



Employers' Perceptions & Actions Related to Healthcare Waste

2018 Pulse Survey Summary Report



Gallagher

Insurance | Risk Management | Consulting

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

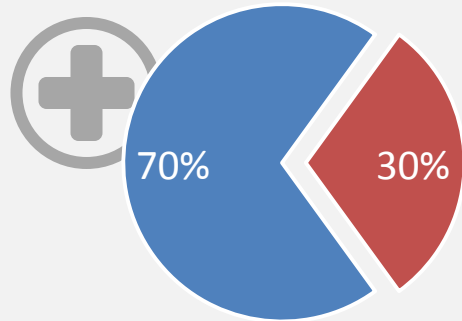
About the Survey

- 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

■ Total Health Spending ■ Wasted Spending

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



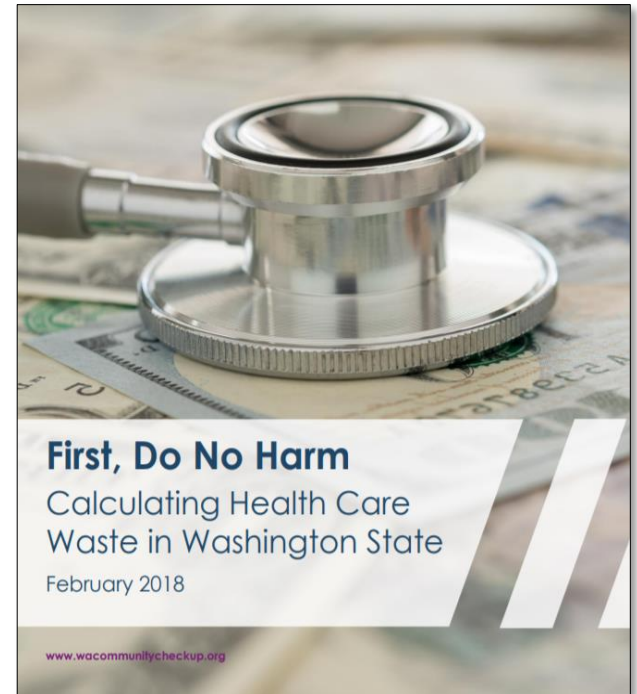
Washington Health Alliance Study

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

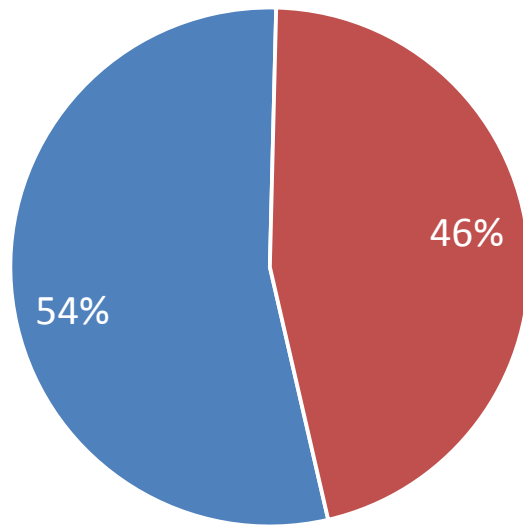
- Three of the 11 services were:
 - Unnecessary imaging for eye disease
 - Imaging for uncomplicated low back pain in the first six weeks
 - Imaging for uncomplicated headache



St. Louis Area Business Health Coalition

Assessment of 44 Choosing Wisely Measures

1,048,261 services reviewed



■ Total Services Review ■ Services Found To Be Wasteful

\$302.8 M of spending was considered wasteful

75% of identified waste occurred in 5 services

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

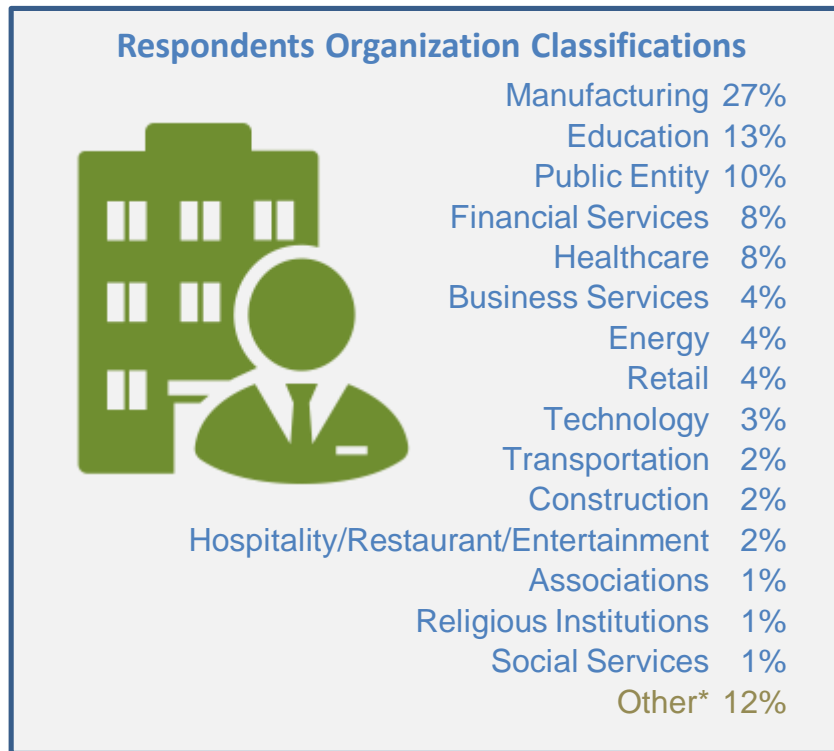
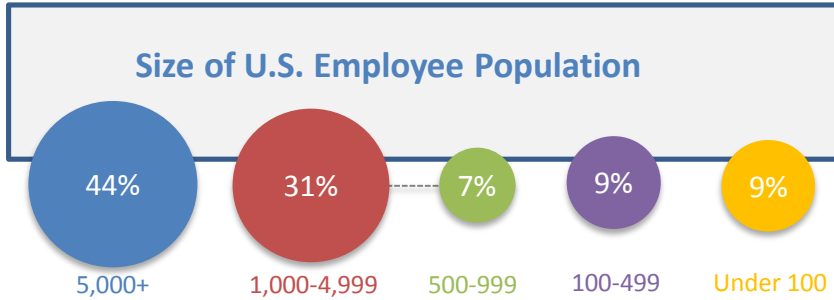
The Data

2016 St. Louis Data - with look back to 2008

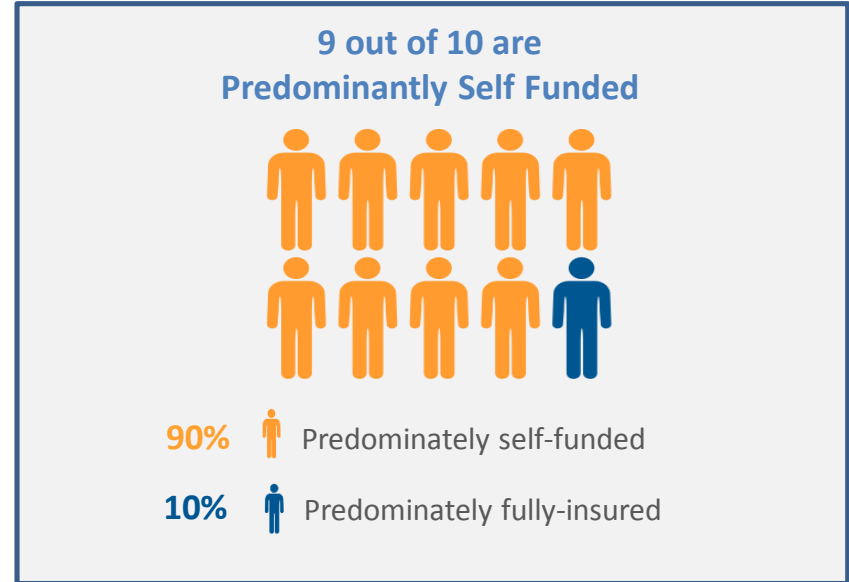
- 1,658,308 members
- 17,046,073 member months



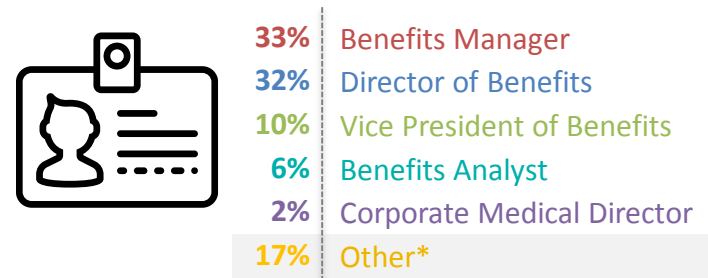
Demographics of the 126 Survey Respondents



