

Private health care exchanges –
Impact on health and wellness programs



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Employer commitment to employee health remains strong,
interest in private exchanges widespread

Paradigm shifts and employee wellness

This paper leverages industry proof points to demonstrate that the future of health management remains bright as employers consider the move toward a defined contribution strategy in a private exchange environment.

Executive summary

In a 2013 white paper, Optum™ examined employer reaction to private health care exchanges and defined contribution strategies. We explored whether these new approaches were likely to impact employer support for employee health and wellness initiatives.

At the time, we discovered that despite the uncertainties of a marketplace on the brink of change, employer commitment to health management programs in the workplace was largely unaffected, and in some cases, remained on an upward trajectory in terms of investment and employee engagement.

In 2014, with the marketplace past the brink of ACA implementation and undergoing a full, post-reform metamorphosis, we again conducted a marketplace perception analysis, the findings of which are summarized in this paper. Three definitive themes have emerged from the industry-reported data since 2013:

- 1** Employer support for employee health and wellness is unwavering — organizations continue to increase investment in both health management programs and health incentives.
- 2** Despite marketplace uncertainty introduced by the ACA, the desire to confront rising health care costs with innovative health management solutions and benefit design strategies remains largely unchanged.
- 3** A growing number of employers profess a new value proposition for health management programs, which is focused on creating healthy, high performing workplaces.

Employers at the exchange crossroads

When it comes to health plan design strategies, many employers find themselves at a crossroads. **Although 94 percent of employers are committed to offering — and financially supporting — some form of health benefit coverage for their workforce, many are now examining new strategies such as private health care exchanges.**¹

In the wake of health care reform, health exchanges are among the solutions that a growing number of employers believe will emerge as the best way to finance and deliver health benefits and services — a view held by 44 percent of employers surveyed by Towers Watson and the National Business Group on Health, who said that exchanges would be the most highly-preferred model within the next three to five years.²



Undoubtedly driven by health care reform, these data points reflect remarkable growth in the awareness of health exchanges. Yet, despite the high levels of awareness and interest expressed in the exchange model, few employers are committed to immediate implementation. As the marketplace’s paradigm shift continues, most organizations are adopting a wait-and-see approach.

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of companies said that private exchanges will offer a viable alternative to employer-sponsored coverage for active employees as early as 2015.³

The employer position:

Explore new models, but commit to wellness

Regardless of which direction employers take, most agree on the priorities they need to address regardless of plan design and contribution strategy. Nearly all employers surveyed in recent studies list employee health and well-being as a significant priority.

Organizations cite their commitment to promoting health and wellness as a business strategy, and show continued interest in new or expanded initiatives that will boost individual health engagement and organizational performance.⁴

87%

- Of employers report
- that wellness and health
- management services are
- an important part of their
- benefits mix.⁵

81%

- Say the investment in health
- management services will
- remain a priority regardless
- of any decision to adopt an
- exchange-based model.⁶

The upward trajectory of workplace health and wellness program investment in a post-health care reform marketplace

Despite fears to the contrary, ACA implementation and the potential shift to private health care exchanges has not led to a dramatic change in employer attitudes toward employee health. In fact, recent surveys show the sustained prevalence of wellness programs, and more widespread utilization of a diverse set of health management initiatives.

According to the Kaiser Foundation, 77 percent of firms offer at least one wellness program.⁷ At least 49 percent of employers expect to implement or expand wellness initiatives, while another 39 percent have already done so.⁸ At the same time, employer views of employee health are broadening — approximately 25-35 percent say they are expanding their focus on employee health to include financial, emotional, social, community and career-related aspects of personal well-being.⁹

To some, an articulated health strategy is the key to attaining a competitive edge. In the U.S., 59 percent of employers say they plan to have a differentiated strategy from those of their competitors.¹¹ Authors of one recent report stated:



“U.S. employers are not cutting back on their commitment to a healthy workforce in the face of health care reform, in fact, their commitment is increasing.”¹²

The value proposition for health and wellness programs is expanding

While cost containment has always been a key performance indicator for health management programs in a defined contribution model, today employers are citing additional reasons for implementing health management initiatives, including improved productivity, employee recruitment and retention, and decreased absenteeism.

When asked the primary reason for offering a wellness program, global firms were most likely to respond that their wellness program was used to reduce employee absences, improve workplace safety, maintain productivity and improve workforce morale.¹³

Increasingly, companies are also viewing wellness programs as key components of their business strategies, in which companies “redefine, elevate and advance the value of health to engage employees, support continued growth and drive business results.”¹⁴

This redefinition of employee health as an organizational performance driver is an exciting perception shift among employers, and acknowledges the outsized influence that personal health status — positive and negative — can exert in a workplace or community.

59% Of U.S. employers ranked recruitment and retention of employees as an “extremely” or “very” important wellness program objective.¹⁵

79% Of U.S. employers indicated that reducing employee absence was an important objective of their wellness program.¹⁶



21%
of employers plan to increase investment in wellness and health management programs according to an Optum 2013/2014 Wellness in the Workplace Survey.



70%
of employers use incentives to drive healthy behavior.¹⁰

The ACA positions wellness programs for growth

U.S. employers are not cutting back on their commitment to a healthy workforce in the face of health care reform, and in fact, their commitment is increasing.¹⁷ Currently, one in five organizations (19.3 percent) has adopted or expanded their wellness initiatives in the last 12 months due to ACA, and another 14.5 percent plan on doing so in the next 12 months.¹⁸

Today, employers are also discovering that private health exchanges have the opportunity to focus more on employee health versus health insurance. With standardized plan designs and multiple carrier options, private health exchanges let employers spend less time on plan design and focus more on the development and effectiveness of their population health strategies.

Additionally, in an exchange model, employees have more ownership, accountability and choice for their overall health care and greater clarity around their trade-offs. Through greater transparency around the costs of care, employers can better understand how their health and health expenses are connected.¹⁹

64% When asked how they would use the expected savings from a corporate exchange, nearly two in three (64 percent) indicated the savings would go toward expanding existing health and wellness programs.²⁰

Of employers, 86 percent rank reducing costs as the most important feature when considering moving toward an exchange model, followed by improving access to quality plans (45 percent), enhancing health and wellness programs (43 percent) and increasing health care choices (43 percent).²¹ Clearly, even in the post-ACA environment, employers are looking to exchanges as the solution to a variety of health care challenges.



Given the widespread awareness of exchanges brought about by the ACA, employers are sustaining or increasing their investment in employee wellness and looking beyond traditional benefits models for ways to lower costs and support employee health.

Conclusion

It's clear that there are great opportunities for health management programs in a post-health care reform era. Wellness program popularity remains high, and is matched by the ongoing commitment levels of employers who are expanding their definitions of what it means to be healthy.

At Optum, we believe that the ACA provisions and the 2013/2014 market trends documented here support the premise that health management programs will remain relevant to employers even in an exchange environment. While the mechanisms for delivering health care will continue to evolve, it is important that employers remain focused on providing employee health management programs that deliver results for their employees and their bottom line.

Call to action



Track emerging insights as they relate to private exchanges and defined contribution strategies.

How does your organization's exchange-readiness compare to the market?



Examine the experience and outcomes of private exchange early adopters.

What are the implications for your organization?



Continue to invest in health and wellness programs that encourage personal health accountability.

Do you have a total population health solution in place?



Extend the value of your health and wellness program to include outcomes beyond medical cost savings, including productivity and health risk reduction.

What additional metrics can you track that will demonstrate your value of investment?

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