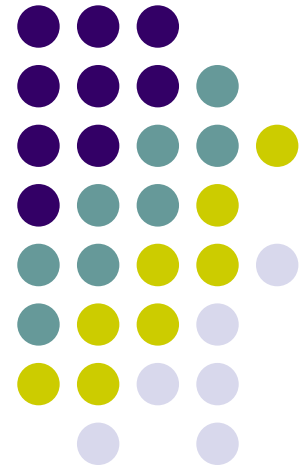
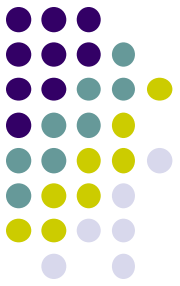


Employers' readiness to adopt value-based benefit strategies

Larry S. Boress
President & CEO
Midwest Business Group on Health

May 2008



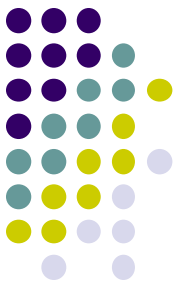


“Value Based Benefit Design” - the next wave of benefit strategy

Value Based Benefit Design is using clinical and other evidence – or employer experiences - of effective procedures, treatments, drugs and providers, and appropriate incentives/disincentives to design health benefits that:

- Motivates those covered to alter their behavior in a positive manner or engage in a health management activity
- Encourages the use of a provider or specific health care service, test, or drug that is shown to be more effective or provide higher quality than other options
- Discourages behaviors or the use of health care services, tests, drugs and providers when the evidence does not justify the cost or their use



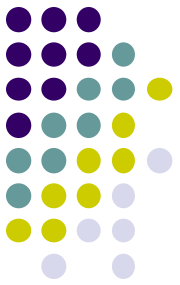


Why use VBBD?

- To get the most value from limited benefit resources, reducing overall medical or chronic disease costs
- To obtain the greatest impact from medical services and drugs prescribed to a patient
- To achieve the most favorable outcomes and reduced spending
- Examples:
 - If clinical research shows diabetics can avoid complications when blood pressure is controlled
 - Then, an evidenced-based benefit design would provide for free medications that reduce blood pressure for those with diabetes who take their medications



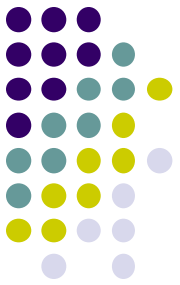
MBGH Readiness to Change Survey: Objectives



- Determine employer familiarity, understanding, use of and readiness to adopt various “value-based benefit design” (VBBD) strategies:
 - Incentives for employees
 - Pay-for-Performance programs
 - Consumer engagement strategies
 - Removing barriers to improve compliance with treatment
- Determine employers use and understanding of:
 - The data required to see the total costs of health
 - Health’s impact on productivity
 - Adherence, compliance, quality and wellness programs
- Determine the key elements required for organizations to adopt new benefit strategies
- Identify what strategies or elements contribute to lower cost trends
- First done in fall 2006, second survey March-April 2008



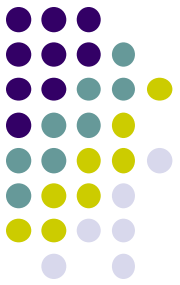
Methodology



- Review of previous surveys and literature on VBBD to determine what strategies and experiences currently are being promoted or utilized
- Survey questions reviewed by Project Advisory Council composed of leading employers, coalitions, researchers, health plans and consultants
- Survey and reminder disseminated via email by business coalitions to over 270 employers throughout the U.S.
- Responses from 114 employers
- Analysis conducted by MBGH staff
- Funding and research support provided by GlaxoSmithKline



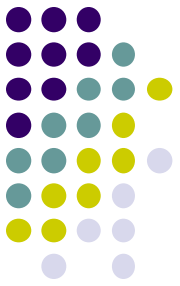
Components of Survey



- Demographics of employer
- Cost trends from 2005-2007
- Positions on various benefit philosophies
- Data activities
- Perspectives and experience with value-based benefit strategies
- Perspectives on availability of quality information
- Sources and influencers of benefit strategy information
- Fielded March-April 2008



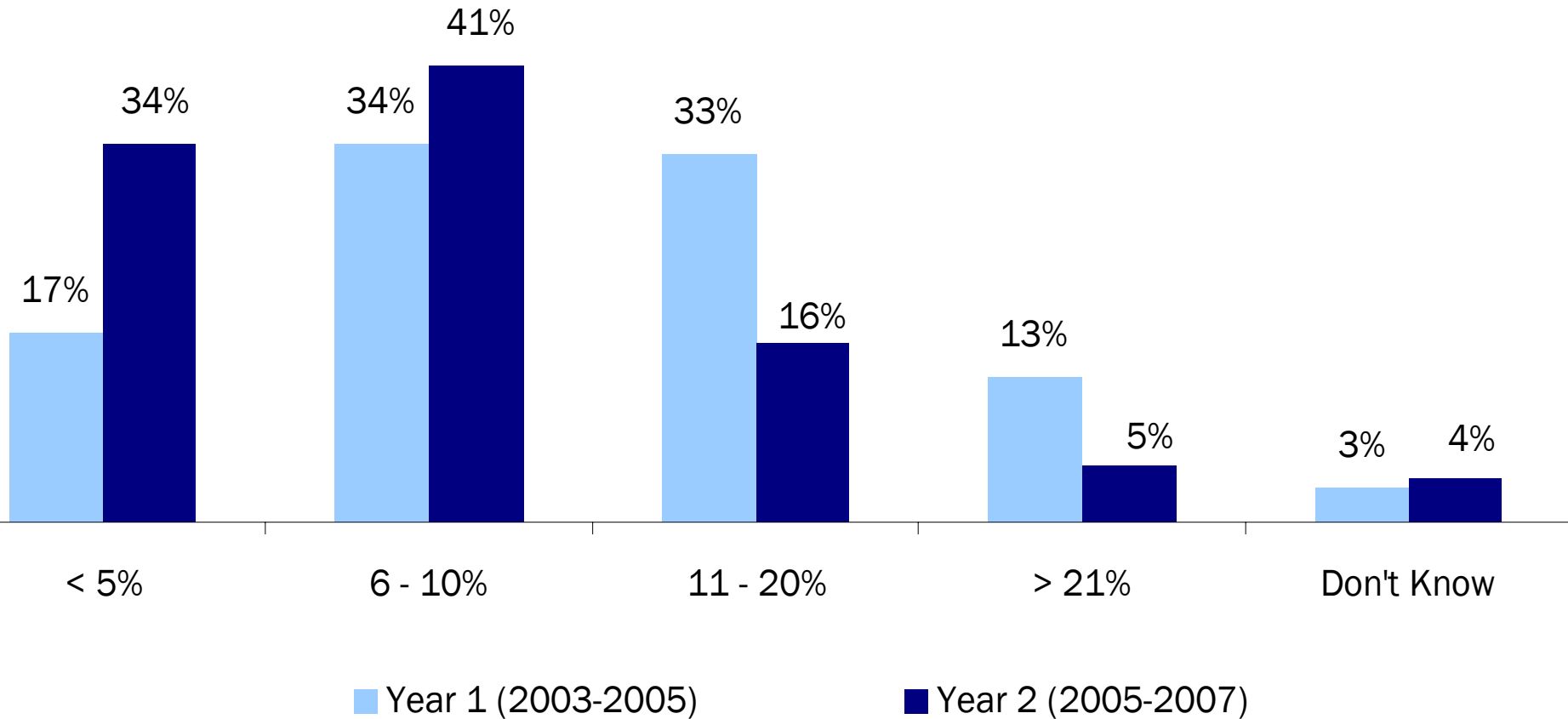
If you've seen one employer...



