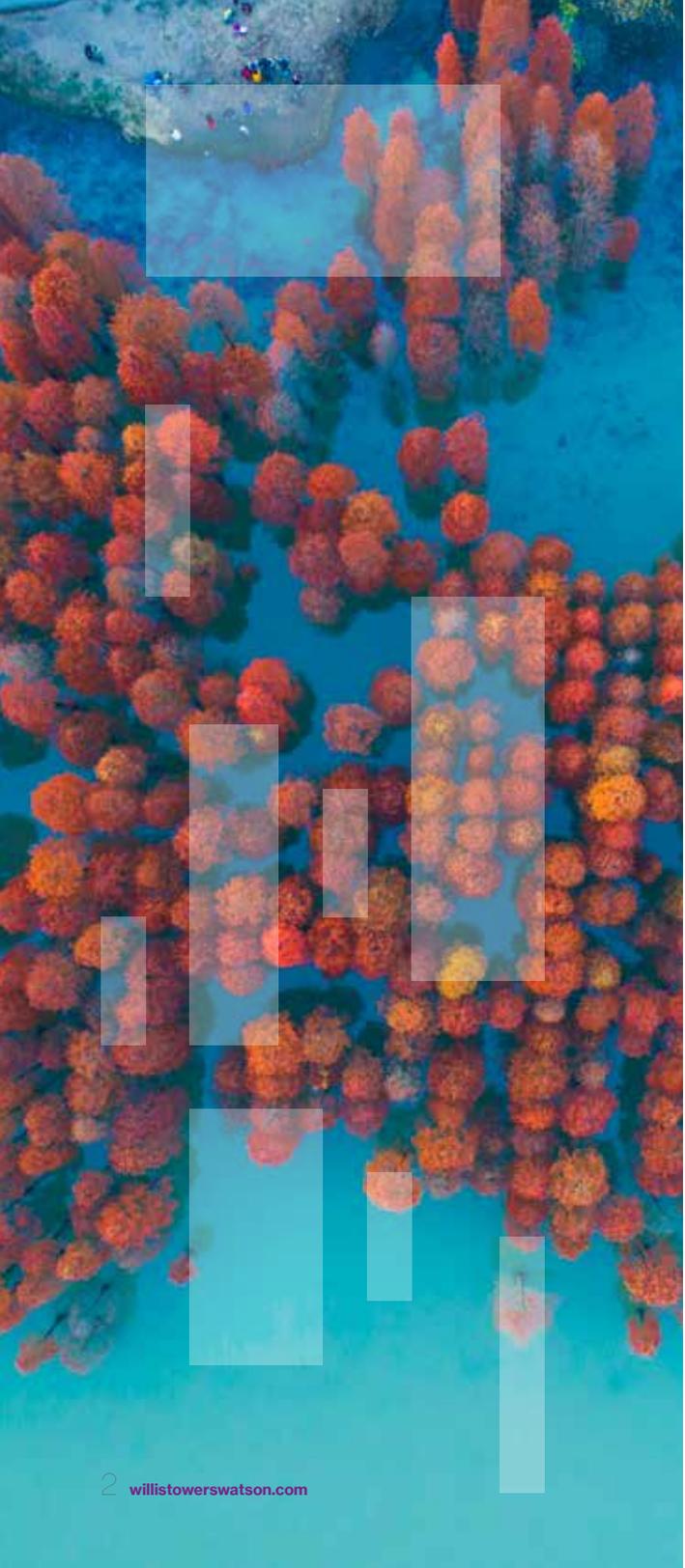


Willis Towers Watson 23rd Annual Best Practices in Health Care Employer Survey

Executive Summary



As the current economic expansion enters its ninth year, employers are increasingly focused on attracting and retaining employees, making health care benefits an important component of the employee value proposition (EVP). When the Willis Towers Watson 23rd Annual Best Practices in Health Care Employer Survey was conducted between May and July 2018, unemployment ranged from 3.8% to 4.0%, according to the Department of Labor. In this currently competitive environment, employers are not only mindful of employees' ability to continue to afford their health plans but also increasingly focused on ways to improve the employee experience by aligning it with their benefit programs.

Employer confidence in offering employee health care benefits is nearly absolute among survey respondents. According to the survey, 94% of employers are very confident their organizations will continue to sponsor health benefits in five years – up two points from the prior year. In fact, no respondent reported “not confident” to the question. Even their longer-term commitment to offering these benefits in 10 years grew to 69% from 65% last year, marking a new high level since the passage of the Affordable Care Act (ACA) in 2010.

