Mercer

welcome to brighter

10-minute survey on

3 big issues for health programs

Introduction

Current events can necessitate fast adjustments to health and benefits strategies. This survey looks at how employers are responding to three big issues affecting employer health programs in the second half of 2022:

1

Inflation and rising health care costs

2

Ongoing impact of COVID-19 and the possibility of a winter surge

3

Medical travel and other reproductive health benefits

About the survey

The survey was fielded from September 21-October 5, 2022.
In total, 701 organizations participated, from all industries and of all sizes:

Fewer than 500 employees	**24%**
500-4,999 employees	**49%**
5,000-19,999 employees	**20%**
20,000 employees or more	**6%**

Unless otherwise specified, the results in this report are based on 530 respondents with 500 or more employees.

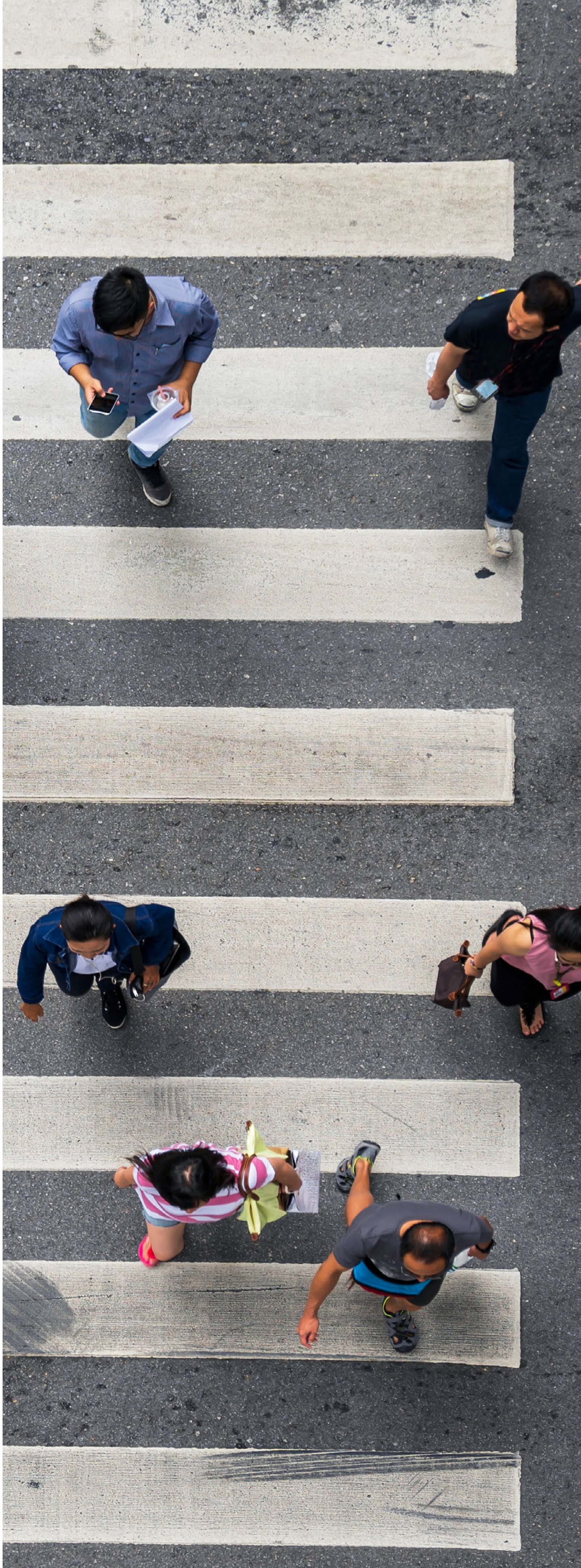
Issue #1

Inflation and rising health care costs

Persistent inflation is casting a wide shadow over much of economic life these days, and employer-sponsored health programs are no exception. HR departments still struggle to find and keep employees in a tight labor market, and health benefits remain very high on the list of reasons that workers choose one employer over another. Yet cost management is a growing imperative.

The underlying medical plan cost trend was estimated at 7.0% for 2023 — that's how much cost would rise, on average, if employers renewed their current plans without making any changes.* Employers expect to hold cost growth to 5.6% after making changes, but that's high relative to cost increases over the past decade, which have averaged around 3% each year.

*Source: Mercer's National Survey of Employer-Sponsored Health Plans 2022, preliminary results for employers with 50 or more employees.



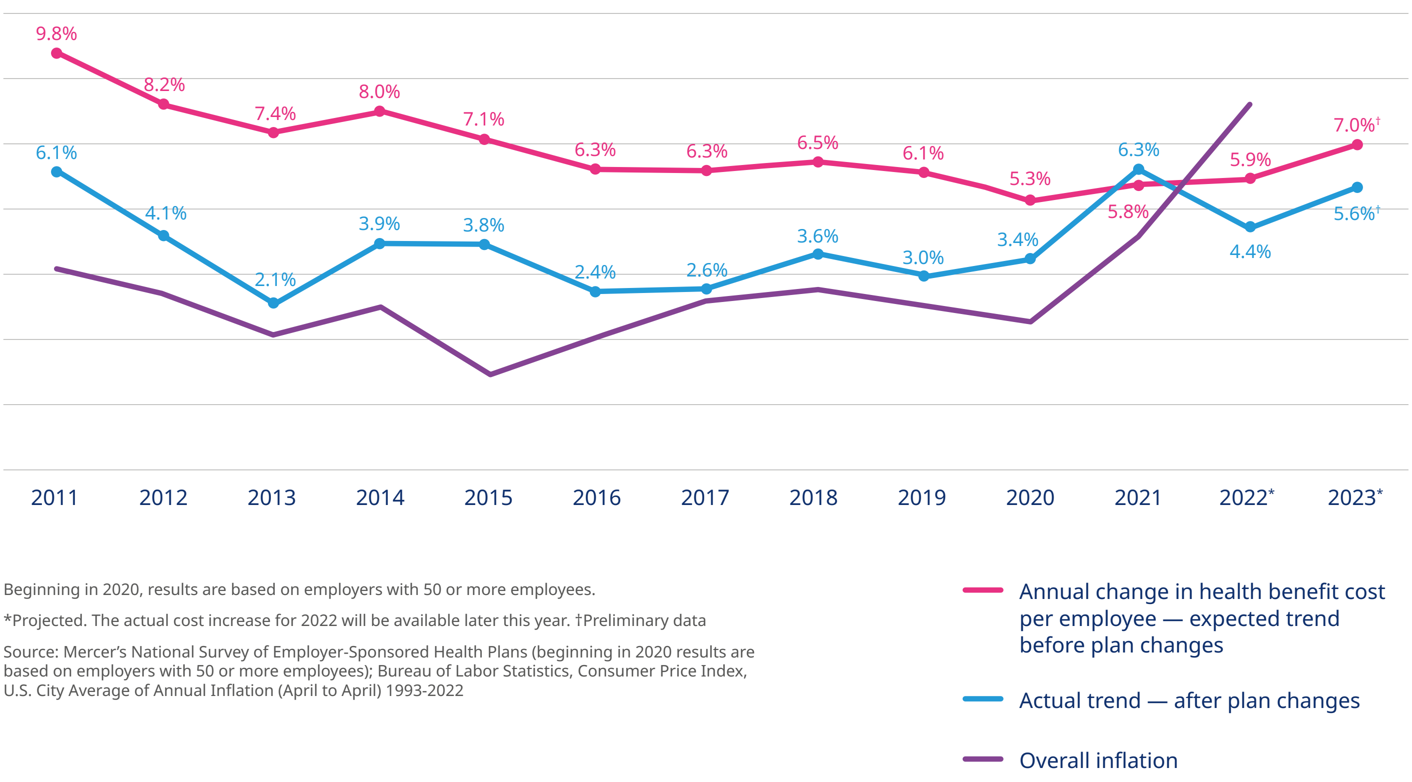
Health benefit cost growth is on the rise