- Demographics of respondents – 114 employers
 - 72% of respondents have over 1000 employees
 - Most respondents in manufacturing, but all industries represented
 - Most respondents were from the Eastern and Midwest portions of the country
- Self- perception
 - “Leading Edge” – 18% of respondents
 - Employers willing to try new benefit strategies based on their perceived, yet untested, value
 - “Careful Watchers” – 63% of respondents
 - Employers willing to try a new benefit strategy once competitors adopt it or preliminary evidence of ROI exists
 - “Conservative” – 19% of respondents
 - Employers willing to try a new benefit strategy once it is viewed as an industry standard benefit design.



Employers' Cost Trends



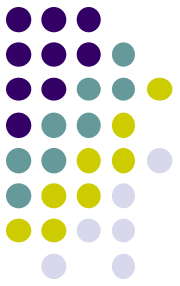
Employer views on the value of health



- 95% of employers agree that there is a link between an employee's health and their productivity
- 83% of employers believe that health benefits are a necessary cost of doing business
- 76% of employers view health benefits as an investment in human capital with a measurable outcome
- 76% of employers are highly supportive of improving employee health
 - 39% say their organizations DON'T offer a culture of health, encouraging healthy lifestyles and behaviors for employees
- 41% of employers provide an incentive for workers to engage in wellness or disease management programs



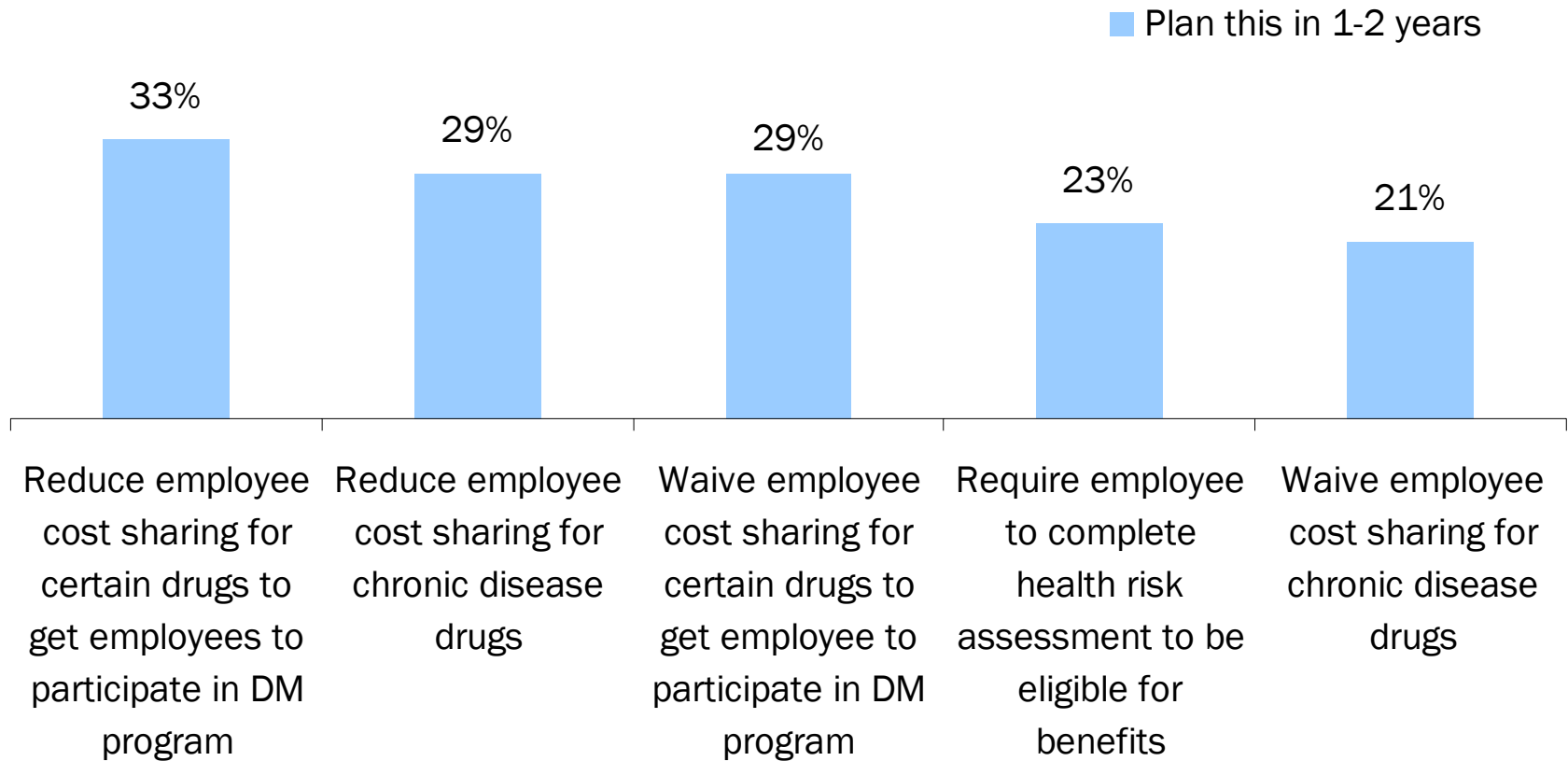
2008 Strategies and Priorities



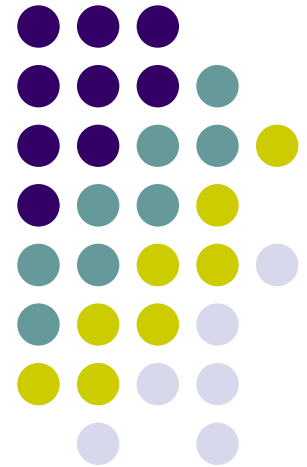
1. Getting employees more engaged in maintaining their health
2. Improving chronic disease management
3. Reducing the cost of benefits
4. Improving utilization of preventive services
5. Incorporating incentive programs to increase utilization of wellness/health promotion programs
6. Helping employees manage their health care finances



