

# **The Future of Employee Benefits is Here**

Presented by Joshua Weinstein, DIA  
Director of Strategy & Finance, RISQ Consulting  
October 20, 2021



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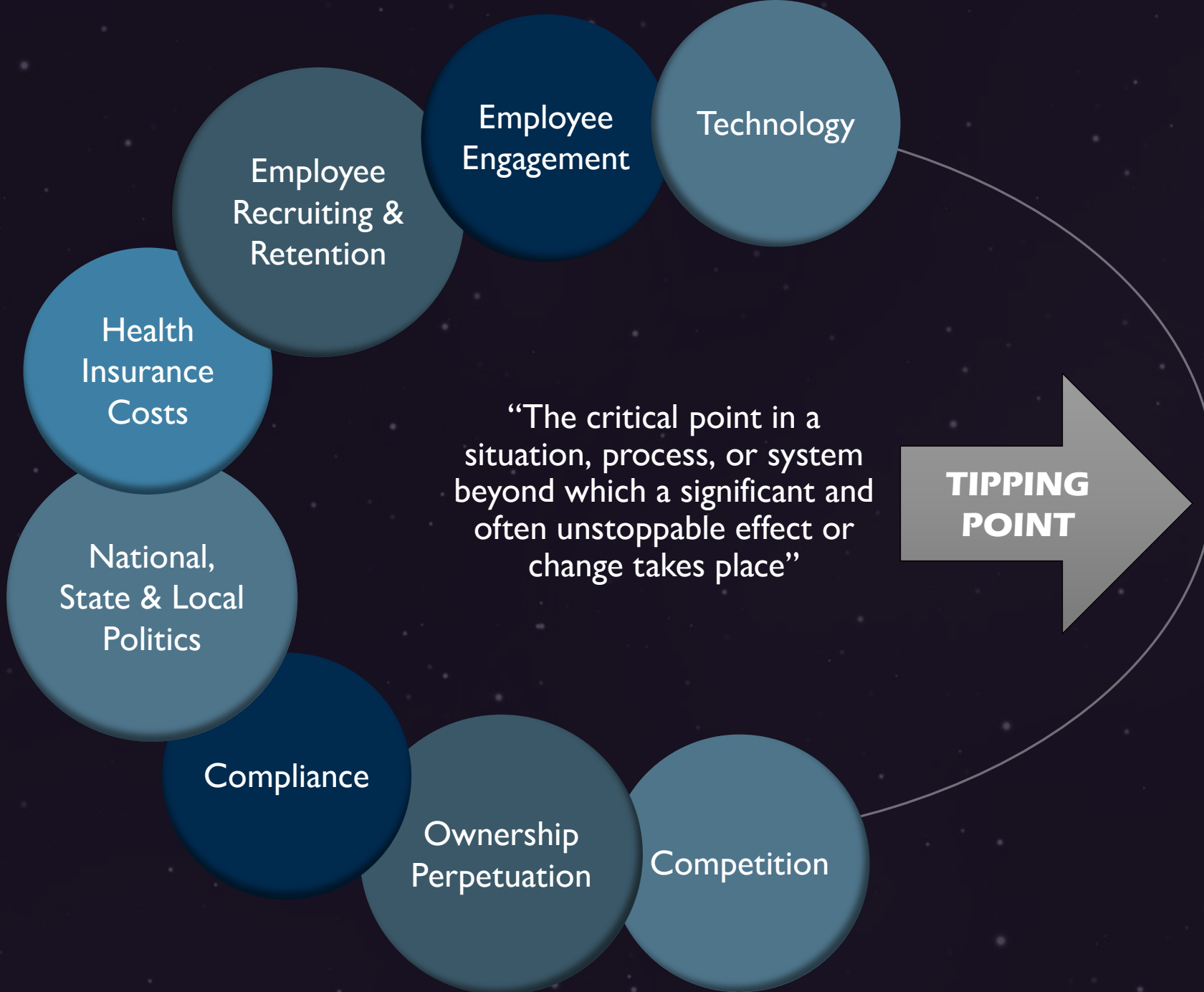
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**Joshua Weinstein, DIA**

Director of Strategy & Finance  
RISQ Consulting





The New World of Employee Benefits focused on:

**Health Insurance Costs**

**Technology in the Health Insurance World**

**Employee Life Cycle**  
*Recruiting, Retaining, Engaging, and Rewarding Employees*

# **The challenges that we have today are the same challenges that employers have seen coming for years.**

But the challenges of today have arrived, and we must face them now.

In a new way.

In a new world.

# ***Health Insurance Costs***

## Figure 1. Alaska Health-Care Spending

(In Billions of Dollars)



Source: Centers for Medicare and Medicaid Services (CMS)

“In less than 25 years, Alaska’s spending for health care increased more than 5 times over.

Spending was \$1.5 billion in 1991, \$4.8 billion in 2005, and \$8.2 billion by 2014 (Figure 1).”

-ISER

*A note on the timeline of the data: Centers for Medicare and Medicaid Services (CMS), publishes data on personal health-care spending in individual states and the U.S. as a whole. But it publishes that data only at 5-year intervals. The most recent update was in 2017, with information from 1991 through 2014.*