And it's very likely going to get worse. As the graph below shows, health benefit cost growth is almost always higher than inflation, but in 2022 and 2023, benefit cost growth is lagging inflation. What this means, unfortunately, is that we likely haven't yet seen the full impact of inflation on medical plan cost. Most health plans have multi-year contracts with provider systems, and thus inflationary cost increases will continue to be phased in over the next few years as contracts come up for renewal and providers negotiate higher reimbursement levels.

For many, affordability concerns take traditional cost-management tactics off the table.

Traditionally, employers have dealt with rising costs by shifting a greater portion of health plan cost to employees. But health care affordability is a real issue for many employees, and at a time when inflation has already heightened financial stress for so many, employers want to avoid adding to that if they possibly can.

Change in total health benefit cost per employee compared to CPI



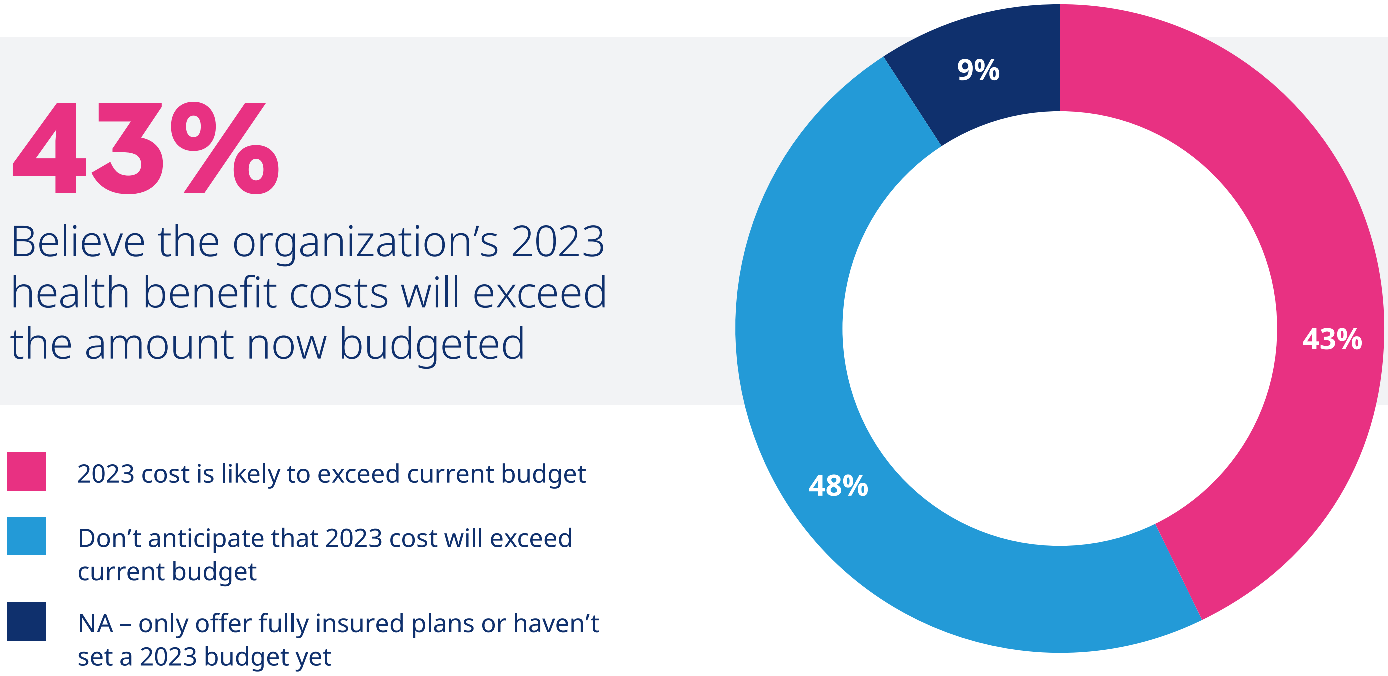
Beginning in 2020, results are based on employers with 50 or more employees.

*Projected. The actual cost increase for 2022 will be available later this year. †Preliminary data

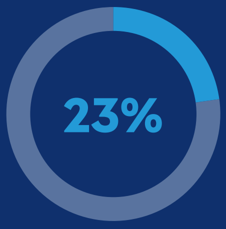
Source: Mercer's National Survey of Employer-Sponsored Health Plans (beginning in 2020 results are based on employers with 50 or more employees); Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993-2022

43%

Believe the organization's 2023 health benefit costs will exceed the amount now budgeted

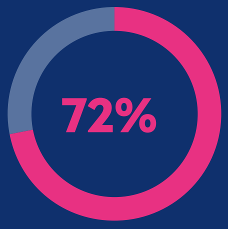


Most employers *will not* adjust employee cost-sharing strategy for 2023 to dampen the budget impact of health cost increases