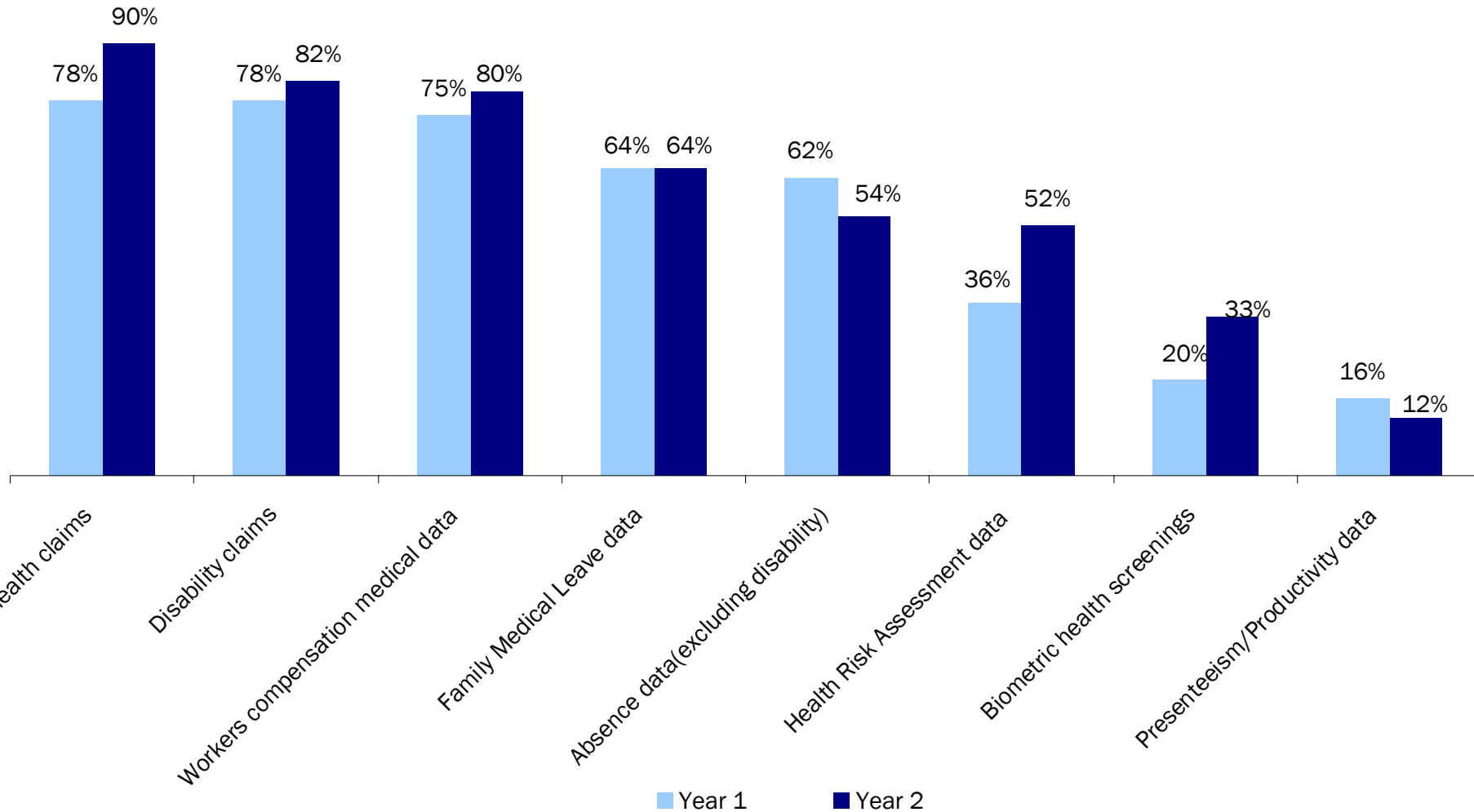
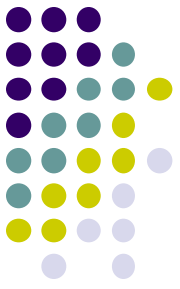
Top Benefit Design Strategies to Implement in the Next 1-2 Years



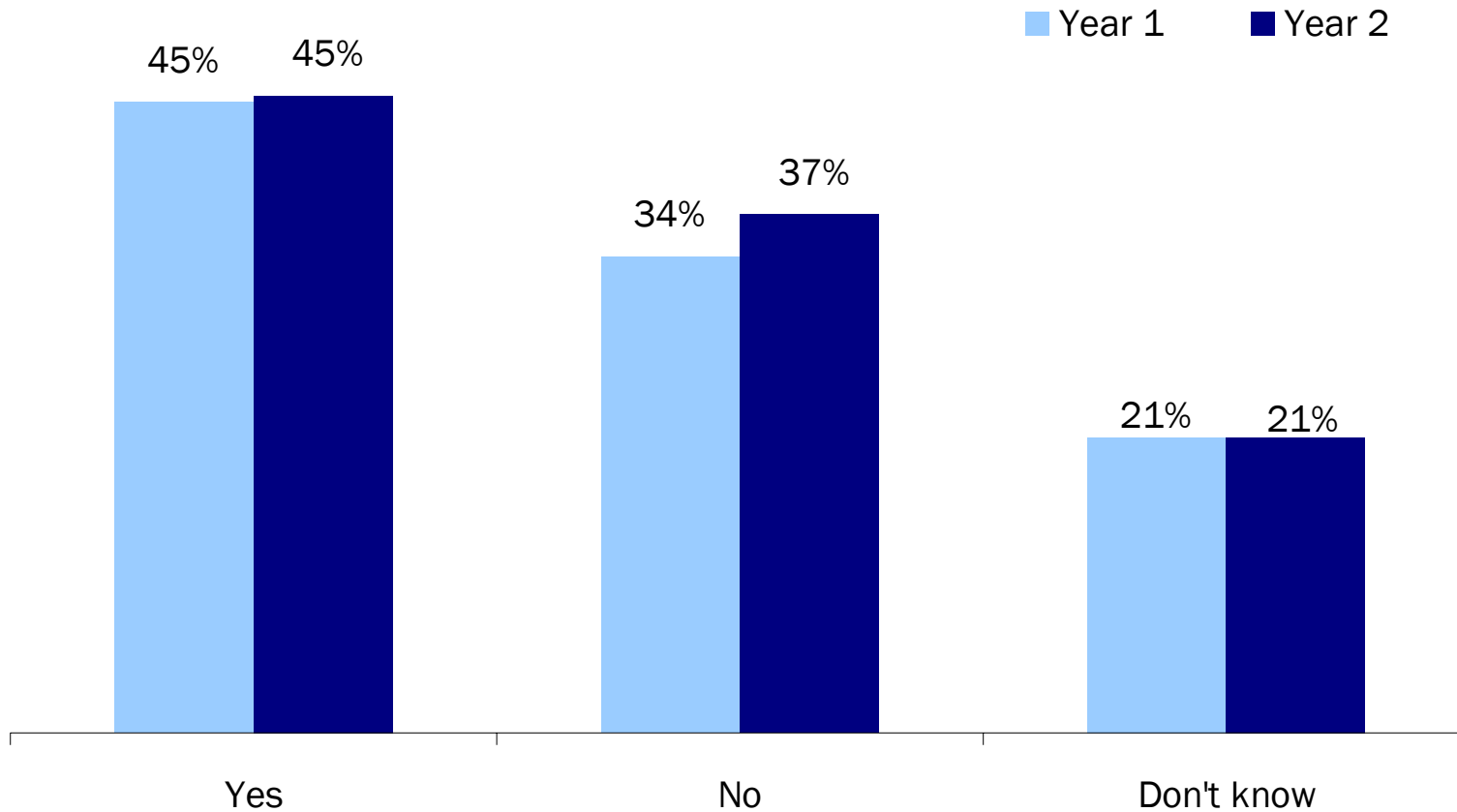
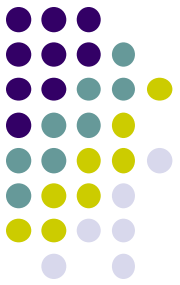
Use of Data



