

equity**healthcare**

# Leaders, Followers or on the Sidelines: Large Employer Strategies for Controlling Health Spending in a Post-Reform Marketplace

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Health Industry Forum  
October 31, 2013

# The Employer Dilemma

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## Health Affairs

“Between a Rock and a Hard Place:  
Understanding the Employer Mind-Set.”

Robert S. Galvin and Suzanne Delbanco

## The New England Journal of Medicine

“Why Employers Need To Rethink  
How They Buy Health Care”

Robert S. Galvin and Suzanne Delbanco

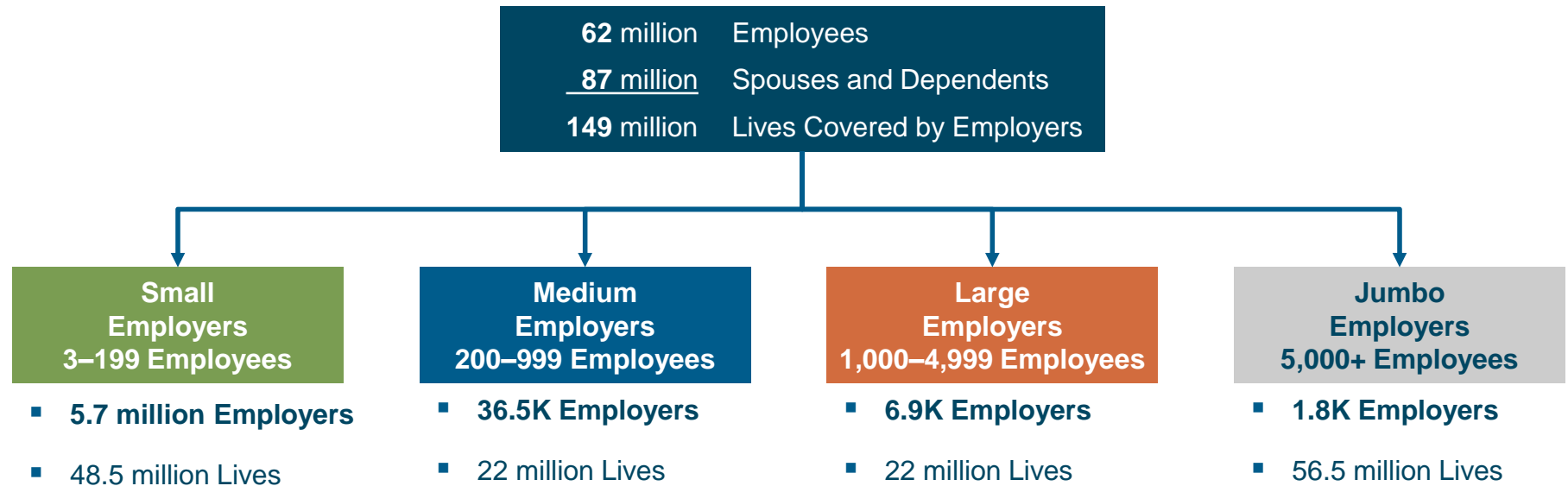
- Unique supply chain cost
- Reluctance to invest
  - Personal
  - Complicated
  - Hard to measure
  - Long-term
- Reluctance to divest
  - “The devil you know...”

# Which One Is Right?

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- **% Employers Dropping Coverage:**
  - CBO – ~5% (10 million)
  - McKinsey – 30% (50 million)
  - Towers Watson – 10% (~15 million)

# Breakdown of Active Covered Lives by Employer Size



Benfield Research special analysis from the following sources:

Kaiser / HRET Survey of Employer-Sponsored Health Benefits, 2012.

(1) U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement.

(2) Source for Number of Employers: Small Business Administration (SBA), 2010.