Will raise employee premium contributions more than they would have otherwise

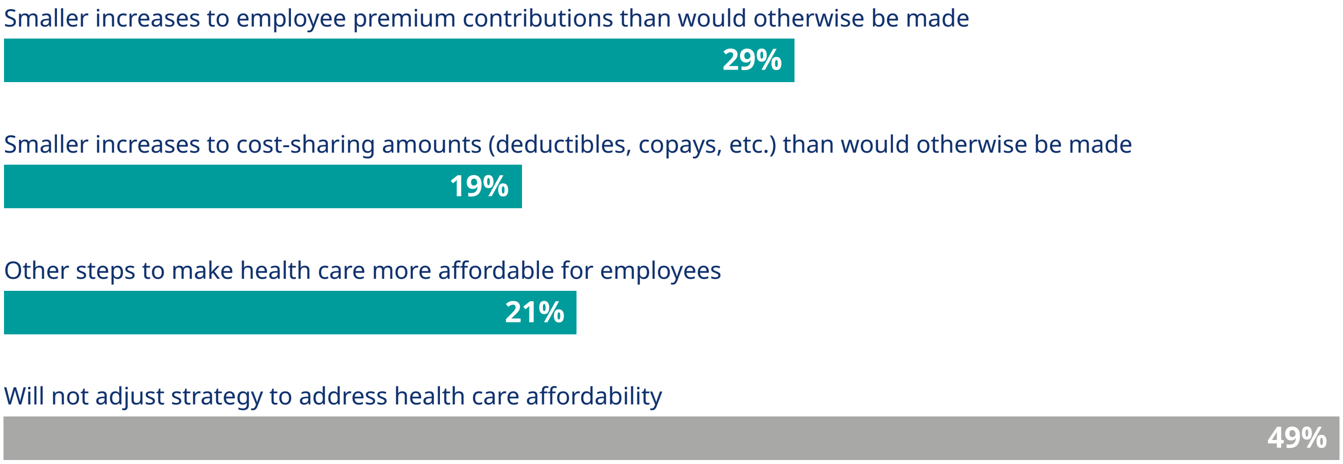
Will raise cost-sharing amounts (deductible, copays, etc.) more than they would have otherwise



Will not adjust cost-sharing strategy to dampen budget impact of cost increases

Over two-fifths of respondents (43%) say they expect that actual cost in 2023 will exceed the amount now budgeted due to persistent inflation this year. Still, only about a fourth are planning to take actions to dampen the impact on the budget that would shift more cost to employees. Some (23%) say they will raise employee contributions by more than they would have otherwise; just 10% will make plan design changes that shift more of the cost of care to employees, such as raising deductibles or copays.

In light of inflation's impact on employees, about half of respondents will adjust 2023 cost-sharing to address healthcare affordability



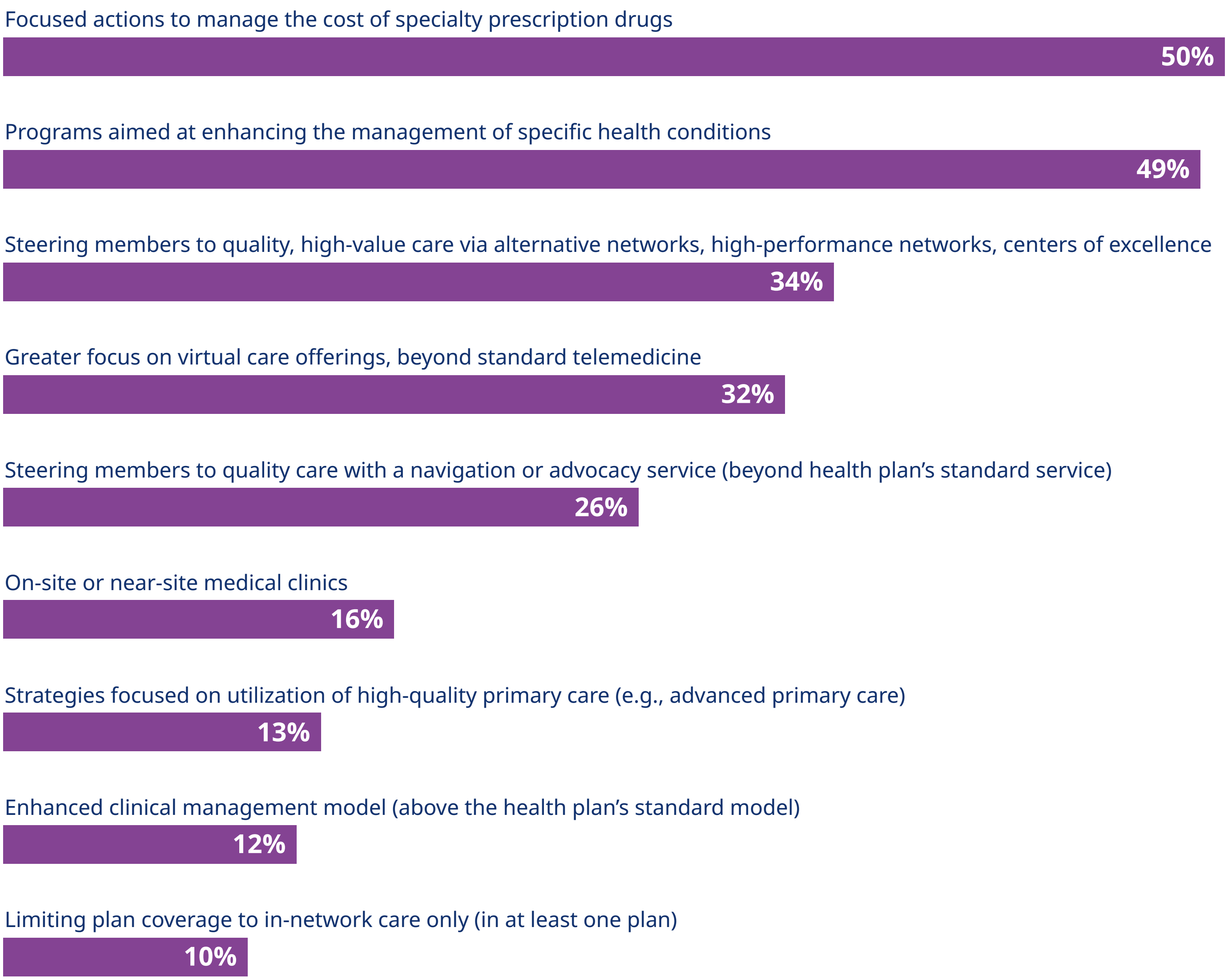
In fact, about half (51%) say that, in light of the impact of inflation on their employees, they are adjusting benefit strategy to address health care affordability. To keep more money in their employees' paychecks, 29% of respondents are raising employee contribution requirements for 2023 by less than they would have otherwise. Nearly a fifth (19%) are holding back on increases to deductibles or other cost-sharing provisions. Another fifth (21%) are making some other change to improve health care affordability.

Getting back to long-term cost management

But the imperative to manage cost remains and employers need to take advantage of this brief window to get out in front of accelerating health cost growth. The pandemic interrupted cost-management efforts as most employers focused on minimizing disruption to employees and grappling with workplace safety. But with steep cost increases looming, they are refocusing on cost management strategies that can slow cost growth over the longer term while minimizing cost shifting to employees.