*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



Respondents Organizational Positions



*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



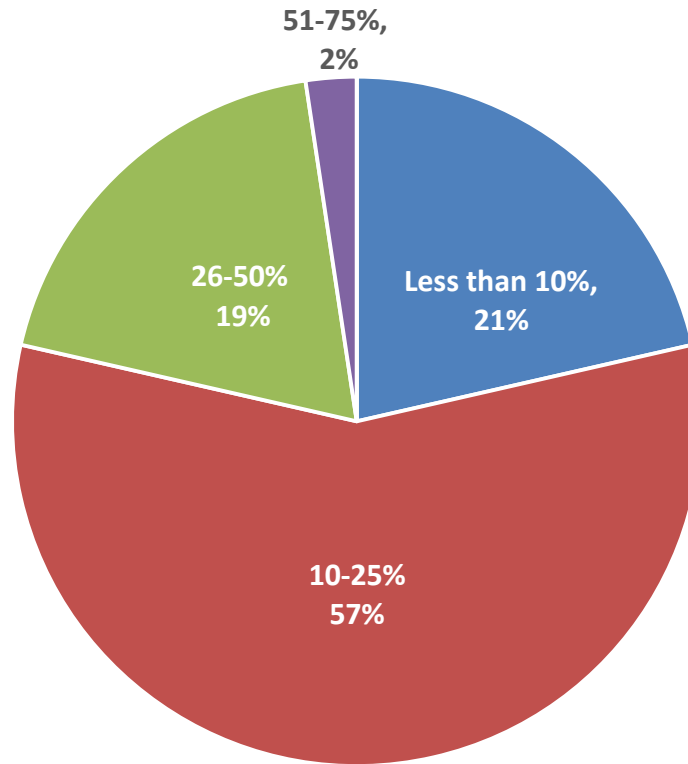
Gallagher

Insurance | Risk Management | Consulting

Employers perceive a fair amount of waste in the healthcare system

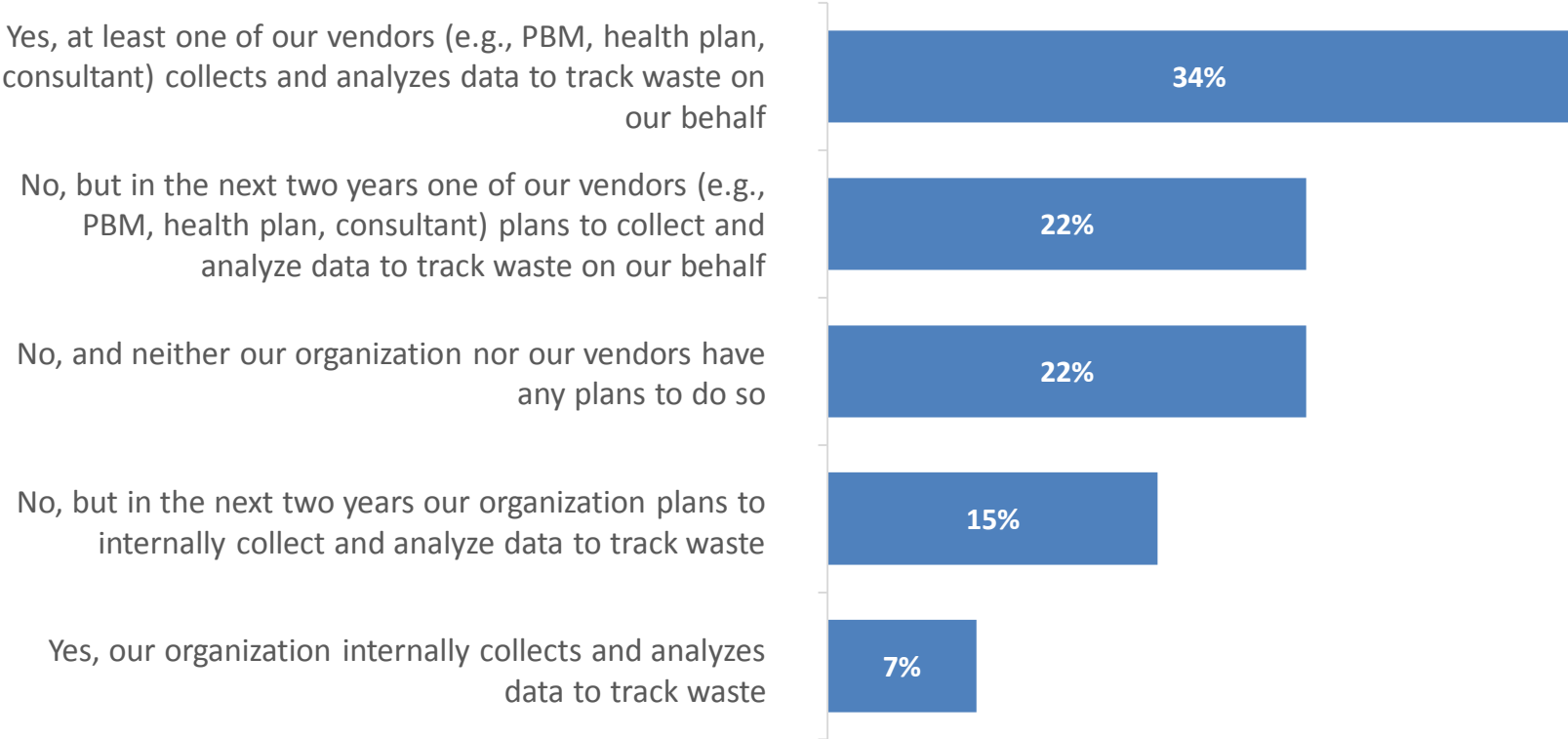
Majority (57%) believe that up to a quarter of all their populations' treatments are wasteful

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

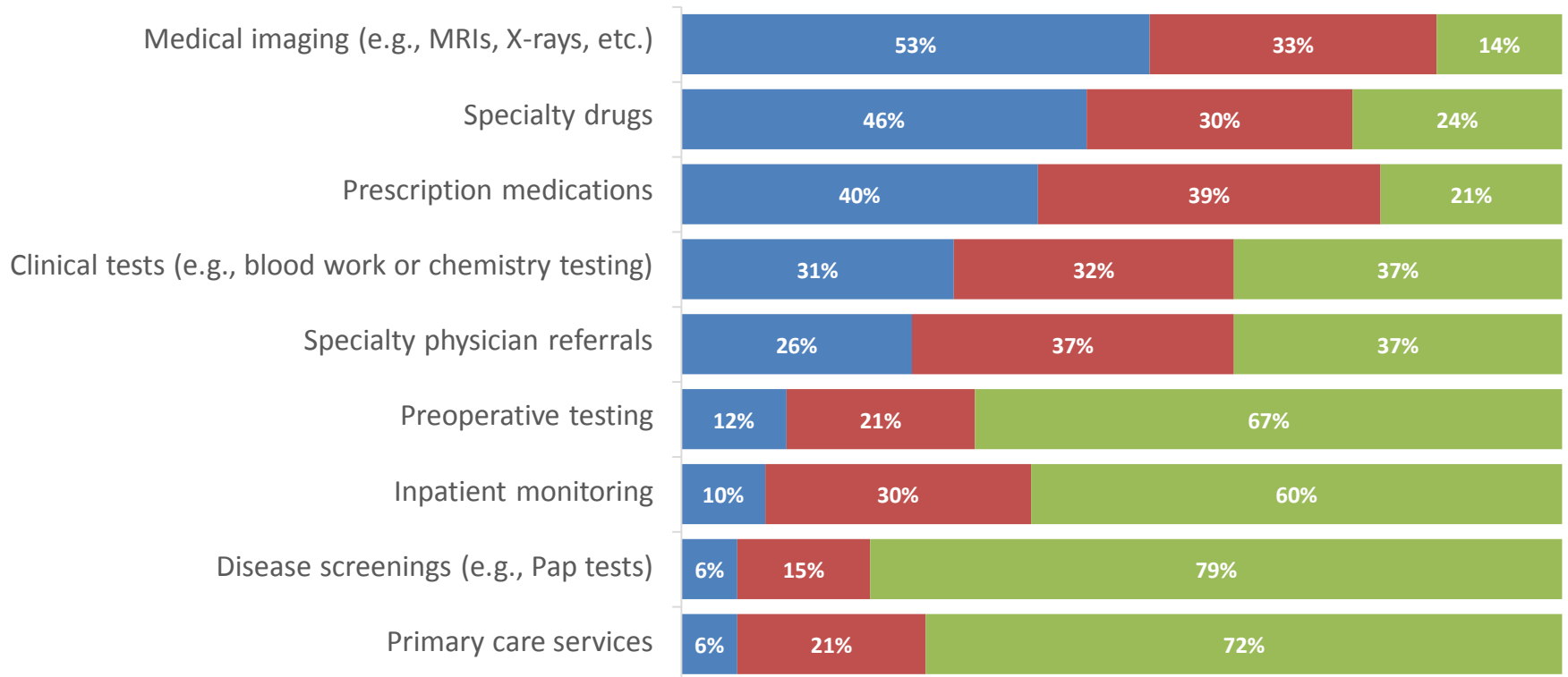
Q: Does your organization collect and analyze its medical and pharmacy data to track healthcare waste?