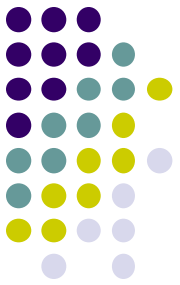
Employer Use of Data



Data Integration



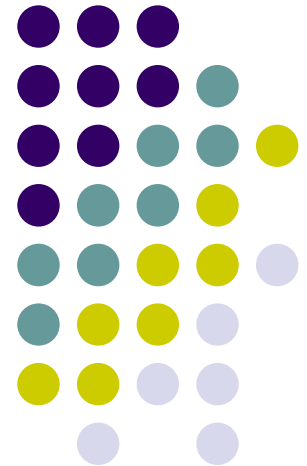
Productivity Data



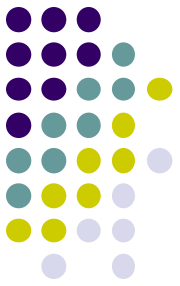
- 66% of employers see value in surveying employees on how their health impacts their performance at work
- Only 12% of employers surveyed collect productivity data
 - 64% of these employers collect productivity data through a Health Risk Assessment
 - 14% use a benchmarking tool to estimate productivity losses
- Over half of employers surveyed estimate that up to 20% of their workforce is limited in their performance due to personal or family-related illnesses
 - Another 41% of employers estimate 21-41% of employees are limited due to personal or family-related illnesses



Views and Strategies Around Cost-Sharing, Performance Information and Quality



Employer views on availability of cost information

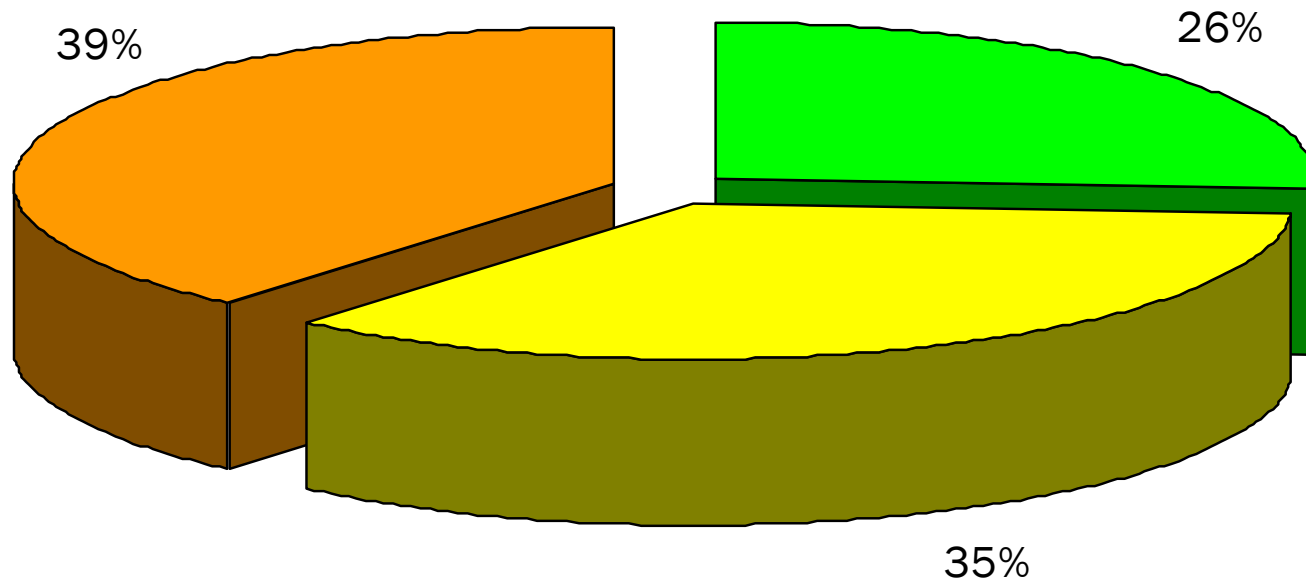
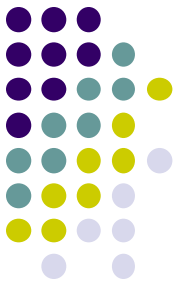


- **35% of employers believe information on the cost of drugs is available to employees to make informed choices**
- **85% of employers want health plans to provide members with the cost of physician and hospital services**

- **83% of employers agree that employees need to know their out-of-pocket costs to make informed decisions to obtain health services**



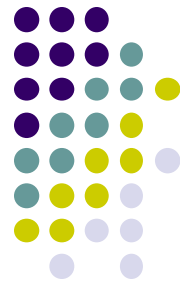
Are co-pays for drugs barriers to achieving optimal outcomes?