Other strategies employers will use to slow health cost growth

Have implemented or seriously considering within two years



Here are the top three strategies that large employers have implemented or are seriously considering, according to the new survey:

Managing the cost of specialty prescription drugs

Specialty biotech drugs have revolutionized treatments for conditions such as HIV, multiple sclerosis, cancer and rare genetic conditions. They are also very expensive, and in recent years employers have reported double-digit increases in their specialty drug costs. So it's not surprising that 50% of employers surveyed say they are taking focused action to manage specialty drug costs. These might include plan design changes to steer patients to a specialty pharmacy; focusing on the site of care; seeking support from drug manufacturers to lower member out-of-pocket costs; demanding integrated care management from PBMs and health plans; and mitigating claims risk via authorization programs, stop loss coverage or captives.

Programs to improve health condition management

The use of targeted programs aimed at specific health conditions (e.g., diabetes, musculoskeletal, pain management) has gained traction in recent years as a way to achieve better outcomes and lower costs. Currently, 49% of all large employers responding to the survey — and 58% of those with 20,000 or more employees — offer these types of programs or are seriously considering it. In addition, 12% of all large employers (and 20% of jumbo employers) have adopted enhanced clinical management models beyond the standard health plan model.

Steering employees to high-value care

About a third of all large employers in the survey (34%) are using various network strategies, including alternative networks, high-performance networks and COEs, to steer employees to high-value care. Among jumbo employers (20,000 or more employees), this figure jumps to 62%. These approaches deliver savings by focusing on the quality and efficiency of a provider network, rather than its breadth. Navigation or advocacy services can also be used to steer employees to higher-value care: 26% of all large employers, and 38% of jumbo employers, use this approach or are seriously considering it. And while advanced primary care is still in its infancy (with 13% of large employers focused on this strategy), it is poised to grow. Research has shown that primary care can deliver greater health care value through its focus on prevention, early detection and steerage to high-quality, cost-effective specialists, and new options are flooding into the market.

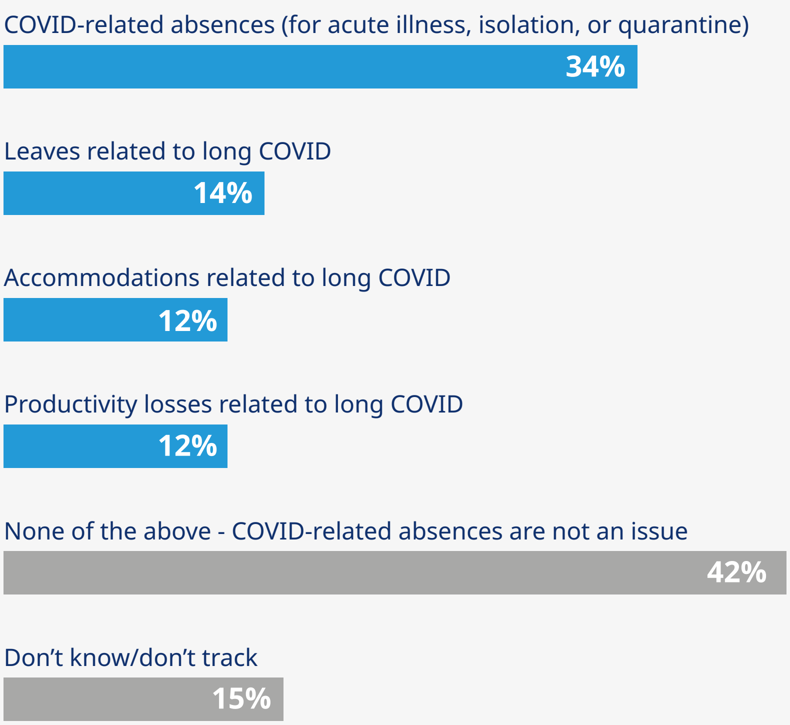
As employers well know, there is no one solution to the problem of health benefit cost growth, especially when affordability is a concern. But there are a number of effective strategies that address key cost drivers — and given the economic outlook today, there will never be a better time to try them.

Issue #2

COVID-19: Impact and policies

We're all still learning what it means to "live with COVID." Hospitalization rates have been declining since late July, and when schools opened this fall for in-person, mostly mask-free learning, it felt like a big step in the direction of normal. Most employers have felt confident enough to invite, or even require, employees to return to their worksites, and some have chosen to drop vaccine mandates in the process. At the same time, survey findings show that many organizations are still feeling the effects of COVID.

COVID continues to impact business operations

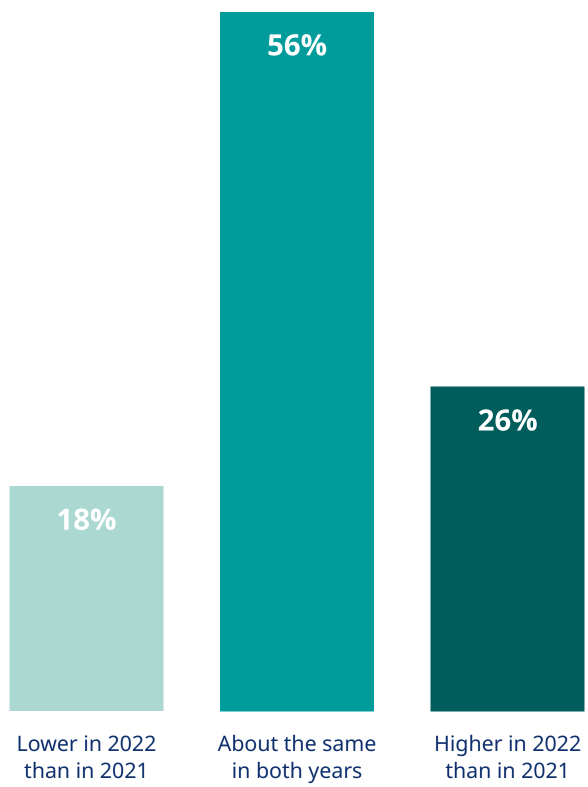


Many employers report that COVID-related absences and disabilities remain an issue for their organization

COVID-related absences and disabilities remain an issue for 42% of employers. A third say that operations are affected by absences for acute illness, isolation, or quarantine. Leaves of absence related to long COVID (for symptoms such as fatigue, nerve pain, headache, balance issues and "brain fog") are an issue for 14%; similar percentages report issues with accommodations and productivity losses.

How common is long COVID? A major study found that 6% of people had not recovered 6-18 months after COVID infection, while 42% reported only partial recovery. When symptoms linger for such extended periods of time, long COVID cases can accumulate even as the overall number of COVID infections declines. Asked to compare the prevalence of short-term disability leaves this year compared to last year, only 18% said the incidence rate has dropped. The majority (56%) said it is about the same and 26% said it has actually increased.