Employers perceive medical imaging and medications to be the largest contributors to waste

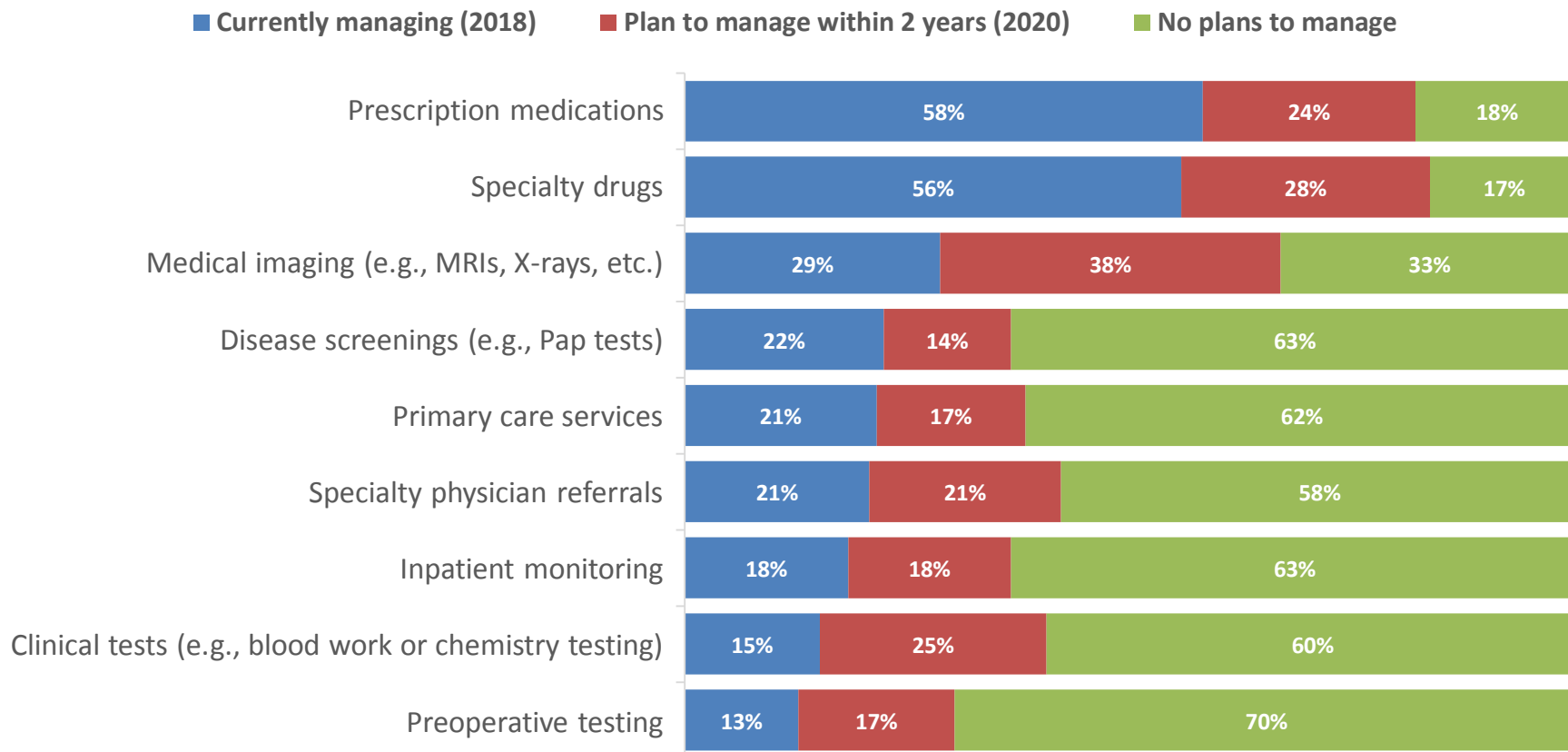
Q: In your opinion how do inefficiencies in the following categories contribute to waste in the healthcare system?

■ 4-5 Significantly contributes to waste ■ 3 Moderately contributes to waste ■ 1 -2 Minimally contributes to waste

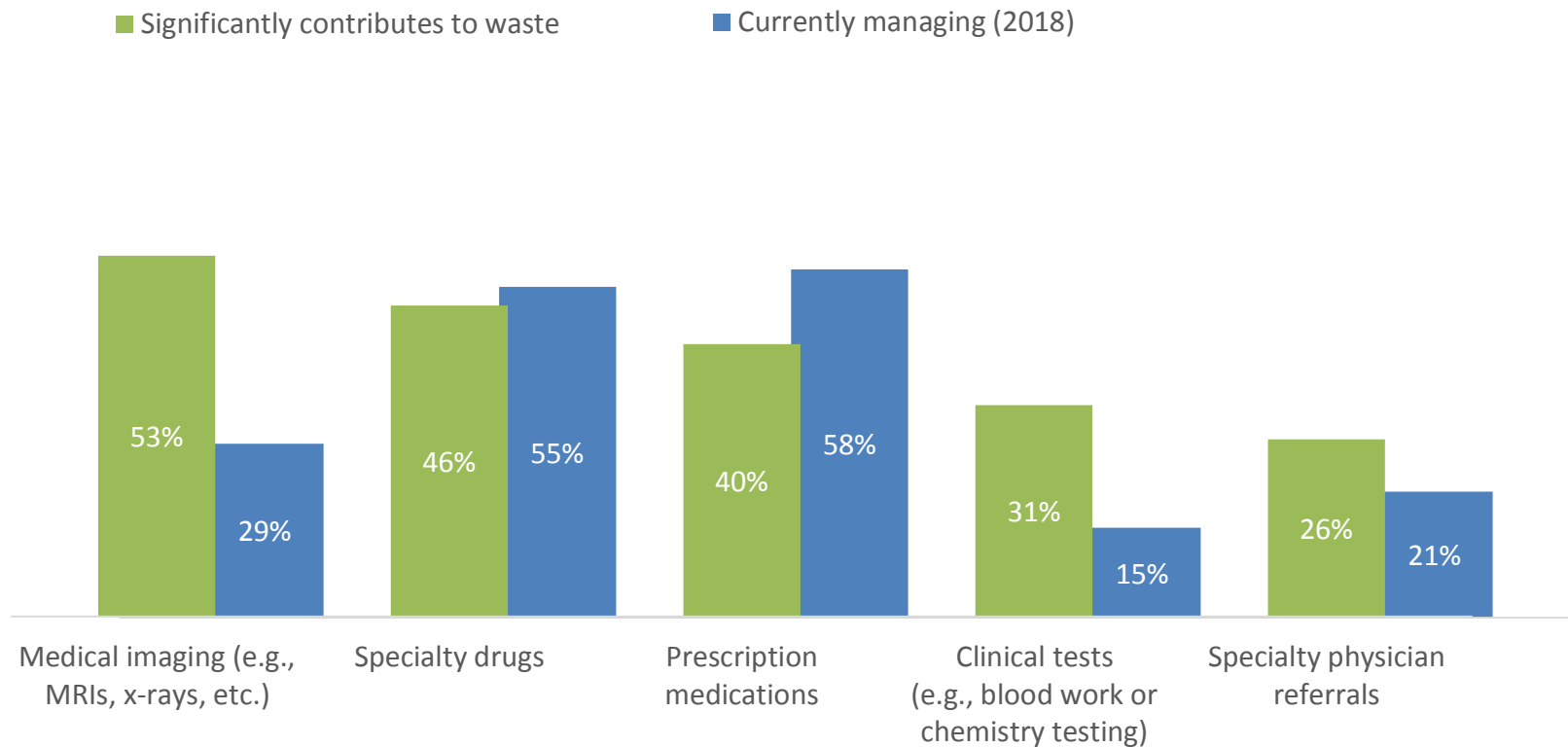


Employers have generally sought to manage waste in prescription and specialty drugs ...

