



**Testimony Before the Committee on Education and the Workforce
Subcommittee on Health, Employment, Labor, and Pensions**

April 26, 2023

**Tracy Watts
Senior Partner and US Healthcare Policy Leader
Testifying on behalf of Mercer and The American Benefits Council**

My name is Tracy Watts. I'm a Senior Partner and US Healthcare Policy Leader at Mercer. I am also the immediate past Board Chair of the American Benefits Council. Mercer is a business unit of Marsh McLennan, the world's leading professional services firm in the areas of risk, strategy and people. We are a U.S. company with more than 85,000 colleagues worldwide, advising public and private sector clients in 130 countries. The American Benefits Council is a Washington D.C.-based employee benefits public policy organization advocating for employers that are dedicated to the achievement of best-in-class solutions that protect and encourage the health and financial well-being of their workers, retirees and families.

I have more than 35 years of experience helping large and jumbo companies in the US design, finance and administer their healthcare programs to control costs and improve the health or their workforce.

Starting off with affordability. We applaud the work of your committee and Congressional focus on health care affordability.

From Mercer's Inside Employee Minds research conducted in the 3rd quarter of 2022 with over 4,000 **workers**, **68%** say they have challenges getting healthcare for themselves and their family. Affordability and provider availability were the top concerns overall – with low income workers, female workers and workers below age 25 and over age 44 most concerned with affordability. Access is also an issue – finding a doctor, getting into a specialist, getting time off from work to go to the doctor.

In our **employer research**, two-thirds of large employers said that “Improving healthcare affordability” for their employees is an important or very important health program priority for the next few years. In response, 39% are offering a co-pay medical plan with little or no deductible. From a contribution perspective, 19% have salary based contributions, designed to help lower-salaried workers, and 15% are offering free employee-only coverage in one medical plan.

Given the outlook for faster health care cost growth, you might expect employers to start to pull back on health benefit offerings. But based on results from our latest Survey on Health and Benefits Strategies for 2024, fielded in February and March of this year, it doesn't look like it. Nearly two-thirds – 64% – say they are planning to make enhancements to their health and well-being offerings to improve employee attraction and retention and better meet employee needs, and over a quarter made health benefits enhancements within the past two years. This tells us employers and employees are focused on the need to reduce costs while maximizing access.

I'd like to quickly touch on three topics associated with new legislation being introduced.

Telehealth, when offered as an excepted benefit, meets a very specific need for certain employers with large numbers of employees who are not benefit eligible mostly in retail, hospitality and healthcare. Because of legislative uncertainty, we saw a decline in employers using this strategy – to 7% in 2023 from 17% in 2022. This is a benefit that is hugely valued by employees – but employers need permanent legislation for this coverage to be restored.

As an example, we work with a large restaurant chain that extended telehealth to its non-enrolled, part-time population. They view the telehealth benefit as a critical way to provide access to behavioral health services and appropriate medication when an employee who is not enrolled in the health plan gets sick.

Legislation to ban Unfair Hospital Billing Practices: Market consolidation and cost pressures have driven “opportunistic billing practices” by obfuscating where a service is provided. Non-hospital services are billed using a hospital address as the place of service to optimize reimbursement at the hospital reimbursement rate. This raises prices for patients. This raises prices for employers. This raises prices for the federal government and it is unfair.

In addition to higher prices, consumers may see other unfair hospital billing practices that increase their costs. The most common example is the addition of a hospital *facility charge* added to the bill for an office visit that takes place miles from the hospital, or worse yet a virtual visit. Another example is an urgent care facility where care is billed as a Hospital Emergency Department visit.

As a country, we cannot fix this problem if we cannot see the problem.

Government reimbursement policies are a driver of this market perversion. Those policies are increasing costs for patients and the plans that pay their medical bills. If we are serious about managing costs and making health care more affordable we need to address the core issues. Starting with eliminating these Unfair Hospital Billing Practices.

