dollar and a half

		through the reduction of member health risks, reducing absenteeism and increasing employee productivity. (21) – What makes Apple's initiative unique, however, is that the company owns and operates the clinics itself as opposed to outsourcing the operation. (20)
	Patients	■ There are strict laws governing patient privacy, which Apple will have to be sure not to violate as it both employs and treats people.(20) – "Something that Apple employees need to keep in mind as they access care internally is that to use this service, Apple would require them to sign over the ability for Apple to use clinic data for tech developments and research." *-Martin Zand, Senior Associate Dean for Clinical Research at University of Rochester Medical Center* ■ "More and more employers are finding measurable value in providing high-quality healthcare and patient experience via worksite clinics. Given the high rates of employee satisfaction and utilization, I think we will continue to see growth in offerings of clinics and expansion of the health services that clinics provide." (21) *- David Keyt, Mercer Worksite Clinics Consulting Group Leader*
	Providers	■ There are 2 points of view: (20) – **Opportunity**: » Hospitals should look at opportunities to partner with these clinics, particularly when it comes to patients who need long-term care. While AC Wellness' focus seems to be on primary care, there are going to be those employees that will need longitudinal support. Employer clinics and health systems can partner to improve the health of vulnerable patient populations." *-Jay Bhatt, Senior Vice President + Chief Medical Officer of the American Hospital Association* » "'How can we help?' is kind of the way we think about it. Instead of seeing Apple's clinics as a competing primary care access point, Stanford seeks to be part of the overall continuum of care for patients. I think overall there is a fair amount of affinity and affection between the two organizations." *-Tip Kim, Chief Market Development Officer for Stanford Health Care* – **Threat**: » "I think hospitals need to regard this as a threat. Employers opening their own healthcare operations are taking a piece of the pie away from conventional healthcare providers. To stay competitive, hospitals should commit to transparency and accountability for cost and outcomes. They should also look at the situation through Apple's eyes. Apple wouldn't be going through the trouble of creating its own clinics if it thought it could get what it needs from traditional healthcare providers. More companies may follow suit out of frustration. I don't think they can afford for that to happen on a large scale." *- Michael Abrams, Co-Founder Consulting Firm Numerof & Associates*

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