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

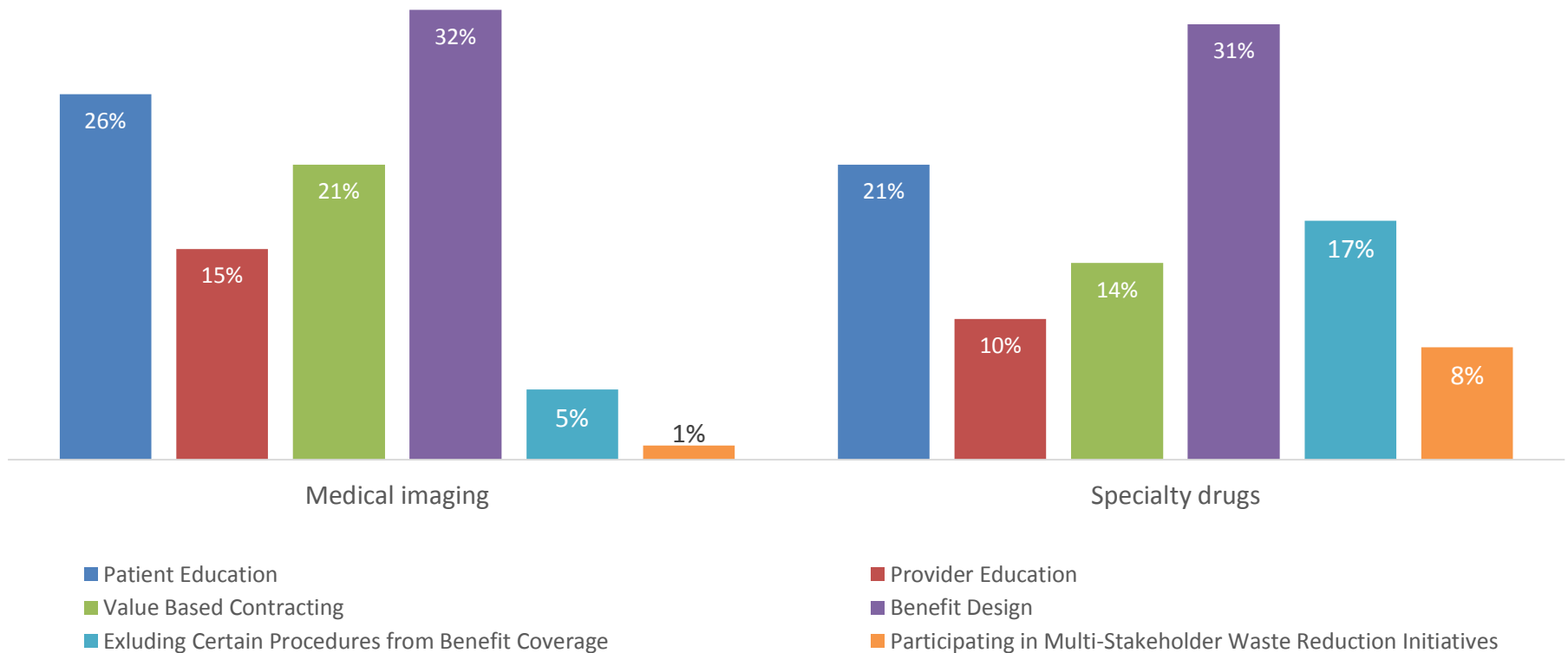


... but employers' efforts to manage waste in non-pharmacy areas is lagging



Most employers don't use similar approaches to manage the areas they find most wasteful ...

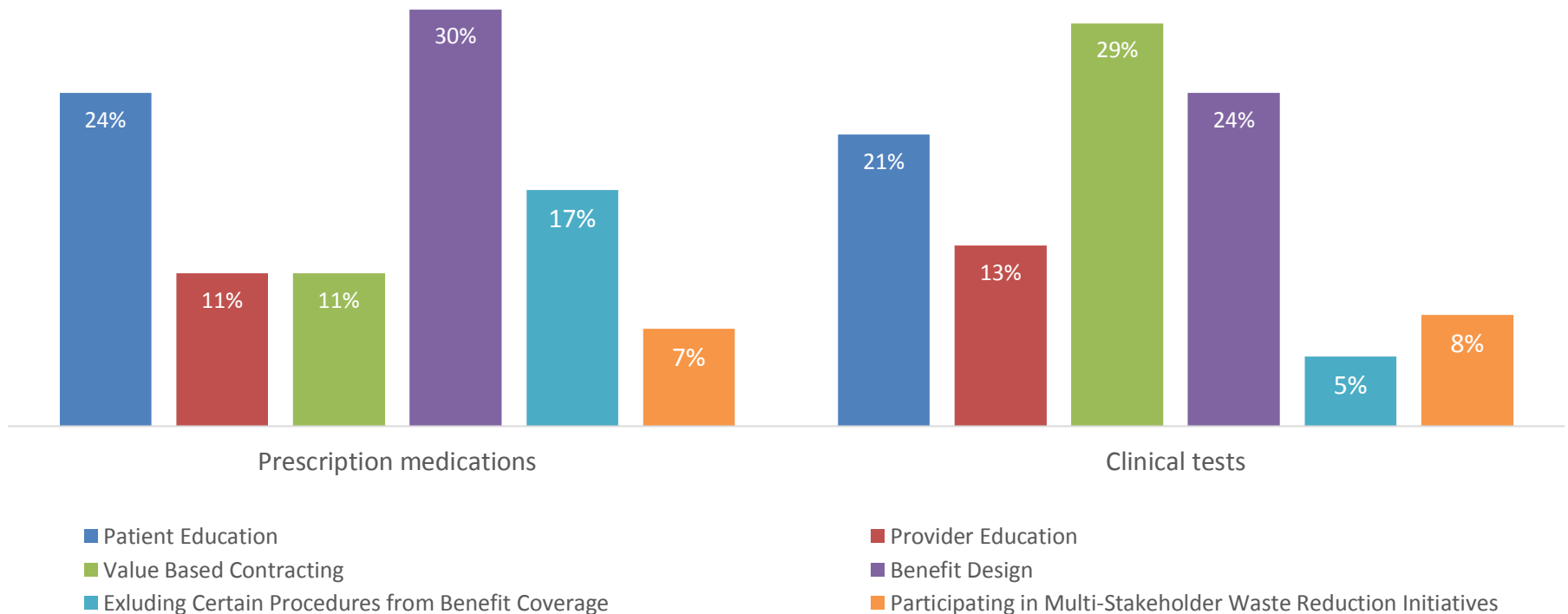
Q: How is your organization or your vendors currently managing healthcare waste in these categories?



*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?

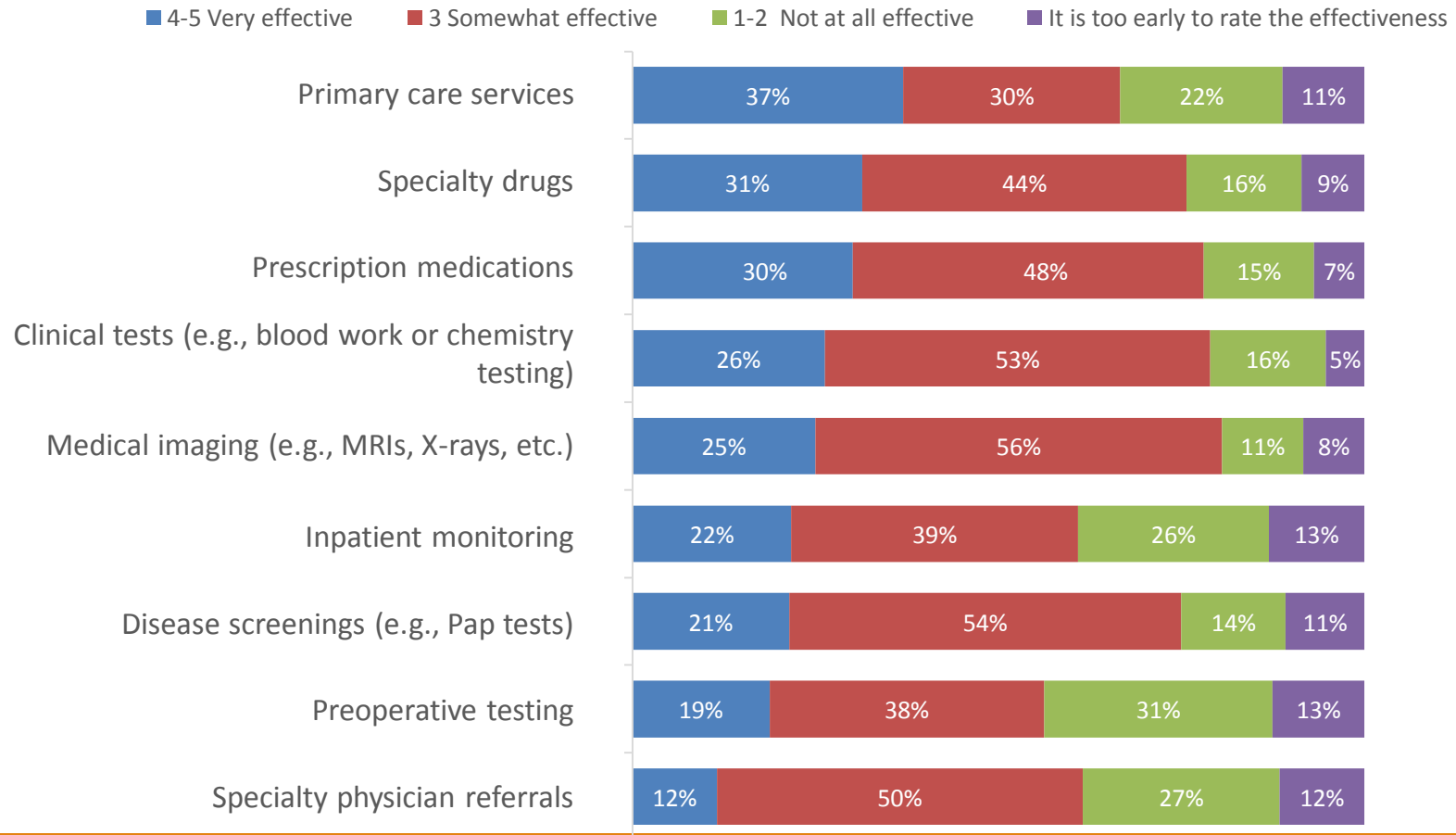


*See appendix for how employers manage waste in other categories.