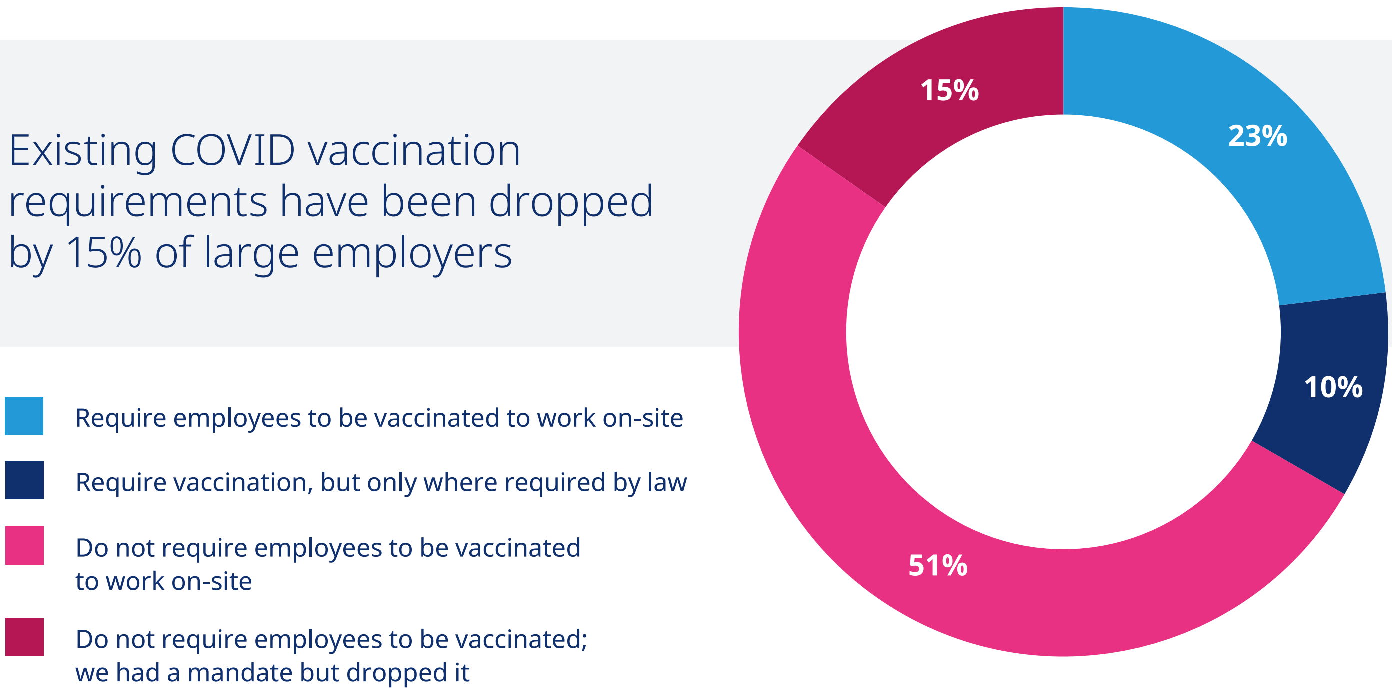
Short-term disability incidence has not declined in 2022 for most large employers — in fact, for more than a fourth, it rose



Vaccination requirements

Almost exactly one year ago, a large Mercer poll found that 34% of employers required employees to be vaccinated to work on-site. The poll was taken just a few weeks after President Biden directed OSHA to issue regulations under which most employers would have to require workers either to get vaccinated or to provide negative COVID-19 test results at least weekly to work onsite. Notably, this attempt to speed the pace of vaccination was blocked by the courts before it could take effect.

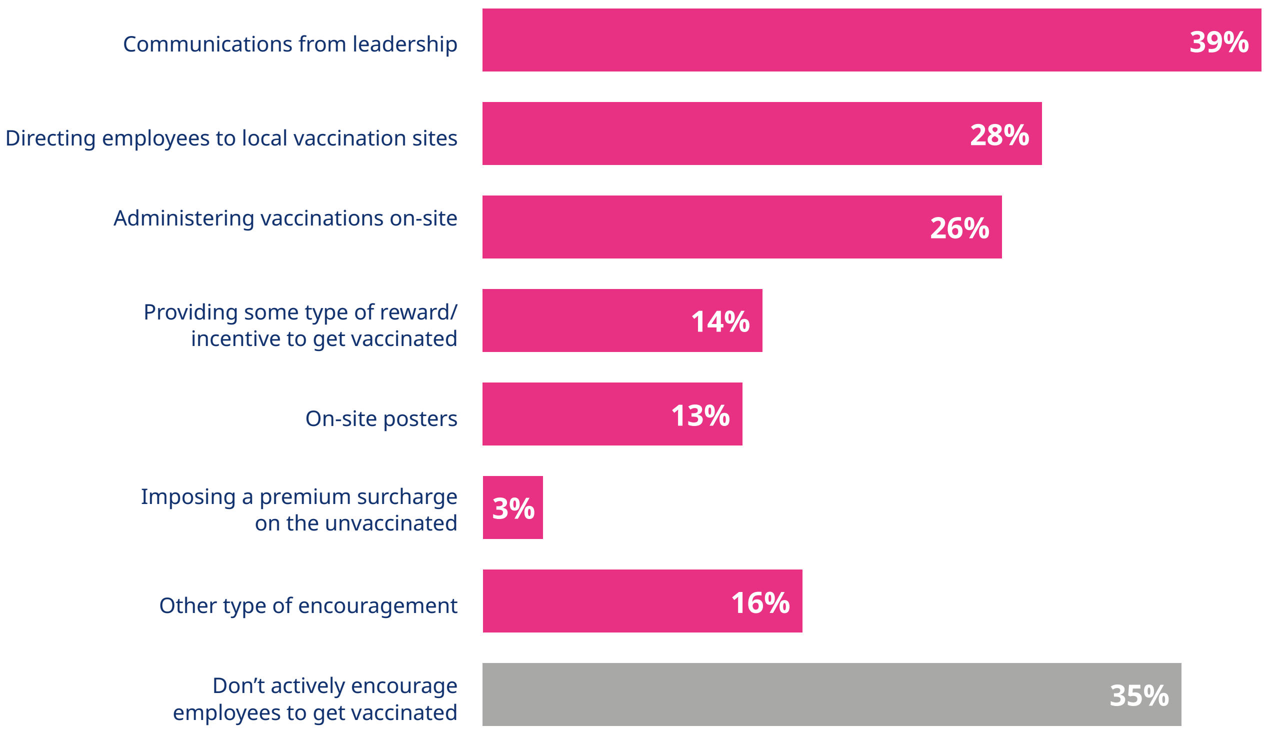
Existing COVID vaccination requirements have been dropped by 15% of large employers



Today, the picture is nearly the same: about a third of survey respondents have a vaccination requirement in place for at least some of their worksites, with 10% mandating vaccinations only where required by law. An additional 15% had a mandate but have dropped it. The largest employers (20,000 or more employees) are more likely to require vaccinations – 44% do so. Geographically, among employers of all sizes, vaccine requirements are most common in the Northeast (52%) and least common in the Midwest (20%).