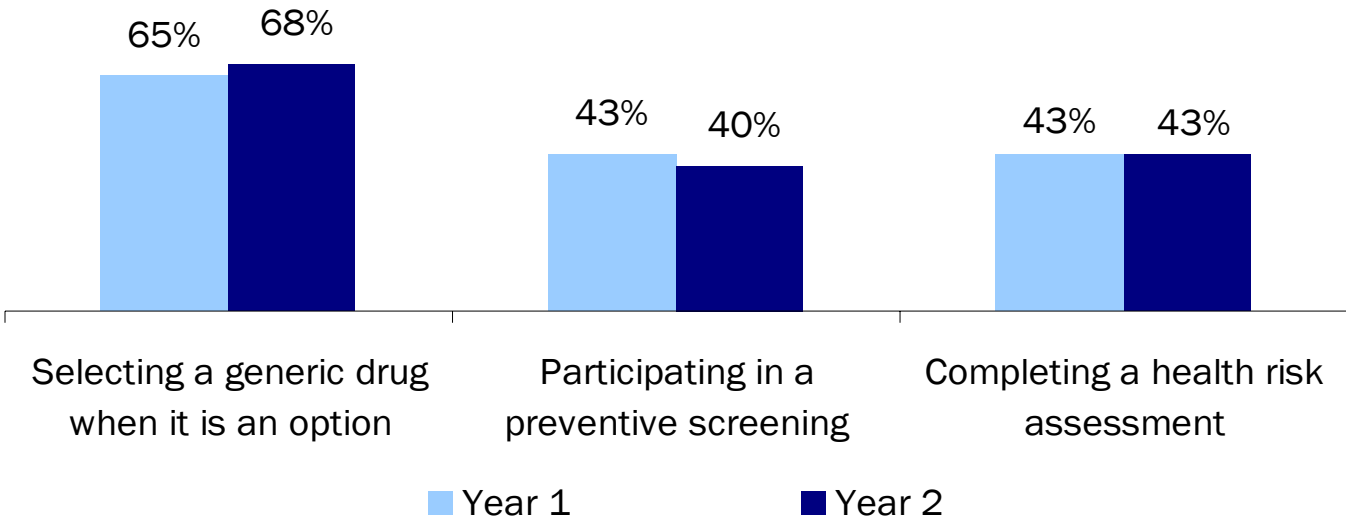
■ Agree ■ Neutral ■ Disagree

42% of employers currently mandate generic use where generic is available

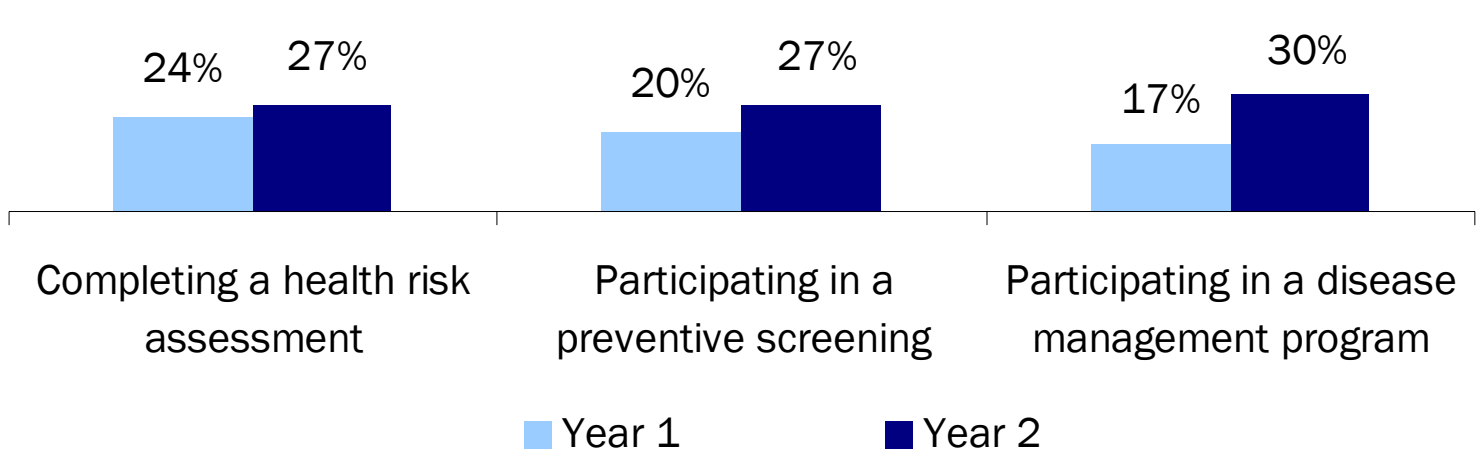
Employers views on level of dollar incentives to change behavior

