



# Latest Trends in Health Care Spending: What's Happening in the Private Sector?

Geoffrey Sandler  
Senior Director – Health Policy  
Aetna



# What Are Insurers Doing?

# Insurer Initiatives: Value-Based Insurance Design

## Increasing Access to Services for Enrollees with Select Prevalent High-Cost Chronic Conditions

- Reduction or Elimination of Cost Sharing (not conditional)
- Reduction or Elimination of Cost Sharing for High Value Provider
- Reduction or Elimination of Cost Sharing Conditioned on Participation
- Supplemental non-covered benefits

# Insurer Initiatives: Collaborative Value-Based Provider Arrangements

## Arrangements Can Take Various Forms

- Capitation
- Risk sharing
  - One-sided
  - Two-sided
- Incorporation of quality reporting/incentives
  - Use of Electronic Medical Records (EMRs)
  - Continuum of incentives for quality measures (from reporting only to graded bonuses based on reported measures)

# Insurer Initiatives: Accountable Care Organizations

**This is a new model, not an old-style HMO**

## Old-style HMO (not value-based)

Where most providers are today

Little, if any, health IT or analytics

Limited changes in patient behavior

Provider payment contingent on volume of services

Patient frustration with lack of coordination



## New paradigm

Providers that want to transform

**Earlier identification of at-risk patients** with richer information

**Enhanced patient engagement** through proactive, doctor-driven outreach

**Improved cost and quality effectiveness** by aligning financial incentives

**A more satisfying experience** when providers coordinate care more effectively

# The Role of Employer Sponsored Health Care Coverage

# Employer Sponsored Health Care Coverage

## What economists predicted:

- In the lead-up to the implementation of the Affordable Care Act, economists predicted a fairly large shift from employer sponsored insurance (ESI) into the exchanges.
- The math was compelling: employers could benefit financially if they dropped coverage and increased employee compensation, even if subject to penalties.

## What did employers do?

- Many initially said they would consider dropping coverage now that a viable alternative existed.
- In the years since the ACA started, fewer employers than expected dropped coverage. The decreases were primarily in Small Group customers.

# Employer Sponsored Health Care Coverage

## It's not just about the cost of coverage

- As employment has improved, ESI continues to have value as a recruiting tool.
- Employers increasingly recognize the value of ESI in improving workforce productivity.
- Employees like having their employers sort through benefit options and select their benefit plans.



# Employer Sponsored Health Care Coverage: What are employers doing now to sustain ESI?

## Managing Costs

- Benefit designs (e.g., managing health & Rx)
- Network structure (e.g., tiered; narrow; COEs)
- Employee cost sharing: balancing affordability between employers and employees.
- Provider reimbursement—rewarding quality through value-based payment strategies
- Telemedicine
- Increased use of care management programs

## Wellness benefits and employee engagement

- Health risk assessments
- Wellness programs
- Incentive programs to improve workforce health
- Flexible Spending Accounts
- High-deductible CDHPs
- Transparency--consumer price comparison tools

# What is the Future of ESI?

## Some wild cards

- Cadillac tax implementation and potential for capping the value of benefits excluded from income; repeal of employee exclusion
- Public Exchanges
- Private Exchanges
- Future spikes in health care costs
- Future downturn in the labor market