For employers, relying on traditional approaches to managing medical costs and measuring benefits is no longer enough. Costs, health risks, business value, and the healthcare delivery and payment infrastructure all need to be considered.

Federal and state laws are recarving the landscape. Data analytics enable us to understand our metrics with greater precision, and design more targeted solutions. Technology and communications innovations are rapidly opening up how and what information and ideas are transmitted.

We have aggregated these macro forces into five summary trends key to impacting employee health, engagement, productivity, culture and ultimately, business success:

1. Analytics Focus on True Medical Cost Drivers
2. Healthcare Delivery Is Transforming
3. Well-Being Improves Engagement and Work Performance
4. Health and Productivity Are Hard Coded Together
5. The Cost of Our Health Is in Our Own Hands

This white paper summarizes each of these five trends and provides practical considerations for employers.
Analytics Focus on True Medical Cost Drivers

When trying to manage costs, employers often focus on addressing gaps in care for chronic conditions like diabetes, coronary artery disease, and hypertension. But high-cost claims analytics, like those performed by Lockton’s Infolock® data intelligence platform, tell a different story.

According to Lockton data of 750 employers and 1.56 million member lives over a two year time period, these are top medical cost drivers:

- Acute and miscellaneous
- Cancers
- Chronic conditions
- Musculoskeletal and trauma
- Maternity and neonatal
- Psychiatric and behavioral health

On average, 20 percent of a population drives 80 percent of its costs. When we took a deeper look at our Infolock data of employees across the US, we found the stats to be even more surprising.

- 0.4 percent of members have claims totaling more than $100,000, accounting for 25.5 percent of total costs.
- 1.2 percent of members have claims of more than $50,000 for 39.4 percent of total costs.

Next Steps for Employers

- Understand and quantify what medical conditions and treatments are driving your specific medical and pharmacy claims costs.
- Use predictive analytics to forecast these costs for a covered population.
- Explore strategies to contain these conditions. Examples include robust disease management, narrow networks, and second or expert medical opinion services.
- Tap into preemptive and care management strategies that offer more direct cost savings for these conditions. Some of these include case management audits, centers of excellence, and enhanced stop-loss prevention strategies.
TREND

Healthcare Delivery Is Transforming

In late 2016, a medical device maker received FDA clearance for a digital stethoscope that pairs with a smartphone and allows users to examine the ears, throat, skin, heart, lungs, and temperature. That same company also offers a connected otoscope for ear examinations, a high-resolution camera, and a thermometer that uses the forehead to get a reading—all through technology, not touch.

Growing in popularity, telemedicine has the incredible ability to connect patients with their doctors via phone, live video feeds, Skype, and more.

Physicians can now conduct digital CT scans without ever touching patients and provide remote monitoring of intensive care units.

Additional innovations in technology and delivery include:

- Patient-centered medical homes: More than 10 percent of US primary care practices, approaching 7,000 altogether, are recognized as patient-centered medical homes. Primary care physicians and technology team up to ensure patients receive the necessary care, when and where they need it, in a manner they can understand.
- Second medical opinion services: Now you can request a second opinion from a medical professional online or over the phone.
- Narrow networks: Some plans limit to a smaller number of healthcare providers covered in-network by a health plan as a way to keep costs in check and improve medical care quality. According to the National Business Group on Health (NBGH), 18 percent of employers offer a narrow network.
- On-site health clinics: Medical centers on an employer’s campus can offer everything from annual exams, primary care, case management outreach, convenience care, and follow-up treatment.
- Centers of excellence: Medical centers have begun specializing in oncology and orthopedics.
- Medical tourism: Patients are encouraged to travel to designated medical facilities for better care or lower costs.

Next Steps for Employers

- Perform claims data analytics to understand utilization patterns, costs per service, and quality of care being delivered to your covered members.
- Understand what narrow network or center of excellence strategies carriers or TPAs in your area can offer you.
- Explore third-party vendor offerings such as telemedicine, second medical opinion, and patient advocacy.

38 percent of large employers use Centers of Excellence for procedures other than transplants.

The National Business Group on Health
Well-Being Improves Engagement and Work Performance

As the discussion around wellness moves from return on investment to value, more and more employers are recognizing true well-being can measurably drive employee engagement, satisfaction, work performance, and even company profit.

