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Statement of
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On Behalf of the
American Benefits Council and Mercer

Before the Joint Economic Committee
Hearing on

“The Potential for Health Care Savings Accounts to Engage Patients
and
Bend the Health Care Cost Curve”

June 7, 2018

Chairman Paulsen, Ranking Member Heinrich, and Members of the Committee, thank you for this opportunity to meet with you to discuss the critical role health savings accounts are playing to help make health care more affordable.

My name is Tracy Watts, and I am a Senior Partner and US Healthcare Reform Leader at Mercer. I am testifying today on behalf of Mercer and the American Benefits Council, where I serve on their Policy Board of Directors. I have more than 30 years of experience in helping Fortune 500 companies design, finance and administer their health care programs and develop innovative plan designs to control costs and improve the quality of care.

Mercer is a business unit of Marsh & McLennan Companies (MMC), a US-based leading professional services firm with a global network of more than 65,000 experts in risk, strategy, and people. The businesses of MMC, including Mercer, Oliver Wyman, and Marsh & McLennan Agency, collaborate with our clients to navigate the increasingly complex healthcare marketplace to help individuals, families and employees stay healthy and productive, enable innovation, and lower costs.

Our company employs nearly 25,000 colleagues in the US, including more than more than 350 in your district, Chairman Paulsen.

The Council and Mercer appreciate the opportunity to participate in today's timely and critical hearing. The Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans.

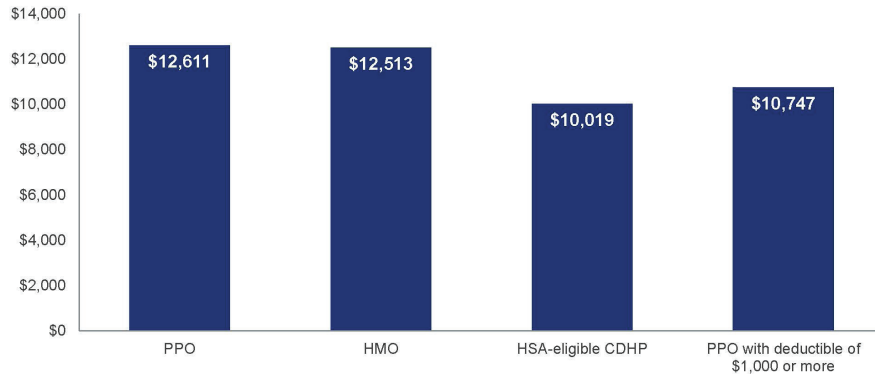
I would like to begin my testimony today by highlighting some important and very relevant findings from Mercer's most recent National Survey of Employer-Sponsored Health Care Plans. The survey, which includes responses from more than 2,500 employers, is the oldest, largest and most comprehensive survey of its kind with results that are statistically valid and projectable for any size employer population in the US. I'll then describe some employer case studies and Mercer analyses that suggest employees enrolled in an HSA-eligible health plan get the care they need, have lower health care costs, and — most importantly — do a good job maintaining their health.

The findings from our survey indicate that an increasing number of American workers and their families are enrolled in consumer-directed health plans ("CDHPs"), also known as account-based plans. Approximately 34% of covered employees working for large employers (those with 500 or more employees) were enrolled in a CDHP in 2017, which represents a rather astounding 325% increase since 2009.

In addition to demonstrating the increased reliance on CDHPs by the American worker, the results from our nationwide survey indicate that HSA-eligible plans save about 20% on plan costs when compared to PPO plans and are 6% less costly than PPO plans with deductibles over \$1,000. I would note for the Committee that the success of HSA-eligible plans in reducing plan costs is one of the few strategies proven to help "bend the cost curve" and, in turn, help manage premium costs for employees.

HSA-ELIGIBLE CDHPs COST 20% LESS THAN OTHER MEDICAL PLANS

AVERAGE MEDICAL PLAN COST PER EMPLOYEE, AMONG LARGE EMPLOYERS



MERCER NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS

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When we look at what has been happening with PPO deductibles for small employers, those with less than 500 employees, the average deductible has crept up to almost \$2,000 for an individual. For larger employers it is now around \$1,000 for an individual. By contrast, the median deductible for an HSA-eligible plan is \$1,750 for an individual but participants also have the benefit of an HSA. According to our survey, 77% of employers contribute to their employees' HSA accounts.

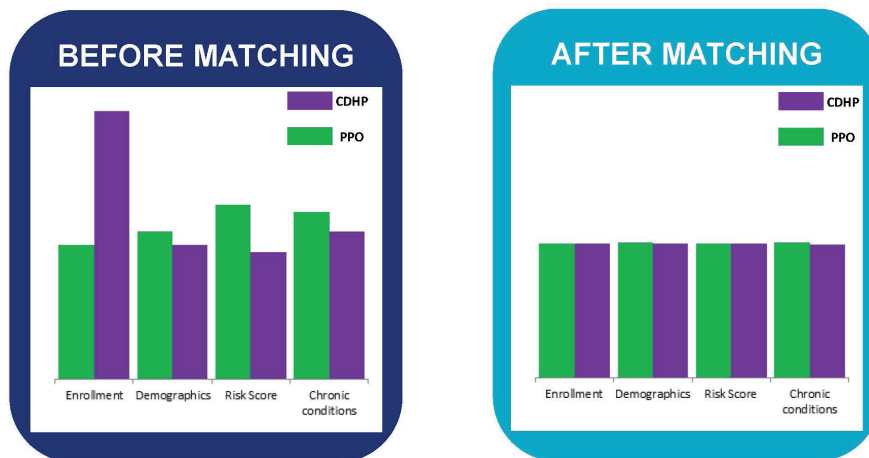
While this trend of employers shifting more responsibility for cost to employees has been underway for some time, the need to avoid the 40% "Cadillac Tax" accelerated the process. We've seen that the average PPO deductible has risen faster than the overall medical plan cost for the past few years, and employees have been moving out of PPOs and into CDHPs with even higher deductibles. While some employers may still have room to raise employee cost-share, there's a growing sense that we need additional strategies to slow cost growth that don't involve shifting more cost or responsibility to employees.

In addition to performing our nationwide survey, we also help clients evaluate the performance of their medical plans – not only from a cost perspective, but also from a care and coverage perspective.

As part of my testimony today, I would like to share with the Committee an example of an analysis that we have done for some clients that best shows the actual positive effects of HSA-eligible plans on both cost and care.

In this case study, the employer had sponsored an HSA-eligible plan alongside a PPO plan for three years. We conducted a match analysis to compare and contrast the overall experience of approximately 26,000 individuals who were covered under either the employer's PPO or the HSA-eligible plan. To control for variances in health risks that could otherwise influence an individual's choice of plan option, we matched 13,000 individuals in the PPO with 13,000 enrollees in the HSA-eligible option who shared the same demographic and risk profiles at the start of the 3-year comparative period.

