



PERSPECTIVES ON HEALTH REFORM:

2014 PBGH/RWJF STUDY OF LARGE EMPLOYERS' HEALTH POLICY PRIORITIES

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ABSTRACT

Nearly three-quarters (74%) of senior executives in the largest American companies see an important role for employers in actively driving value across the US health system, according to the 2014 PBGH/RWJF Study of Large Employers' Health Policy Priorities. Current efforts by employers to influence the health care system are heavily weighted toward benefit strategies like increased employee cost sharing and rudimentary transparency tools that they are generally unsatisfied with. Nearly nine of 10 business leaders believe greater engagement in the healthcare policymaking process is an important mechanism for bringing about needed change. Employers rated improving quality measurement, encouraging delivery system reform, and increasing price transparency as areas of the highest importance for policymakers. Senior executives strongly support maintaining the tax exclusion of employer-sponsored health insurance and are uncertain about whether the advent of private exchanges will positively influence the health care system.

OVERVIEW

Large employers enter the 2015 plan year at a major crossroads in health policy and employer-sponsored health care benefits. A variety of forces continue to stimulate and accelerate the pace of change across the US health care system. While a keystone of the current system remains employer-based health coverage, some analysts predict this may be changing—one recently estimated that 90 percent of workers in the largest American companies would be moved to health insurance exchanges within the next five years, while another projected more than 80 percent of private sector workers would shift away from job-based coverage by 2025¹.

Plenty of other experts believe that the demise of employer-sponsored insurance has been greatly exaggerated, particularly among large firms and in industries with competitive labor markets². Many large employers assume that they will continue to need to offer comprehensive health benefits to attract and retain talent, and businesses of all types have an enduring stake in population health policies that affect employee wellness and productivity³. These factors could sustain a salient role for large employers in the health system and provide a bedrock of coverage for millions of Americans into the indefinite future.

During this period of both rapid change and uncertainty, it is important to identify large employers' attitudes regarding the system in which their employees receive care, the strategies employers are using to influence it, and their overall role in the policymaking process. By some accounts, businesses have historically been unenthusiastic participants in the health care marketplace and struggle to be a constructive force for change on behalf of the 150 million Americans for whom they purchase care⁴. Given these challenges, this study examines the role large employers see for themselves today and in the future as the health care system continues to

undergo fundamental transformation.

The 2014 PBGH/RWJF STUDY OF LARGE EMPLOYERS' HEALTH POLICY PRIORITIES

The Pacific Business Group on Health and the Robert Wood Johnson Foundation recently commissioned Nielsen Consumer Insights North America to solicit the health policy perspectives of a diverse group of senior executives in jumbo-size companies (5,000+ FTEs) across the United States. The study summarizes results from structured qualitative interviews with 50 individuals in large firms. Interviews were administered by a trained moderator, utilizing both open- and close-ended, quantifiable questions. Percentages, when available, are reported given the robust number of respondents.

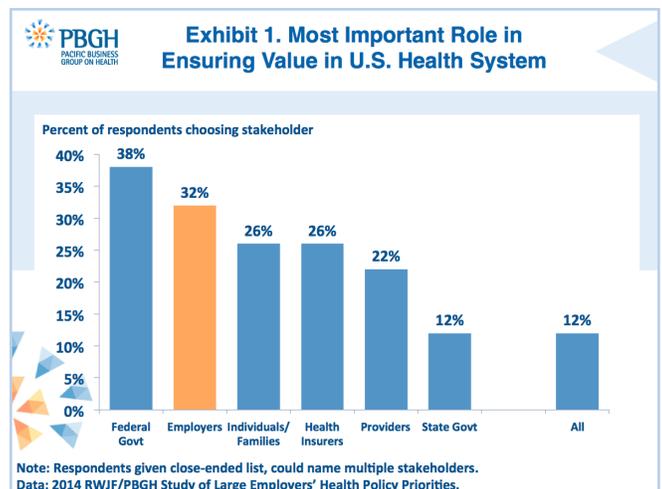
Caution is warranted when generalizing from these results. Qualitative research is by nature directional and thus comparative differences are not statistically significant. While efforts were made to ensure broad industrial and geographic representation among respondents, the recruitment methodology is not nationally representative of the entire universe of large employers in the United States. Respondents were asked for their perspectives on health system issues, the role of employers, and policy priorities between March 20, 2014 and May 19, 2014.