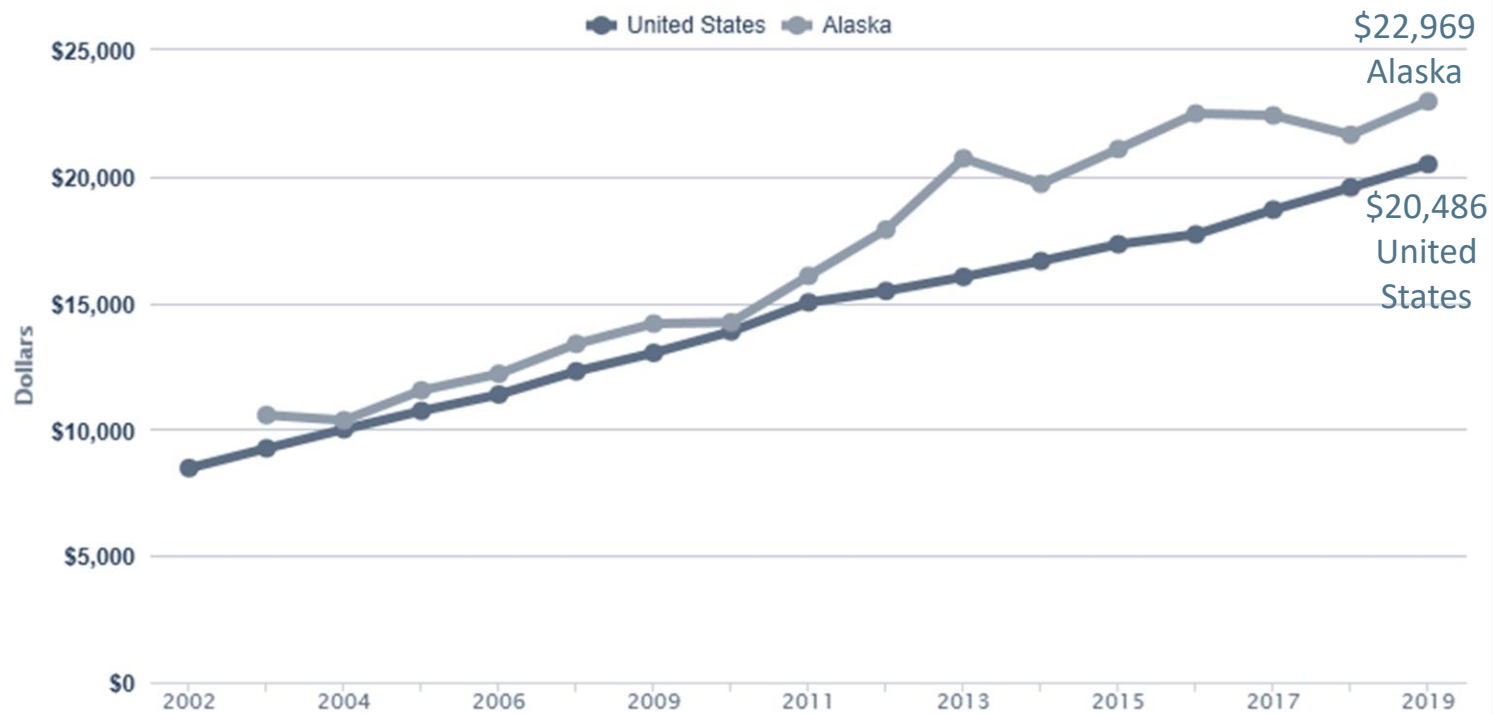
## Average annual employer sponsored insurance premium

State:  
2 Selected

Plan Type:  
Family

Timeframe  
2002 to 2019

Data Type:  
Dollars



Source: SHADAC Analysis of Average Annual Employer Sponsored Insurance Premium, State Health Compare, SHADAC, University of Minnesota, [statehealthcompare.shadac.org](http://statehealthcompare.shadac.org).



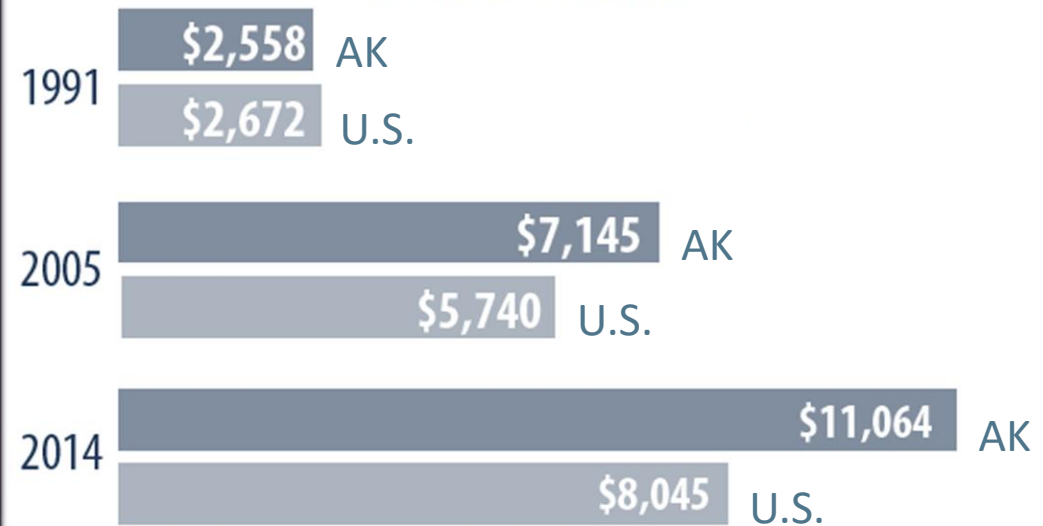
“Spending per person in Alaska and across the country was about the same in 1991, but by 2014 it was more than a third higher in Alaska.”

Spending in Alaska and across the country was around \$2,600 per person in 1991.

That spending increased a lot in both Alaska and the entire U.S. over the years—but the jump in Alaska was bigger, so that by 2014 spending was more than \$11,000 per person in Alaska, compared with around \$8,000 nationwide”

-ISER

**Figure 3. Health-Care Spending Per Person, Alaska and U.S.**



Source: Centers for Medicare and Medicaid Services (CMS)

Chart from ISER ([https://pubs.iseralaska.org/media/a3cda29a-5f21-405c-95ce-9b246244f5bf/Trends\\_in\\_Alaskas\\_Health-Care\\_Spending.pdf](https://pubs.iseralaska.org/media/a3cda29a-5f21-405c-95ce-9b246244f5bf/Trends_in_Alaskas_Health-Care_Spending.pdf))

# **Why are health insurance prices rising?**

Because healthcare costs are rising.

# Rising Costs: Lifestyle of General Population & Chronic Disease

Up to  
70%

of health care costs attributable to individual behaviors such as smoking, alcohol abuse, and obesity.

90%

of the nation's \$3.8 Trillion in annual health care expenditures are for people with chronic conditions (such as heart disease, cancer, diabetes, obesity, arthritis, Alzheimer's, and epilepsy) and mental health conditions, according to the CDC.