FIRST, WE MADE SURE THE POPULATIONS WE WERE COMPARING LOOKED THE SAME



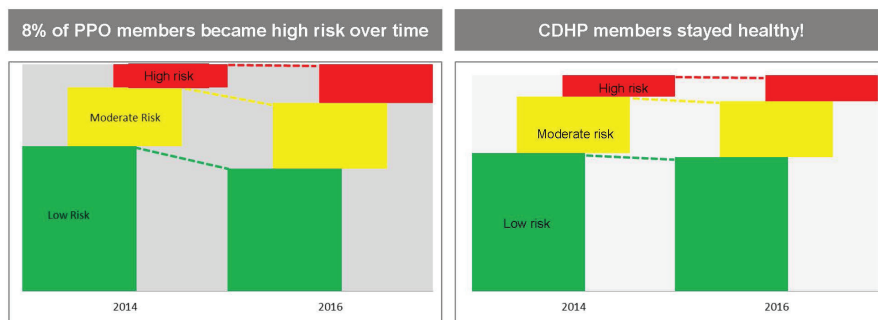
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When we looked at how the participants in each of the plan options used their medical benefits, the data showed us that the utilization of health care was quite similar across the two groups. And while the HSA-eligible plan participants used slightly less care – with on average fewer emergency room visits and office visits – the HSA-eligible plan participants showed a slightly higher utilization of prescription medicines, which could actually mean they were more compliant with their prescribed therapies. As for preventive care, we also saw little difference between the two groups in their use of such care.

As mentioned, we sought to only compare individuals with similar demographic and risk characteristics across the two plans. One really interesting finding from this case study was that when we looked at the two groups over the three-year period, the HSA-eligible plan participants maintained their health status, while those in the PPO plan saw [on average] an 8% increase in identified health risks. This fact alone would seem to suggest that the HSA-eligible plan may have been more effective at helping participants mitigate the exacerbation of existing, or onset of new, medical conditions or health risks.

THE CDHP PLAN WAS MOST EFFECTIVE AT “KEEPING MEMBERS IN THEIR SWIM LANES”



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And, as for cost, the data was clear. The HSA-eligible plan ended up costing 15% less than the PPO plan over the 3-year period.

We performed similar analyses for several of our other employer clients and the results from these additional studies are very similar to those that I am sharing with you today.

Providing employees with the tools and resources to move toward consumer-directed health plans is a critical component. For employers that want to continue to provide employees with medical plan choices but would like to see greater enrollment in their high-deductible plans, enrollment results from our own Mercer Marketplace 365 benefit platform support the notion that more employees will choose to move into a high-deductible plan if they have the tools and resources to help them feel comfortable making that decision.

Finally, I want to note that in addition to the use of HSA-eligible plans, as well as other plans and coverage options, employers along with their consultants and advisors (such as Mercer) are developing innovative strategies to address some of the biggest cost drivers in the US healthcare system, including misplaced incentives, waste, uneven quality of care, and the lack of pricing and cost transparency.

Some strategies employers are pursuing include implementing Centers of Excellence programs, creating on-site and near site health clinics so employees have easier access to care, implementing programs to better manage chronic conditions, and increased use of telemedicine. Unfortunately, many of these innovations are hamstrung by the HSA statute and regulations. For example, a patient with diabetes that is enrolled in an HSA-eligible HDHP must meet their entire deductible before the plan can cover an eye exam, foot exam, or diabetes medications.

Yet, the evidence is clear that patients with diabetes benefit from annual eye and foot exams and anti-diabetes medicines. Bipartisan bills have been introduced that change this. Additionally, employers can't waive cost-sharing for telemedicine, onsite clinics, Centers of Excellence, or second opinion services for employees that are enrolled in HSA-eligible HDHPs. These reforms would inject Value-Based Insurance Design into this very popular plan design.

Many of the innovations to date outlined in Mercer and the Council's report "[Leading the Way: Employer Innovations in Health Coverage](#)" have met with huge success and – if expanded and encouraged – have the potential to fundamentally improve health care for all Americans. Mercer and the Council have developed additional suggestions for enhancing HSAs and making other policy improvements to help build on these successes that we would be glad to share with you.

More survey data and information on the case study can be found in the appendix to this testimony.

We thank you for holding this hearing today. We hope that the hearing serves to help build on these successes by highlighting how HSAs can, indeed, engage patients and bend the cost curve

Thank you again for the opportunity to share these findings with the Committee. I'll be pleased to answer your questions.

ADDENDUM TO STATEMENT OF TRACY WATTS

Joint Economic Committee Hearing:
“The Potential For Health Care
Savings Accounts To Engage
Patients and Bend The Cost Curve”

June 7, 2018



ABOUT MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS



Oldest

Marking 32 years of measuring health plan trends



Largest

2,481 employers participated in 2017



Most comprehensive

Extensive questionnaire covers a full range of health benefit issues and strategies



Statistically valid

Based on a probability sample of private and public employers for reliable results



