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

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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

<table>
<thead>
<tr>
<th>Old-style HMO (not value-based)</th>
<th>New paradigm</th>
<th>Providers that want to transform</th>
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<tbody>
<tr>
<td>Where most providers are today</td>
<td>Earlier identification of at-risk patients with richer information</td>
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<td>Little, if any, health IT or analytics</td>
<td>Enhanced patient engagement through proactive, doctor-driven outreach</td>
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<td>Limited changes in patient behavior</td>
<td>Improved cost and quality effectiveness by aligning financial incentives</td>
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<td>Provider payment contingent on volume of services</td>
<td>A more satisfying experience when providers coordinate care more effectively</td>
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<td>Patient frustration with lack of coordination</td>
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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