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

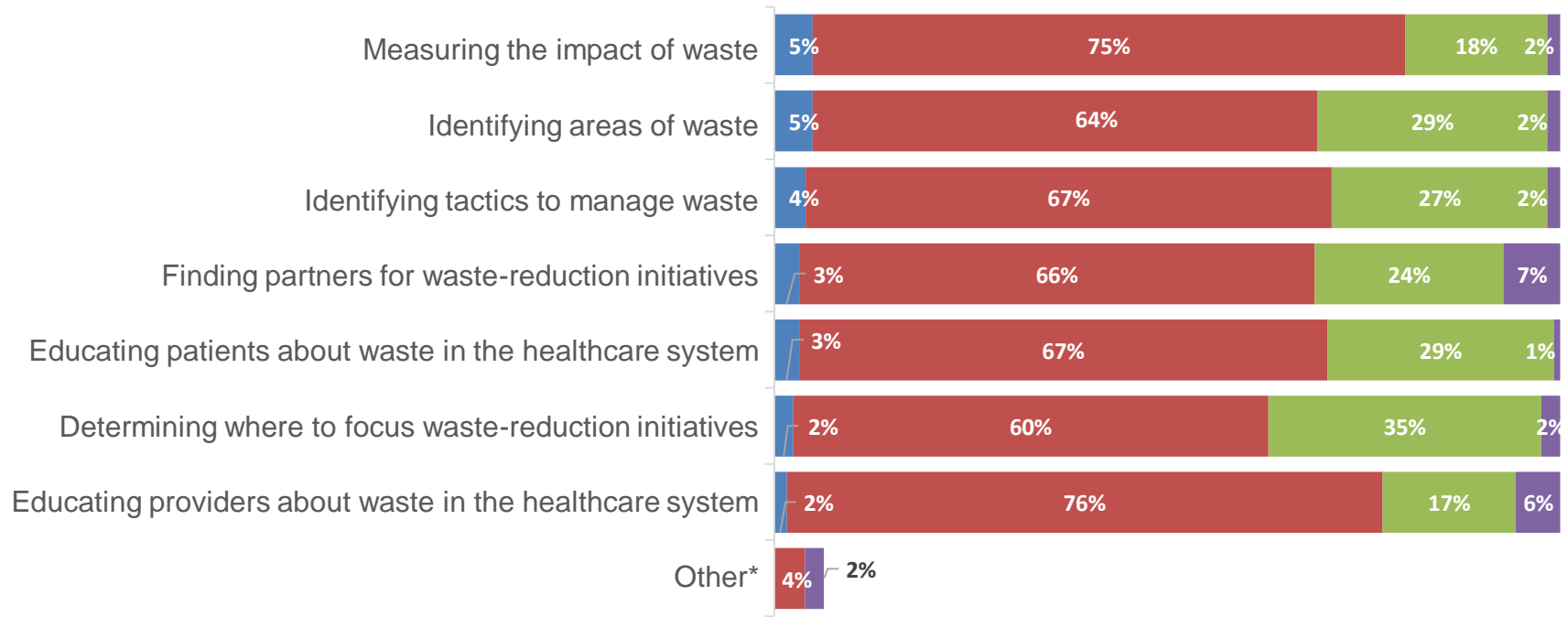
Q: How would you rate your organization's success in managing healthcare waste in the following categories?



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

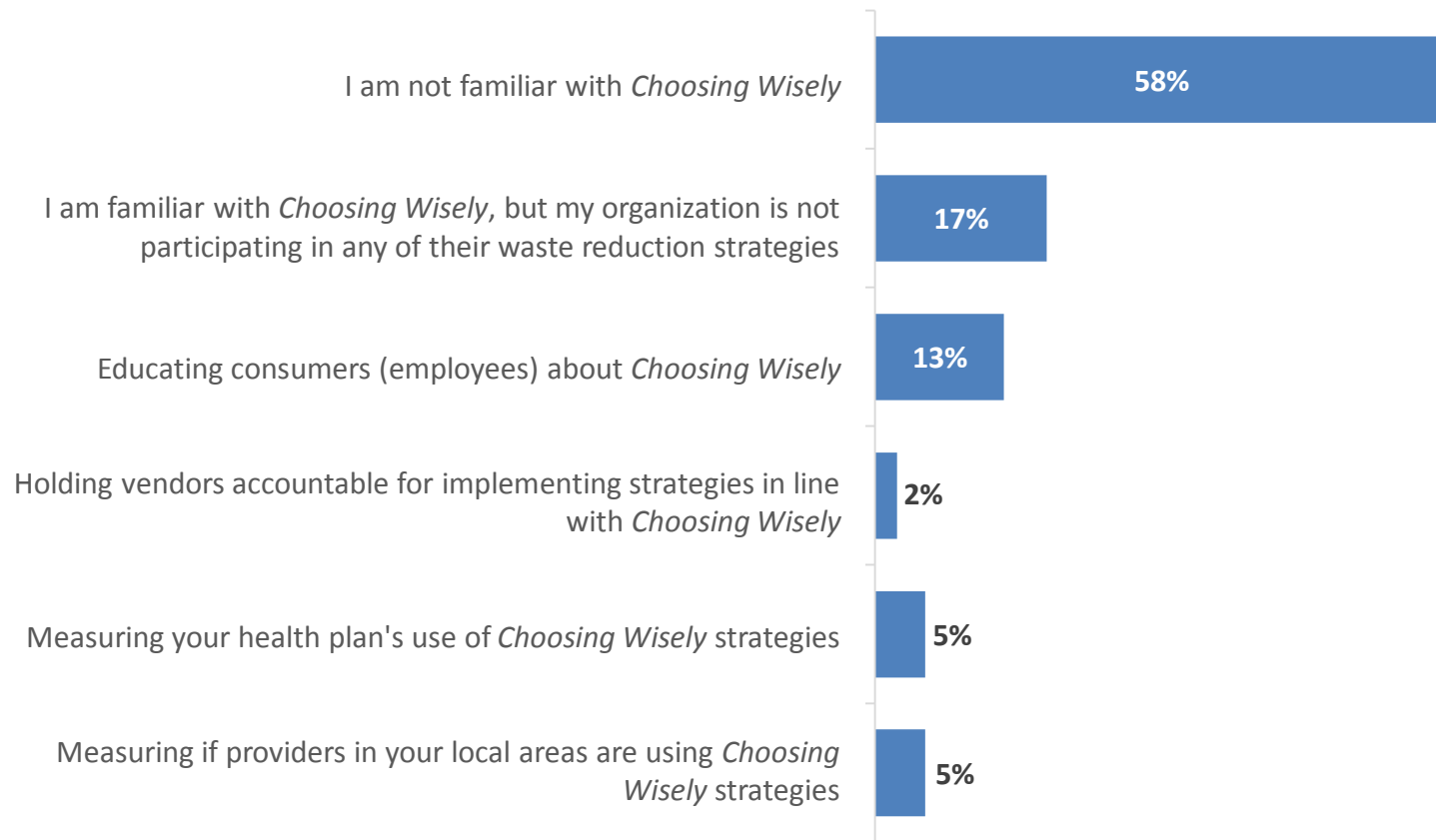
- Successfully achieved
- Interested in achieving but anticipate significant challenges
- Interested in achieving and do not anticipate significant challenges
- Not interested in achieving



*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?