Over-regulation of stop-loss for small business at federal and state level: Employers must have the flexibility to manage health care spending in a manner that best suits their financial needs and ability to manage risk. This is instrumental in keeping employers engaged with their employee's health care needs and enable them to continue sponsoring health plans.

I included some background information on the use of stop-loss insurance in an attachment. In the 50-499 employee group size 71% of the companies buy an insured plan, 29% self-fund with stop-loss. That number flips to 71% self-fund with stoploss in the 500 to 999 employee category. Self-funding offers companies flexibility to design benefits to address affordability and their employee's needs.

And as I mentioned in the beginning of my statement – in this competitive environment, even with health care inflation, employers are looking for ways to enhance benefits and address affordability – and that means workers win!

Thank you for the opportunity to be here today.

Mercer research

1. What workers want: 2022 Inside Employees' Minds Results
2. Survey on Employer Health & Benefit Strategies for 2024
3. Stop-loss 101

1. Research on what workers want

*2022 Inside Employees' Minds
Results*

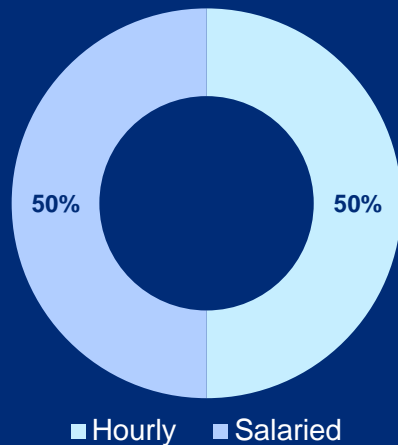


2022 Inside Employees' Minds

About this study

4,049

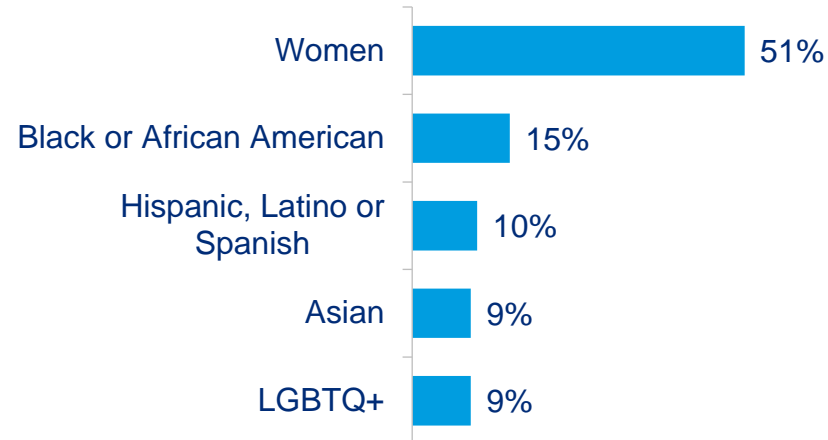
Full-time employees in the United States, working for organizations with more than 250 employees. The survey was conducted between August 26 and September 9, 2022.



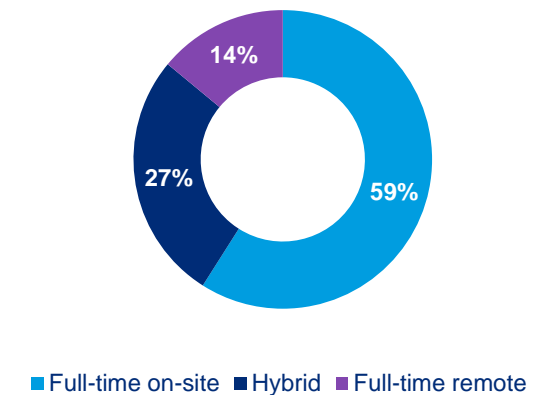
Top Industries with more than 500 employees



Representation of diverse groups



Work arrangements



What's keeping employees up at night?