RESULTS

Employers Have an Important Role to Play in Health System, Policy is a Key Mechanism for Change

Senior executives generally agree that multiple stakeholders—including employers, state and federal government, health care providers, insurance carriers, and individuals—should share responsibility for ensuring value in the U.S. health care system. When asked to choose among a list of those most responsible, respondents identified the federal government and employers (Exhibit 1). Virtually all believe the federal government's influence in the health care system has increased in recent years through reform legislation, and policies set in Medicare and Medicaid often flow into the commercial system. Respondents were evenly divided on whether the federal government should assume more or less control.

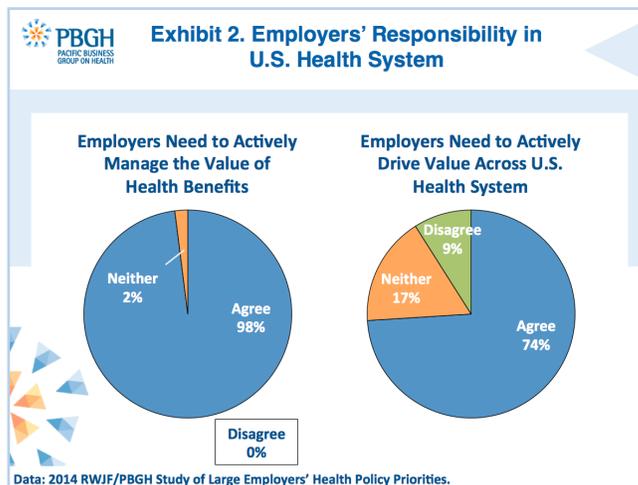
Along with the federal government, employers were identified as having the biggest opportunity to influence the health care system by virtue of being large purchasers of health care. As a group, large employers believe they have the potential to negotiate for value in plan designs with insurance carriers, play an important role educating employees regarding overall wellness, and provide consumer tools to facilitate value-based health



RESULTS (cont'd)

care decision-making. Several stated in open-ended questioning that while employees need to be accountable and engaged in their own health care, individual consumers lack the collective clout to have similarly widespread influence.

Virtually all (98%) of those taking part in the study believe that employers need to actively manage the value of health benefits on behalf of their employees (Exhibit 2). Commonly identified reasons include the large and growing expense health benefits present; the importance of insurance as a tool for recruitment, retention, and productivity; and the need to “watch out and take care of” employees. “We spend a lot of money providing these benefits,” said one respondent. “But more importantly, this is a benefit to our employees, so we want to make sure that what we’re giving them is a good value.”



Very few executives in the study feel that their responsibility ends with the task of simply selecting and offering health plans. Many indicated during open-ended questioning that employers have an additional responsibility to educate, manage, and guide their workforce because employees do not have the expertise, interest, time, or ability to evaluate health benefits. “I don’t think the majority of our employees are really educated and engaged

enough consumers to be able to make all of those decisions by themselves,” said one executive. “And so it’s important to me as an employer to be able to offer them education tools and resources to dive in [and] make those decisions.”

74% BELIEVE EMPLOYERS NEED TO ACTIVELY DRIVE VALUE ACROSS THE US HEALTH SYSTEM

Nearly three-quarters (74%) of those responding to the study believe that employers have the broader charge to actively drive value across the US health system (Exhibit 2). While some feel that larger companies have a greater role or obligation to improve the health system, several mentioned that even smaller employers can have collective influence as part of employer groups. “Companies of my size and my history, we have an obligation,” said an executive at a firm with around 20,000 employees. “We agree that we have to drive value in health care.” A very strong majority (85%) of respondents affirmed a duty to improve community health through things like direct investment and corporate social responsibility programs.