Includes employers of all sizes, all industries, all regions

Results project to all US employers with 10 or more employees

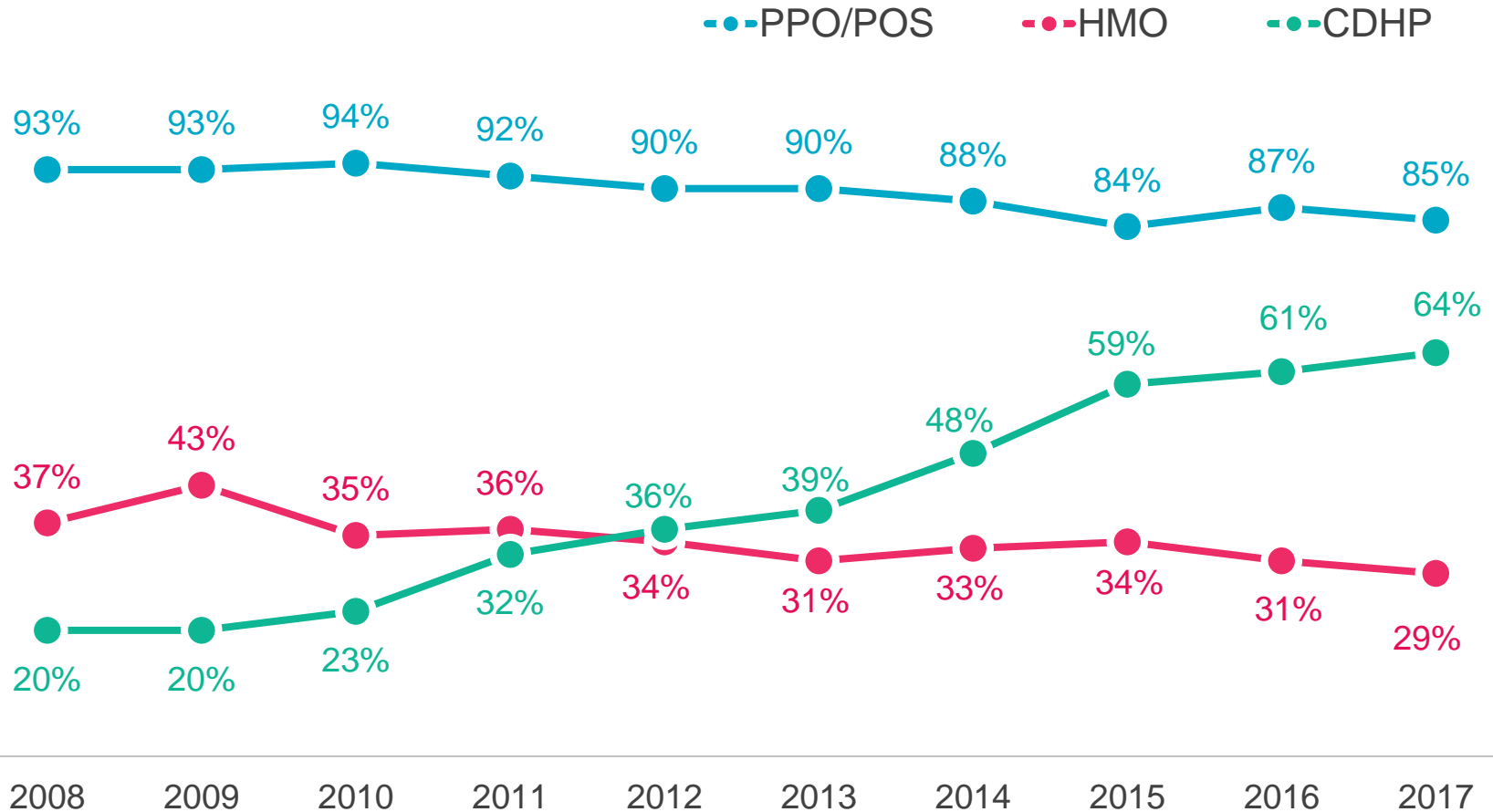


Employer size groups in presentation

Small: 10–499 employees/Large: 500+ employees/Jumbo: 20,000+ employees

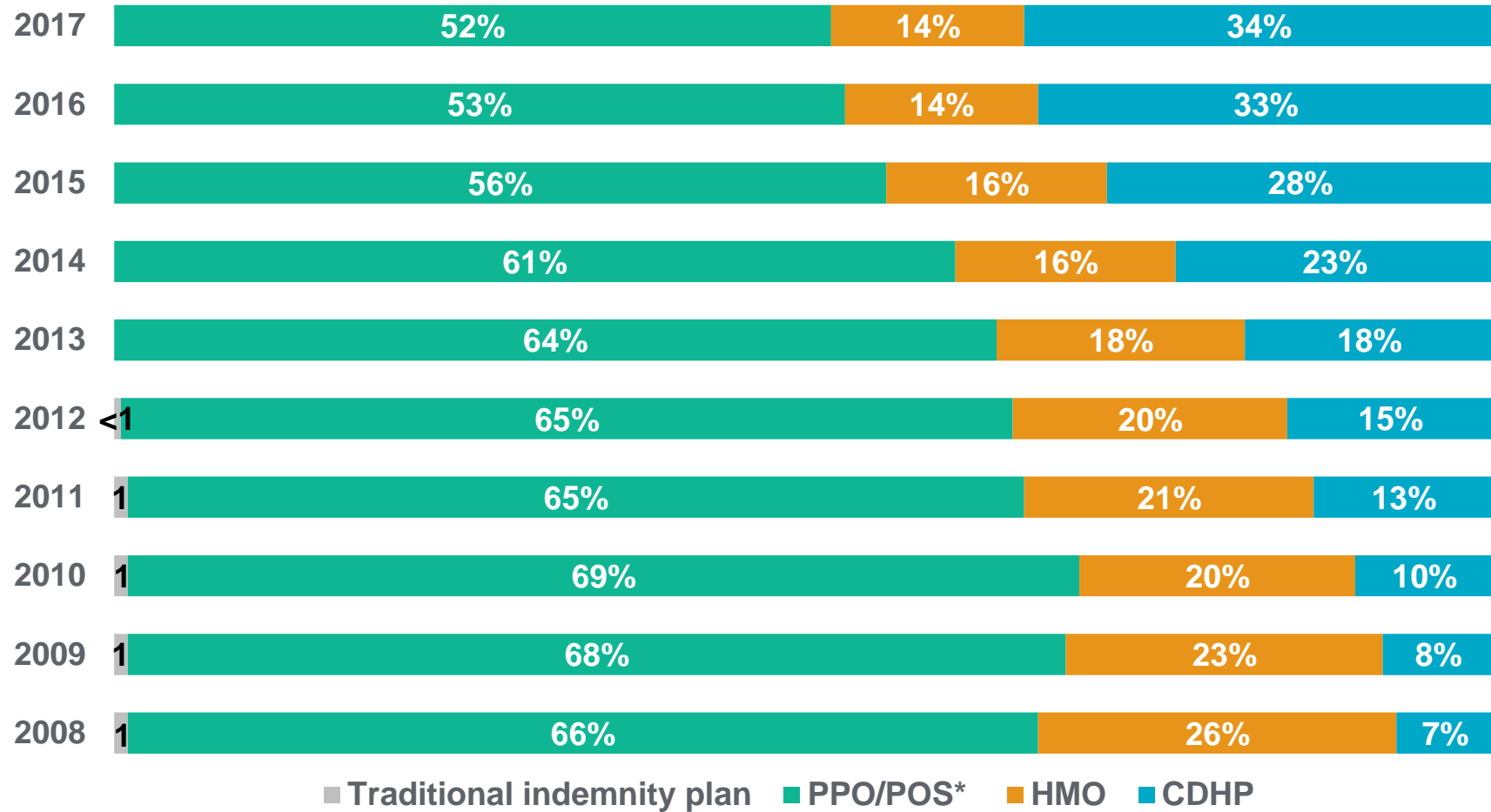
OFFERINGS OF CONSUMER-DIRECTED HEALTH PLANS HAVE MORE THAN TRIPLED SINCE 2009