Behavior

is the most significant determinant of health status

# Rising Costs: Aging Population

**110  
Million**

(27.4% of the Total Population)  
Number of projected people in the  
United States over age 60 by 2050

**\$1.9  
Trillion**

Projection of Public Healthcare Spending by 2025,  
which includes Medicare, Medicaid, CHIP, and  
Marketplace subsidies. This accounts for nearly half  
of the Federal mandated spending of \$3.89 Trillion

# Rising Costs: Administration

- System Inefficiencies
  - Duplication and overuse of high-end procedures
  - Preventable mistakes
  - Unnecessary medical treatments and prescriptions
- Medical Malpractice
  - Medical Malpractice has a direct relationship with the cost of care
  - Doctors are more likely to practice defensive medicine
  - Estimate: Medical malpractice adds between **\$55-200 billion annually**
  - Estimate: Medical liability costs and defensive medicine combined account for **7.2% to 12.7%** of the increase of health care costs

# Rising Costs: Provider Shortages

- Providers are retiring
- Aging population uses more medical care
- The Association of American Medical Colleges estimates the US could see a shortage of 54,100 and 139,000 physicians by 2033 (shortage applies to Primary Care and Specialty Providers)
- In Alaska, recruiting can be challenging, and often increases overhead costs
- Fewer providers means increased wait times to see doctors, and could lead to more people going without a primary care doctor, and more visits to Emergency Room

# Rising Costs: New Therapies & Pharmaceuticals

- Cell and gene therapy treatments are expected to continue to be developed and available in the next 12-24 months.
- Examples:
  - Zolgensma treats spinal muscular atrophy in children under age 2 with biallelic mutations of SMN1 gene
    - Cost of Therapy: \$2,125,000
    - Cost of Treatment: \$236,000
  - Luxturna treats retinal dystrophy. It is not a cure for blindness, but can improve vision
    - Cost of Therapy: \$850,000
    - Cost of Treatment: \$94,000



# Million Dollar Claims are Increasing

- Million Dollar Claims have been increasing since the ACA removed annual and lifetime limits on coverage
- Most expensive diagnoses to treat include:
  - Burns & Corrosions
  - Transplants
  - Hemophilia/Bleeding Disorders
  - Disorders associated with Premature Births

*Note about the visual:*

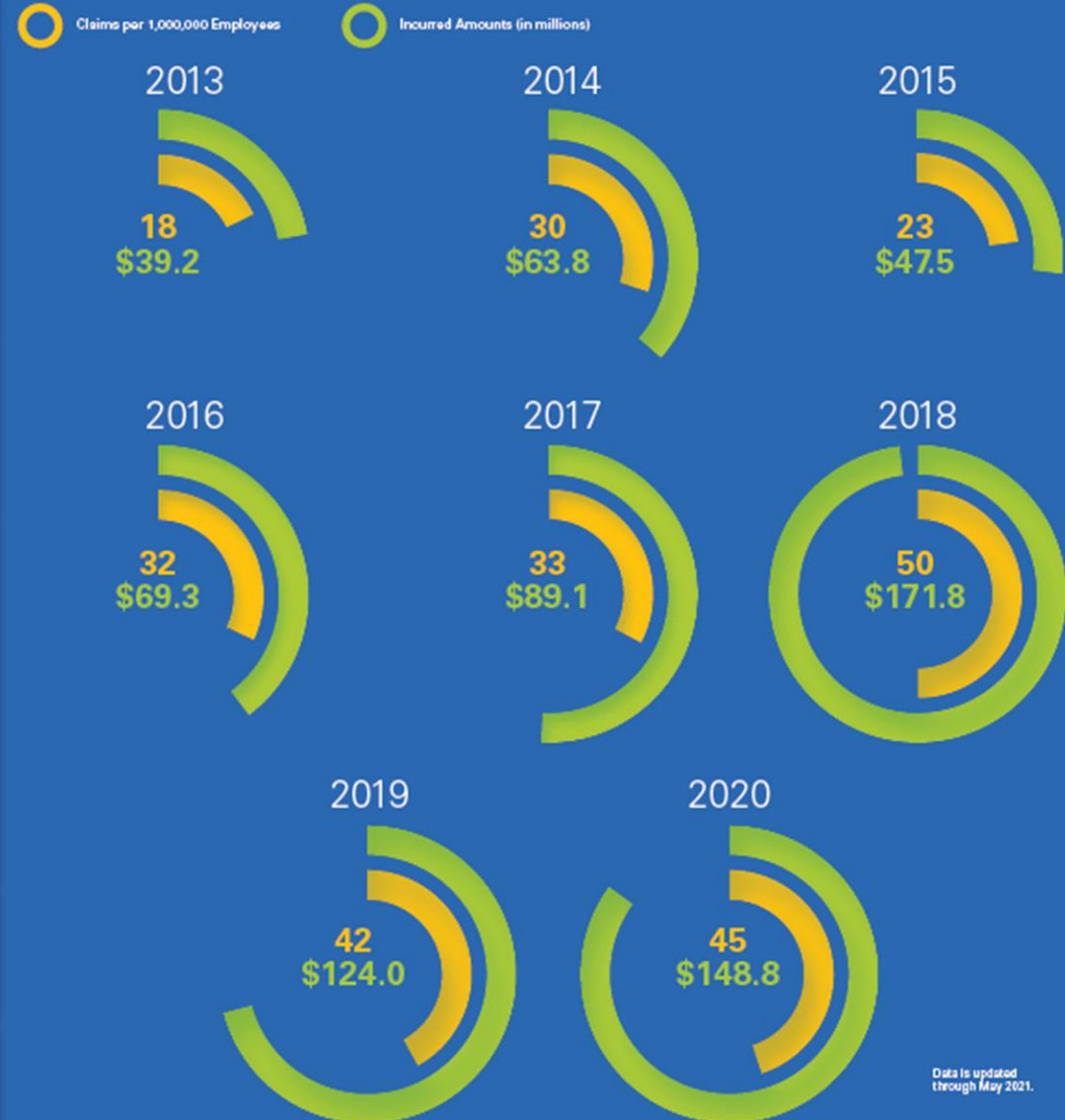
- The yellow, inner circle represents the number of incurred claims in excess of \$1,000,000 over the specific deductible per 1,000,000 employees
- The green outer circle represents the Incurred amounts of claims dollars, (in millions)

Source: Tokio Marine HCC Stop Loss Group 2021 Annual Market Report

## Million Dollar Claims

Incurred Claims in Excess of \$1,000,000 Over Specific Deductible

Spurred primarily by the ACA's removal of annual and lifetime limits in 2014, TMHCC has seen significant growth in the number and amount of claims in excess of \$1 million over the specific deductible.



