

Health care costs, benefits, and reform: What's the next move for employers? Results of Deloitte's 2013 Survey of U.S. Employers



Employers are looking for solutions

Employers play a significant role in the provision and financing of health insurance and their opinions about health care reform and experiences with the health care system matter. Forthcoming changes to the insurance market landscape in 2014 and 2015 will bring many employers to a crossroad. As health care reform continues to unfold, markets evolve, and costs continue to rise, employers will need to make important strategic decisions to shape company responses to health care reform.

Employers are dissatisfied with what they are getting from their investment in employee health: the health care system is perceived to be costly, wasteful, underperforming, and lacking in transparency. They expect better value for their money. Many employers say they do not fully understand features of the Affordable Care Act (ACA), and only one in three employers feel that their HR department is fully prepared to navigate the changing health care environment. Many also say they are not likely to use health insurance exchanges for now (if eligible) or in the future (when eligible) — either public or private. Employers are looking for solutions.

About the 2013 Survey of U.S. Employers

To understand how employers are approaching the challenges and opportunities associated with rising health care costs, decisions around health benefits, and coverage requirements of the change to ACA, the Deloitte¹ Center for Health Solutions conducted an online survey in May and June 2013,² of 500 randomly selected U.S. employers offering health benefits with 50 or more workers. The survey explored employers' viewpoints and opinions about:

- The performance of the health care system
- The Affordable Care Act
- Strategies and tactics in place to manage or reduce company health care costs

Key takeaways

In these three key areas, a less than optimistic picture emerges. Employers recognize that the health care system fails to meet their needs for information transparency, price transparency, and better value. From employers' perspective, obtaining better value, transparency, and higher quality from health care are imperatives. Employers view the U.S. health care system as underperforming, expensive, and wasteful. And, they believe that the high cost of the health care system is primarily due to price.

Employers believe that the ACA will ultimately increase access to insurance for many individuals, but is unlikely to achieve the other "Triple Aim" goals of improving quality or lowering costs. Small companies in particular, are not happy with the additional burden introduced by the ACA regulations.

Employers seek to manage or lower their health care costs:

- Cost-sharing strategies designed to shift more responsibility for managing consumption and expenditures to employees are widely used by employers to reduce or control health care costs.
- There is a gap between what employers are currently using and the tactics they think could have a significant impact on managing costs.
- Some employers, but not the majority, are taking steps to ensure greater employee engagement, behavior change, and lowering health risks.
- Few appear to be evaluating the return on investment (ROI) of wellness programs or undertaking claims analyses to drive insights and decision-making.

Many employers appear to be adopting a "wait and see" approach regarding public and private exchanges. It may be that they are watching to see if the exchanges will gain traction, offer a viable solution, or are concerned about the risks of being a "first mover." For others, it may be a timing factor. In many states, exchanges will not be open to companies of more than 50 employees until 2016, and in no states will exchanges be open for companies larger than 100 employees before 2017.

Produced by the
Deloitte Center for
Health Solutions

 #2013EmployerStudy

¹ As used in this document, "Deloitte" means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

² Note: Data were collected in May-June 2013 prior to the 2 July 2013 announcement by the U.S. Department of the Treasury of deferral of compliance with the employer shared responsibility rule ("employer mandate") by one year, until 2015.