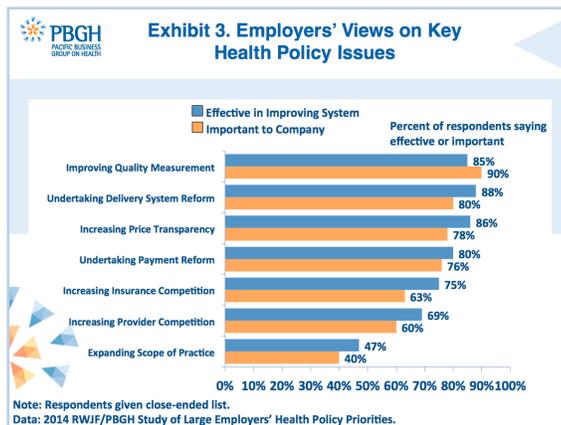
Employers were asked the degree to which health policy (state and federal regulation and legislation) is an important mechanism for employers either to improve health care for their specific employees or to drive change across the broader US health system. Nearly nine of 10 (88%) identified it as either important or very important. Despite this, current efforts to influence the health care system are heavily weighted toward benefits management activities that respondents are generally unsatisfied with. Examples raised during open-ended questioning include consumer-directed health plans, employee transparency tools, and wellness programs.

RESULTS (cont'd)

Proactive lobbying (either directly or through a coalition) represents only a relatively small fraction of efforts to influence the health care system, even for the most actively policy-oriented respondents. Of those who were specifically asked to quantify their efforts, most estimate that their proactive health care lobbying represents well under 50 percent of their activities. “I would say it’s probably about 70/30 right now—70 percent benefit design, 30 percent on the public sector,” said one active executive.

Quality Measurement, Delivery and Payment Reform, Price Transparency All Critical Policy Priorities

Senior executives were asked to identify how effective and important various health care policies were to both the US as a whole and their individual companies through a series of close-ended questions (Exhibit 3). Respondents also gave their impressions of progress in each area and barriers to further advances during open-ended discussions.



Having adequate and meaningful information about the quality of health care organizations and providers is critically important to study participants. Eighty-five percent feel improving quality measurement would improve the U.S. health system, while 90 percent indicate the issue is important to their company. Executives were generally

more satisfied with progress in quality measurement relative to other policy areas, but remained discontent. “It is one of the most critical components, but also one of the harder ones,” offered one respondent. During open-ended questioning, executives identified several barriers to better quality measurement including lack of standardized definitions for certain conditions and procedures, difficulty adjusting for risk among various patients,

NEARLY 90 PERCENT IDENTIFIED HEALTH POLICY AS AN IMPORTANT MECHANISM FOR EMPLOYERS

issues surrounding the availability and sharing of data, and concerns over who should gather and provide ratings.

Leaders see innovative delivery system models like patient-centered medical homes and accountable care organizations as very important and complementary to value-based provider payment reform methods. Many respondents believe the country has made significant progress in recent years, particularly with the advent and spread of accountable care organizations in the public and private sector. “ACOs, the accountable care organizations, seem to have a lot of promise,” said one executive. “From different things I’ve heard, that seems to be the direction to move in.” Some employers are looking at creating ACO-type arrangements directly with providers.

Many executives expressed displeasure with the current fee-for-service model of provider payment during open-ended questioning. Several explicitly stated that the dominant payment methodology is “broken,” but acknowledged that progress is being made and driven by both private and public payers to move to more value-based methods of payment. “It will take time because doctors have become factories,” said one respondent. “They’re producing health transactions

RESULTS (cont'd)

irrespective of outcomes. Doctors have to be recalibrated in terms of managing quality, managing health improvement, [and] managing better outcomes.”

