Employers’ Perceptions & Actions Related to Healthcare Waste

2018 Pulse Survey Summary Report
Table of Contents

About the Survey
Research Rationale
Demographic Summary
Employers’ Perceptions and Actions Related to Healthcare Waste
Managing Waste through Benefit Design
Variations Among Respondents
Takeaways and Purchaser Recommendations
Appendix
About the Survey

• Survey Partners: National Alliance and Benfield, a part of the Gallagher Human Resources & Compensation Consulting Practice

• Goal: To identify employers’ perceptions and actions related to waste in the healthcare system

• “Waste” defined: procedures and treatments that are overused or have limited effectiveness

• Participants: 126 U.S. employers of all sizes and industries
Research Rationale

The costs of the U.S. healthcare system's current inefficiency underscore the urgent need for a systemwide transformation.

The Institute of Medicine research found:

- **Roughly $750 billion in wasted spending included:**
  - Unnecessary services
  - Excessive administrative costs
  - Fraud
  - Other problems

An ABIM Foundation survey found ...

- 3 out of 4 U.S. physicians said the frequency with which doctors order unnecessary medical tests and procedures is a serious problem for America’s health care system.
- 69% of doctors surveyed said that the average physician orders unnecessary medical tests and procedures at least once a week.
Washington Health Alliance Study

Spotlights the need to address wasteful spending

• Used Milliman MedInsight Health Waste Calculator, a tool driven off of Choosing Wisely lists
• 36% of total spending for statewide claims examined attributed to low value services

Just 11 services accounted for 93% of the service volume, and 89% of total expenditures for these low-value services

• Three of the 11 services were:
  – Unnecessary imaging for eye disease
  – Imaging for uncomplicated low back pain in the first six weeks
  – Imaging for uncomplicated headache
Assessment of 44 Choosing Wisely Measures

1,048,261 services reviewed

$302.8 M of spending was considered wasteful

75% of identified waste occurred in 5 services

- Pre-op lab studies
- Stress cardiac imagining
- Annual EKGs
- Imagining tests for eye disease
- Routine PAP in women 21 – 65 years of age

Total Services Review

Services Found To Be Wasteful

54%

46%

The Data

2016 St. Louis Data - with look back to 2008
- 1,658,308 members
- 17,046,073 member months
Demographics of the 126 Survey Respondents

**Size of U.S. Employee Population**

- **44%** 5,000+
- **31%** 1,000-4,999
- **7%** 500-999
- **9%** 100-499
- **9%** Under 100

**Respondents Organization Classifications**

- Manufacturing: 27%
- Education: 13%
- Public Entity: 10%
- Financial Services: 8%
- Healthcare: 8%
- Business Services: 4%
- Energy: 4%
- Retail: 4%
- Technology: 3%
- Transportation: 2%
- Construction: 2%
- Hospitality/Restaurant/Entertainment: 2%
- Associations: 1%
- Religious Institutions: 1%
- Social Services: 1%
- Other*: 12%

*Other includes: Agriculture, Assn, B2B services, Consumer Good, Consumer Products, Entertainment & Tech, Insurance, Long Term Care, Multi-employer response, National Security contractor to government, Planning Contractor, Professional Services, Retirement plan, Science Laboratory

**9 out of 10 are Predominantly Self Funded**

- 90% Predominately self-funded
- 10% Predominately fully-insured

**Respondents Organizational Positions**

- **33%** Benefits Manager
- **32%** Director of Benefits
- **10%** Vice President of Benefits
- **6%** Benefits Analyst
- **2%** Corporate Medical Director
- **17%** Other*

*Other includes: Associate Director, Benefits, Benefits Advisor, CEO, CEO/President, CFO, Chief Human Resources Officer, Director, Director, Human Resources, HBCH Executive Director, Health Operations Manager, HR Manager (Generalist in HR), Insurance Secretary, Office Manager, President, Risk Manager, Sr. Dir of Admin, SVP Human Resources, Vice President of Compensation & Benefits, Wellness Coordinator
Employers’ Perceptions & Actions Related to Waste
Employers perceive a fair amount of waste in the healthcare system. Majority (57%) believe that up to a quarter of all their populations’ treatments are wasteful.

Q: What percentage of healthcare treatments provided to your covered population do you estimate to be wasteful?
No one way employers collect and analyze data to track waste. 60% currently do not perform these actions, either internally or through their vendors.