Two years of multiple existential crises are weighing heavily on workers. They are worried about their health and well-being:

Short-term financial health



Covering Monthly Expenses

is the #1 concern of workers - up from #9 in 2021

Long-term financial security



Only 46%

of workers are confident they can turn their retirement savings into a consistent stream of income to last the rest of their lives

Work life balance



51%

of workers report feeling exhausted on a typical day at work

Physical health



#4

concern of workers; remaining a top concern – but down from #1 in 2021

Mental health



Top 5

concern of workers across most demographics – rising to #2 for workers below age 35 and LGBTQ

Financial concerns reign supreme



Financial concerns –

Covering monthly expenses, ability to retire and personal debt are all top concerns



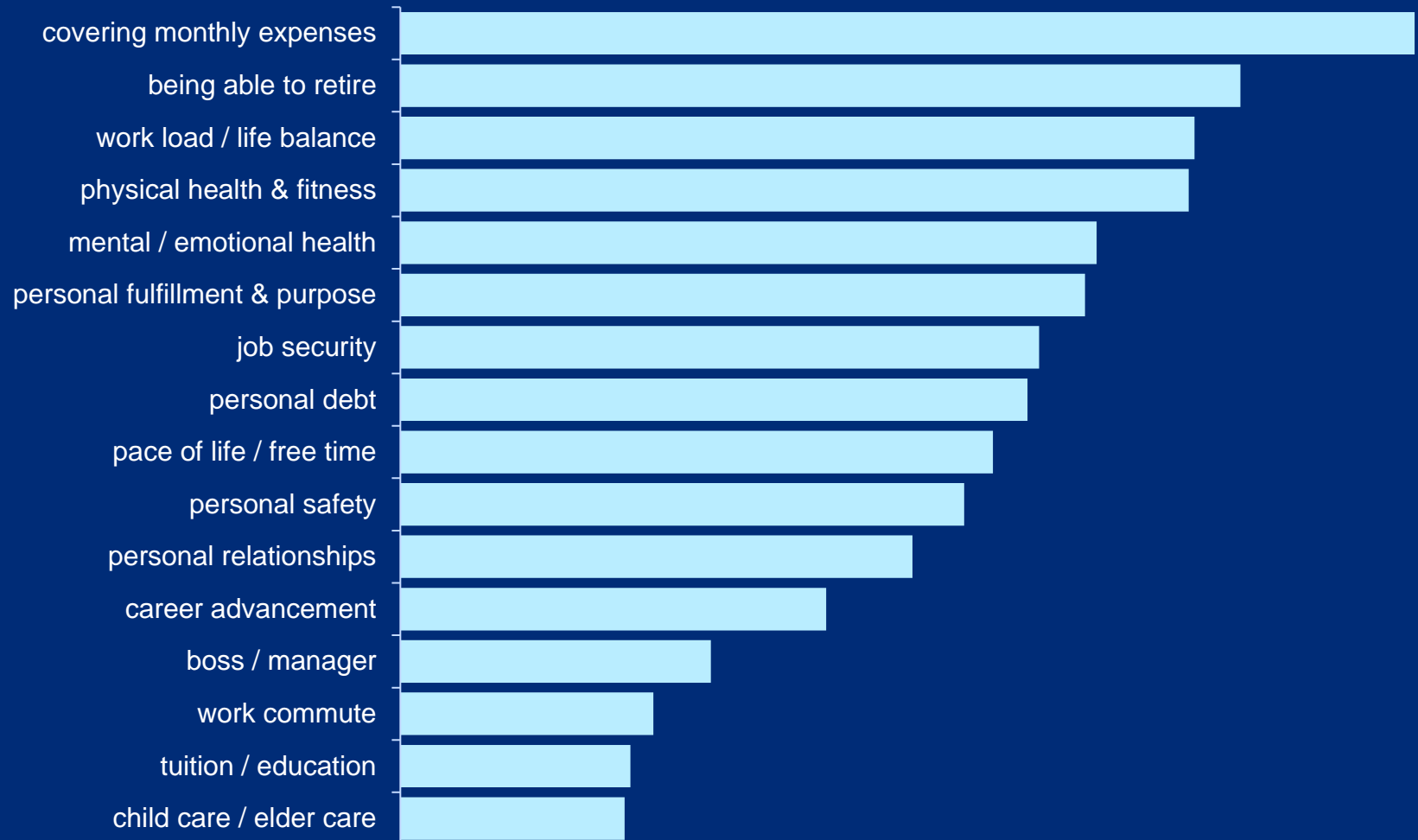
Burnout remains a top concern

with work load / life balance and mental / emotional health remaining in the top 5



Physical health has

declined in importance with reduced concerns over COVID, but still claims a top spot



