

Unique Look into Employee Benefit Plans Sponsored by Health Care Employers

By Erin O'Connor

For the past seven years, Cammack LaRhette Consulting has conducted the largest and one of the most comprehensive surveys of employer-sponsored health plans in the health care industry. The survey examines both medical and prescription drug benefits offered by hospitals in New York, New Jersey, and Connecticut. While complete findings are only offered to survey participants, Cammack did release select 2012 results to the public at the end of August.

Key Findings

The survey showed that 84 percent of responding hospitals currently offer some sort of wellness program or activity, and an additional 5 percent plan to establish a program in the next 12 months. In general, hospitals are devoting more resources to keeping their own employees healthy. In addition, where hospitals used to rely on outside vendors to implement wellness programs, they are increasingly establishing these programs internally.

The types of activities offered by hospitals continue to expand and are becoming increasingly creative. Offered programs include tobacco cessation programs, fitness and gym discounts for employees and their families, healthy cooking demonstrations, Weight Watchers at Work, biometric screenings, and an on-site farmer's market. To accommodate the busy schedules of employees, some hospitals provide on-site fitness classes and massage therapy sessions.

There is a popular belief that health care employers are insulated from health care costs by virtue of their industry. The survey findings demonstrate that the same forces that drive up costs for other employers are impacting health care employers too.

The median total medical and prescription drug plan expense for survey participants increased for the seventh year in a row. This year the increase to the median was 7 percent, while the increase to the average was 6 percent. This demonstrates that for those below the median, costs tend to skew toward the lower end of the sample.

In an interesting turn of events, the minimum total medical and prescription drug plan expense decreased this year by 1.4 percent, while the maximum increased by almost 18 percent. The hospital reporting the highest total expense also exhibited a relatively low average age, once again challenging the typical assumption that age is a primary driver of cost. Cammack consistently observes that the primary driver of cost among participants is a combination of geography, plan design, and ability to steer employees toward the hospital's own facility for services. Contract size is also influential, as the hospital with the highest cost also had a high contract size of 2.8.

Median and average administrative costs decreased this year for all participants as a percentage of their total cost. While median administrative cost in dollars went up, the average administrative cost in dollars went down. The decrease in overall percentage represented by administrative cost is

undoubtedly due to the fact that direct claims cost increased at a greater pace than administrative inflation.

For the first time this year, Cammack asked hospitals about their ACO and PCMH strategies and learned that most hospitals are still in the beginning stages of considering an ACO or PCMH strategy. More than a quarter of respondents reported no plans to start an ACO or PCMH in the near future. The majority of hospitals continue to offer disease management, care management, and precertification through a vendor (often the same vendor that administers claims) rather than through a home-grown care management organization. It will be interesting to see how this changes in future surveys as more hospitals are focused on using the self-insured employee benefit plan as a starting point for accountable care solutions.

Population Health Management

Disease management services provided by a medical vendor are typically included in the standard offerings for non-hospital employers. By contrast, offerings for hospital employers vary, ranging from services provided by the vendor to services provided directly by the hospital. The trend appears to be moving more toward the non-traditional approach of handling these services “in-house.”

Pre-certification

When it comes to pre-certification of hospital facility services, most hospitals still outsource this function to an insurance carrier. As hospitals move toward establishing their own ACOs, we may see changes in the level of control that hospitals exert over this aspect of their own health plan.

Plan design

Survey respondents indicated that the detailed plan design information provided is one of the most valuable aspects of the survey. Over the years Cammack has observed more and more hospitals focused on steering employees to their own facilities through plan design. Cammack now provides information regarding the hospital’s “domestic” tier separately to reflect steerage incentives.

Cammack’s findings confirm that hospitals continue to demonstrate a lack of interest in consumer-driven plans coupled with HSAs. This is due to many factors, including union considerations, but it is also partly due to the difficulty of maintaining robust domestic steerage within a consumer-driven plan. The steep discounts offered for the domestic facility tier are not as conducive to the consumer-driven model due to regulations around the use of HSAs. While many non-hospital employers are re-considering launching consumer driven plans as value-priced options in the face of health care reform, Cammack anticipates hospital employers will focus more resources on boosting their own domestic steerage and narrowing other network options.

Contributions

Hospitals offer a wide array of cost sharing options to employees. It is now virtually unheard of for hospitals to offer “free” health care coverage, a result that is consistent with the trend in other

industries. Many hospitals charge employees different amounts based on salary. Most hospitals offer two plan options, with significant differentials applied for employees who wish to “buy-up” to a higher cost plan.

Background

Cammack LaRhette Consulting is an employee benefits and accountable care solutions firm that specializes in delivering services to the health care industry. The survey offers incisive analysis of emerging trends and crucial benchmarking information that hospital executives – especially HR executives involved in business strategy for their organizations – need in order to make long-term strategic decisions for their employer-sponsored health plans. The Cammack Survey design and data collection is unique and the survey is the largest ever conducted to examine employer-sponsored medical and prescription drug plans offered by hospitals. It offers a comprehensive overview of plan design, contribution strategies, plan cost details, and utilization data. This is a significant departure from the minimal self-reported information typical to most medical plan surveys.

The survey includes data from 45 participating hospitals in Connecticut, New Jersey and New York. This year, Cammack significantly increased the geographic coverage for 2012 in upstate New York through the efforts of regional HR leaders in the ASHHRA community. Cammack also extended the scope of the questions, asking for greater detail on wellness and medical management programs including advanced health care strategies such as Patient Centered Medical Homes (PCMH) and Accountable Care Organizations (ACO).

Methodology

The survey is designed to measure and quantify information related to the employer-sponsored plans of hospitals in the tri-state area. The information collected includes medical and prescription drug plan data, including wellness and medical management strategies related to the health plan. Hospitals were invited to participate via email and through phone solicitation. The positive response rate exceeded 80 percent. Some data was collected through a self-reported online survey, while the majority of data was collected through the submission of published educational materials (enrollment guides, SPDs), carrier utilization reports, claims reports, and other plan information, such as COBRA premiums. Survey participants averaged 30 minutes or less of staff time to participate while Cammack worked directly with carriers and vendors to acquire most of the information directly. This approach to survey data acquisition is unique and allows Cammack to limit time drain for benefits professionals while improving accuracy of data collected for analysis.

Data was handled exclusively by the internal professional health care consulting staff at Cammack who verified the data provided by plan administrators, as well as source data from vendors’ claim feeds and data warehouses. Questions were developed by senior consulting staff based on input and feedback from Cammack’s large hospital client base.

Cammack's hospital industry experts are leaders in innovation, data analysis and organizational transformation. We are proud to be the only firm in our region that brings expertise in employee benefits and health care consulting together to serve the business needs the industry.

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Questions regarding the survey, including how to get your region involved, may be directed to Cammack's Director of Survey Management, Rosemary Huzovic at rhuzovic@clcinc.com or 646-839-8227.