Managing Waste through Benefit Design

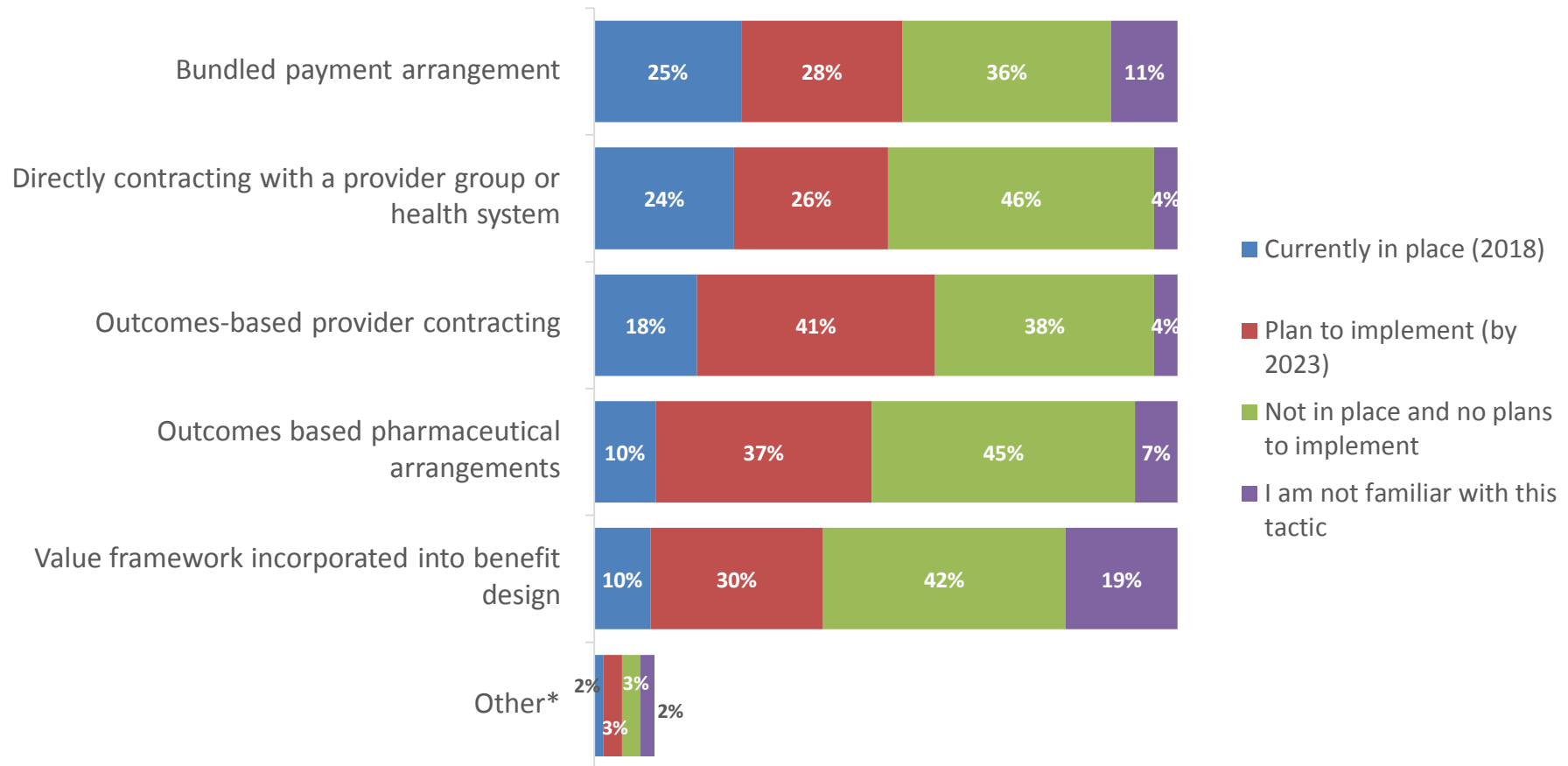


Gallagher

Insurance | Risk Management | Consulting

Most employers are not currently using alternate benefit design arrangements or payment contracts, but these tactics are expected to grow in the five years

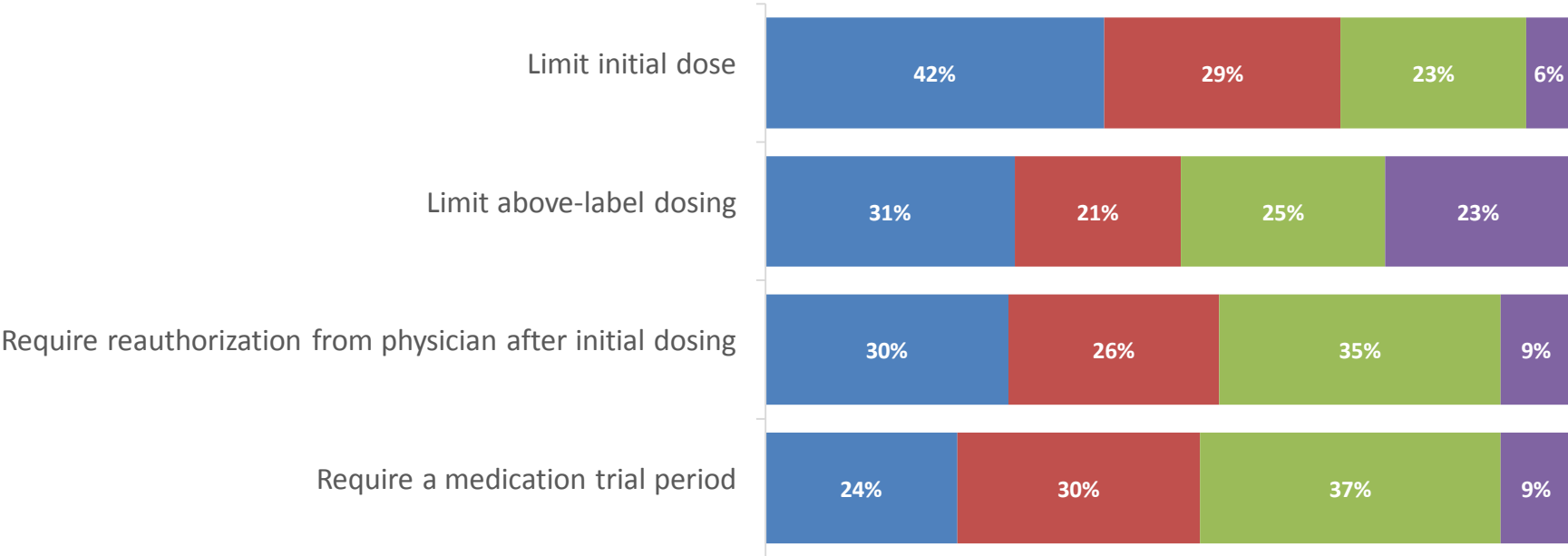
Q: Does your organization have any of the following benefit design and care management initiatives in place (2018) or planned for the future?



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?

■ Currently managing (2018) ■ Plan to manage within 2 years (2020) ■ No plans to manage ■ I am not familiar with this tactic

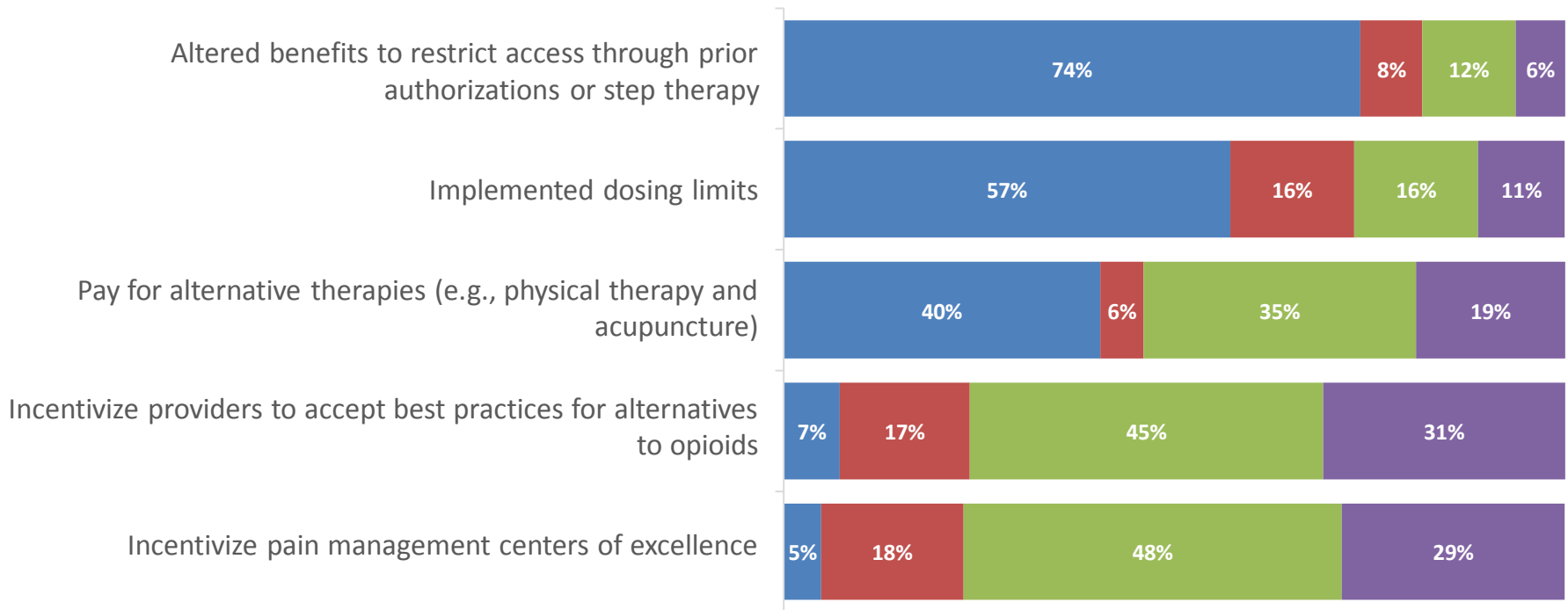


Most employers have taken steps to reduce Rx drug misuse by limiting access or dosage