# Alaska-Specific Reasons for Increasing Costs

- Alaska's 80th Percentile Rule
  - Example: Dialysis in Alaska
- Commercial provider payment levels in Alaska are 76% higher than levels nationwide.
  - Physician payment levels are 148% higher in Alaska
  - Hospital payment levels are 56% higher
- Rural Location of Alaska
  - A 2016 study found that Hospital Margins in Anchorage are 20.6%, compared to the nationwide average of 6.9%.
  - Hospital operating costs outside of Anchorage are more than 2x the nationwide average due to low occupancy rates, and cost of maintaining the availability of service in remote areas

Source: Milliman, 2016



# ***How long can this trend continue?***

# How long can this trend continue?

- In December 2020, and January 2021, Kaiser Family Foundation and Purchaser Business Group on Health surveyed key decision makers (CEOs, CFOs, Chief HR Officers, etc.) at large US employers obtain their views on the rise of health costs.
- This image shows how a large majority of survey respondents believe costs for providing health benefits will become unsustainable in the next 5-10 years

## Share Believing that in the Next 5 to 10 Years . . .

■ Yes ■ No

Cost of providing health benefits will become unsustainable

87%

13%

Need for greater government role in coverage and costs

85%

15%

NOTE: Among Responding Employers



Purchaser Business  
Group on Health

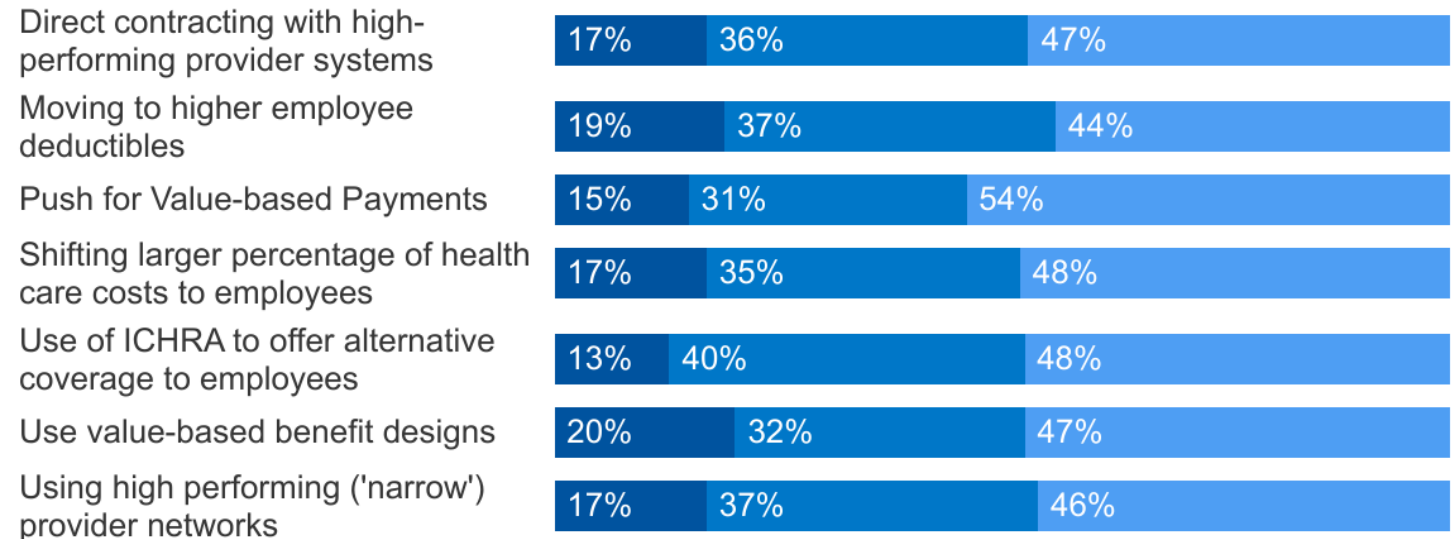


# How long can this trend continue?

This image shows all the ways that large companies will, or will not, consider making changes to try to contain costs.

## Likelihood of Implementing Practices to Contain Future Costs

■ Not at all/Slightly likely ■ Moderately likely ■ Considerably/Highly likely



NOTE: Among Responding Employers

**PB GH** Purchaser Business Group on Health

**KFF**

# ***What should businesses and organizations do?***



## **OLD Approach to Employee Benefits**

- Set up insurance
- Renew insurance

**VS**

## **NEW Approach to Employee Benefits**

- Think strategically about the reason your company offers benefits -
  - Only to meet compliance requirements?
  - Because your competitors are offering good benefits?
  - To reward employees?
- Seek to develop a long-term strategy
- Evaluate non-traditional options
- Gather employee feedback



# Ways to Solve the Challenge of Providing Health Insurance to Employees:

Less Data and Control  
Over Member Experience, Claims,  
and Costs

Pay or Play  
Penalty

Minimum  
Essential  
Coverage  
“MEC”  
Plan

Individual  
Coverage  
Health  
Reimburse-  
ment  
Arrangement  
“ICHRA”

Group  
Fully-  
Insured  
Health  
Plan

More Data and Control Over  
Member Experience, Claims,  
and Costs

Types of Self-Funded Plans				
Level – Funded Health Plan	Coalition / Association Health Plan	Captive Arrangement	Administrative Services Only Arrangement “ASO” Platform	Third-Party Administration Platform

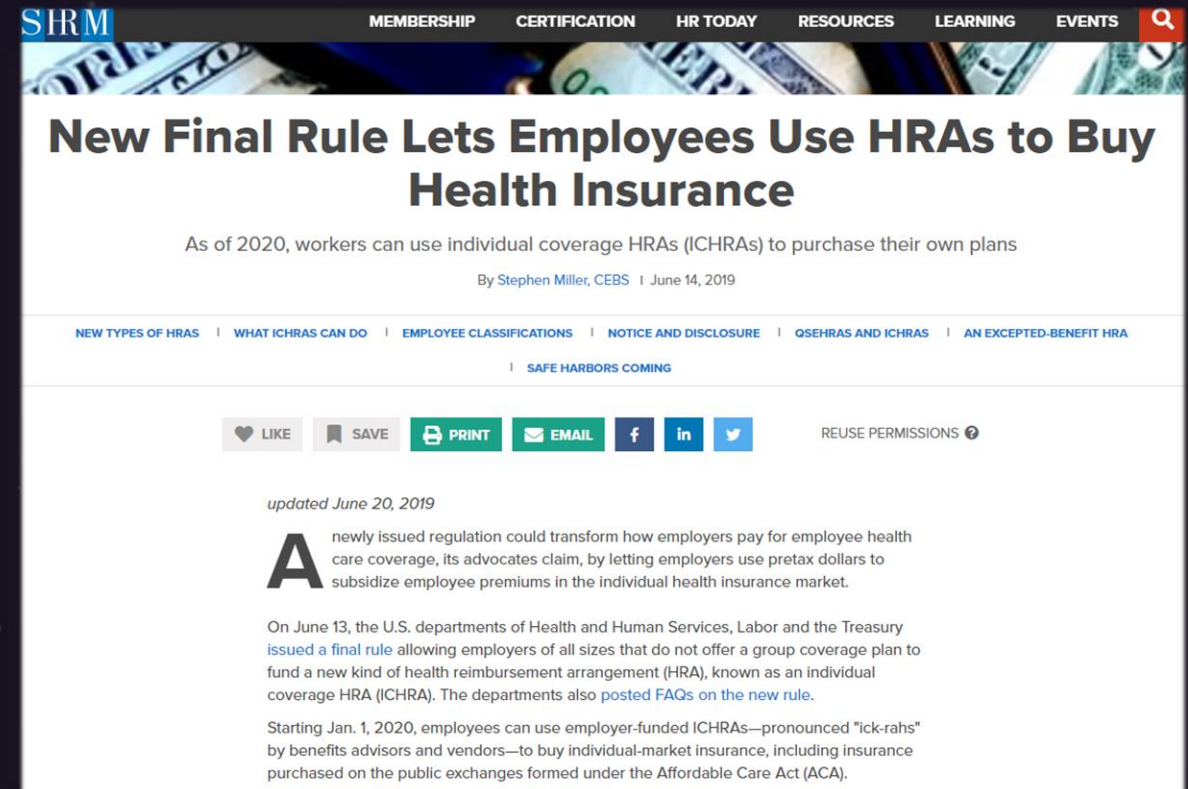
- Additional options that are available with some types of self-funding:
- Reference Based Pricing
  - Direct Provider Contracting