Large employers



ENROLLMENT IN EMPLOYER SPONSORED MEDICAL PLANS

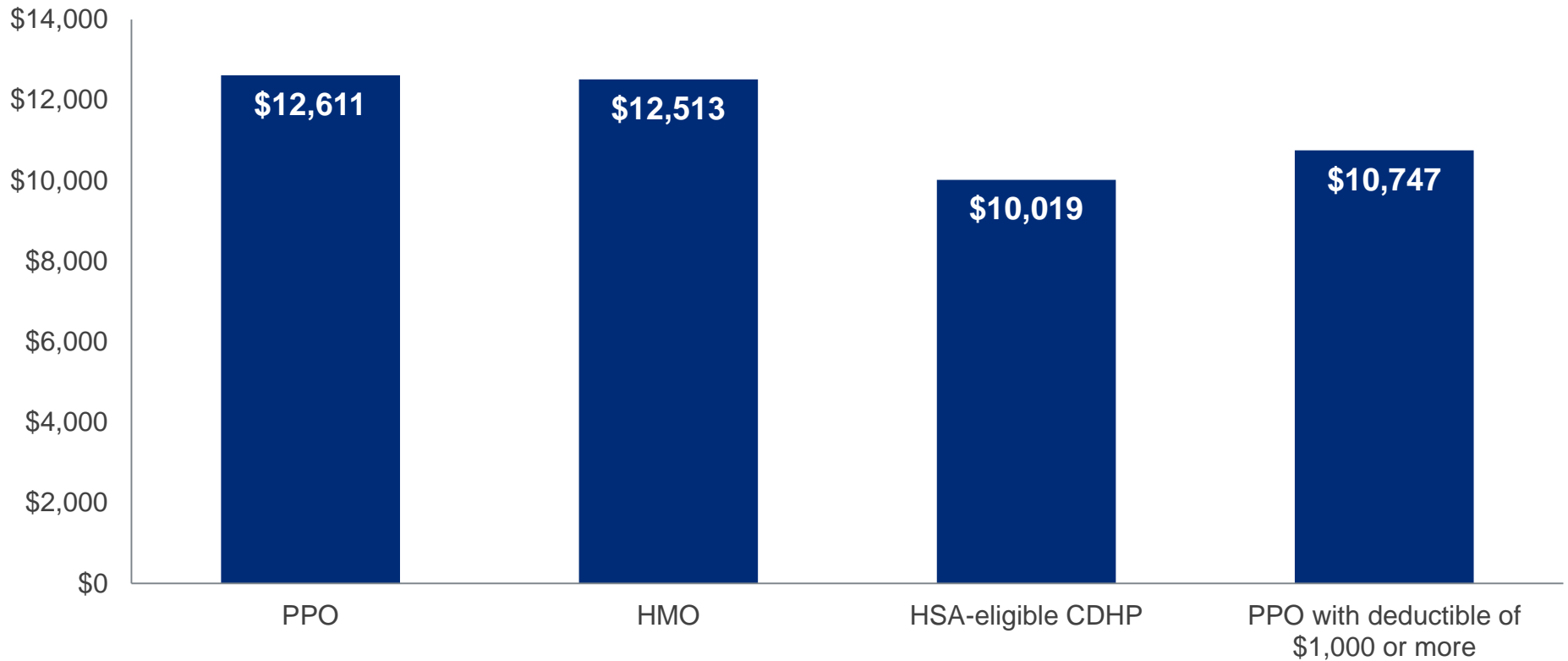
PERCENTAGE OF COVERED EMPLOYEES ENROLLED IN EACH PLAN TYPE, AMONG LARGE EMPLOYERS



*Includes traditional indemnity plans beginning in 2013.

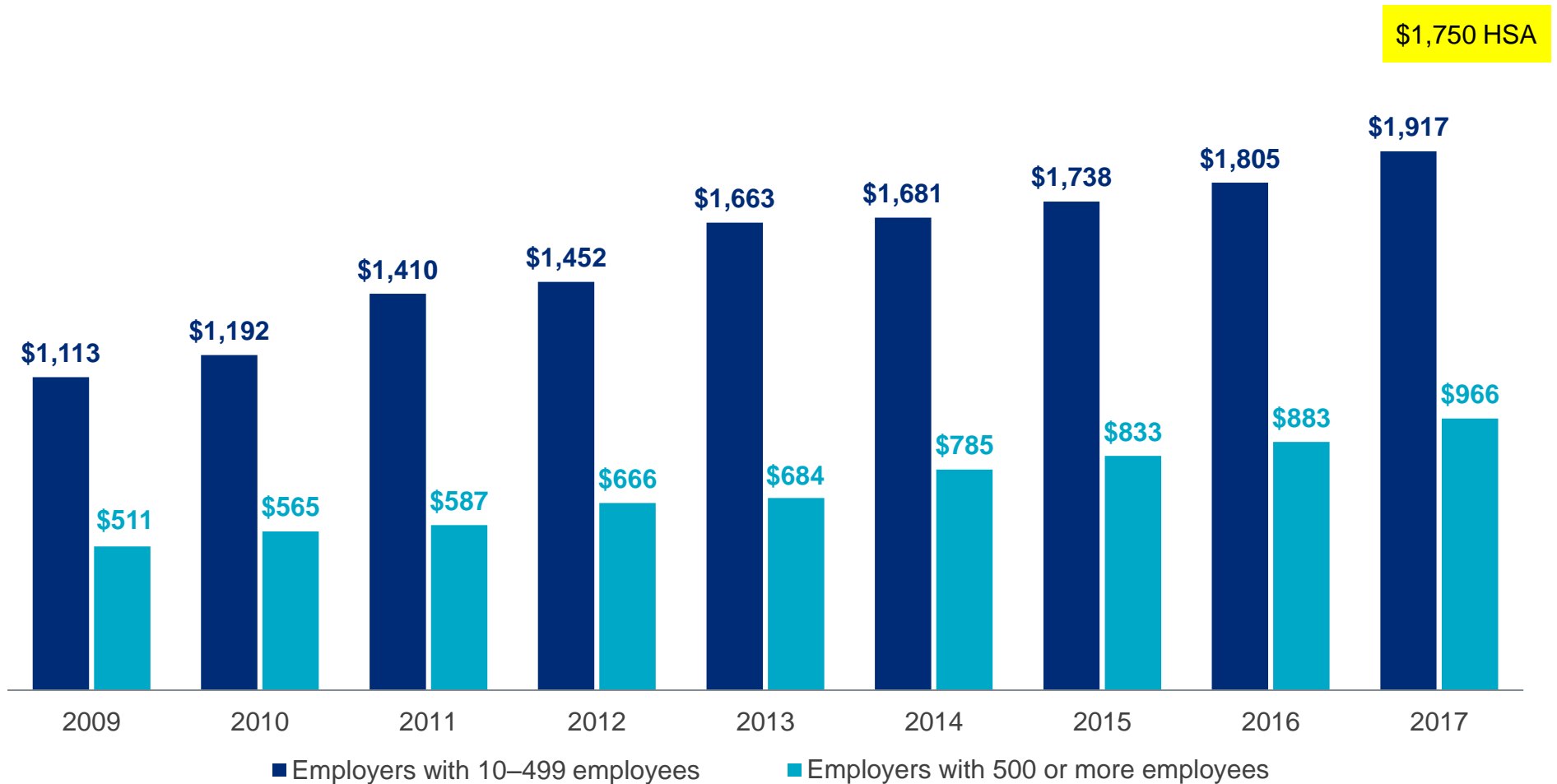
HSA-ELIGIBLE CDHPs COST 20% LESS THAN OTHER MEDICAL PLANS