Sampling of key findings

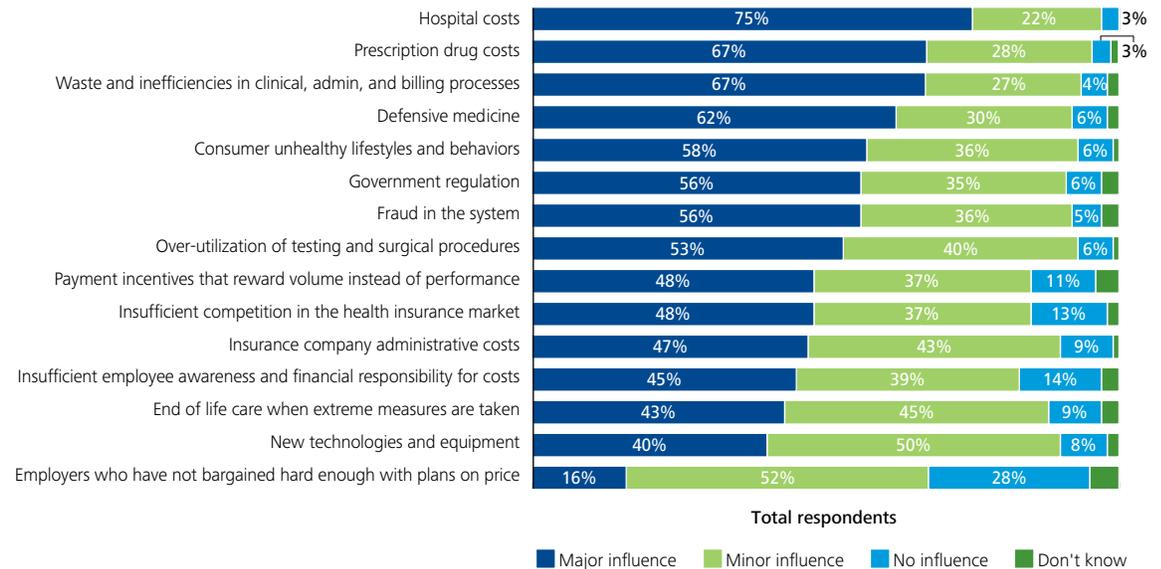
Employers consider the health care system wasteful, inefficient, and expensive

Cost is perceived as being driven by hospital costs, prescription drug costs, system wastefulness, defensive medicine, poor lifestyle choices, government regulation, and fraud.

Drivers of overall health care system costs

The total costs of the health care system have increased by about 4%* annually in the last few years. Many factors drive those costs. In your view, how much influence do each of the following have on overall health care system costs?

* Hartman et al. Health Affairs, 32, No. 1, (2013), 87-99.



Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
Copyright © 2013 Deloitte Development LLC. All rights reserved.

Chart displays weighted percentages

Ready, set...change

Only one in three employers feel that their human resources (HR) department is completely prepared to navigate the changing health care environment — a finding consistent across all organization sizes (not shown).

Employer preparedness

To what extent do you feel that your HR department is prepared to navigate the changing health care environment for your company?

"Completely prepared"* (those responding 8,9, or 10)		"Not at all prepared" (those responding 1,2, or 3)	
34%	Owner/CEO/President	13%	
28%	CFO	22%	
40%	HR Executive	2%	
33%	All respondents	17%	

*A 10-point scale where 10 is "completely prepared" and 1 is "not at all prepared."

Table shows weighted percentages

Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
Copyright © 2013 Deloitte Development LLC. All rights reserved.

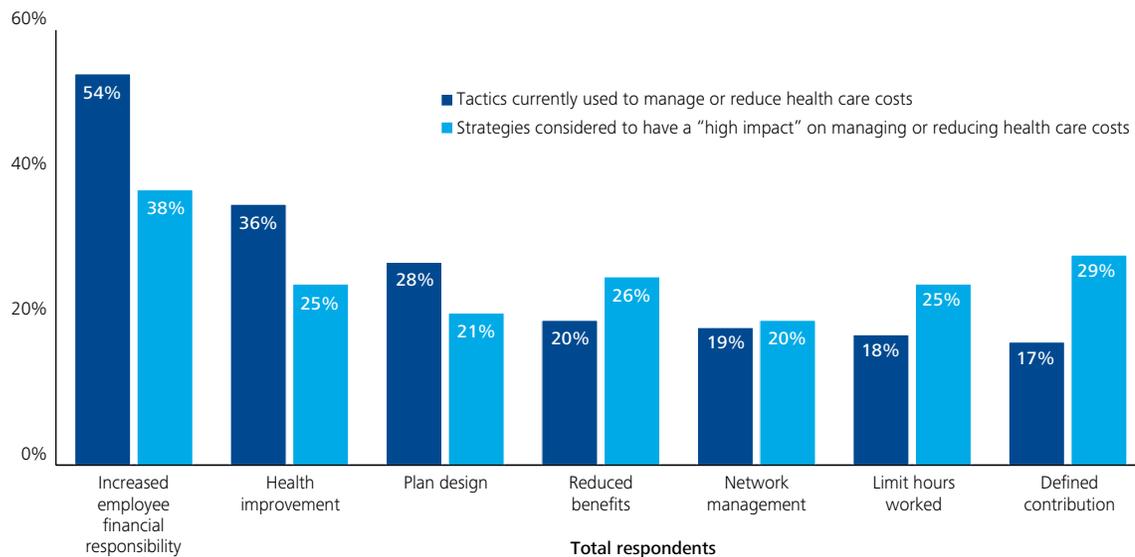
Most commonly used cost management tactics

Using “tried and true” cost-sharing and wellness programs are among employers’ top strategies to manage costs, but their use varies by company size.