# It's All about Stratification

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- **Group I:** Don't offer today
- **Group II:** Offer today
  - In sectors with high turnover, part time jobs and non-technical workers
- **Group III**
  - In sectors with high degree of labor competition
  - Strong cultural (or CEO) beliefs in health as a business strategy or lack of trust in government
  - In healthcare space commercially

# Employer Responses to Health Care Reform Will Fall on a Spectrum

**In the Game**

- **Maintain coverage for employees, but reduce dependent / retiree coverage**
- **Drive consumerism and wellness**
- **High-deductible plans, incentives and price transparency, etc.**

- **Set employee portion of premium above 9.5% of household income for some employees, qualifying them for subsidies**
- **Shift toward part-time labor**

**Exit Strategy**

- **Eliminate coverage, but help make employee whole**
- **Public or private exchanges**

# Private Exchanges Come “Out of Nowhere”

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- Wall Street Journal – September 27, 2012

## Big Firms Overhaul Health Coverage

- *Two big employers are planning a radical change in the way they provide health benefits to their workers, giving employees a fixed sum of money and allowing them to choose their medical coverage and insurer from an online marketplace*
- **Sears Holdings Corp. and Daren Restaurants Inc.** say the change isn't designed to make workers pay a higher share of health-coverage costs. *Instead they say it is supposed to put more control over health benefits in the hands of employees*

***Old Wine in New Bottles, or New Wine?***

## But Profound Philosophical Shift Is a Game-Changer

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- **OLD:**

- “We pay 80% of costs and leave it to health insurers to manage the rest – it’s up to employees to decide how engaged they want to be in their health”

- **NEW:**

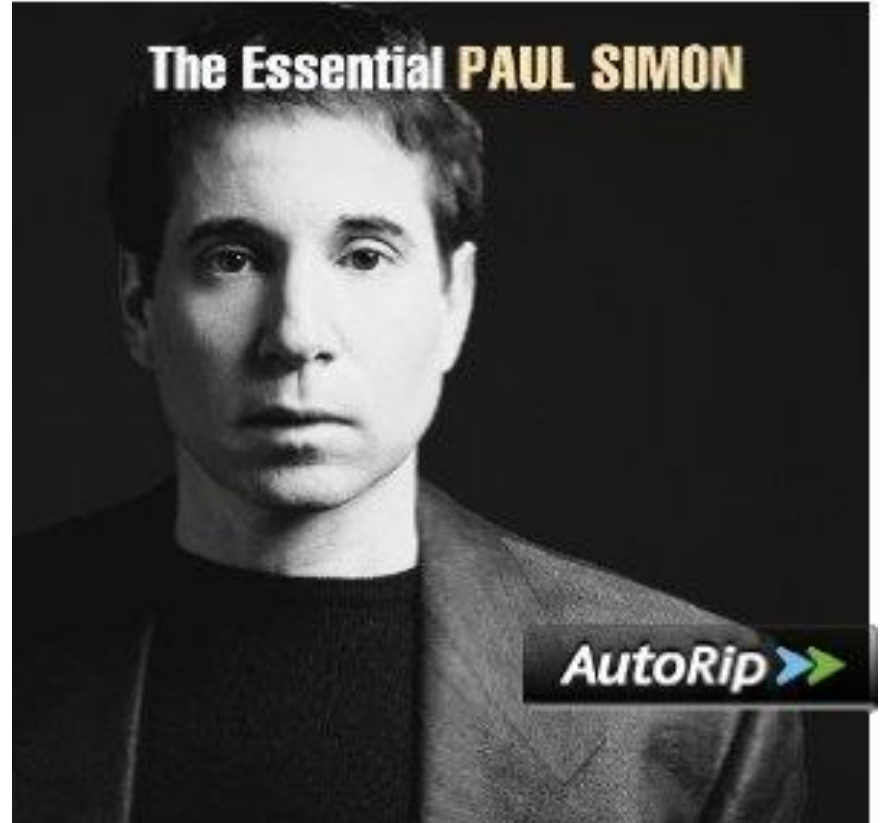
- “We will protect employees financially against catastrophic expenses and fund their preventive services....but the vast number of healthcare decisions in the middle need to be made by employees and resemble other important decisions they make in their lives....and enough of their money has to be at stake to get them engaged”