AVERAGE MEDICAL PLAN COST PER EMPLOYEE, AMONG LARGE EMPLOYERS

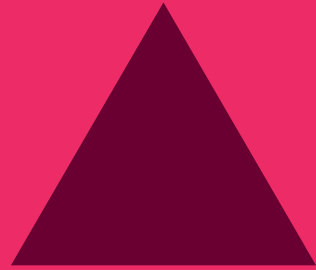


PPO DEDUCTIBLES HAVE OUT-PACED COST GROWTH

AVERAGE IN-NETWORK INDIVIDUAL DEDUCTIBLE



PPO VS. HDHP EFFECTIVENESS ANALYSIS CASE STUDY



CLIENT CASE STUDY

STRONG INCENTIVES DROVE MEMBERS TO CDHP

2014

Client introduces CDHP
with strong incentives

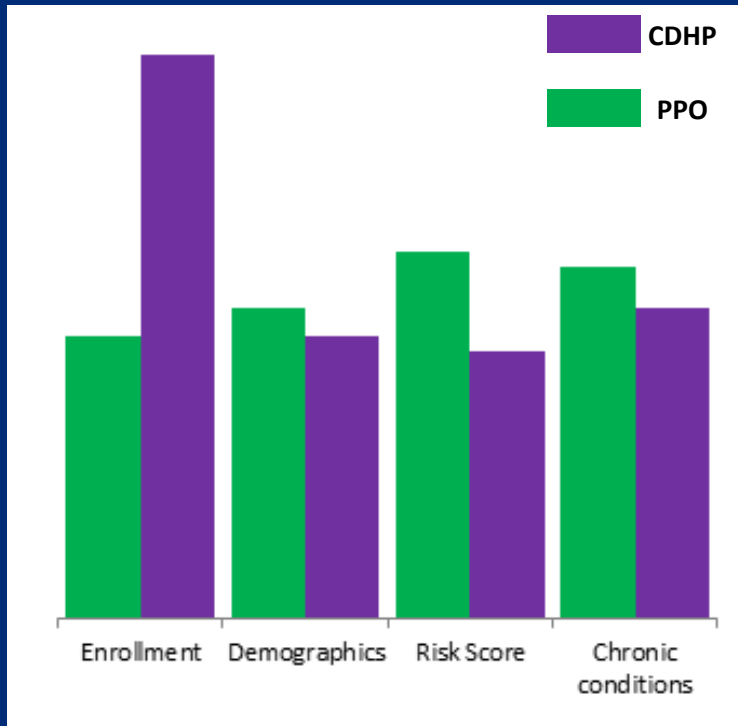
TODAY

70%

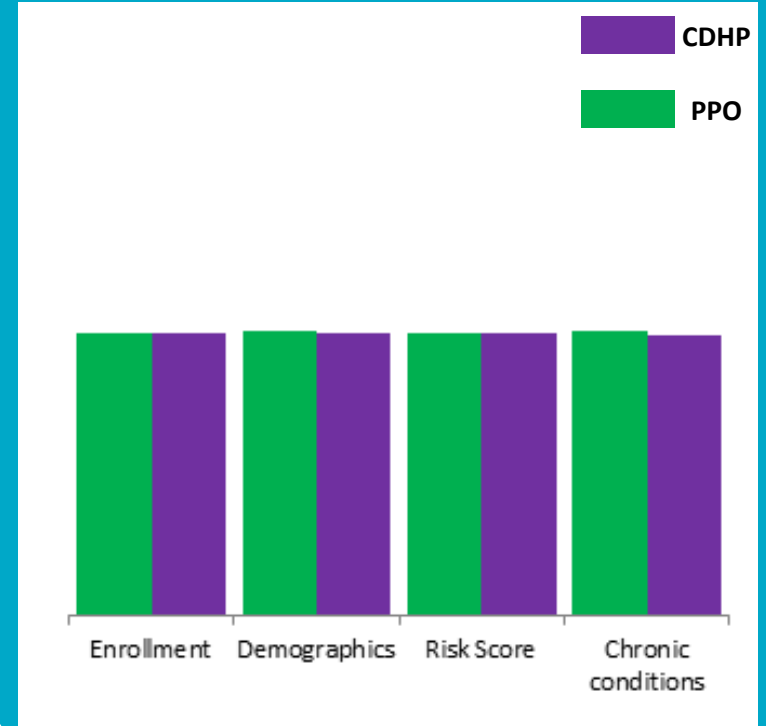
of population is
enrolled in the plan

FIRST, WE MADE SURE THE POPULATIONS WE WERE COMPARING LOOKED THE SAME

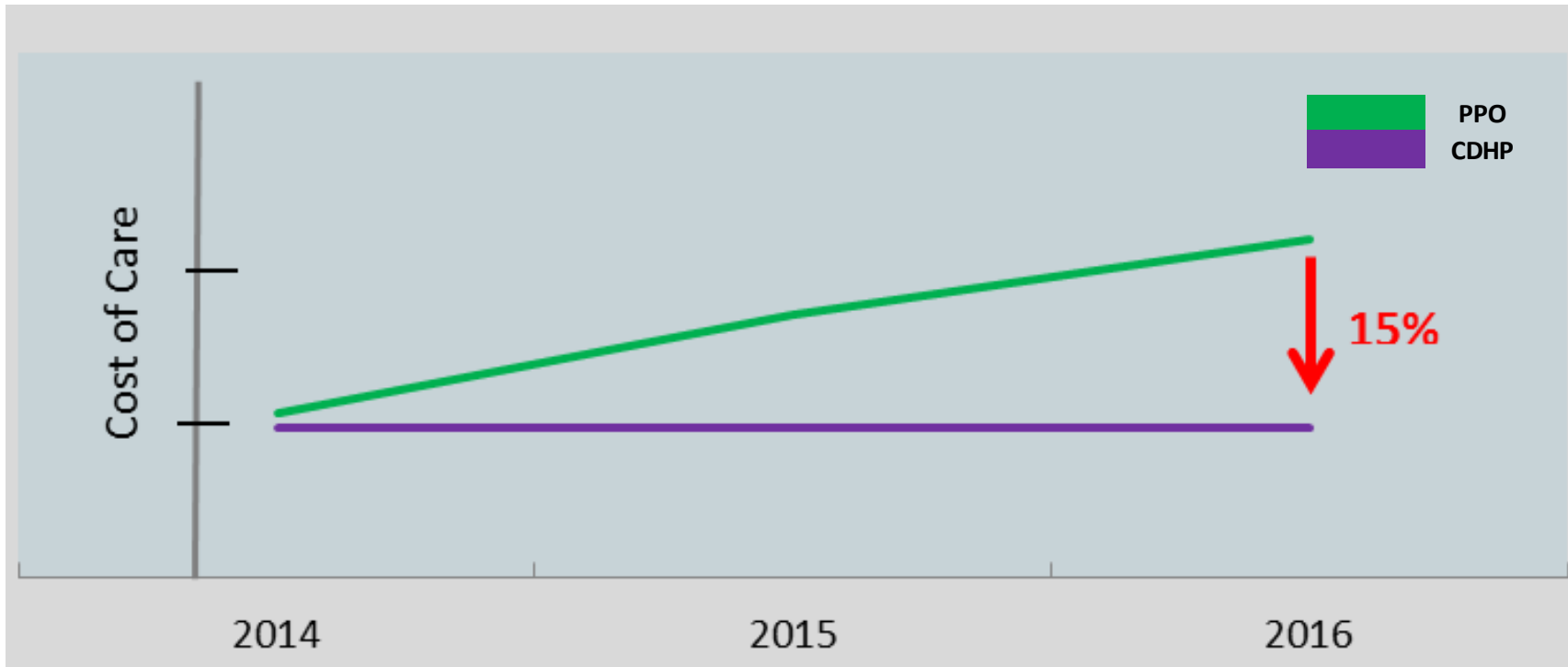
BEFORE MATCHING



AFTER MATCHING

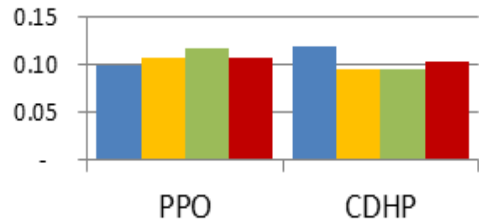


MEMBERS IN THE CDHP COST 15% LESS THAN THE PPO OVER TIME

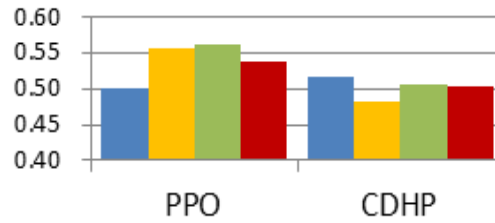