At the same time, employers continue to focus on controlling costs and adopting solutions to improve the effectiveness of their health care programs as cost trends remain well above the rate of inflation. Employers expect a slight upswing in health care cost increases over the next two years, but cost trends remain at or below 5% (after plan changes) compared with a current Consumer Price Index under 3%.

To tackle cost – for both the employer and the employee – and ultimately improve workforce performance, employers are focusing on a short list of top priorities:

- Concentrating on clinical conditions to reduce high-cost claims with a particular focus on metabolic syndrome/diabetes, musculoskeletal disease and mental/behavioral health
- Improving management of pharmacy costs particularly related to specialty pharmacy cost and utilization
- Encouraging greater use of high-performance networks, centers of excellence and telemedicine to ensure appropriate, cost-effective and high-quality care
- Considering the addition of low-point-of-care cost plans as an option rather than an all account-based health plan (ABHP) lineup
- Improving employee total wellbeing – including physical, social, emotional and financial – and connecting these efforts to corporate culture and the employee value proposition (EVP)

Looking to mitigate future cost increases and connect benefit programs to workforce culture, 82% of employers are investing in wellbeing initiatives, or plan to over the next three years. Despite current participation challenges, employers remain committed to improving employee wellbeing.

Employers also recognize that workers are more productive when they are healthier and emotionally and financially secure, and wellbeing is evolving accordingly as employers seek to align the work environment and company culture with their overall health and wellbeing initiatives. Currently 53% of employers report aligning company culture with health benefits, and that number is expected to rise to 76% over the next two years.

However, engagement remains a challenge for wellbeing and health care programs. The use of financial incentives for participating in wellbeing programs has plateaued. To improve engagement, there is growing emphasis on connecting the workplace environment and leadership involvement to the many aspects of wellbeing. Some of the initiatives at the workplace that address physical, emotional and social wellbeing include:

- Flexible work arrangements
- Paid parental leave
- Diversity and inclusion initiatives
- Events that give back to the local community, such as food drives

Organizations with increased health engagement are focused on improving the employee experience by connecting to the company's culture and ultimately providing tools and resources that support employees when they need it most.

Today's workforce demands greater choice among plan offerings that better address all career stages, whether it's starting a first job or preparing to retire. Employers are addressing these issues by:

- Offering choice of health plan options or insurers
- Expanding the menu of voluntary and supplemental benefits
- Making workforce perks such as childcare services, time off to volunteer and onsite services a core part of the EVP

To support the growing number and complexity of programs being offered, employers need to have tools not only to support enrollment but also to support health care decisions. Employers are adopting new technology and partnering with innovative companies to improve health care navigation, increase wellbeing, improve the delivery of health care and better connect members with chronic condition management.

Innovations in technology, along with market disruption, offer opportunities and challenges for employers to make progress on these priorities. Employers have mixed responses on innovation. While they believe new, nontraditional industry participants like start-ups or tech giants may lead to lower costs, employers are uncertain about the impact

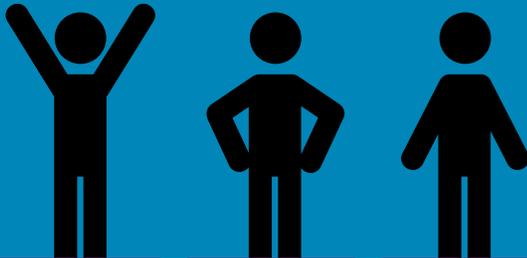
on the quality of care. Meanwhile, the sentiment toward mergers of traditional industry participants is reversed. Employers believe mergers will lead to increased costs but improved quality of care.

Employers understand the importance of the health and wellbeing of their workforce to their organization's success. They're focusing on employee needs and wants to build health and wellbeing solutions that give their companies a competitive edge in retaining and hiring the best employees in a highly competitive labor market. The employers that measure their success (currently only 46% have a measurement strategy) will gain momentum and advantage to achieve a healthy, high-performing workforce.

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At a glance

Feeling confident



94%
are very
confident

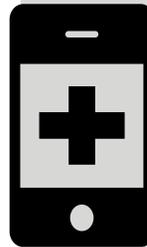
6% are
somewhat
confident

0%
are not
confident

that the organization will continue to sponsor health care benefits in five years

Top clinical condition

65% will emphasize metabolic syndrome/diabetes over the next three years



Pick up the phone

86% offer telemedicine, up from 11% in 2012

43% reduce point-of-care costs for using telemedicine



Focus on wellbeing

41% have made progress on enhancing employees' total wellbeing over the last three years

82% think it is important to enhance employees' total wellbeing over the next three years

85% have enough budget for existing programs, but...