QUALITY MEASUREMENT, DELIVERY SYSTEM REFORM, AND TRANSPARENCY ARE AREAS OF THE HIGHEST IMPORTANCE

Employers also identified price transparency—or providing consumers and others with what the actual price of a procedure, visit, or exam is—as one of the most important and effective tools for bringing about positive change in the US health care system. Respondents see price transparency being most effective when paired with meaningful quality measures and used in conjunction with consumer-directed plans. Current barriers to better transparency include strong resistance by providers and insurers, and methodological difficulties in quantifying costs. Employers are unhappy with the transparency tools currently available. “Getting real, meaningful data ... none of these tools let you do that,” said one leader. “They say they do, but they really don’t.”

Insurance and Provider Competition, Scope of Practice Laws Important

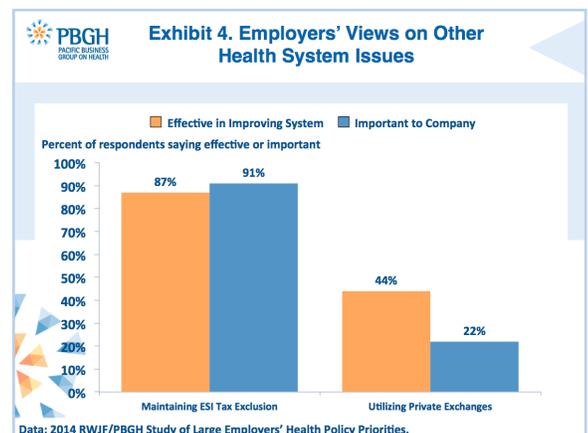
The large employers that participated in the study identified a second tier of issues that, while important, rated lower both in terms of benefit to their specific company and system-wide improvement. Some spoke favorably about modifying scope of practice laws, i.e., changing state or federal regulations that govern the extent to which licensed health care providers can practice; others had concerns related to patient safety and efficacy. “I’d hate to tinker with care,” said one. “I don’t want trickle down care to folks who may not be qualified to provide that care. If there is a shortage of doctors, I don’t know that you

necessarily pass the baton along to a nurse or someone who’s practicing in a MinuteClinic.”

Respondents were somewhat concerned with competition in insurer and provider markets. While many acknowledged that consolidation of both hospitals and carriers has taken place over the years, many are satisfied with their current choices and do not see anti-competitive action as an immediate threat. “From a large employer perspective, yes, there are more powerful [plans],” said one executive. “But so what? All we’re negotiating for is discounts at this point, not billing charges. It doesn’t make any difference. It doesn’t get to the fundamental issue of controlling health care inflation or appropriate care or better outcomes.”

Maintaining Tax Exclusion for Employer-Sponsored Insurance Very Important

Virtually all of those that took part in the study indicated that the deductibility of employer health care costs and exemption of employee premium payments is a crucial component of the current employer-based system. Eighty-seven percent of respondents view maintaining the tax exclusion as an effective component of any strategy to improve the current system (Exhibit 4). More than nine of 10 (91%) report maintaining the current policy is important or very important to their individual company.



RESULTS (cont'd)

Although some are unsure whether this is the best way to provide insurance, very few support changing current arrangements. “It’s one of the last bastions of value proposition employers have with their employees outside of cash compensation and I think it’s extremely important to maintain the tax protection,” said one during open-ended questioning. While many respondents don’t anticipate significant changes in the immediate future, modification to the tax status of employer-provide health care benefits is the single issue that is most likely to incite action among both those currently active and inactive in policymaking.

SENIOR EXECUTIVES ARE UNCERTAIN ABOUT THE ADVENT OF PRIVATE EXCHANGES

Respondents Uncertain About Private Exchanges

Finally, senior executives participating in the study were uncertain about whether the advent of private exchanges would positively influence the health care system. While most have been approached by a vendor and considered using a private exchange, virtually all have decided to “watch and wait.” Several offered tepid comments:

- “I think the jury’s still out on if they generate value”
- “It’s too early to tell”
- “It’s an immature product that the consultants jumped on because there is a lot of money to be made here”

This lukewarm response stands in contrast to several other national surveys that seem to indicate more enthusiasm for private

exchanges and defined contribution approaches to employee benefits. While the reasons for the discrepancy are not clear, the senior executives responding to this study may have different views than the human resources and benefit managers responding to others, the technical glitches that plagued the roll-out of the public marketplaces in 2014 may have tempered enthusiasm for the exchange concept, and moderate cost growth continues to reduce pressure on employers to dramatically change benefits.