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





Variations Among Respondents

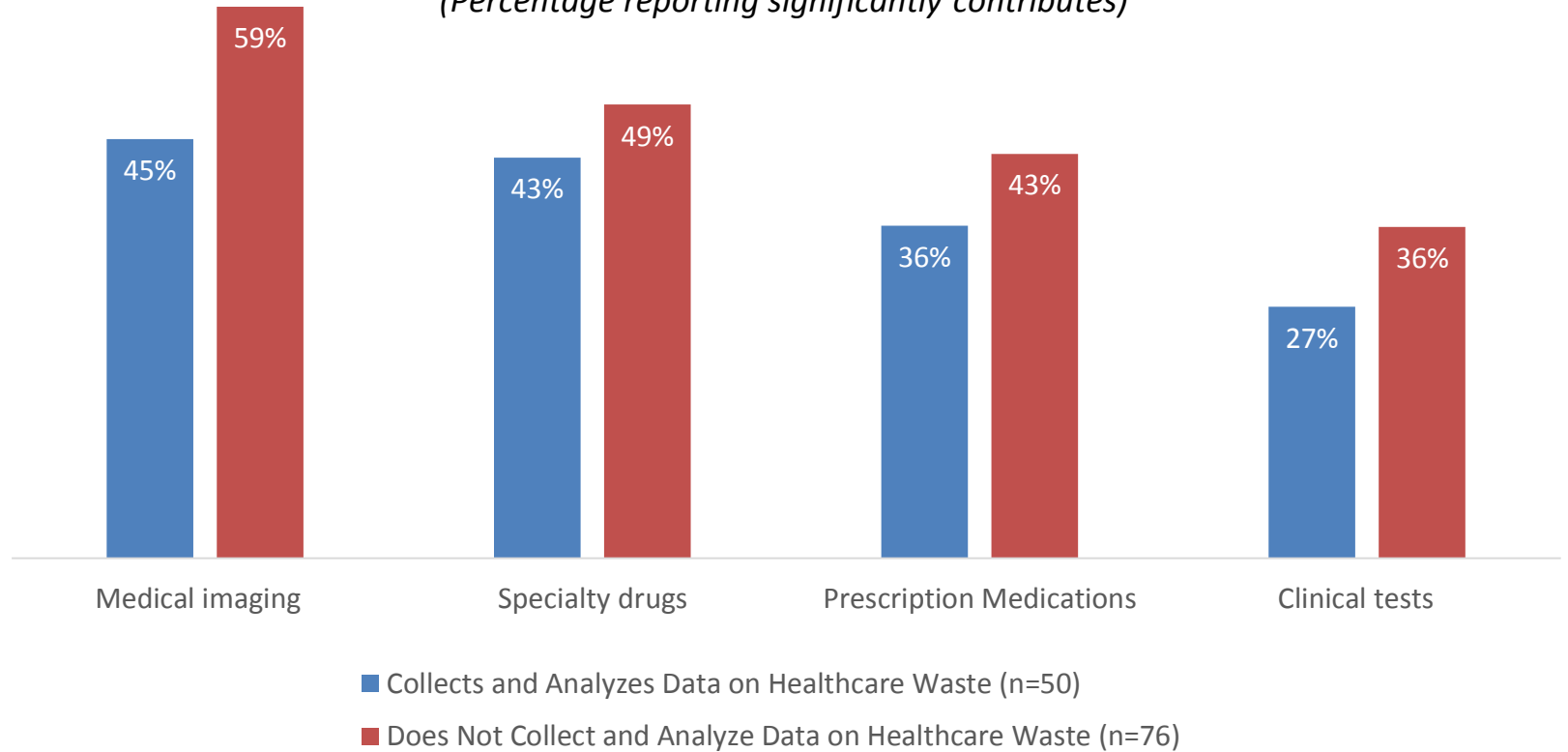


Gallagher

Insurance | Risk Management | Consulting

Employers that analyze waste-related data are less likely to rate treatments as significantly contributing to healthcare waste...

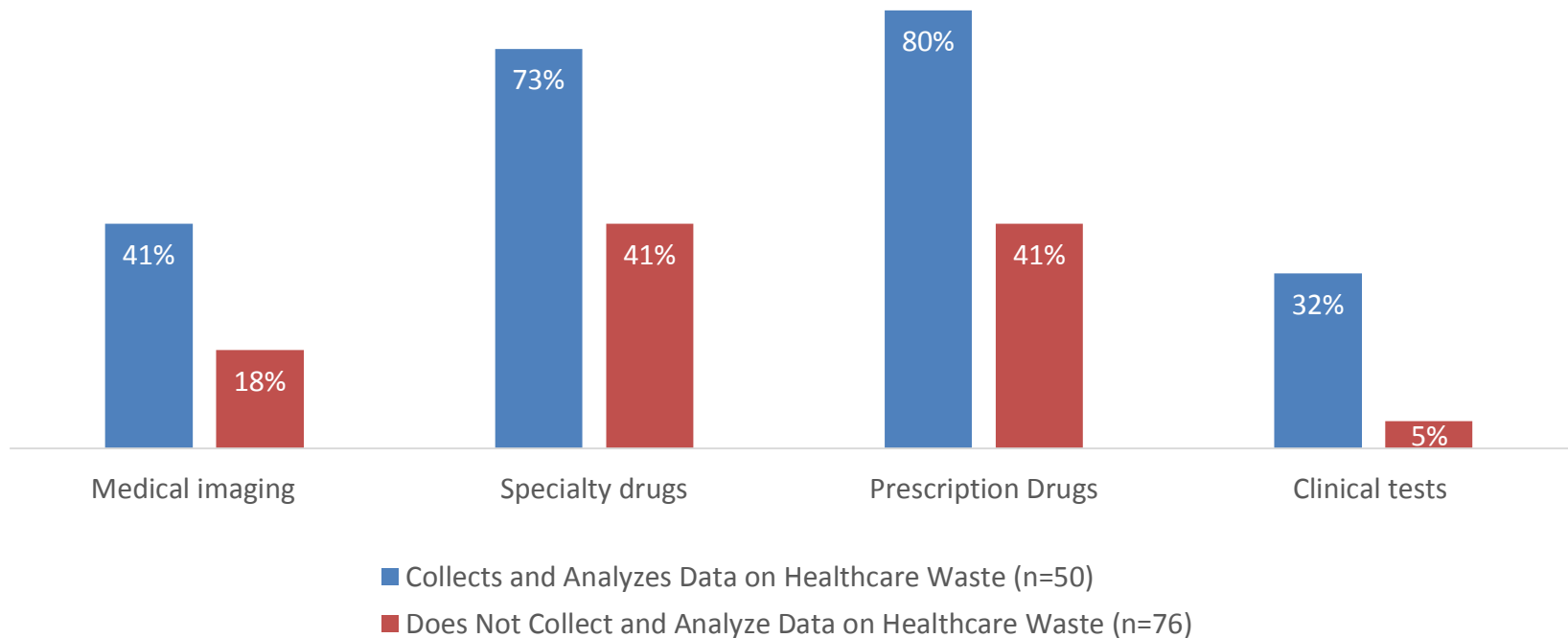
In your opinion how do inefficiencies in the following categories contribute to waste in the healthcare system?
(Percentage reporting significantly contributes)



...more likely to currently manage treatments to reduce waste...

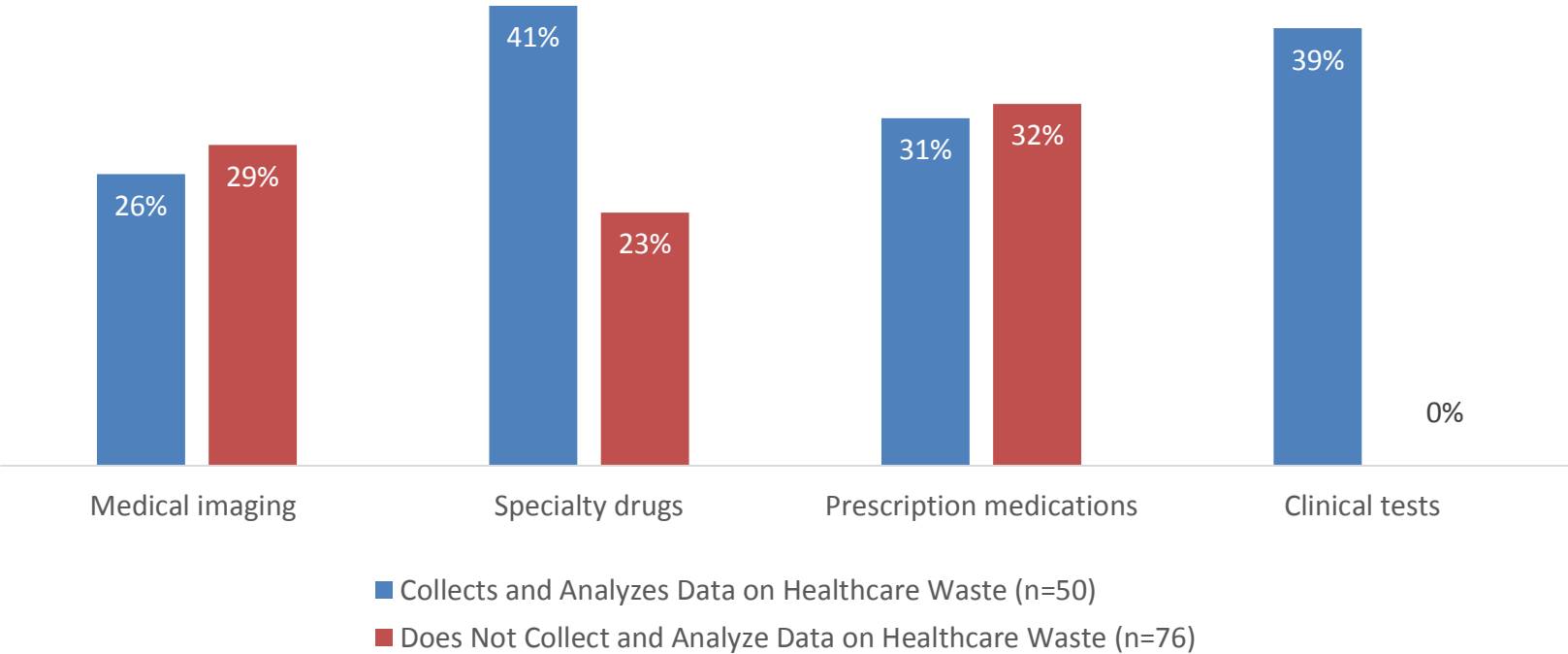
Indicate if your organization or vendors on your behalf are currently managing or planning to manage healthcare waste in these categories.