***Innovations have been  
developed in response  
to rising health  
insurance costs.***

# Innovation: ICHRA ["Ick-Rah"]

## *Individual Coverage Health Reimbursement Arrangement*

- Newly available starting 1/1/2020
- ICHRA's enable employers of any size to reimburse their employees tax-free for individual and family health insurance premiums (including Medicare premiums) and qualified medical expenses
- Employers set an allowance
- Employees choose the health plan that fits their needs
  - Individual Plan costs are based only on age, location, and tobacco status



# ICHRA “Pros”

- Employers set the terms for what the ICHRA reimburses as a defined contribution
- Employees receive these funds tax free
- Reimbursements can be facilitated through a TPA partner
- Allows flexibility for individual choice
- The Department of the Treasury projects the ICHRA rule will cut the number of uninsured Americans by approximately 1,000,000 people within the next 5 years

# ICHRA “Cons” & Additional Considerations

- Cons of an ICHRA
  - Perception of “loss of health plan” and impacts to recruitment/retainment
  - Loss of National & Global Network (Alaska Market)
  - Employee responsibility/effort
  - Medicare eligible employees will not have access to an Individual Plan
    - But, able to apply to Medicare Premiums
- Additional Considerations
  - Group versus Individual Rates Year to Year
  - Enrollment Resources by Geography
  - Availability of Options by Geography

# Innovation: ICHRA

- We predict ICHRAs will be successful for companies that:
  - Have high claims costs that can't be mitigated
  - Don't want to engage in employee claims information
  - Prefer defined contribution model and more control over costs
  - Are willing to make tradeoffs
- Future of ICHRAs & ACA Waiver
- Consider: Is an ICHRA right for your organization?



*“Biden and Trump Want Lower  
Health Care Costs, but  
Approaches Differ”*

SHRM  
September 17, 2020

*“Biden Says He’ll Enforce  
Trump-era Rules Requiring  
Hospitals to Post their Prices”*

The Washington Post  
July 12, 2021

## **The current & prior Presidential Administrations addressed healthcare transparency**

*“Biden Administration Moves  
to Tighten Hospital Price  
Transparency Regulations”*

NC Policy Watch  
July 30, 2021

*“Trump Administration Pushes  
to Make Health Care Pricing  
More Transparent”*

NPR  
June 24, 2019

*“White House Rolls out  
Sweeping Transparency for  
Hospitals, Insurers”*

POLITICO  
November 15, 2019



# Innovation: No Surprises Act (NSA)

- The need for the NSA stems from issues with balance billing, surprise billing, and general lack of transparency in the healthcare system
  - What is balance billing?
  - What is surprise billing?
- Passed as part of the *Consolidated Appropriations Act, 2021* - signed into law on 12/27/2020
- Some portions of NSA have been delayed from the original 1/1/2022 effective date to allow for more time for implementation

# No Surprises Act (NSA) – Summary of Provisions

- Emergency Care and Air Ambulance Services
  - Individual liability is limited to health plan in-network cost share
  - No balance billing
  - For emergency services, individual cannot be asked to give up their balance billing and cost-sharing protections

# No Surprises Act (NSA) – Summary of Provisions

- Non-Emergency Services and Certain Ancillary Care
  - Certain non-emergency services are included in the balance billing and in-network cost-share protections
  - Services such as Anesthesia, Pathology, Radiology, Laboratory, Neonatology, Assistant Surgeon, Hospitalist, and Intensivist services

# No Surprises Act (NSA) – Summary of Provisions

- Advanced Notice and Written Consent
  - Providers and Facilities can balance bill if specific notice and consent requirements are satisfied
  - Advanced Explanation of Benefits (EOBs)

# Employer Responsibilities under the NSA

- Fully Insured Plans: The insurance carriers will need to update the plans to incorporate the new regulations and maintain compliance with both state and federal laws.
- Self-Insured Plans: Not subject to State insurance laws; however, must follow federal laws, including interim final regulations.

# Employer Responsibilities under the NSA

- Health Insurers and Group Health Plans must provide a notice to individuals about their rights under the No Surprises Act
- Model Notice is available and must be posted on the issuer or plan's website and be included on each explanation of benefits for an item or service covered by the NSA
- The plan sponsor has the ultimate responsibility for compliance

## Consolidated Appropriations Act of 2021 (CAA)

Requirement	Deadline	Enforcement Change
Elimination of Gag Clauses	12/27/2020	Delayed – Pending Implementation Rules
Mental Health Parity Comparative Analysis/NQTLs	2/10/2021	No Change
Attestation Regarding Elimination of Gag Clauses	12/27/2021	Delayed – Pending Implementation Rules
Disclosure of Broker/Consultant Compensation	12/27/2021	No Change
Pharmacy Benefits Reporting	12/27/2021	Delayed – Pending Regs or Guidance
Surprise Billing Protections	1/1/2022	No Change
ID Card – Additional Information	1/1/2022	Delayed – Pending Implementation Rules
Advanced EOBs	1/1/2022	Delayed – Pending Implementation Rules
Price Comparison Tool & Guidance	1/1/2022	Deadline changed to plan years starting on or after 1/1/2023
Accurate Provider Directory	1/1/2022	Delayed - Pending Implementation Rules
Continuity of Care	1/1/2022	Delayed – Pending Implementation Rules
Public Disclosure of Machine- Readable Files – In-Network and Out-Of-Network Reimbursement Rates	1/1/2022	<b>Delayed until 7/1/2022</b> For 2022 plan years and policy years beginning after July 1, 2022, plans and issuers should thus post the machine- readable files in the month in which the plan or policy year begins
Public Disclosure of Machine- Readable Files – Prescription Drug Reimbursement Rates	1/1/2022	<b>Delayed until further notice</b> The Administration plans to use the rulemaking and public comment process to determine whether the requirement remains appropriate.
Participant Disclosures – 500 Shoppable Services	1/1/2023	No Change
Participant Disclosures – All Services	1/1/2024	No Change