Most of the large employers with a mandate in place require full vaccination but not booster shots (71%); 16% require one booster and 11% require two.

Methods used to encourage employees to get vaccinated



While the majority of employers do not require vaccinations, about two-thirds say they actively encourage employees to get vaccinations, most commonly with:

Communications from leadership (39%)

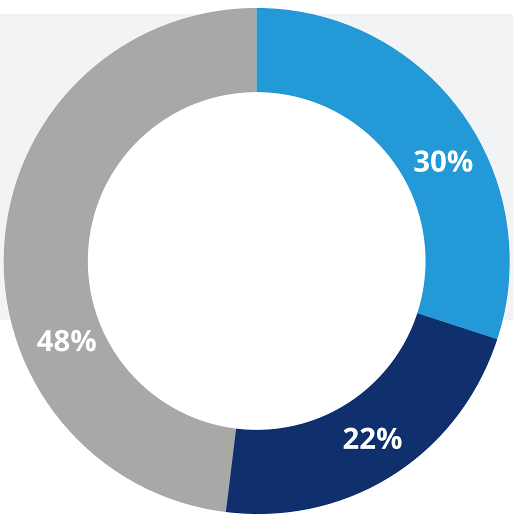
Directing employees to vaccination sites (28%)

Administering vaccinations on-site (26%)

Preparing for a winter surge

As fall heads toward winter in the US, we're hearing warnings of a COVID-19 surge. The new booster shot that targets Omicron variants could do much to dampen a winter surge. Now is a good time to double down on education and communication so that all employees are aware that COVID boosters are readily available and covered by insurance.

In addition, consider whether your PTO policies support a safe worksite. Safety protocols should be designed with the most vulnerable members of the workforce in mind, particularly those who are immune-compromised. This population has been estimated at 1% (3 million people). If they cannot be accommodated with remote work, they do need to know that they are in a safe workplace.



52%

Provide additional PTO for employees exposed to, or recovering from, a COVID-19 infection

- Additional PTO is provided, but only in accordance with local/state requirements
- Additional PTO is provided under a separate leave policy specifically for employees exposed to or recovering from COVID
- No additional PTO provided; employees use their regular PTO or sick leave benefits

About half of the large employers surveyed (52%) provide additional paid time off for employees exposed to or recovering from COVID; however, just 22% do so when not required by state/local mandates. COVID has stress-tested employer PTO programs, leading many to review and update their policies. As organizations adapt to "live with COVID," PTO policies will need to evolve to meet employee needs and ensure a safe workplace. Particularly in today's economic environment, with inflation creating financial stress for many, employees will appreciate a leave policy that enables them to take time away from work needed to recover from a COVID infection without exhausting other types of paid time off.

Where to find reliable, up-to-date information on COVID

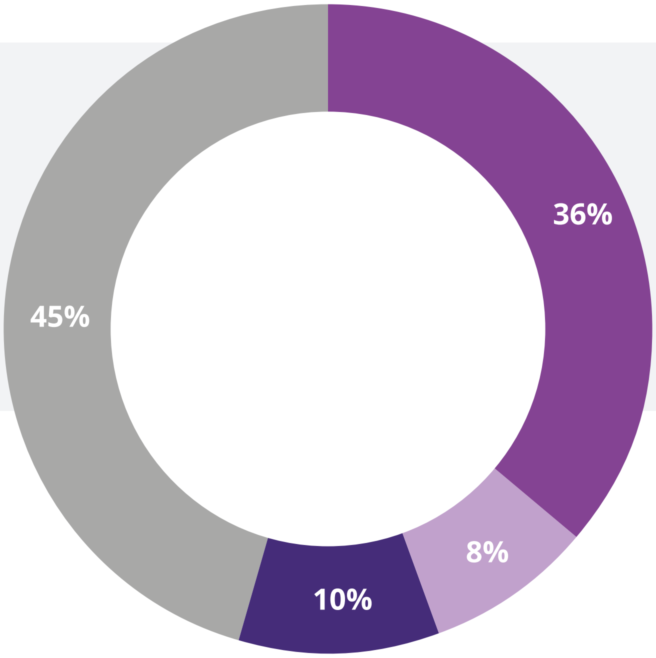
We recommend the CDC (Centers for Disease Control and Prevention) and WHO (World Health Organization) for current information, data and recommendations relating to COVID-19. Other reputable data sources include COVID Act Now (a university consortium) and IHME (Institute for Health Metrics and Evaluation at the University of Washington). The Johns Hopkins Coronavirus Resource Center is a good source for emerging research and analysis as well as data.

Issue #3

Medical travel benefits and reproductive health services

The shifting access to women's reproductive health care in the US has spurred employers to consider adding or expanding travel and lodging benefits that help defray costs for plan members when they must travel to obtain medical services. The survey asked about the prevalence of this type of benefit, what it covers, and the benefit design. Employers are increasingly looking at their benefit programs through the lens of diversity, equity and inclusion, and women's unique health care needs are a core part of the conversation. The following information may be helpful in designing effective solutions that provide equal access to comprehensive coverage.

Medical travel and lodging benefit



44%

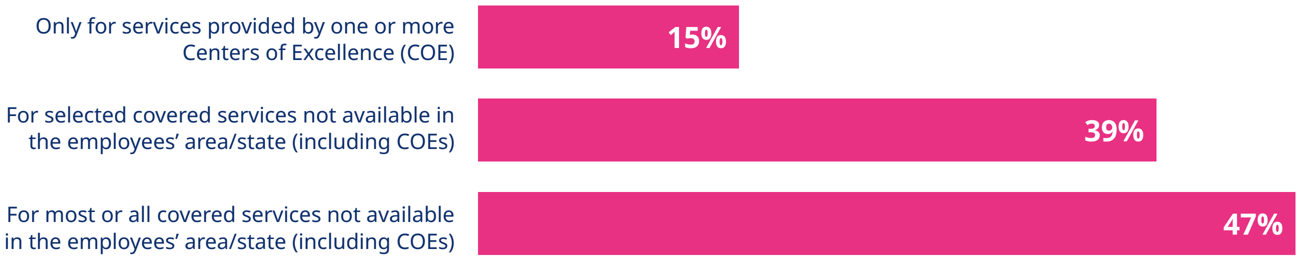
Offer a benefit to assist with travel expenses for at least some medical services, or will in 2023

- Offer benefit to assist with travel expenses for medical services
- Planning to offer in 2023
- Do not offer, but considering
- Not considering

A medical travel (or travel and lodging) benefit refers to various vehicles for reimbursing employees for expenses they incurred to obtain medical care that is not locally available. Among all large employers responding to the survey, 44% currently offer a medical travel benefit, or plan to, in 2023, and another 10% are considering it. Respondents from very large organizations (those with 5,000 or more employees) are significantly more likely to offer a medical travel benefit — 56% offer it now or plan to in 2023.