Q: Does your organization collect and analyze its medical and pharmacy data to track healthcare waste?

- Yes, at least one of our vendors (e.g., PBM, health plan, consultant) collects and analyzes data to track waste on our behalf: 34%
- No, but in the next two years one of our vendors (e.g., PBM, health plan, consultant) plans to collect and analyze data to track waste on our behalf: 22%
- No, and neither our organization nor our vendors have any plans to do so: 22%
- No, but in the next two years our organization plans to internally collect and analyze data to track waste: 15%
- Yes, our organization internally collects and analyzes data to track waste: 7%
Employers perceive medical imaging and medications to be the largest contributors to waste

Q: In your opinion how do inefficiencies in the following categories contribute to waste in the healthcare system?

<table>
<thead>
<tr>
<th>Category</th>
<th>4-5 Significantly contributes</th>
<th>3 Moderately contributes</th>
<th>1 -2 Minimally contributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical imaging (e.g., MRIs, X-rays, etc.)</td>
<td>53%</td>
<td>33%</td>
<td>14%</td>
</tr>
<tr>
<td>Specialty drugs</td>
<td>46%</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>Prescription medications</td>
<td>40%</td>
<td>39%</td>
<td>21%</td>
</tr>
<tr>
<td>Clinical tests (e.g., blood work or chemistry testing)</td>
<td>31%</td>
<td>32%</td>
<td>37%</td>
</tr>
<tr>
<td>Specialty physician referrals</td>
<td>26%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Preoperative testing</td>
<td>12%</td>
<td>21%</td>
<td>67%</td>
</tr>
<tr>
<td>Inpatient monitoring</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
</tr>
<tr>
<td>Disease screenings (e.g., Pap tests)</td>
<td>6%</td>
<td>15%</td>
<td>79%</td>
</tr>
<tr>
<td>Primary care services</td>
<td>6%</td>
<td>21%</td>
<td>72%</td>
</tr>
</tbody>
</table>
Employers have generally sought to manage waste in prescription and specialty drugs …

Q: Indicate if your organization, or vendors on your behalf, are currently managing or planning to manage healthcare waste in these categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Currently managing (2018)</th>
<th>Plan to manage within 2 years (2020)</th>
<th>No plans to manage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescription medications</td>
<td>58%</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td>Specialty drugs</td>
<td>56%</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Medical imaging (e.g., MRIs, X-rays, etc.)</td>
<td>29%</td>
<td>38%</td>
<td>33%</td>
</tr>
<tr>
<td>Disease screenings (e.g., Pap tests)</td>
<td>22%</td>
<td>14%</td>
<td>63%</td>
</tr>
<tr>
<td>Primary care services</td>
<td>21%</td>
<td>17%</td>
<td>62%</td>
</tr>
<tr>
<td>Specialty physician referrals</td>
<td>21%</td>
<td>21%</td>
<td>58%</td>
</tr>
<tr>
<td>Inpatient monitoring</td>
<td>18%</td>
<td>18%</td>
<td>63%</td>
</tr>
<tr>
<td>Clinical tests (e.g., blood work or chemistry testing)</td>
<td>15%</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Preoperative testing</td>
<td>13%</td>
<td>17%</td>
<td>70%</td>
</tr>
</tbody>
</table>
... but employers’ efforts to manage waste in non-pharmacy areas is lagging

<table>
<thead>
<tr>
<th>Category</th>
<th>Significantly contributes to waste</th>
<th>Currently managing (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical imaging (e.g., MRIs, x-rays, etc.)</td>
<td>53%</td>
<td>29%</td>
</tr>
<tr>
<td>Specialty drugs</td>
<td>46%</td>
<td>55%</td>
</tr>
<tr>
<td>Prescription medications</td>
<td>40%</td>
<td>58%</td>
</tr>
<tr>
<td>Clinical tests (e.g., blood work or chemistry testing)</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Specialty physician referrals</td>
<td>26%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Most employers don’t use similar approaches to manage the areas they find most wasteful …

Q: How is your organization or your vendors currently managing healthcare waste in these categories?