Source: “An Overview of CAA and Transparency Regulation Requirements, State PBM Laws, and More”, NAHU, September 2021



# Other Federal Rules & Regulations that may impact your company:

- American Rescue Plan Act (ARPA)
  - COBRA Subsidies (end 9/2021)
  - Marketplace Expansion (SEP through 8/15/21)
  - Affordability (2021 & 2022)
  - FFCRA - Tax Credits Extended through 9/30/21(Optional)
- Flexible Spending Accounts (FSA) changes
- Mental Health Parity

# What to Watch: Biden Vaccine Mandates

- Biden Executive Order – September 9, 2021:
  - Directed OSHA to issue Emergency Temporary Standard (ETS) requiring employers with more than 100 employees to mandate vaccines or require weekly testing
  - Requires government contractors to comply with vaccine mandate, standards to be published by the Safer Federal Workforce Task Force
  - Centers for Medicare and Medicaid Services (CMS) will require vaccines for workers in most healthcare settings that receive Medicare or Medicaid payments
  - Covered employers must allow paid time off for employees to get vaccine and recover from getting vaccine (if necessary)

# What to Watch: Biden Vaccine Mandates

- Expected penalties of up to \$14,000 per employee will be assessed for companies for non-compliance
- OSHA expected to issue Emergency Temporary Standard (ETS) mid/end-October with final guidance
- State challenges expected to continue
  - 24 States (including Alaska) sent letters from Attorneys General to President Biden to threaten legal action against the Federal Government for the illegality of the action

# What to Watch: Biden Vaccine Mandates

- OSHA Emergency Temporary Standard ETS expected to answer questions such as:
  - When will the mandate be enforced?
  - What qualifies as proof of vaccination, or a negative COVID-19 test?
  - Who pays for the weekly testing?
  - Will mandates apply to part-time workers?
  - What guidance exists, or can be expected, for how employers should handle accommodations for employees seeking an exemption?
  - Is it required to offer paid leave for employees getting COVID-19 tests, or only for vaccinations?

# Key Takeaway

There are legislative and regulatory initiatives that aim to improve healthcare for all. When healthcare costs are stable, so are health insurance costs.

Stay up to date on changes to State and Federal guidelines that may impact your company, and develop a long-term, sustainable employee benefits strategy now.

# **Technology in the Health Insurance World**



# OLD Approach to Technology

- No Technology at all because “We’ve always done it this way”
- Siloed Technology that doesn’t automate
- Not understanding or utilizing technology that your company has already invested in

VS

# NEW Approach to Technology

- Technology that supports the role of Human Resources professionals
- Focus on enhancing employee experience
- Consider how technology in your health plan can improve access and lower costs

# **Innovation Floodgates are Open**

- Human Resources Information Systems
- Benefits Administration
- Employee Communication and Training tech
- Insurance Carrier Mobile Apps
- Health Analytics
- Chronic Condition Management Technology
- Virtual Care (Primary Care, Dermatology, Behavioral Health, Physical Therapy)

# What are the benefits of incorporating technology into your employee benefits administration strategy?

- Make Benefits Administration Easier
  - Automating Processes
  - Distributing Information
  - Maintaining Compliance
  - Integrating with Carriers
- Improve Employee Engagement
  - Creating Self-Sufficiency
  - Communicating and Educating
  - Completing Tasks
- Business Case
  - Maintaining Financials around Benefits
  - Integrating with other Business Areas
  - Getting Real-Time Analytics and Reporting

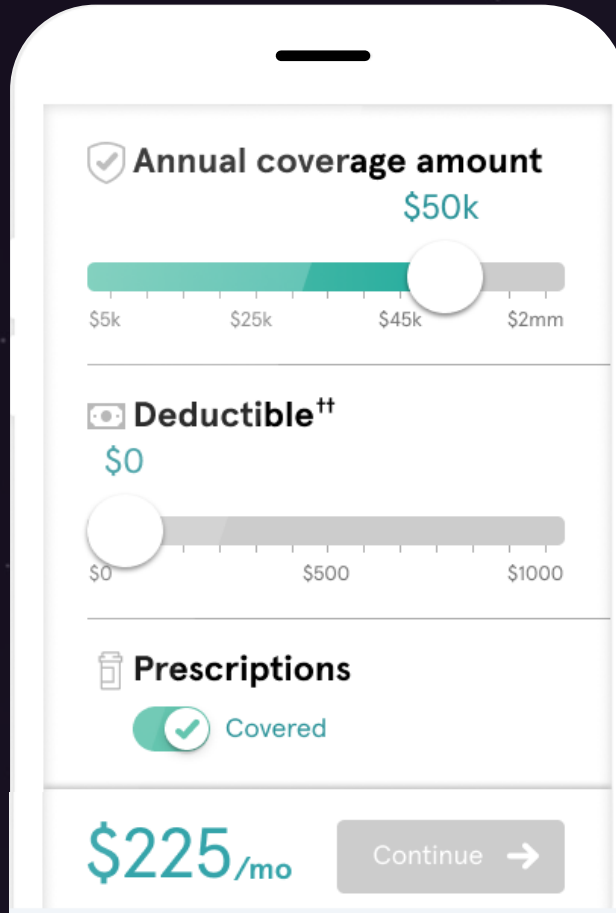
# Examples of Employee Benefits Technology



**Looking outside of  
administration, we see  
innovations in technology that  
aim to improve access to  
healthcare and improve the  
patient experience.**