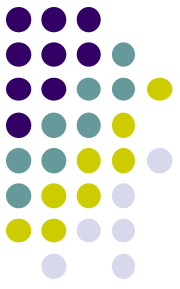


Incentive Amount: < \$50



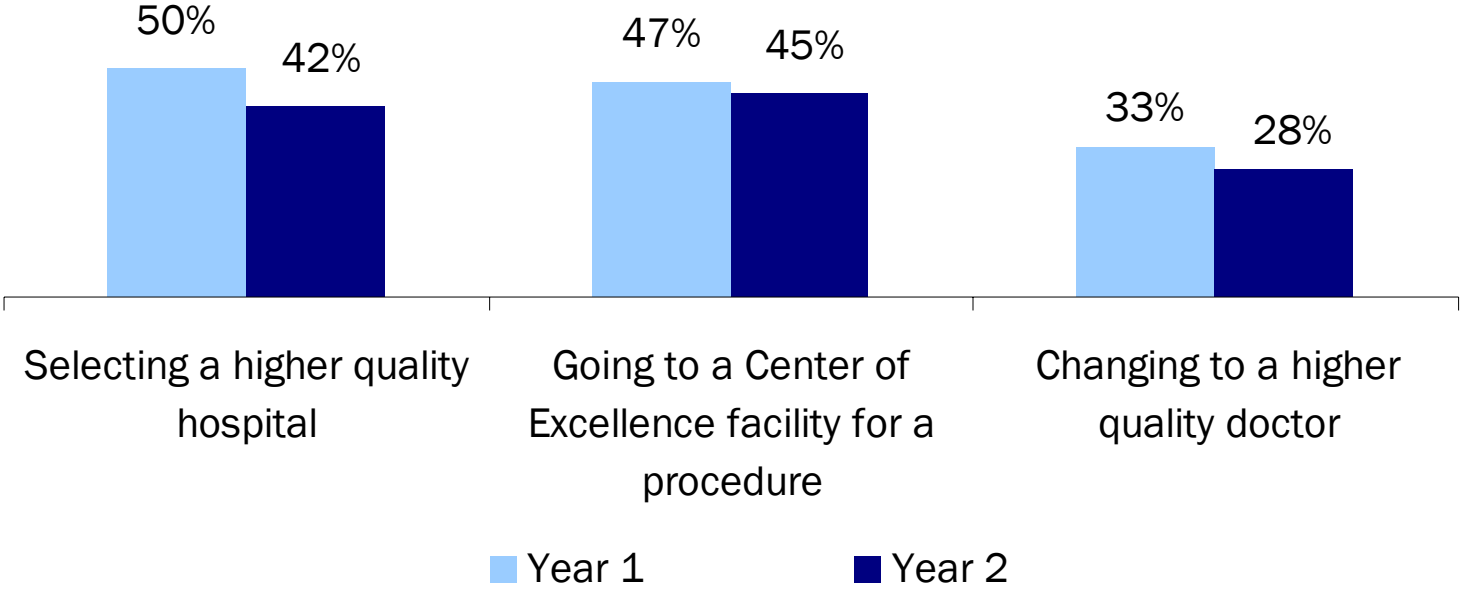
Incentive Amount: \$51 - \$100



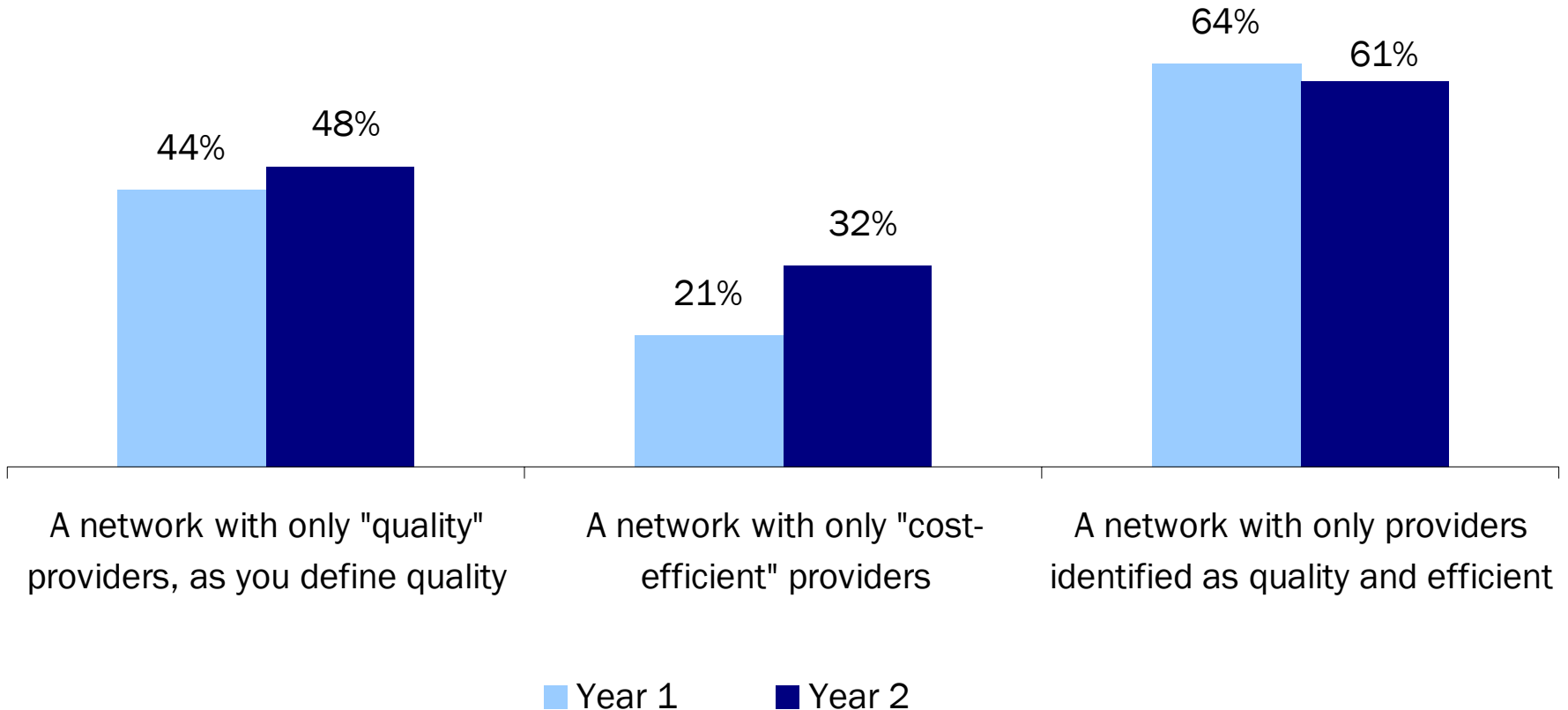
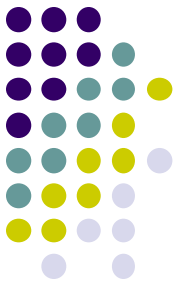


Employers views on level of dollar incentives to change behavior

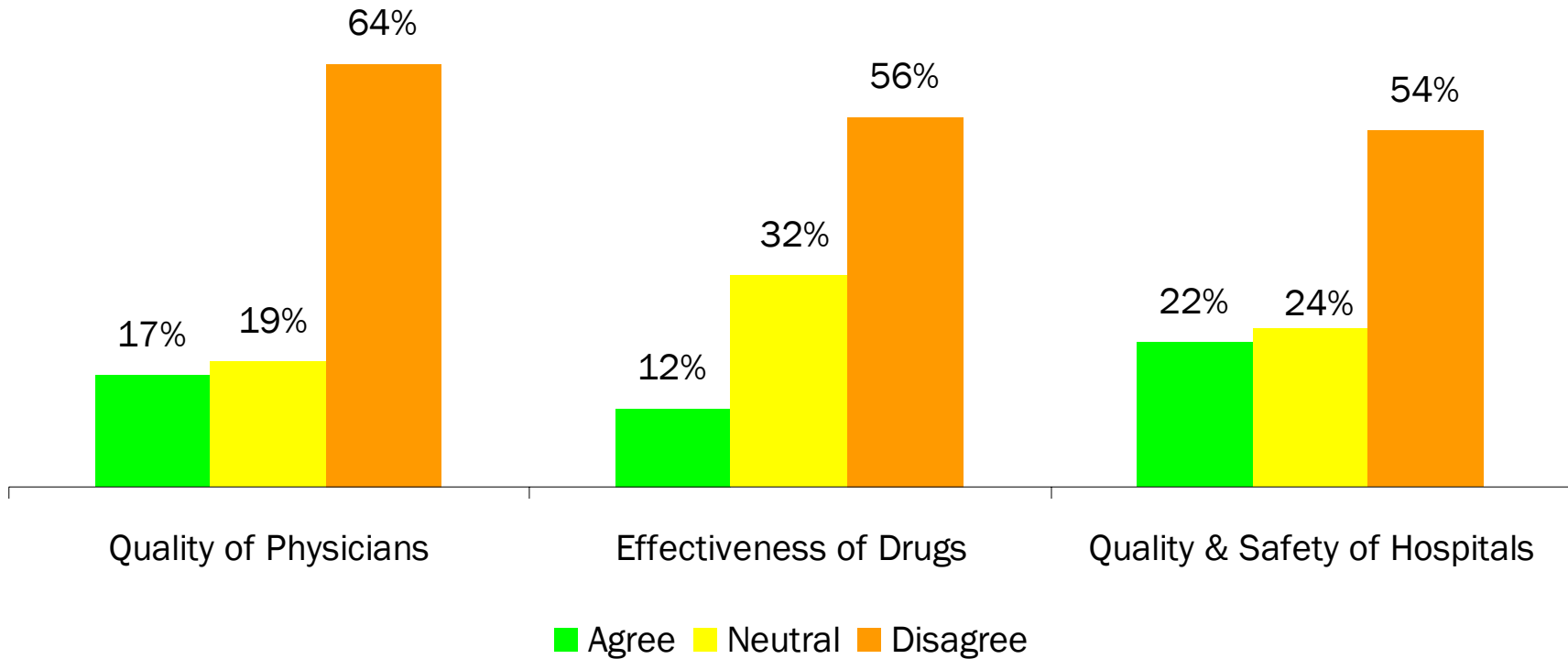
Incentive Amount: > \$100



Employer Interest in "High Performance" Networks



Is information for employees available for informed choices?