- Medical imaging:
  - Patient Education: 26%
  - Value Based Contracting: 21%
  - Excluding Certain Procedures from Benefit Coverage: 5%
  - Provider Education: 1%

- Specialty drugs:
  - Provider Education: 31%
  - Benefit Design: 14%
  - Participating in Multi-Stakeholder Waste Reduction Initiatives: 8%

*See appendix for how employers manage waste in other categories.*
... When employers DO manage waste, they most often turn to patient education and benefit design.

Q: How is your organization or your vendors currently managing healthcare waste in these categories?

*See appendix for how employers manage waste in other categories.
Employers most often rate success in managing waste as somewhat effective

For those that rate success, top categories are primary care, specialty, Rx meds, clinical tests and some imaging

Q: How would you rate your organization’s success in managing healthcare waste in the following categories?

<table>
<thead>
<tr>
<th>Category</th>
<th>4-5 Very effective</th>
<th>3 Somewhat effective</th>
<th>1-2 Not at all effective</th>
<th>It is too early to rate the effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary care services</td>
<td>37%</td>
<td>30%</td>
<td>22%</td>
<td>11%</td>
</tr>
<tr>
<td>Specialty drugs</td>
<td>31%</td>
<td>44%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>Prescription medications</td>
<td>30%</td>
<td>48%</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>Clinical tests (e.g., blood work or chemistry testing)</td>
<td>26%</td>
<td>53%</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Medical imaging (e.g., MRIs, X-rays, etc.)</td>
<td>25%</td>
<td>56%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Inpatient monitoring</td>
<td>22%</td>
<td>39%</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Disease screenings (e.g., Pap tests)</td>
<td>21%</td>
<td>54%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Preoperative testing</td>
<td>19%</td>
<td>38%</td>
<td>31%</td>
<td>13%</td>
</tr>
<tr>
<td>Specialty physician referrals</td>
<td>12%</td>
<td>50%</td>
<td>27%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Employers anticipate significant challenges in achieving the waste management goals

Q: Indicate how your organization characterizes the following areas of focus and/or challenges when seeking to manage waste

<table>
<thead>
<tr>
<th>Area of Focus and/or Challenges</th>
<th>Successfully achieved</th>
<th>Interested in achieving but anticipate significant challenges</th>
<th>Interested in achieving and do not anticipate significant challenges</th>
<th>Not interested in achieving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measuring the impact of waste</td>
<td>5%</td>
<td>75%</td>
<td>18%</td>
<td>2%</td>
</tr>
<tr>
<td>Identifying areas of waste</td>
<td>5%</td>
<td>64%</td>
<td>29%</td>
<td>2%</td>
</tr>
<tr>
<td>Identifying tactics to manage waste</td>
<td>4%</td>
<td>67%</td>
<td>27%</td>
<td>2%</td>
</tr>
<tr>
<td>Finding partners for waste-reduction initiatives</td>
<td>3%</td>
<td>66%</td>
<td>24%</td>
<td>7%</td>
</tr>
<tr>
<td>Educating patients about waste in the healthcare system</td>
<td>3%</td>
<td>67%</td>
<td>29%</td>
<td>1%</td>
</tr>
<tr>
<td>Determining where to focus waste-reduction initiatives</td>
<td>2%</td>
<td>60%</td>
<td>35%</td>
<td>2%</td>
</tr>
<tr>
<td>Educating providers about waste in the healthcare system</td>
<td>2%</td>
<td>76%</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>Other*</td>
<td>4%</td>
<td>2%</td>
<td>17%</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Other includes: Obtaining raw data from carrier in order to measure the waste and determine impact of changes made, Choosing Wisely
Most employers are not familiar with *Choosing Wisely* ... *BUT*, for those that do, they provide employee education and work with their vendors or health plan.

Q: Is your organization participating in any activities related to the *Choosing Wisely* healthcare waste reduction strategy?

- I am not familiar with *Choosing Wisely* 58%
- I am familiar with *Choosing Wisely*, but my organization is not participating in any of their waste reduction strategies 17%
- Educating consumers (employees) about *Choosing Wisely* 13%
- Holding vendors accountable for implementing strategies in line with *Choosing Wisely* 2%
- Measuring your health plan's use of *Choosing Wisely* strategies 5%
- Measuring if providers in your local areas are using *Choosing Wisely* strategies 5%
Managing Waste through Benefit Design
Most employers are not currently using alternate benefit design arrangements or payment contracts, but these tactics are expected to grow in the five years.

