Segal Consulting

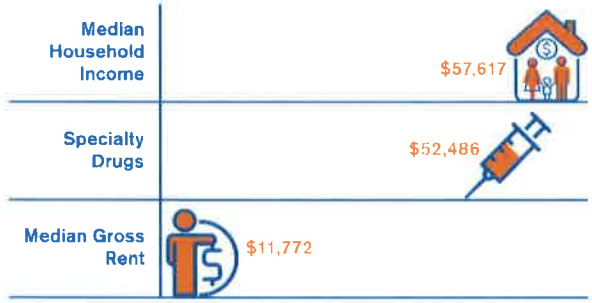
Trends News for Multiemployer Health Plans

Second Quarter 2018

Learn more by clicking on the blue text below.

Key Statistics

Specialty Drugs Costs | The average annual cost of treatment with a single specialty drug is higher than the median gross rent and slightly lower than the median household income, as illustrated below. Although only 1 to 2 percent of the population uses a specialty medication, it will account for *half* of total U.S. drug costs by 2020, according to the Pharmacy Benefit Management Institute.



2018 Segal Medical Stop-Loss Insurance Database | According to data compiled by Segal's 2018 Medical Stop-Loss Insurance Database, the most common specific deductible (10.7 percent of plans) remains $200,000 and the average premium increase for that deductible was 5 percent (down from 6.6 percent the previous year).

* Percent of Mean Increase

Source: Segal Medical Stop-Loss Insurance Database, 2018

What Plan Sponsors Are Doing to Manage Plans: Selected Strategies

Pay-to-Shop Approach | With the price for non-emergency procedures varying greatly among providers, plan sponsors have been taking a pay-to-shop approach. Participants are steered to more cost-effective providers. This approach has been most effective when combined with a high deductible design, which further encourages participants to shop. Some states are enacting legislation that would require insurers and plan sponsors to offer pay-to-shop incentives. Several companies are offering comparative shopping tools using claims data.

Point-of-Sale Arrangements | As prescription drug plan designs with deductibles and coinsurance become more widespread, point-of-sale rebate arrangements have become a more frequently discussed formulary payment strategy. These arrangements allow a plan sponsor to share the rebates for eligible drugs with participants. The major advantage of this design is that it lowers the participant's cost share. Self-insured plans gain a more favorable rebate cash flow because a portion of the rebate is paid to the plan sponsor when the drug is dispensed. However, these arrangements will generally increase cost for a plan sponsor as PBMs charge for the loss of revenue derived from the time value of the rebate dollars. Self-insured and insured plans also see an increase in cost as a portion of the rebate previously retained is now shared with the participant.

High-Cost Claimants (HCCs) | According to a survey conducted by the American Health Policy Institute, HCCs represent 31 percent of total spending ($122,382 annually). Plan sponsors should consider discovering the root causes for their particular HCCs and develop strategies to manage those areas of concern. Data mining and analytics can result in a better understanding of the impact of specific chronic conditions, leading more targeted initiatives. These initiatives could include engaging participants to become more active in their care, tailoring wellness programs towards the HCCs, using HIPAA-compliant predictive biometric screenings and using care management for specific diseases to target cost. Also, stop-loss alternatives exist to balance cost and risk, such as aggregating specific deductibles and pharmacy specific coverages that target high-cost outpatient medications.

Compliance News

Several Affordable Care Act (ACA) Taxes Delayed or Suspended | A Continuing Resolution (CR), signed by President Trump in January, delays or suspends several ACA taxes that directly affects employer-sponsored plans. The first is the 40 percent excise tax on high-cost plans which will be delayed an additional two years, until January 1, 2022. The second is the health insurance premium tax, which is suspended during 2019. Lastly, the medical device tax is suspended for two more years.

New Tax Law | The New Tax law signed by President Trump in late December overhauls the Internal Revenue Code (IRC). Changes to the IRC include eliminating the ACA individual shared responsibility penalty beginning in 2019, suspending the ability of the employer to deduct a number of fringe benefits, creating a new employer tax credit for certain employers who provide paid leave under the Family and Medical Leave Act and changing the measure for inflation adjustments of certain annual thresholds.

New Medicare Identification Cards | Social Security numbers (SSNs) will be removed from all Medicare identification cards as early as April 2018 and replaced by a Medicare Beneficiary Identifier (SSNRI).

Update to ACA Dollar Amounts | The following changes are reflected in Segal's ACA Dollar Amounts and Percentages chart: the 4980H(a) penalty ($2,320 for 2018), the 4980H(b) penalty ($3,480 for 2018), the 2018 Federal Poverty Guidelines and the elimination of the individual-mandate penalty.

Segal Health Care Reform Resources | The Health Care Reform Resources page on Segal's website links to all publications and other resources related to health care reform.

To discuss the implications for your plan, contact your Segal consultant or get in touch via our website.