The National Alliance and Benfield, a division of Gallagher Benefit Services, Inc., conducted this 2018 Employer Pulse Survey on Healthcare System Waste to determine what employers are doing to address unnecessary costs now and in the future.

While employers know waste* is a serious problem affecting all aspects of patient care, attempts to manage it have been inconsistent.

This snapshot highlights key findings and provides insight into how coalitions and employers can support future strategic initiatives to curb waste.

**Key Takeaways**

- Employers perceive inefficiencies in the healthcare system as a serious problem.
- 57% believe up to a quarter of treatments employees and dependents receive are wasteful.
- Employers challenged by lack of data to track inefficiencies.
- Most do not collect and analyze data related to waste either internally or through their vendors (59%).
- Leading contributors to waste: medical imaging, specialty drugs, Rx medications & clinical tests.
- Employers that manage waste do not report high levels of success - most are operating blind to the level of inefficiencies in their geographic locations.

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* The survey defined waste as procedures and treatments that are overused, have limited effectiveness, and/or are redundant.
Employers perceive a fair amount of waste in the healthcare system

What percentage of healthcare treatments provided to your covered population do you estimate to be wasteful?

- < 10%: 21%
- 10-25%: 57%
- 26-50%: 19%
- 51-75%: 2%
- > 75% = 0%

More than three quarters believe that 10% or more of treatments are wasteful.

Employers perceive medical imaging and medications to be the largest contributors to waste

In your opinion how do inefficiencies in the following categories contribute to waste in the healthcare system?

- Medical imaging (e.g., MRIs, X-rays, etc.): 53% significantly, 33% moderately, 14% minimally
- Specialty drugs: 46% significantly, 30% moderately, 24% minimally
- Prescription medications: 40% significantly, 39% moderately, 21% minimally
- Clinical tests (e.g., blood work or chemistry testing): 31% significantly, 32% moderately, 37% minimally
- Specialty physician referrals: 26% significantly, 37% moderately, 37% minimally
- Preoperative testing: 12% significantly, 21% moderately, 67% minimally
- Inpatient monitoring: 10% significantly, 30% moderately, 60% minimally
- Disease screenings (e.g., Pap tests): 6% significantly, 15% moderately, 79% minimally
- Primary care services: 6% significantly, 21% moderately, 72% minimally

There is no predominant way employers collect and analyze data to track waste; a sizeable percentage (60%) currently do not perform these actions, either internally or through their vendors

Does your organization collect and analyze its medical and pharmacy data to track healthcare waste? Select all that apply.

- Yes, at least one of our vendors (e.g., PBM, health plan, consultant) collects and analyzes data to track waste on our behalf: 34%
- No, but in the next two years one of our vendors (e.g., PBM, health plan, consultant) plans to collect and analyze data to track waste on our behalf: 21%
- No, and neither our organization nor our vendors have any plans to do so: 21%
- No, but in the next two years our organization plans to internally collect and analyze data to track waste: 15%
- Yes, our organization internally collects and analyzes data to track waste: 7%
Employers have generally sought to manage waste in prescription and specialty drugs...

Indicate if your organization or vendors on your behalf are currently managing or planning to manage healthcare waste in these categories. Select one response per row.

<table>
<thead>
<tr>
<th>Category</th>
<th>Currently managing (2018)</th>
<th>Plan to manage within two years (2020)</th>
<th>No plans to manage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescription medications</td>
<td>58</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Specialty drugs</td>
<td>56</td>
<td>28</td>
<td>17</td>
</tr>
<tr>
<td>Medical imaging (e.g., MRIs, X-rays, etc.)</td>
<td>29</td>
<td>38</td>
<td>33</td>
</tr>
<tr>
<td>Disease screenings (e.g., Pap tests)</td>
<td>22</td>
<td>14</td>
<td>63</td>
</tr>
<tr>
<td>Primary care services</td>
<td>21</td>
<td>17</td>
<td>62</td>
</tr>
<tr>
<td>Specialty physician referrals</td>
<td>21</td>
<td>21</td>
<td>58</td>
</tr>
<tr>
<td>Inpatient monitoring</td>
<td>18</td>
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<td>63</td>
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<tr>
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<td>15</td>
<td>25</td>
<td>60</td>
</tr>
<tr>
<td>Preoperative testing</td>
<td>13</td>
<td>17</td>
<td>70</td>
</tr>
</tbody>
</table>

...but employers’ efforts to manage waste in non-pharmacy areas is lagging

- Medical imaging (e.g., MRIs, x-rays, etc.): 54% currently managing, 46% plan to manage within two years, 29% no plans to manage.
- Specialty drugs: 55% currently managing, 39% plan to manage within two years, 25% no plans to manage.
- Prescription medications: 58% currently managing, 32% plan to manage within two years, 20% no plans to manage.
Employers anticipate significant challenges in achieving waste management goals

Please indicate how your organization would characterize the following areas of focus and/or challenges when seeking to manage waste in the healthcare system. Select one response per row.

- Measuring the impact of waste
- Identifying areas of waste
- Identifying tactics to manage waste
- Finding partners for waste reduction initiatives
- Educating patients about waste in the healthcare system
- Determining where to focus waste-reduction initiatives
- Educating providers about waste in the healthcare system
- Other*

*Other includes: Obtaining raw data from carrier in order to measure the waste and determine impact of changes made, Choosing Wisely

Employer actions to reduce waste

Recommended strategies for employers to drive value and eliminate system waste include:

- Ask vendors to share information on healthcare waste and report on their efforts to address overuse (e.g., imaging tests)
- Consider value-based benefit design strategies that encourage reduced utilization of low-value services (e.g., increasing copays, prior authorization, provider steerage)
- Move towards alternative payment mechanisms that do not reward waste or unnecessary services (e.g., bundled payments)
- Engage with the Choosing Wisely initiative and use the available provider and patient resources to make available to employees