# Example – Sidecar Health

*(Not available in Alaska, just for illustrative purposes)*



Annual coverage amount  
\$50k

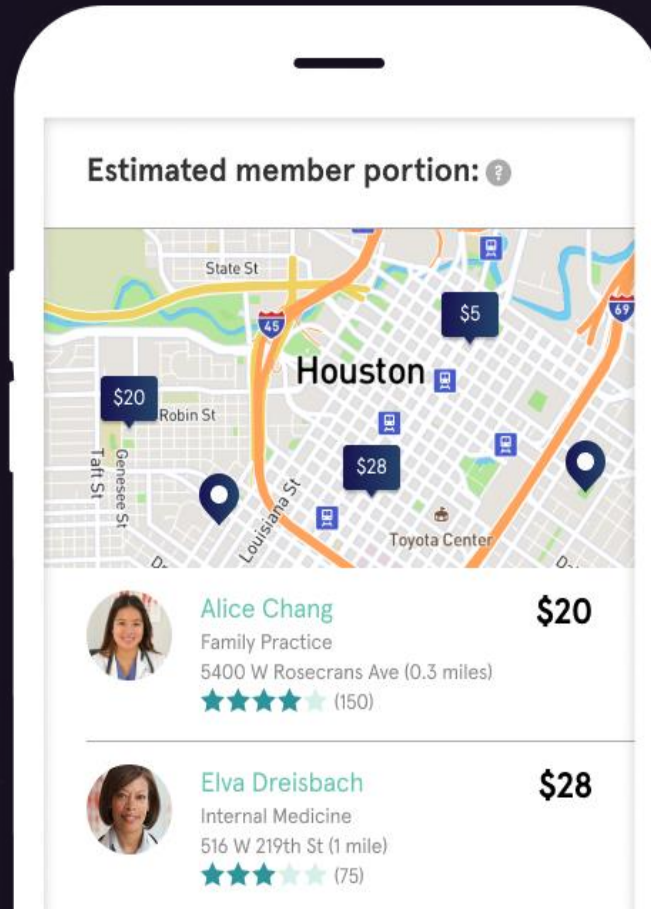
Deductible<sup>††</sup>  
\$0

Prescriptions  
Covered

**\$225/mo**

Continue →

Customize your plan



Estimated member portion: ?

Houston

Alice Chang  
Family Practice  
5400 W Rosecrans Ave (0.3 miles)  
★★★★★ (150)  
\$20

Elva Dreisbach  
Internal Medicine  
516 W 219th St (1 mile)  
★★★★★ (75)  
\$28

Shop for coverage



## Sidecar Health will pay fixed Benefit Amounts:◇

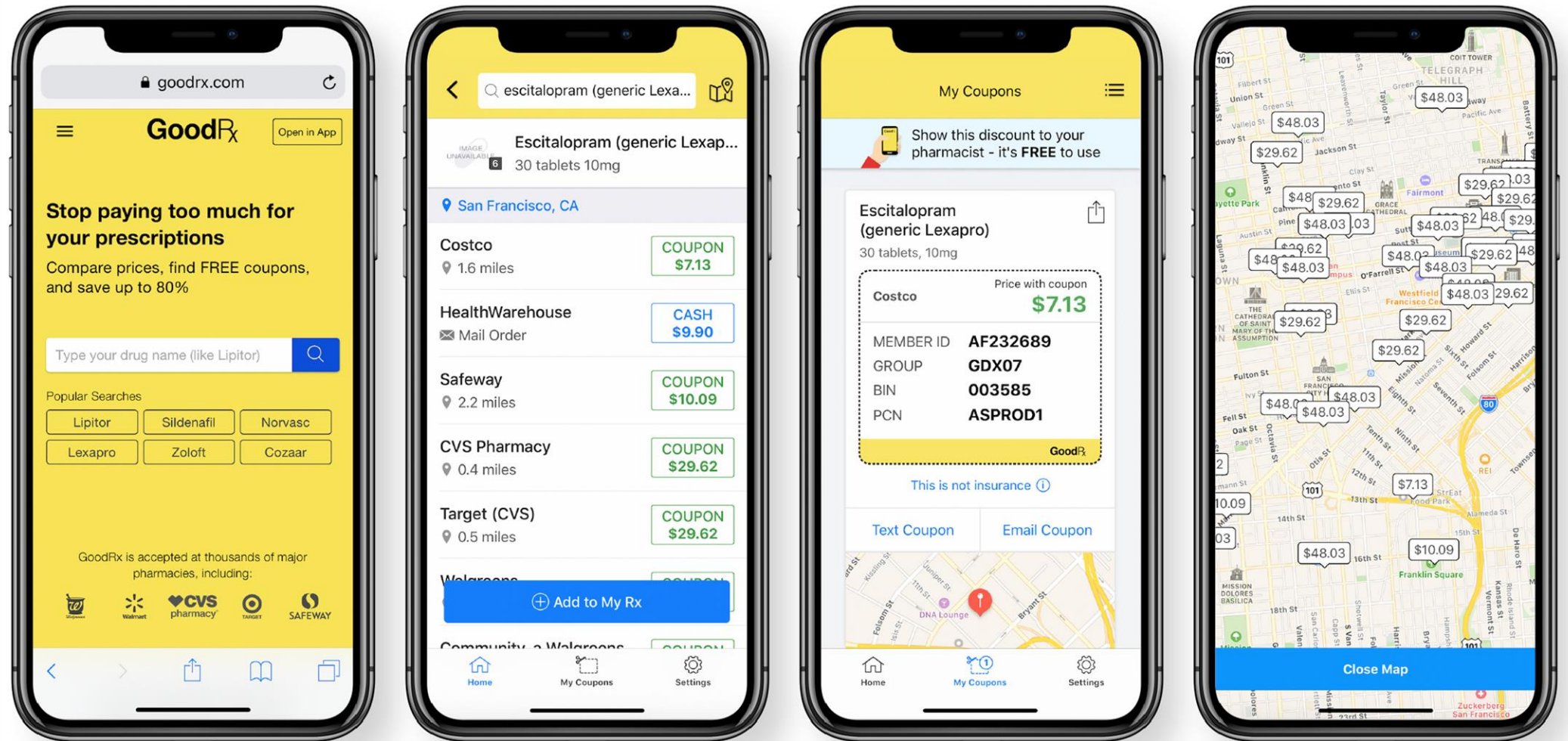
Doctor visit Initial visit	Starting at \$132
Repair knee ligament (ACL or PCL) Standard	Starting at \$946
Lab fee for pap smear Standard	Starting at \$42

◇ Actual Benefit Amount will vary depending on specific care received and your actual policy.