Q: Does your organization have any of the following benefit design and care management initiatives in place (2018) or planned for the future?
Current use of tactics to manage waste from excess specialty medications is modest, but interest is growing

Q: Is your organization using or planning to use any of the tactics below to manage waste that comes from excess specialty medications that go unused by patients?

- **Limit initial dose**
  - Currently managing (2018): 42%
  - Plan to manage within 2 years (2020): 29%
  - No plans to manage: 23%
  - I am not familiar with this tactic: 6%

- **Limit above-label dosing**
  - Currently managing (2018): 31%
  - Plan to manage within 2 years (2020): 21%
  - No plans to manage: 25%
  - I am not familiar with this tactic: 23%

- **Require reauthorization from physician after initial dosing**
  - Currently managing (2018): 30%
  - Plan to manage within 2 years (2020): 26%
  - No plans to manage: 35%
  - I am not familiar with this tactic: 9%

- **Require a medication trial period**
  - Currently managing (2018): 24%
  - Plan to manage within 2 years (2020): 30%
  - No plans to manage: 37%
  - I am not familiar with this tactic: 9%
Most employers have taken steps to reduce Rx drug misuse by limiting access or dosage

Employers mixed on use of incentives, seeking more information before proceeding

Q: Is your organization using or planning to use any of the tactics below to reduce prescription drug misuse?

- **Currently using (2018)**
- **Plan to use within 2 years (2020)**
- **No plans to use**
- **Need more information to respond**

### Altered benefits to restrict access through prior authorizations or step therapy
- 74% Currently using
- 8% Plan to use
- 12% No plans
- 6% Need more information

### Implemented dosing limits
- 57% Currently using
- 16% Plan to use
- 16% No plans
- 11% Need more information

### Pay for alternative therapies (e.g., physical therapy and acupuncture)
- 40% Currently using
- 6% Plan to use
- 35% No plans
- 19% Need more information

### Incentivize providers to accept best practices for alternatives to opioids
- 7% Currently using
- 17% Plan to use
- 45% No plans
- 31% Need more information

### Incentivize pain management centers of excellence
- 5% Currently using
- 18% Plan to use
- 48% No plans
- 29% Need more information
Variations Among Respondents
Employers that analyze waste-related data are less likely to rate treatments as significantly contributing to healthcare waste...

In your opinion how do inefficiencies in the following categories contribute to waste in the healthcare system?  
(Percentage reporting significantly contributes)

- Medical imaging: 45% (collects and analyzes data) vs. 59% (does not collect and analyze data)
- Specialty drugs: 43% (collects and analyzes data) vs. 49% (does not collect and analyze data)
- Prescription Medications: 36% (collects and analyzes data) vs. 43% (does not collect and analyze data)
- Clinical tests: 27% (collects and analyzes data) vs. 36% (does not collect and analyze data)
...more likely to currently manage treatments to reduce waste...

Indicate if your organization or vendors on your behalf are currently managing or planning to manage healthcare waste in these categories.

(Percentage reporting currently managing)

- Medical imaging
  - Collects and Analyzes Data on Healthcare Waste (n=50): 41%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 18%

- Specialty drugs
  - Collects and Analyzes Data on Healthcare Waste (n=50): 73%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 41%

- Prescription Drugs
  - Collects and Analyzes Data on Healthcare Waste (n=50): 80%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 41%

- Clinical tests
  - Collects and Analyzes Data on Healthcare Waste (n=50): 32%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 5%
...have had more or about the same level of success as employers who don’t collect data

How would you rate your organization’s success in managing healthcare waste in the following categories?
(Percentage rating very effective)

- Medical imaging:
  - Collects and Analyzes Data on Healthcare Waste (n=50): 26%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 29%

- Specialty drugs:
  - Collects and Analyzes Data on Healthcare Waste (n=50): 41%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 23%

- Prescription medications:
  - Collects and Analyzes Data on Healthcare Waste (n=50): 31%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 32%

- Clinical tests:
  - Collects and Analyzes Data on Healthcare Waste (n=50): 39%
  - Does Not Collect and Analyze Data on Healthcare Waste (n=76): 0%
Takeaways and Recommendations
Key Takeaways

• Employers perceive inefficiencies in the healthcare system as a serious problem

• 57% believe up to a quarter of treatments employees and dependents receive are wasteful

• Employers challenged by lack of data to track inefficiencies

• Most do not collect and analyze data related to waste either internally or through their vendors (59%)

• Leading contributors to waste:
  – Medical imaging (53%)
  – Specialty drugs (46%)
  – Prescription medications (40%)
  – Clinical tests (31%)
Key Takeaways

- Employers that manage waste do not report high levels of success - *most are operating blind* to the level of inefficiencies in their geographic locations.