Stock values for a portfolio of companies that received high scores in a corporate health and wellness self-assessment appreciated by 235 percent compared with the S&P 500 Index appreciation of 159 percent over a six-year simulation period, according to a 2016 study in the *Journal of Occupational and Environmental Medicine*.

With this understanding, employers are starting to focus on the five pillars of well-being:

- Physical health
- Emotional health
- Social connectedness
- Financial security
- Job satisfaction

More employers are seeking a broader set of services to transform their workforce, and wellness vendors are responding with new services.

- Coordinating employee wellness and employee assistance program (EAP) services.
- Offering financial wellness, budget planning, and tuition relief services to employees and their families.
- Promoting employer-supported individual or collective community volunteering programs.

**Next Steps for Employers**

- Transition your focus from wellness to well-being for all the right business reasons. Your broker can help by connecting you with vendors who specialize in each of the five pillars of well-being.

In 2016, **59 percent** of employers with more than 200 employees offered a wellness program.

**Four Steps for Moving From Wellness to Well-Being**

- Define well-being pillars most important to your organization. Consider gathering employee input through an online survey.
- Inventory current offerings and assign them to pillars.
- Fill pillars where program gaps are apparent with appropriate resources.
- Reboot well-being program with fresh messaging that defines the pillars and offerings and clearly communicate how to engage.
Health and Productivity are Hard Coded Together

Is it really any surprise that adding 10 years (from age 30 to 40 for example) and 30 pounds to a worker increases his/her risk for work-related injury by two or three times?

Intuitively, we all understand a healthier working population improves absenteeism, presenteeism, and workforce performance. But recently, we’ve been able to tie actual numbers to this concept, making a business case for change.

One startling data point: 8 percent of employees who submit short-term disability claims drive in excess of 50 percent of the medical costs of that working population, according to the Integrated Benefits Institute.

For many companies, especially those in industries requiring heavier work, focusing on the health of a working population and how it impacts your bottom line is a competitive strategy.

Some of the steps progressive companies are taking include:

- Promoting wellness programs through risk and safety efforts.
- Exploring outsourcing of absence management.
- Integrating medical, pharmacy, workers’ compensation, absence, and short-term disability/long-term disability data.

Next Steps for Employers

- Recognize how lost worker health and absence impacts your bottom line.
- Work on solutions that begin to integrate how risk and safety works with employee benefits in a more meaningful way in order to meet business objectives.
**TREND 5**

**The Cost of Our Health Is in Our Own Hands**

As Washington, DC debates the political direction and details of the American healthcare system, one thing seems certain—over time, each of us will increasingly be on the line to pay for the healthcare we need.

According to the Kaiser Family Foundation, in 2016, worker contribution to healthcare was $5,277—up from $2,973 in 2006. That’s a 78 percent increase in 10 years.

The marketplace shift in the direction of high-deductible health plans (HDHPs) is increasing. The Kaiser Family Foundation reports 29 percent of workers were enrolled in HDHPs in 2016.

The good news is that employers are better able to mitigate healthcare cost inflation. The bad news is twofold: 1) those costs are being passed on to employees and their families, and 2) there is evidence that greater out-of-pocket costs are having a negative impact on utilization of important preventive and primary care treatments.

**Next Steps for Employers**

- Begin working on a plan to transition plan design strategies to include consumer-driven elements on a timetable that works best for your business.
- Investigate third-party solutions that help covered workers and their families become better healthcare consumers.
- Focus on consumer decision support tools and services for employees and covered members that offer cost and quality transparency.
- Educate employees and their families on the personal financial implications of chronic conditions and the value of lowering their health risks.

Lockton Benefit Group’s Health Risk Solutions Practice is led by Chief Medical Officer Ron Leopold, MD, and National Program Manager Heidi Guetzkow. Joined by Health Risk Solutions Consultants in Lockton offices nationwide, their mission is to assist clients in understanding their businesses and reviewing data to determine the right goals and strategies to deploy for a healthier and less costly workforce.

For more information, please contact your Lockton account team or call Lockton at 816.960.9000.