Pay your bill with the  
Sidecar Health payment card







# Example: GoodRx



# GoodRx Example

## Example for Metformin Hcl (Generic)

**Express Scripts**  
(Discounted with group health plan)

Pharmacy	Coverage	1-month	3-month
 Home Delivery Pharmacy	 <u>Covered</u>	--- Not available	<b>\$9.96</b> <a href="#">Price details</a>
 <b>Cvs #17436</b> 150 W 100th Ave Anchorage, AK 99515-2673 (907) 267-7501	 <u>Covered</u>	<b>\$5.69</b> <a href="#">Price details</a>	<b>\$15.21</b> <a href="#">Price details</a>

**Good Rx  
- 30 days:**

<b>Walmart</b>		<b>\$2.91</b> retail price
<b>Fred Meyer Pharmacy</b> with <b>Kroger Rx Savings Club</b> \$36 per year	\$21 est retail price	<b>Free</b> with membership
<b>Carrs Pharmacy</b> with <b>GoodRx Gold</b> \$5.99 per month	\$17 est retail price	<b>\$2.31</b> with membership

**Good Rx  
- 90 days:**

<b>Walmart</b>		<b>\$6.20</b> retail price
<b>Fred Meyer Pharmacy</b> with <b>Kroger Rx Savings Club</b> \$36 per year	\$62 est retail price	<b>Free</b> with membership
<b>Carrs Pharmacy</b> with <b>GoodRx Gold</b> \$5.99 per month	\$28 est retail price	<b>\$2.68</b> with membership

**Good Rx -  
365 days:**

<b>Carrs Pharmacy</b>	<del>\$81</del> retail Save 81%	<b>\$14.81</b> with free coupon
<b>Fred Meyer Pharmacy</b>	<del>\$251</del> retail Save 93%	<b>\$15.89</b> with free coupon
<b>Fred Meyer Pharmacy</b> with <b>GoodRx Gold</b> \$5.99 per month	\$251 est retail price	<b>\$7.83</b> with membership

# Example: Healthcare Bluebook





# Example: Telemedicine

## Hinge Health's Digital MSK Clinic

Most complete solution — offering the right program & care for different MSK needs

### Prevention

#### At-risk

Job-specific exercises  
& education

### Acute

#### Recent injury

Virtual PT for all joint  
& muscle groups

### Chronic

#### High-risk

Exercise, education,  
and behavioral change

### Surgery

#### Pre & Post rehab

Pre/post rehab &  
continuity of care



Free Expert Medical Opinion available across all care programs

talkspace

### Find your therapist

You provide your preferences,  
we'll take care of the rest

Feeling better  
starts with a  
single message

Join 1 million Talkspace users  
who already feel happier



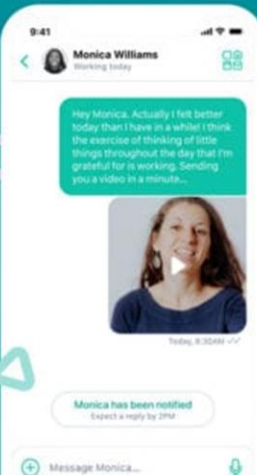
### Matching with the right therapist

Finding a great licensed therapist begins  
with learning about what brings you to  
therapy and some basic information about  
you and what you're looking to achieve.

Begin

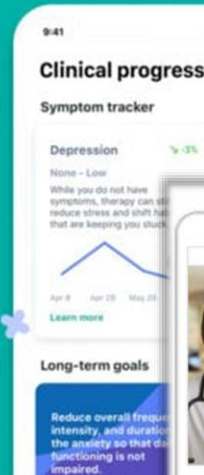
### Chat your way

Send text, audio, or video messages  
from anywhere, at any time

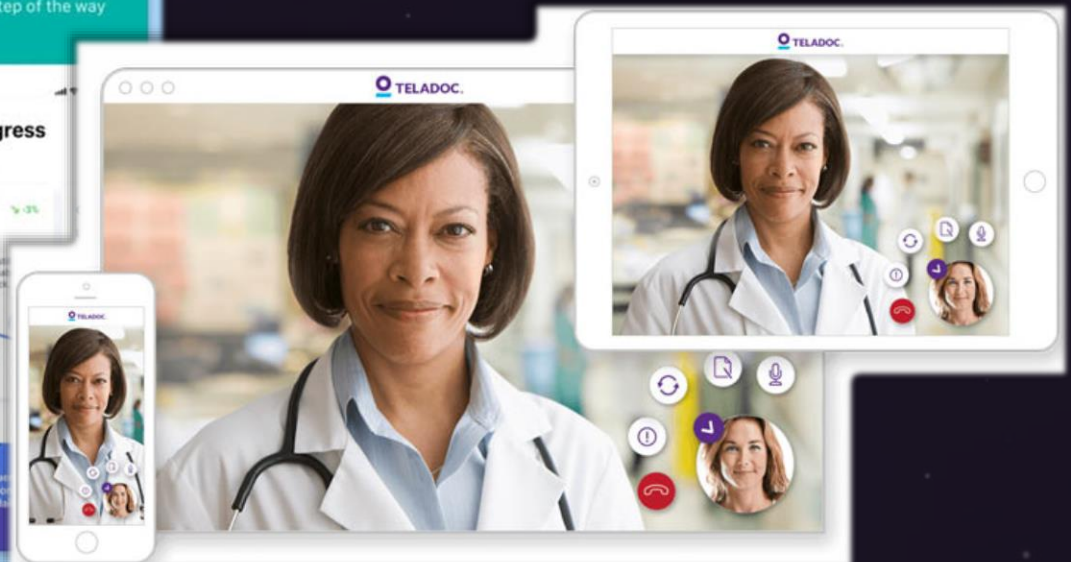


### Track your progress

Set goals, gain insights, and get  
guidance every step of the way



TELADOC



# Example: Livongo (Diabetes and Hypertension Management)





# Key Takeaway

Technology is here to stay. How can it best be leveraged to launch your organization into the future?

**Employee Benefits are a  
key element to recruiting  
and retaining employees.**

# How can you be an employer of choice?

- Shifting from Parent/Child relationship to Peer/Peer relationship
- Consider the Family
  - Single parent households
  - Paid family leave
  - Adoptive parent benefits
  - Foster parent benefits
  - Pet parental leave

# How can you be an employer of choice?

- Virtual work / flex work / work life balance
- Consider diversity, equality, and inclusivity initiatives
- Recognize generational differences
- Ask employees for feedback to find out what they value and prioritize
- Strategize around the interconnectedness of engagement, benefits, compensation, and management style – not a siloed approach

# Key Takeaway

Employees are demanding more from their employers than ever before. How is your organization strategizing to remain competitive?

# ***The Future***

# What To Watch

- Final rules of Biden Federal Vaccine Mandate
- Final rules of No Surprises Act (NSA)
- Association Health Plans (AHPs) – 2 pathways
- Prescription Drug Controls
- Individual Market subsidy changes
- State Legislation - 80<sup>th</sup> Percentile Changes
- Infrastructure Bills – Drug Prices may be addressed



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**Thank you for joining  
today!**

**Joshua Weinstein, DIA**

Director of Strategy & Finance

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