Medical services eligible for the travel benefit

Among respondents offering/planning to offer travel benefit



Most commonly, medical travel expenses are covered through the group health plan— 88% of respondents that offer coverage do so through their health plans. A handful of respondents provide financial assistance with these expenses through a health reimbursement arrangement integrated with the group health plan (4%), and some provide taxable reimbursement through a lifestyle savings account, or wellness travel account (3%), or through an employee assistance program (2%). Employers may pursue one of these alternative arrangements if their medical plan is unable or unwilling to administer a medical travel benefit. This may occur for fully insured plans or local / regional plans based in states that have legislated against access to specific medical services, such as abortion. Some employers pursue these alternative arrangements in order to reach a larger population of employees than just those enrolled in the medical plan.

Each option has compliance considerations to work through with counsel, including ERISA and tax code implications, mental health parity requirements for group health plans, and privacy protections.

About half of employers that offer or plan to offer a medical travel benefit say that it may be used for all or most covered services that are not available in the member's area or state (47%); another 39% say it may be used only for selected services. A smaller portion — 15% — only cover travel to a designated Center of Excellence (COE).

Minimum distance to the service provider required for travel benefit eligibility

Among respondents offering/planning to offer travel benefit

28% 50 miles

6% 75 miles

37% 100 miles

1% 150 miles

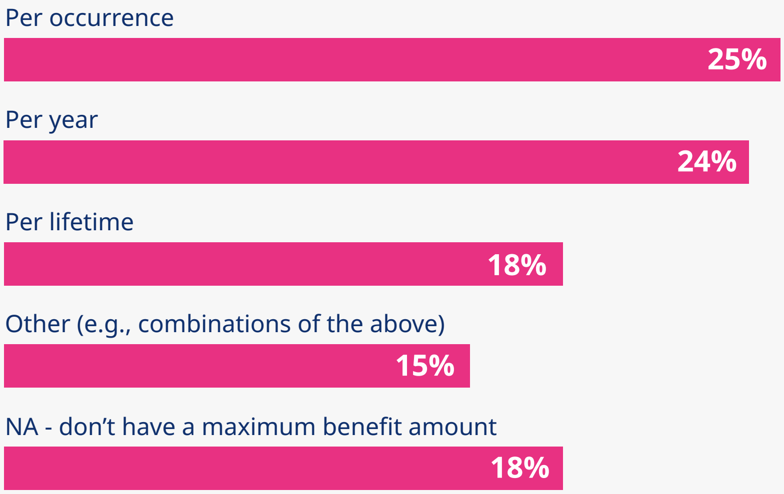
10% Other - travel for COE only

18% Other - travel only covered for benefits not available in the employee's state of residence

The minimum distance to the service provider required for travel benefit eligibility varies: 37% of respondents set a minimum of 100 miles, 6% set it at 75 miles, and 28% only require 50 miles. Some employers (18%) limit eligibility to employees who must travel out of state for services not available in their state of residence, and 10% only cover travel to a COE.

Maximum benefit amount

Among respondents offering/planning to offer travel benefit



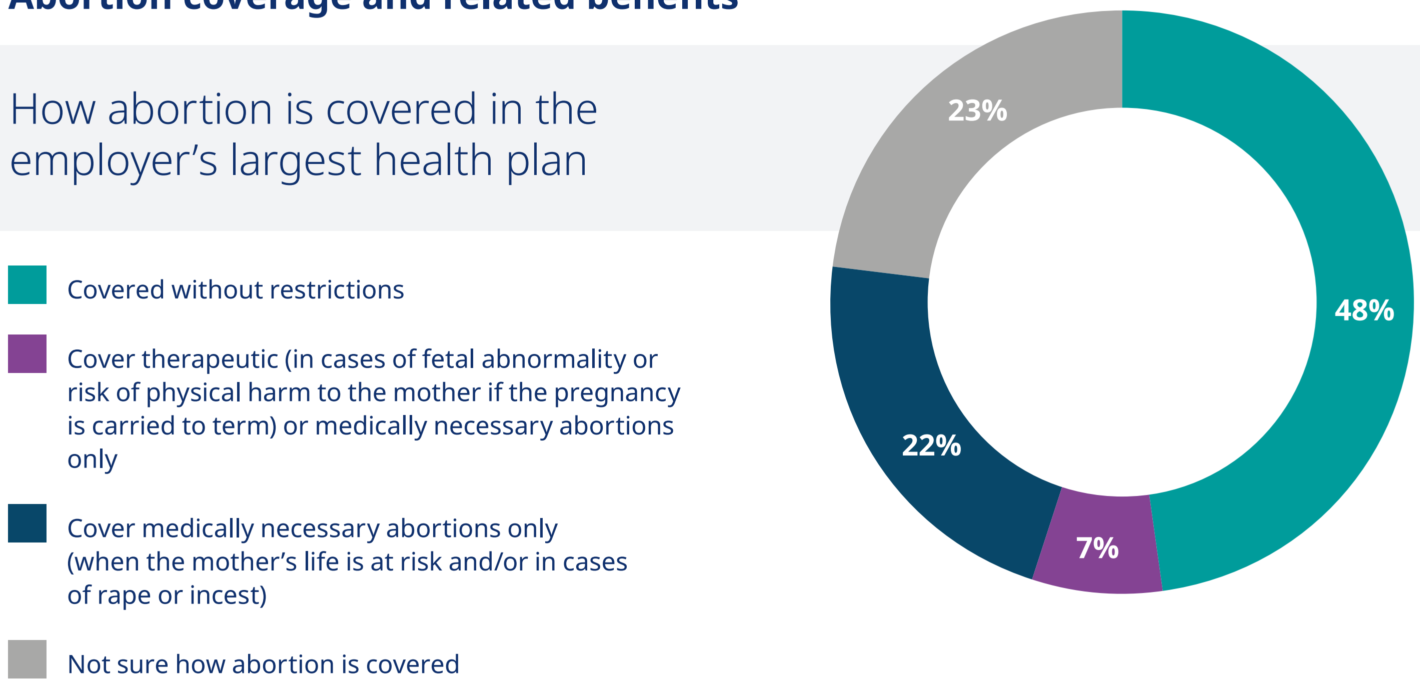
Median amount of benefit maximum

Per occurrence	**$5,000**
Per year	**$4,000**
Per lifetime	**$10,000**

While most employers (82%) impose some type of benefit maximum, respondents were fairly evenly split among those limiting benefits per occurrence (25%, with a median amount of $5,000), per year (24%, with a median amount of $4,000) or per lifetime (18%, with a median amount of $10,000). Another 15% use some other type of maximum. The amount covered usually depends on what services are considered eligible. For example, in our experience, plans that only cover travel and lodging expenses for care received at a COE typically have a $10,000 lifetime limit, as it's assumed that members utilizing this benefit will typically have one major surgery/procedure at the COE, but it will require a lengthier recovery and time away from home. Plans that cover all services typically have an annual or per-occurrence maximum since a member may need to utilize the benefit for different reasons at different times.