only **55%** have sufficient budget to add new programs

Account-based health plan sponsorship



81% offer ABHP plans

76% offer health-savings-account based ABHP

21% offer employees only ABHPs (total replacement), compared with 3% a decade ago

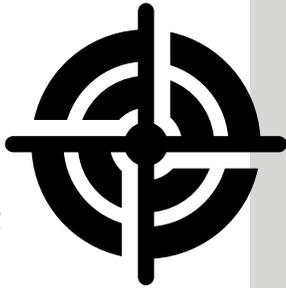
18% of those that were total replacement ABHP have pulled back on that strategy in the last few years

Top wellbeing action by 2021

Physical

80%

sponsor programs or pilots that target specific conditions or high-cost cases



Financial

67%

offer one-on-one financial counseling on short-term financial issues



Social

85%

sponsor volunteer activities to local communities



Emotional

61%

implement a companywide behavioral health strategy/action plan



Growing interest in tech

56% prioritize health technology solutions as important over the next three years

26% are actively looking for best **new** technology or plan to pilot **new** solutions

65% are interested in tech that improves health care navigation or benefit experiences



Highlights

Increasing health care costs



Companies expect a slight upswing in health care cost increases over the next two years, but cost trends remain at or below 5% (after plan changes). Cost shifting appears to have slowed partly due to the maturing of ABHPs.

Confidence in offering health benefits rises



Employer confidence in offering health benefits in 10 years remains strong, nearing its highest levels in 15 years.

Focus on employees' wants and needs



Over the next three years, companies will emphasize targeting specific clinical conditions and enhancing the employee experience. At the center, employers place a growing emphasis on understanding employees' wants and needs, and refine program designs and activities around a consumer-centric approach.

Growing interest in value-based designs



Employers plan to increasingly incorporate value-based designs and expand the use of high-performance networks and services to enhance care delivery (e.g., expert medical opinion, concierge services).

ABHP sponsorship possibly peaking



ABHP sponsorship and the advance toward total replacement have leveled off. In fact, one in five companies with a total replacement strategy has reversed course and reintroduced low point-of-care cost programs.

Controlling pharmacy costs



Employers proactively manage pharmacy benefit costs with particular emphasis on specialty pharmacy utilization, but significant opportunities remain to adjust plan designs and implement coverage changes.

Strong commitment to wellbeing initiatives



Employee engagement in health and wellbeing initiatives is a persistent challenge and top opportunity, but employer commitment to wellbeing has never been stronger.

Aligning wellbeing initiatives with corporate culture



Employers look to engage in a broad set of activities to support the physical, emotional, financial and social wellbeing across their workforces, and there is growing emphasis to align wellbeing with their EVPs and support the connections among all aspects of wellbeing, the workplace environment, health culture and leadership involvement.

Financial incentives leveling off



Use of financial incentives around wellbeing activities have plateaued, especially the use of penalties and outcomes-based incentives. Instead, employers focus on building a healthy work environment and creating a personalized experience to drive engagement.

Prioritizing health technology solutions



Over half of companies prioritize health technology solutions – connected devices, enhanced enrollment and an integrated platform – as important over the next three years to improve the delivery of care, health analytics and the consumer experience, and one-quarter of companies are actively looking for the best technology or plan to pilot solutions.

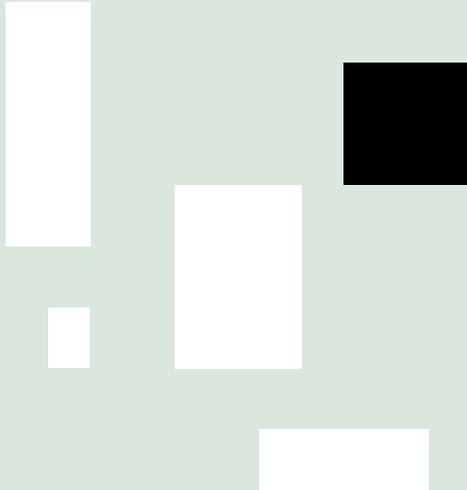
Tools for supporting decisions



Employers plan to significantly expand the offering of various tools to support employees' decisions and monitor their health and wellbeing while looking for superior technology to enhance the enrollment experience.

About the survey

The 23rd annual Willis Towers Watson Best Practices in Health Care Employer Survey was completed by 687 U.S. employers between June and July 2018 and reflects respondents' 2018 health program decisions and strategies. Respondents collectively employ 11.4 million employees and operate in all major industry sectors. Results provided are based on 554 employers with at least 1,000 employees.



About Willis Towers Watson

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