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New Survey Reveals Large U.S. Employers Project Healthcare Benefit Costs to Surpass \$14,000 per Employee in 2018

According to a new national benchmarking survey released this month by the National Business Group on Health (NBGH), a growing number of large U.S. employers plan to focus more on how healthcare is delivered and paid for while still pursuing traditional methods of controlling costs such as cost sharing and plan design changes. According to this year's survey data, more employers will promote and expand access to telemedicine, centers of excellence for complex care and onsite health centers.

The NBGH's annual *Large Employers' 2018 Healthcare Strategy and Plan Design Survey* found employers project the total cost of providing medical and pharmacy benefits to rise 5% for the fifth consecutive year next year. Including premiums and out-of-pocket costs for employees and dependents, the total cost of healthcare is estimated to be \$13,482 per employee this year and is projected to rise to an average of \$14,156 in 2018. Employers will cover an estimated 70% of those costs while employees will bear about 30% or nearly \$4,400 in 2018. For the second consecutive year, employers ranked specialty pharmacy (26%) as the top driver. Eight in ten employers ranked it among the top three cost drivers. Specialty pharmacy costs are likely to remain a top concern as new high-priced drugs come on the market.

According to the survey, an increasing number of employers plan to adopt the following strategies:

- **Telehealth utilization surging:** Virtually all employers (96%) will make telehealth services available in states where it is allowed next year. More than half (56%) plan to offer telehealth for behavioral health services, more than double the percentage this year. Telehealth utilization is on the rise, with nearly 20% of employers experiencing employee utilization rates of 8% or higher.
- **Accountable Care Organizations (ACOs) could double by 2020:** 21% of employers plan to promote ACOs in 2018, but that number could double by 2020 as another 26% are considering offering them. Employers are slightly more confident about the ability of ACOs to improve healthcare quality beyond what the system does today, compared to reducing costs.
- **More employers opening health centers:** More than half of employers (54%) will offer onsite or near site health centers in 2018 and that number could increase to nearly two-thirds by 2020. These centers have a positive impact on business performance metrics, because they often result in decreased absenteeism and improved presenteeism.
- **Centers of Excellence (COEs) embracing bundled payment arrangements:** Almost nine

in ten employers (88%) expect to use COEs in 2018 for certain procedures such as transplants or orthopedic surgery. Bundled payments or other types of alternative payment arrangements will be used by 21-48% of COEs contracts, depending on the medical procedure or condition.

- **Growing interest in value-based benefit design.** Nearly 40% of employers have incorporated some type of value-based benefit design in which employees receive reduced cost sharing or premium reductions when they take steps to manage chronic conditions or obtain higher-quality or more efficient care. There has been some increase in the use of value-based benefit design to steer employees toward telehealth (18% in 2018 vs. 16% in 2017).

According to the survey, 66% of companies will offer medical decision support and second opinion services in 2018, an increase of 47% from this year. Additionally, the number of companies offering high-touch concierge services will jump from 28% this year to 36% in 2018. Other survey highlights include:

- **Nine in ten employers (90%) will offer at least one Consumer Directed Health Plan (CDHP) in 2018.** In addition, nearly 40% of employers will offer a CDHP as the only plan option in 2018, compared with 35% this year.
- **The most common CDHP design is a high-deductible health plan (HDHP) paired with a Health Savings Account, offered by 80% of employers with any type of CDHP.** About a quarter of employers (28%) pair a HDHP with a Health Reimbursement Arrangement.
- **To help control surging specialty pharmacy costs, 44% of employers will have site of care management tactics in place in 2018, a 47% increase over this year.** Seven in ten employers will use more aggressive utilization management protocols.

The NBGH's *Large Employers' 2018 Healthcare Strategy and Plan Design Survey* was conducted between May and June 2017. A total of 148 large employers participated in the survey. Collectively, respondents represent a wide range of industry sectors and offer coverage to more than 15 million employees and their dependents. Two-thirds of respondents belong to the Fortune 500 and/or the Global Fortune 500, and 42 belong to the Fortune 100.

Conner Strong & Buckelew participates with the NBGH and uses their rich data and benchmarking information in helping clients make strategic decisions. Please contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220 with any questions.



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