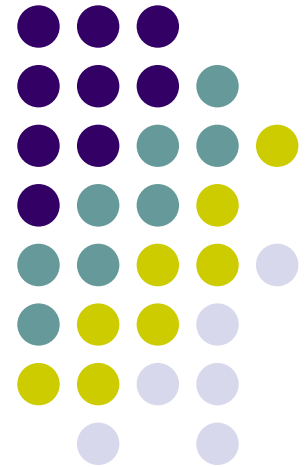


Employer views on quality and cost

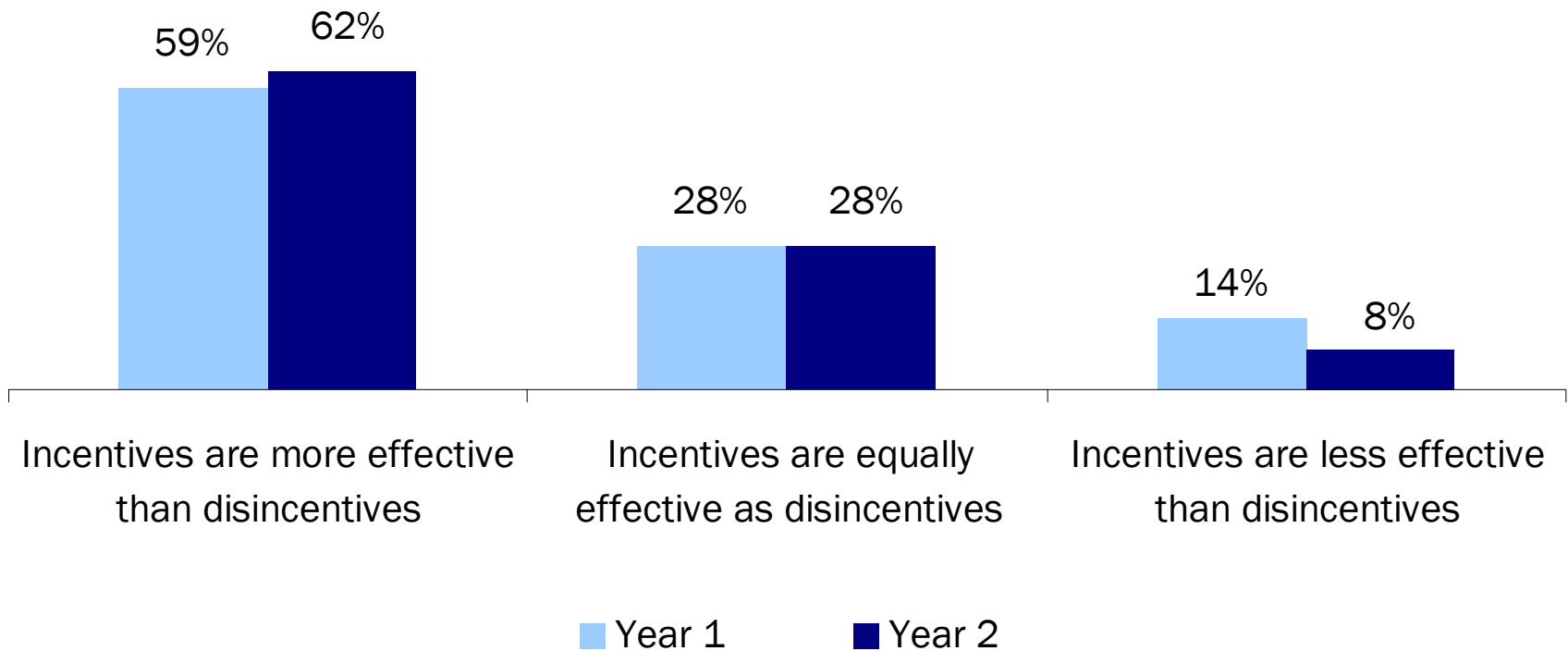
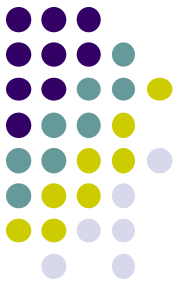


- 35% of employers believe employees have sufficient price information on prescription drugs to enable them to make informed choices
- 72% of employers agree that using drugs proven effective for a condition will reduce other services for that condition
- 59% of employers believe employees would change to better performing providers if they understood how quality varies and affects outcomes
- 77% of employers believe they should not pay hospitals or be billed for services provided due to preventable medical errors or infections, not related to the admission of a patient

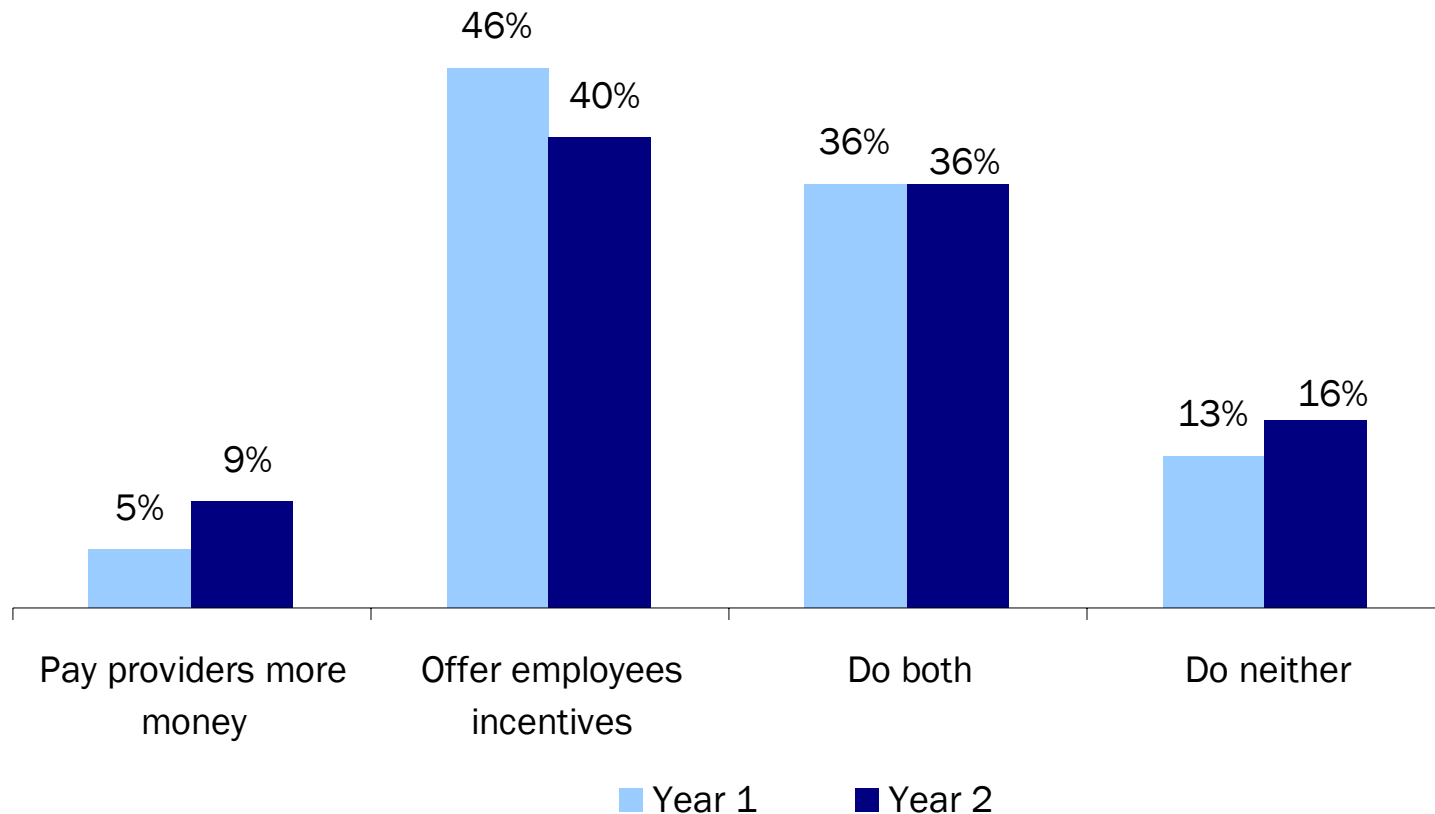
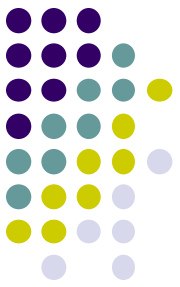
Views on Incentives & Pay for Performance