CDHP MEMBERS USED A LITTLE LESS CARE THAN PPO MEMBERS...BUT NOT BY MUCH

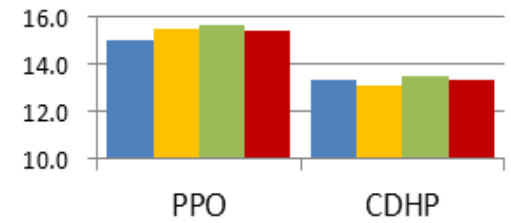
Admits Per Employee



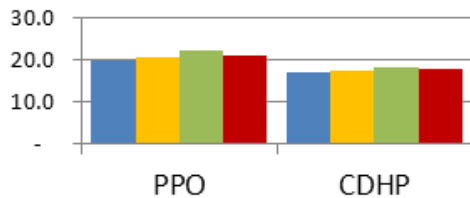
ER Visits Per Employee



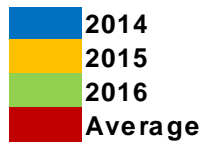
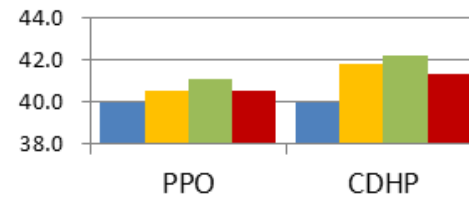
Office Visits Per Employee



Rx scripts Per Employee

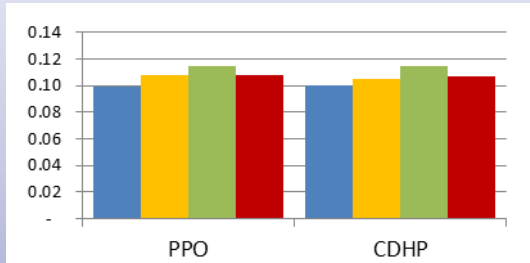


Rx days supply per Employee

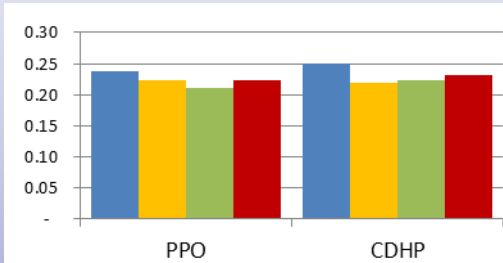


WHAT ABOUT PREVENTIVE CARE? MEMBERS ACTED SIMILARLY IN BOTH PLANS

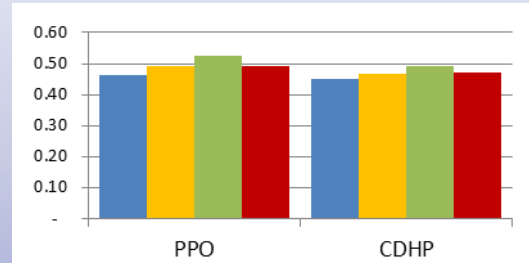
Mammogram Screenings



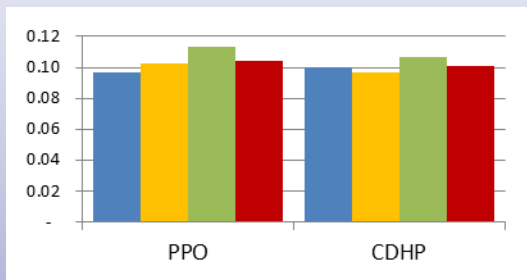
Cervical Cancer Screenings



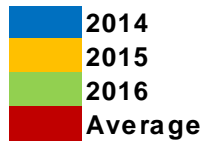
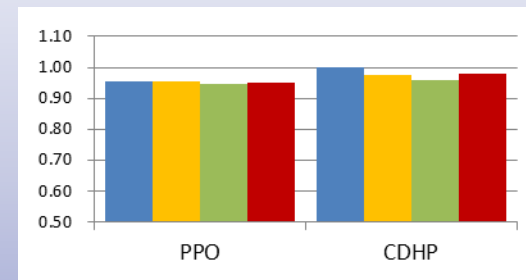
Cholesterol Screenings