There is a gap between tactics employers are currently using and what they consider to have “high impact” on managing or reducing health care costs.

Tactics employers believe will impact cost management

*Which of the following strategies do you currently use to reduce or manage [your company’s] health care costs?
Of the following strategies, how much of an impact does each have on reducing or managing a company’s total health care costs?*



Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers
Copyright © 2013 Deloitte Development LLC. All rights reserved.

Chart displays weighted percentages

Conclusion

Employee ill health is expensive – to employers and to the nation. Many employers are sitting on the fence with respect to any radical changes in their employee health care coverage strategy. Talent management considerations and organizational operating structures/models will determine actions to a great extent. However, the clock is ticking. Individual employers’ decisions will be influenced by competitive considerations, the employer mandate (when effective in 2015), and observing competitors’ actions. Employers have a great number of unmet needs and those that can offer a solution would enjoy a large market. Employers, regardless of size, are asking for greater transparency and options to control costs. As employers’ decisions and intentions become clearer, other stakeholders may play a role in deliberations. Policy makers and government agencies may need to continue to foster innovation and delivery system reforms, including evidence-based care, the use of technology/mobile, and virtual health. Health care providers and health plans may seek to focus on transparency of price and quality and finding ways to help employers understand and evaluate what they are buying. Employers are looking for solutions, and what is clear is that “doing nothing” is not an option.

To read the full report *Health care costs, benefits, and reform: What’s the next move for employers?* including the methodology and additional findings, please visit www.deloitte.com/us/2013employerstudy



Contacts:

To begin a discussion, or for further information on Deloitte Life Sciences and Health Care, please contact:

Bill Copeland

Vice Chairman
U.S. Life Sciences and Health Care Leader
Deloitte Consulting LLP
+1 215 446 3440
bcopeland@deloitte.com

Jason Girzadas

Principal
U.S. Life Sciences and Health Care Consulting Leader
Deloitte Consulting LLP
+1 415 783 4324
jgirzadas@deloitte.com

Richard M. Wald

Director
Employer Human Capital Practice Leader
Deloitte Consulting LLP
+1 612 397 4601
rwald@deloitte.com



Author

Sheryl Coughlin, PhD, MHA

Head of Research
Deloitte Center for Health Solutions
Deloitte LLP
scoughlin@deloitte.com



Acknowledgements

The Deloitte Center for Health Solutions 2013 Employer Survey was led by Leslie Korenda, MPH, Research Manager (lkorenda@deloitte.com) and Elizabeth Stanley, MPH, Research Manager (estanley@deloitte.com).

We would also like to thank Sarah Wiley, Jennifer Oliver, Kathryn Robinson, Lynn Sherry and the many others who contributed to this report.



Follow @DeloitteHealth on Twitter

#2013EmployerStudy

To download a copy of this report, please visit www.deloitte.com/us/2013employerstudy

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About the Deloitte Center for Health Solutions

The Deloitte Center for Health Solutions is the health services research arm of Deloitte LLP. Our goal is to inform all stakeholders in the health care system about emerging trends, challenges, and opportunities using rigorous research. Through our research, roundtables, and other forms of engagement, we seek to be a trusted source for relevant, timely, and reliable insights.

Contact information

To learn more about the Deloitte Center for Health Solutions, its projects and events, please visit www.deloitte.com/centerforhealthsolutions.

Deloitte Center for Health Solutions
1001 G Street N.W.
Suite 1200
Washington, DC 20001
Phone 202-220-2177
Fax 202-220-2178
Toll free 888-233-6169
Email healthsolutions@deloitte.com
Web www.deloitte.com/centerforhealthsolutions

Copyright © 2013 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited

Deloitte Center
for Health Solutions