**“When You Come to a Fork in  
the Road, Take It”**

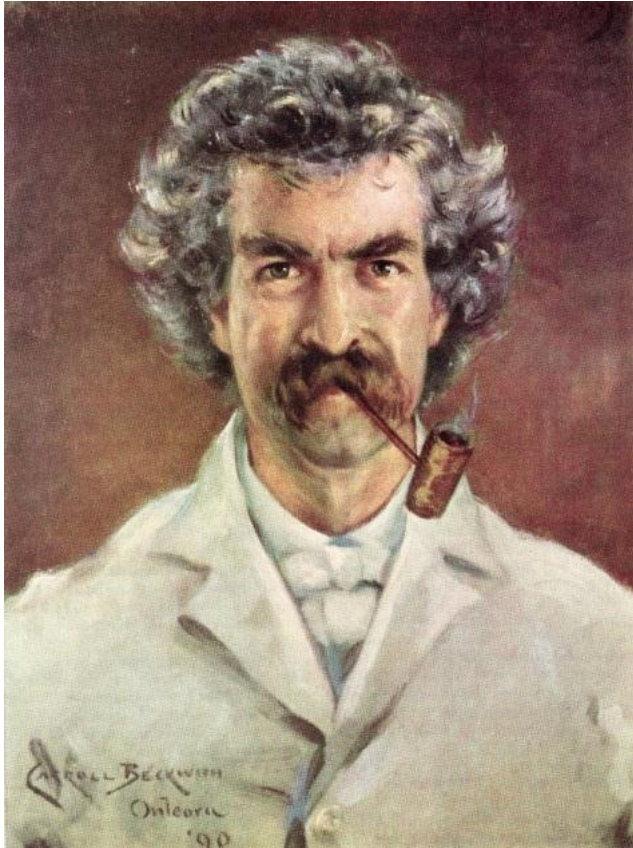


**“Sneak Out The Back, Jack”**

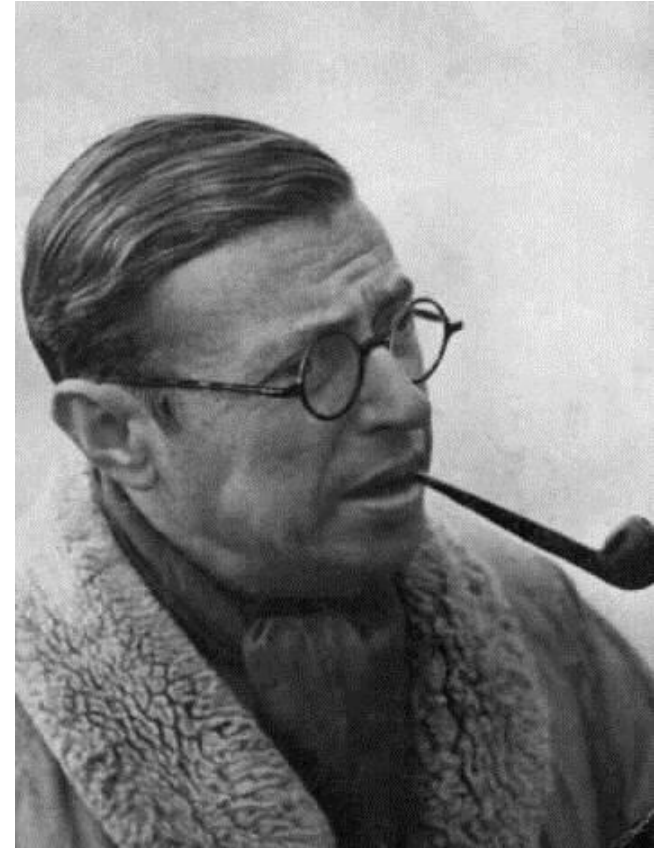


**“Reports of My Death Have Been Greatly Exaggerated”**

**“No Exit”**



**Mark Twain**



**Jean-Paul Sartre**

# Today

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- **Move to Private Exchanges**

Matt Schuyler

EVP, HR

Hilton Hotels

- **Double Down on Employer Innovation**

Brian Marcotte

Vice-President, Compensation and Benefits

Honeywell International