Colon Cancer Screenings

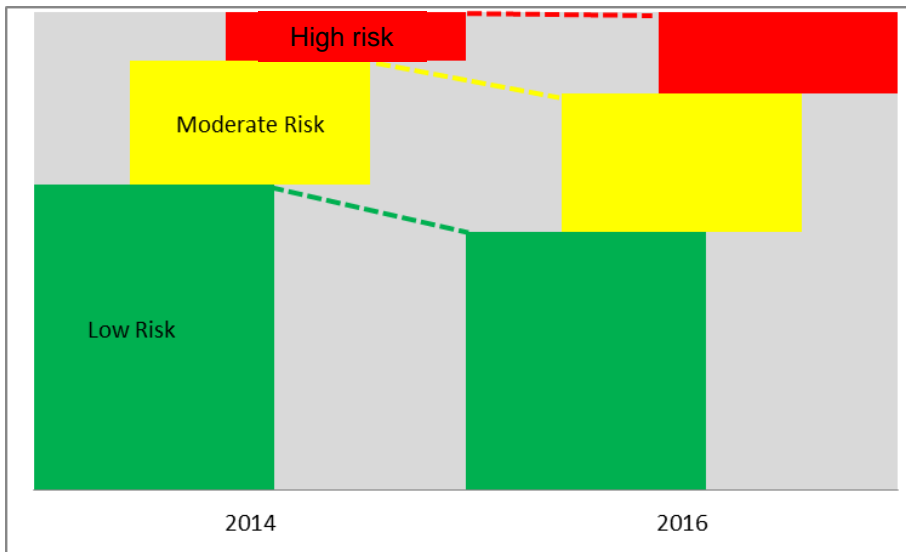


Preventive Visits

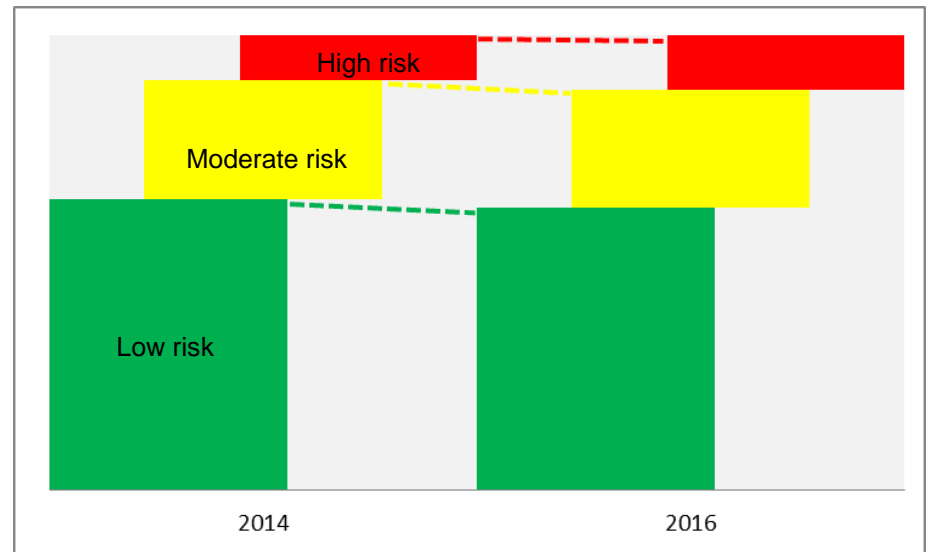


THE CDHP PLAN WAS MOST EFFECTIVE AT “KEEPING MEMBERS IN THEIR SWIM LANES”

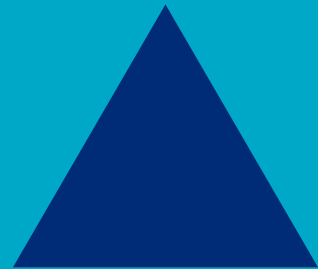
8% of PPO members became high risk over time



CDHP members stayed healthy!



APPENDIX: MORE ON HDHP PLANS



HSA-ELIGIBLE CDHP ENROLLEE PROFILE, COMPARED TO PPO AND HMO ENROLLEES

Large employers (500+ employees)

	EMPLOYEES ENROLLED IN:		
	HSA-ELIGIBLE CDHP	PPO	HMO
Average age	42	44	43
% of employees electing dependent coverage	58%	56%	56%

ACCOUNT CONTRIBUTIONS, DEDUCTIBLES AND OOP MAXIMUMS

Large HSA sponsors

	% OF SPONSORS MAKING ACCOUNT CONTRIBUTION	EMPLOYER CONTRIBUTION AMOUNT* (MEDIAN)	DEDUCTIBLE (MEDIAN)	OUT-OF-POCKET MAXIMUM (MEDIAN)
In-network				
Employee-only	77%	\$500	\$1,750	\$3,500
Family	77%	\$1,000	\$3,600	\$7,000
Out-of-network				
Employee-only	--	--	\$3,000	\$6,350
Family	--	--	\$6,000	\$13,000