Employers are Generally Unsatisfied with Progress in Key Areas, but Face Barriers to Engagement

Despite strong opinions on policy issues and belief in policymaking as a mechanism for change, current efforts to influence health care are heavily weighted toward limited benefits management activities. For example, many have begun offering transparency tools to help employees understand the cost of various health treatments and services, but these are often seen as rudimentary and of limited value. Respondents express significant frustration with the quality measures currently available to them and their employees, and several mention very limited success engaging health plans or providers directly in quality improvement efforts. Given this, cost control strategies often tilt toward increasing deductible and cost sharing requirements for employees.

A large number of study participants are unsatisfied with this limited, reactive approach. Many see the need to more actively engage in broader health system issues, and see the policymaking process as a key mechanism for doing that, either individually or in groups. “I think employers have a large role to play [in policy], and I’m hoping they don’t step back from the table,” said one business leader. “And for the small employers that are huge in terms of numbers, there are small business associations.”

RESULTS (cont'd)

When asked to identify barriers that have prevented large employers from more fully engaging in broader health system and policy issues during open-ended questioning, senior executives mentioned:

- A focus on revenue-related, core business issues
- Lack of expertise and/or bandwidth
- Lack of senior management support
- Lower health care cost growth in recent years
- Taking a moment of pause while the ACA is implemented
- Public image concerns

Large Employers Would Like To Work Together to Address Health System Challenges

Many respondents believe that the current challenges in the health system are pressing enough that these traditional barriers must be overcome. During open-ended questioning, many of the participants to the study indicated an interest in working together with like-minded companies to impact the broader health care system and positively affect health care policy. Some mentioned the work of coalitions as an important venue to gain strength in numbers and leverage the voice of employers as large purchasers of American health care.

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CONCLUSION

Despite the significant change and uncertainty currently rippling through the US health system, many large employers are likely to continue offering health care coverage to their employees for the foreseeable future—all have a stake in the health and wellbeing of the population into the indefinite future. Though employers as a whole have historically shied away from a more active role driving value across the US health system, a large majority of study participants see an important role for their companies going forward. Executives are not satisfied with current progress in policy areas like transparency and quality measurement, and see state and federal legislation and regulation as a key mechanism for bringing about needed change. Barriers to further engagement can be overcome, and many respondents are open to the idea of working together to leverage their collective strength as major underwriters of American health care.

Notes

¹Thompson MG, Keiser RA, Albanese GF, The Affordable Care Act could shift health care benefit responsibility away from employers, potentially saving S&P 500 companies \$700 billion, S&P Capital IQ, McGraw Hill Financial, 1 May 2014. Emmanuel E, Reinventing American health care: How the Affordable Care Act will improve our terribly complex, blatantly unjust, outrageously expensive, grossly inefficient, error prone system, Public Affairs, 4 March 2014.

²Ahlquist GD, Borromeo PF, Saxena SB, The future of health insurance: Demise of employer-sponsored coverage greatly exaggerated, Booz & Company, 25 Jan 2011. Fronstin P, Private health insurance exchanges and defined contribution health plans: Is it déjà vu all over again? Employee Benefit Research Institute, July 2012.

³Galvin RS, Delbanco S, Why employers need to rethink how they buy health care, Health Aff (Millwood), 2005 Nov-Dec;24(6):1549-53

⁴Galvin RS, Delbanco S, Between a rock and a hard place: understanding the employer mind-set, Health Aff (Millwood), 2006 Nov-Dec;25(6):1548-55.

⁵Harris Interactive (now Nielsen Consumer Insights), Strategic health perspectives 2013 survey of employers; Japsen B, More employers shifting to private exchanges, Forbes, 8 October 2014; Accenture, Growing pains for private health insurance exchanges, Accenture Insight Driven Health, 12 June 2014.