Views on incentives vs. disincentives



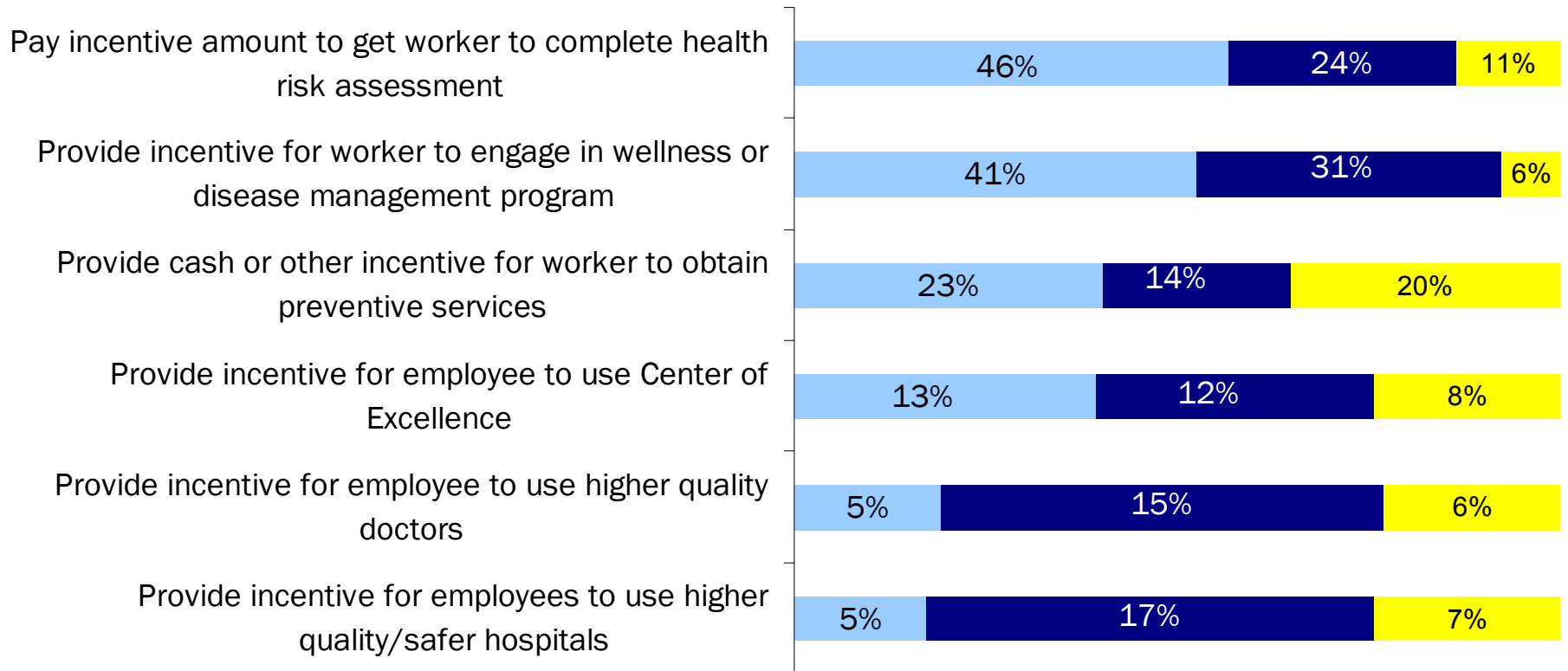
To improve outcomes, would you rather pay employees to select better providers or pay providers for higher quality?



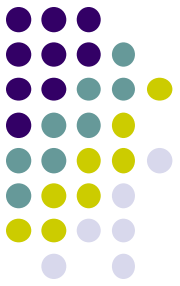
Incentive Strategies



■ Currently have this
 ■ Plan to do this in next 1-2 years
 ■ Will not do this



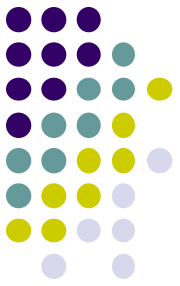
Categories not shown are “Not Familiar” and “Not considered” and “Don’t know”.
Lack of data impacts interest in driving employees to higher quality providers



Summary & Perspectives

- Value-based benefit designs and consumer-engagement strategies are gaining in popularity
- Key approaches:
 - Incentives for prevention activities and participation in wellness, DM and adherence programs when a condition exists
 - Enhancing the health of employees
 - Collecting productivity data through Health Risk Assessment and biometric testing



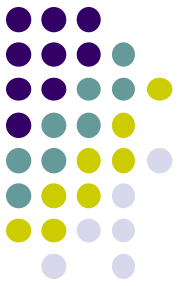


Summary of findings

- Greater reliance on data to drive benefit design strategies
 - Major employer concern: Lack of quality and cost data on providers
 - As more data become available, incentives to select better performing providers will increase in use
 - Despite recognition of link between health and productivity, over 85% of employers still do not collect or utilize productivity/presenteeism data
 - While integrating data is not the norm, there are a lot of employers finding opportunities by analyzing medical and pharmacy claim data alone.



Next Steps



- Follow-up survey to see if more employers are willing to adopt VBBD
- Drill down on some areas
- Expand number of employer respondents
- Develop programs to help “activate” employees and address health literacy barriers
- Conduct study of employee views of and responses to various value based benefit designs



For further information...

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