- Most employers have not implemented benefit design and care management, like bundled payments (25%) or outcomes-based contracting where payment is contingent upon designated outcomes (18%).

- To manage waste, employers most often turn to patient education and benefit design; however, majority of respondents don’t use these tactics at all.
Key Takeaways

• Majority of employers are managing prescription medications (58%) and specialty drugs (56%)

• Substantially less managing medical imaging (29%) or clinical tests (15%)

• Employers are most likely to have taken steps to:
  – Reduce prescription non-specialty drug use
  – 74% have altered benefits to restrict access through prior authorizations or step therapy
  – 57% have implemented dosing limits

• Limiting the initial dose is the most common tactic to manage waste from specialty medications in use (42%)

• By 2020, a majority of employers expect to require authorization from a physician after initial dosing (56%) or a medical trial period (54%)
Recommendations for Purchasers

• Ask vendors to share information on healthcare waste and report on their efforts to address overuse (e.g. imaging tests)
  – Request data from health plan, PBM, providers, benefits consultants, and other vendors (individually or through a coalition)
  – Report on number of procedures, overutilized services, dollars spent

• Consider value-based benefit design strategies that encourage reduced utilization of low value services:
  – Steer utilization to lower cost venues
  – Increase co-pays for low value care
  – Channel toward higher performing providers
  – Consider prior authorization for potentially unnecessary tests/procedures
Recommendations for Purchasers

• Move towards alternative payment mechanisms that do not reward waste or unnecessary services
  – Identify providers with high rates of imaging and target for education or incentives
  – Learn where to best implement incentives to improve care
  – Consider advanced primary care and bundled payment strategies

• Engage with the *Choosing Wisely* initiative
  – Make patient resources available to employees ([www.choosingwisely.org](http://www.choosingwisely.org)) through online access, print and in common areas such as cafeterias and on-site clinics
  – Consider communication campaign that includes distribution of the Five Questions wallet card
Appendix
Q: How is your organization or your vendors currently managing healthcare waste in these categories? Select all that apply.
How organizations/vendors currently manage waste

Q: How is your organization or your vendors currently managing healthcare waste in these categories? Select all that apply.

- Inpatient monitoring
  - Patient Education: 26%
  - Provider Education: 13%
  - Value Based Contracting: 17%
  - Disease screenings (e.g., pap smears): 35%
  - 4% Other

- Primary care services
  - Patient Education: 24%
  - Provider Education: 15%
  - Value Based Contracting: 24%
  - Disease screenings (e.g., pap smears): 20%
  - 11% Other

- Disease screenings (e.g., pap smears)
  - Patient Education: 37%
  - Provider Education: 17%
  - Value Based Contracting: 10%
  - Disease screenings (e.g., pap smears): 7%
  - 7% Other
Categories for managing healthcare waste

Q: How is your organization or your vendors currently managing healthcare waste in these categories? Select all that apply.

- Value-based contracting (e.g., centers of excellence, narrow networks, etc.)
- Benefit design (e.g., prior auths, pre-certs, value-based insurance design)

- Clinical tests (e.g., blood work or chemistry testing)
  - Value-based contracting: 29%
  - Benefit design: 24%

- Primary care services
  - Value-based contracting: 23%
  - Benefit design: 18%

- Medical imaging (e.g., MRIs, X-rays, etc.)
  - Value-based contracting: 21%
  - Benefit design: 32%

- Inpatient monitoring
  - Value-based contracting: 18%
  - Benefit design: 34%

- Preoperative testing
  - Value-based contracting: 17%
  - Benefit design: 34%

- Specialty physician referrals
  - Value-based contracting: 16%
  - Benefit design: 26%

- Disease screenings (e.g., Pap tests)
  - Value-based contracting: 15%
  - Benefit design: 21%

- Specialty drugs
  - Value-based contracting: 14%
  - Benefit design: 31%

- Prescription medications
  - Value-based contracting: 11%
  - Benefit design: 30%