Abortion coverage and related benefits

How abortion is covered in the employer's largest health plan



Medical plan coverage

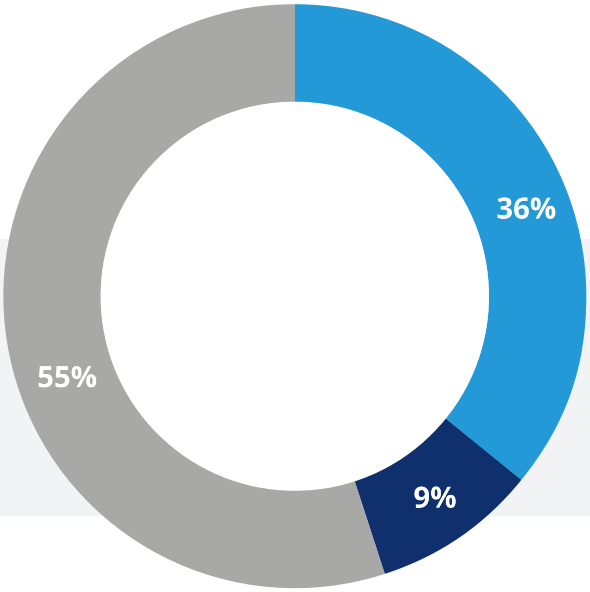
There is considerable variation in how abortion is covered in medical plans, and when asked to indicate the level of coverage in their plans, 23% of respondents weren't sure. Nearly half (48%) say that their plans cover abortions without restrictions. About a fifth (22%) of respondents indicate that their medical plans restrict coverage to abortions that are medically necessary (when the mother's life is at risk or in the case of rape or incest). An additional 7% will cover therapeutic abortions (in case of fetal abnormality or risk of physical harm to the mother if the pregnancy is carried to term) in addition to medically necessary abortions.

Very large employers responding to the survey are more likely to provide coverage for abortions without restrictions (59%). There is considerable regional variation as well. For example, large employers in Northeast are considerably more likely to cover abortions without restrictions (64%) than those in the South (38%).

Over a third of large employers (36%) will assist employees with travel expenses incurred for abortion-related services. Most of these (27%) expanded an existing medical travel benefit (as described above) in response to the *Dobbs vs. Jackson Women's Health Organization* decision, or plan to; just 9% already included travel reimbursement for abortion care prior to *Dobbs*. Among very large employers, 44% currently offer (or plan to offer) a travel benefit for abortion-related services.

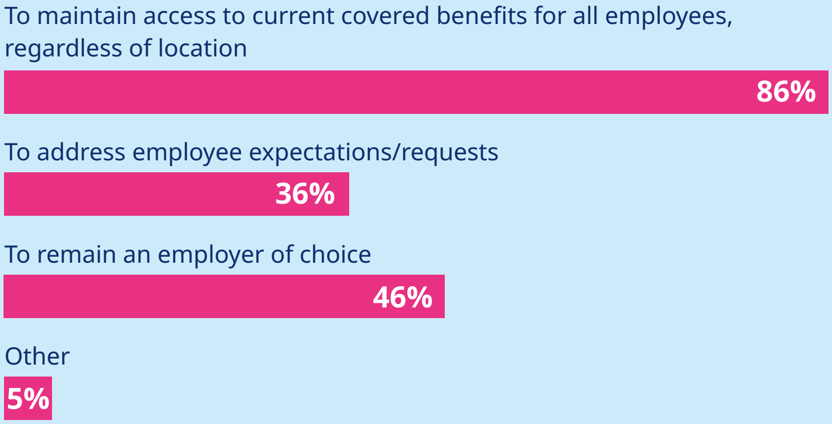
36%

Offer a travel benefit for abortion-related services, or will in 2023



- Currently offer travel benefit for abortion services or will in 2023
- Considering a travel benefit for abortion services
- Not considering (or not applicable — no employees in states restricting access)

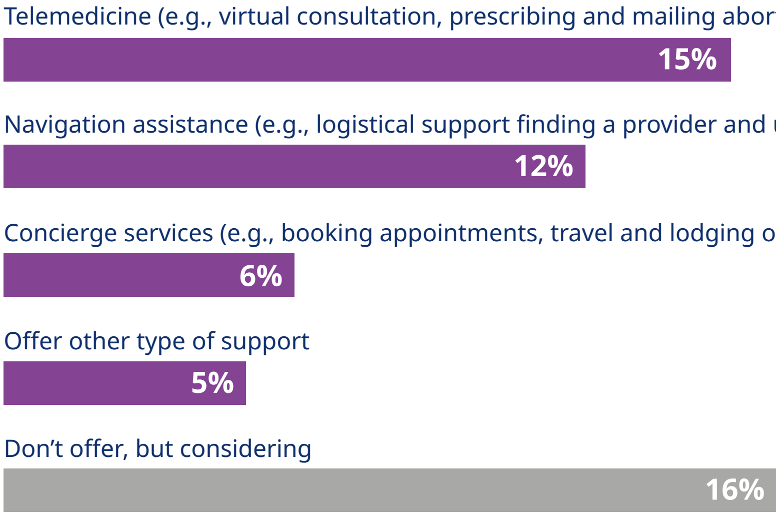
Reasons for implementing or expanding travel benefit in response to the *Dobbs* decision



Based on respondents that extended coverage for abortion services, or are considering it

The great majority of respondents that recently expanded a medical travel benefit say that one reason they did so was to maintain access to current covered benefits for all employees, regardless of location. Nearly half say it was to remain an employer of choice and for about a third, employee requests played a role in the decision.

Offer other types of support specifically for women seeking abortion services



Some employers are providing other types of assistance to women seeking abortion-related services. Telemedicine support — virtual consultations and prescribing and mailing abortion medications — is provided by 15% of respondents, and navigation assistance — logistical support finding a provider and understanding plan coverage — is provided by 12%.

Using a medical travel benefit to advance the goal of equal access to care

Since the *Dobbs* ruling this past June, a number of employers have chosen to offer some type of medical travel benefit in order to maintain or extend access to services covered under the health plan, including, but not limited to, abortion. Once *Dobbs* surfaced the issue of equal access to covered services, some employers have chosen to extend coverage for medical travel services to make it easier for all plan members to access needed care — for example, those living in rural areas with a scarcity of specialists — as well as for women to seek a full range of reproductive health care.

Contact your Mercer consultant today to learn more.

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