*Among employers that contribute to the account

EMPLOYEE CONTRIBUTIONS FOR HSA-ELIGIBLE COVERAGE SIGNIFICANTLY LOWER THAN FOR PPO AND HMO COVERAGE

Large employers

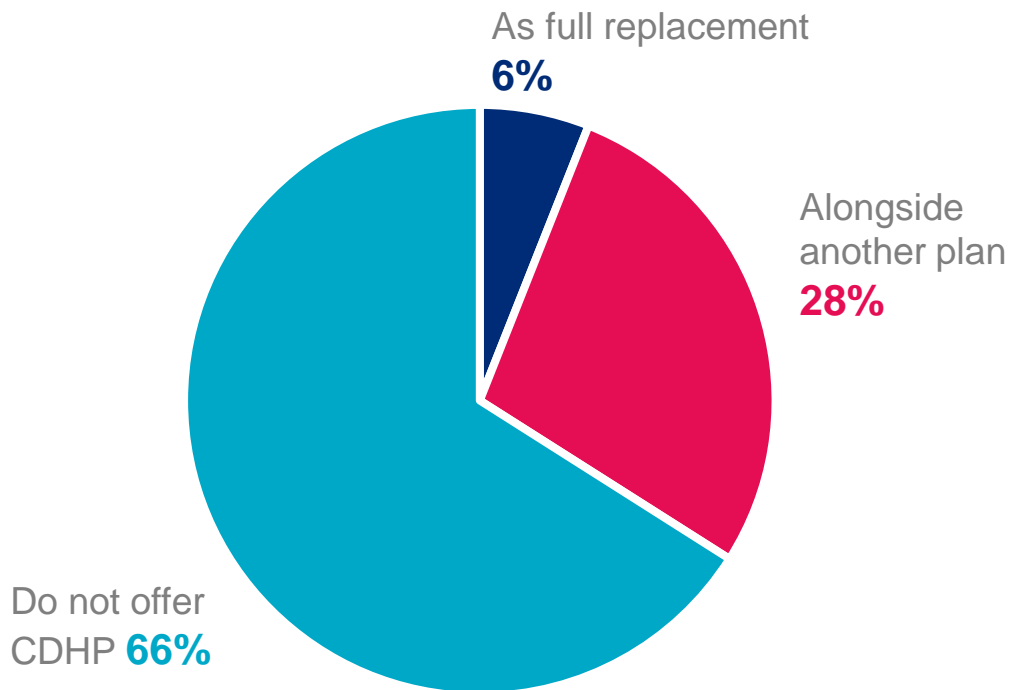
	NO CONTRIBUTION REQUIRED	AVERAGE MONTHLY DOLLAR AMOUNT	AVERAGE CONTRIBUTION AS A % OF PREMIUM
HSA-eligible CDHP			
Employee-only	11%	\$83	18%
Family	5%	\$318	25%
PPO			
Employee-only	6%	\$140	24%
Family	4%	\$470	31%
HMO			
Employee-only	10%	\$128	23%
Family	7%	\$484	32%

CDHPS ARE STILL TYPICALLY OFFERED AS AN OPTION – BECAUSE MOST EMPLOYERS WANT TO PROVIDE A CHOICE

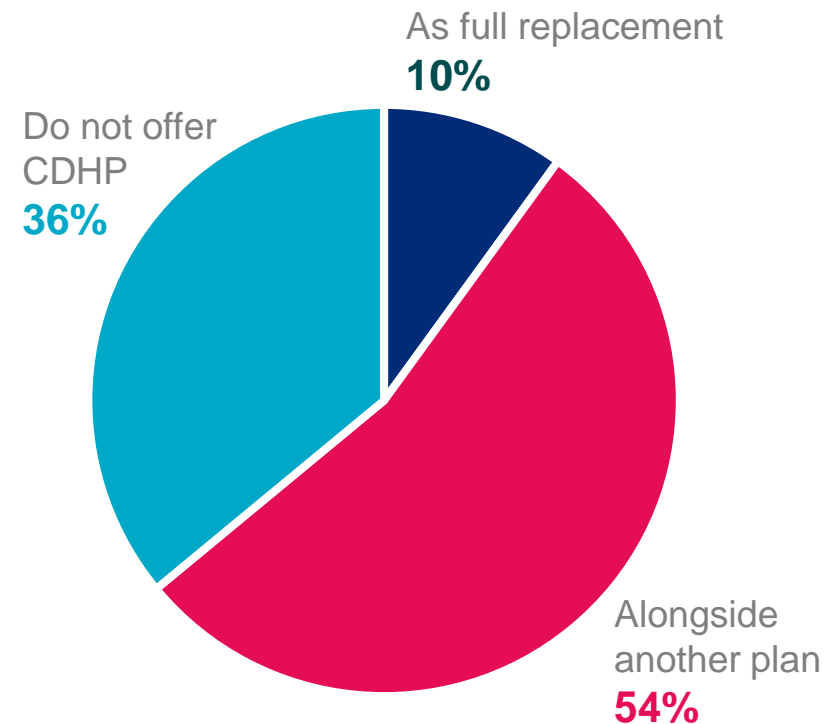
LARGE EMPLOYERS

AT THE LARGEST WORKSITE, OFFER CDHP...

2012

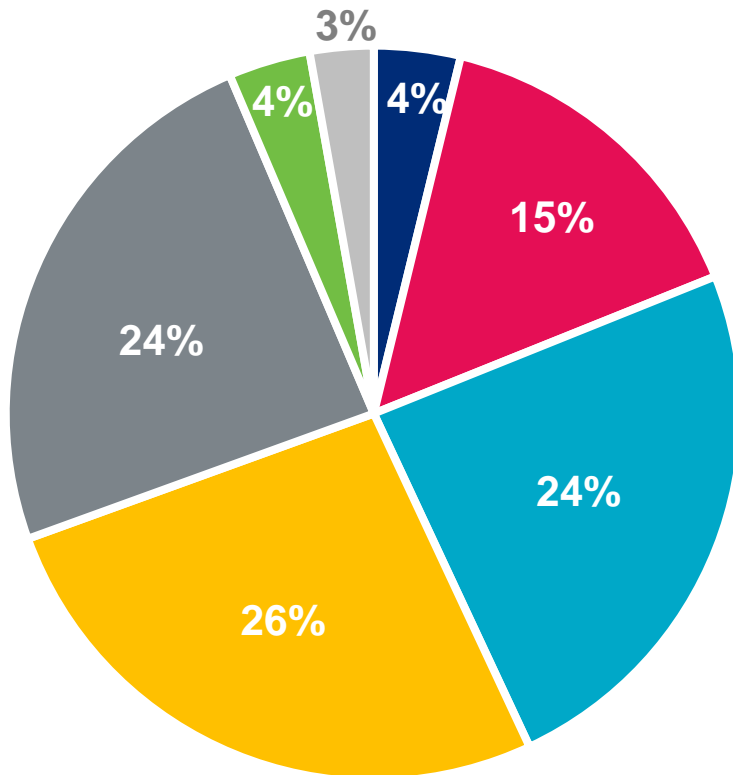


2017



WITH THE RIGHT SUPPORT, EMPLOYEES ARE MORE LIKELY TO ELECT HIGH-Deductible PLANS

2017 ENROLLMENT DATA FROM MERCER MARKETPLACE 365



More than half of enrollees chose a plan with a deductible of \$1,850 or higher

- \$0 Deductible
- \$400 Deductible
- \$900 Deductible
- \$1,850 Deductible
- \$2,850 Deductible
- \$4,500 Deductible
- \$6,550 Deductible

Source: 2017 Mercer Marketplace 365 Enrollment Results; Standard Deductible Options Only