(Percentage reporting currently managing)



...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)





Takeaways and Recommendations



Gallagher

Insurance | Risk Management | Consulting

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) 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

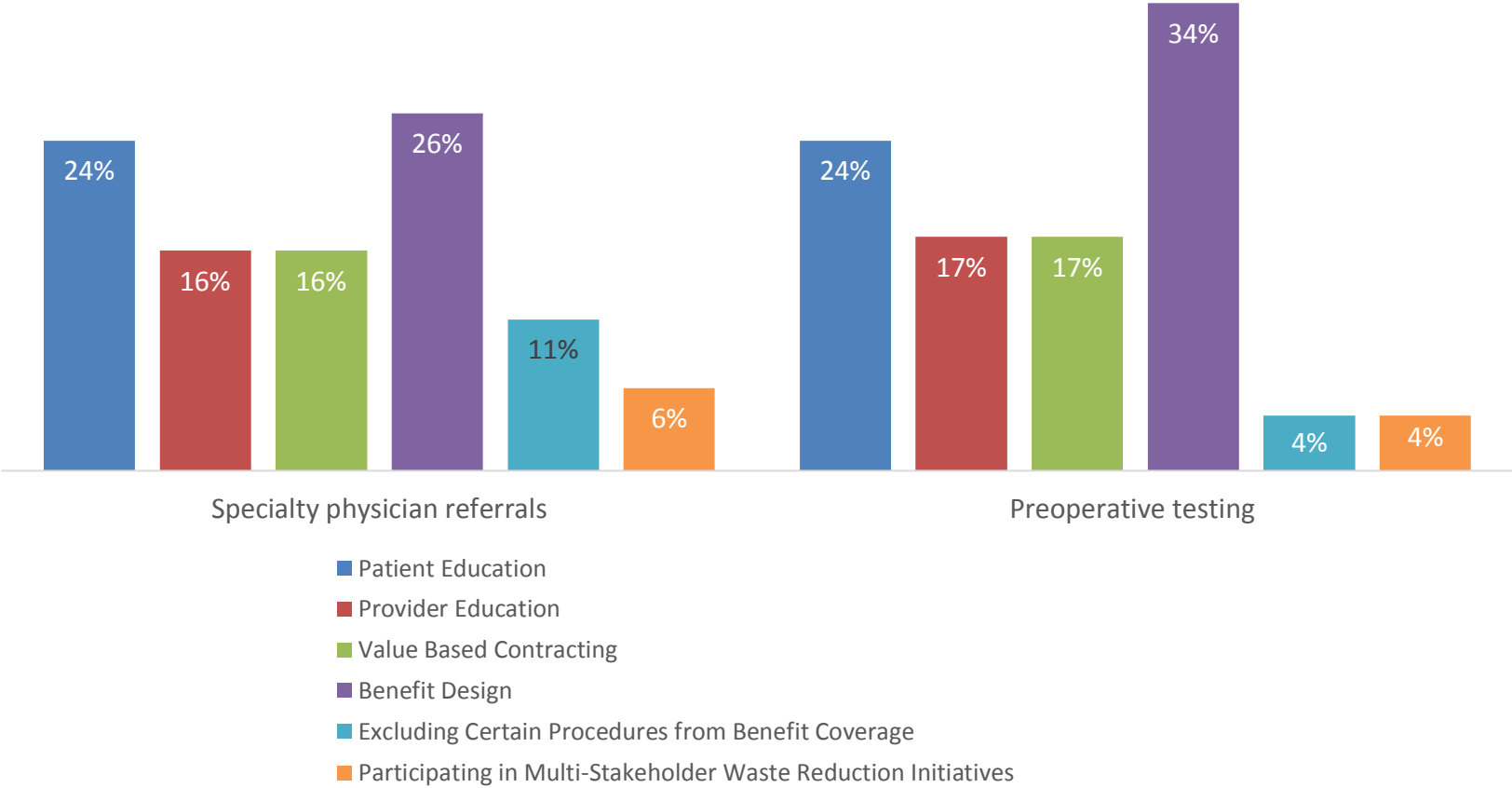


Gallagher

Insurance | Risk Management | Consulting

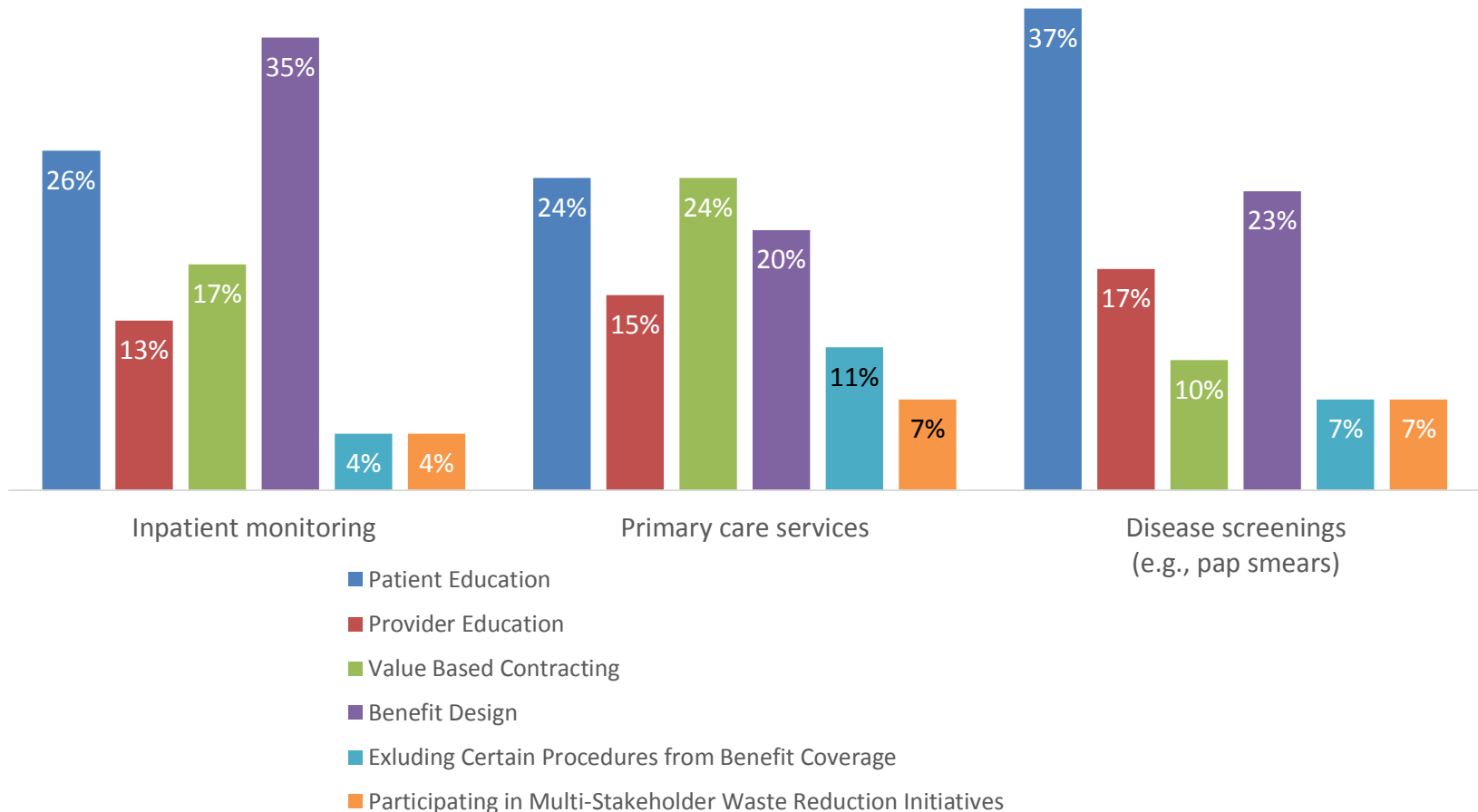
How waste is currently managed

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.*



Categories for managing healthcare waste

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