Inflation is hitting hard for everyone

Workers are making lifestyle changes to adapt

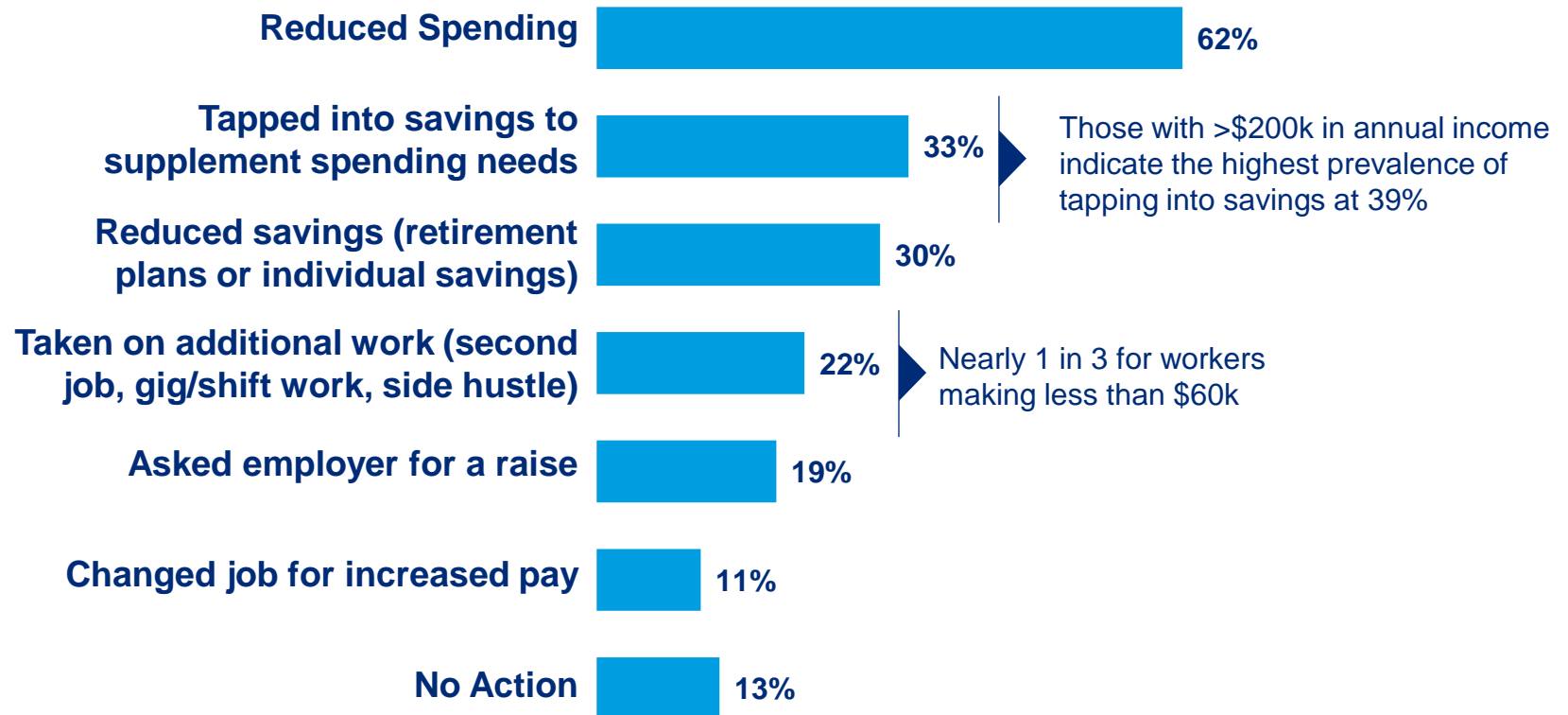


7 out of 10

employees say that high inflation and market volatility in 2022 has significantly increased their financial stress...

...and this holds true across income levels

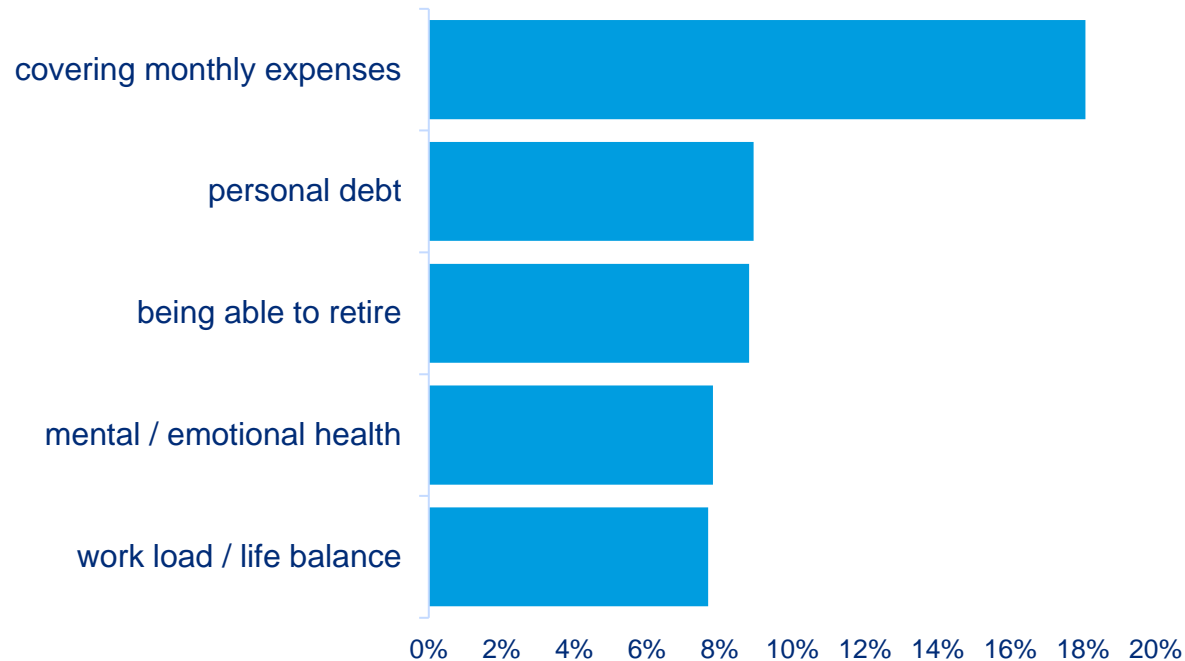
What changes have you made in response to the current inflationary environment?



Low-income workers are particularly vulnerable

Workers are struggling to make ends meet

Low-income workers are **TWICE** as concerned about covering monthly expenses as their next highest concern – which is personal debt



45%

Nearly half of low-income workers say they are considering switching employers

55%

More than half report do not feel they are compensated fairly

Living wages matter

83%

of employees say it's important that their employer support living wages through internal/external statements and tangible actions...

21%

...but only a fraction of employers today say they've adjusted pay to align with living wages

Source: 2022 Mercer US Compensation Planning Survey (August edition)

Employees struggle to get the healthcare they need

Healthcare affordability is the biggest struggle faced by employees – especially low-income workers

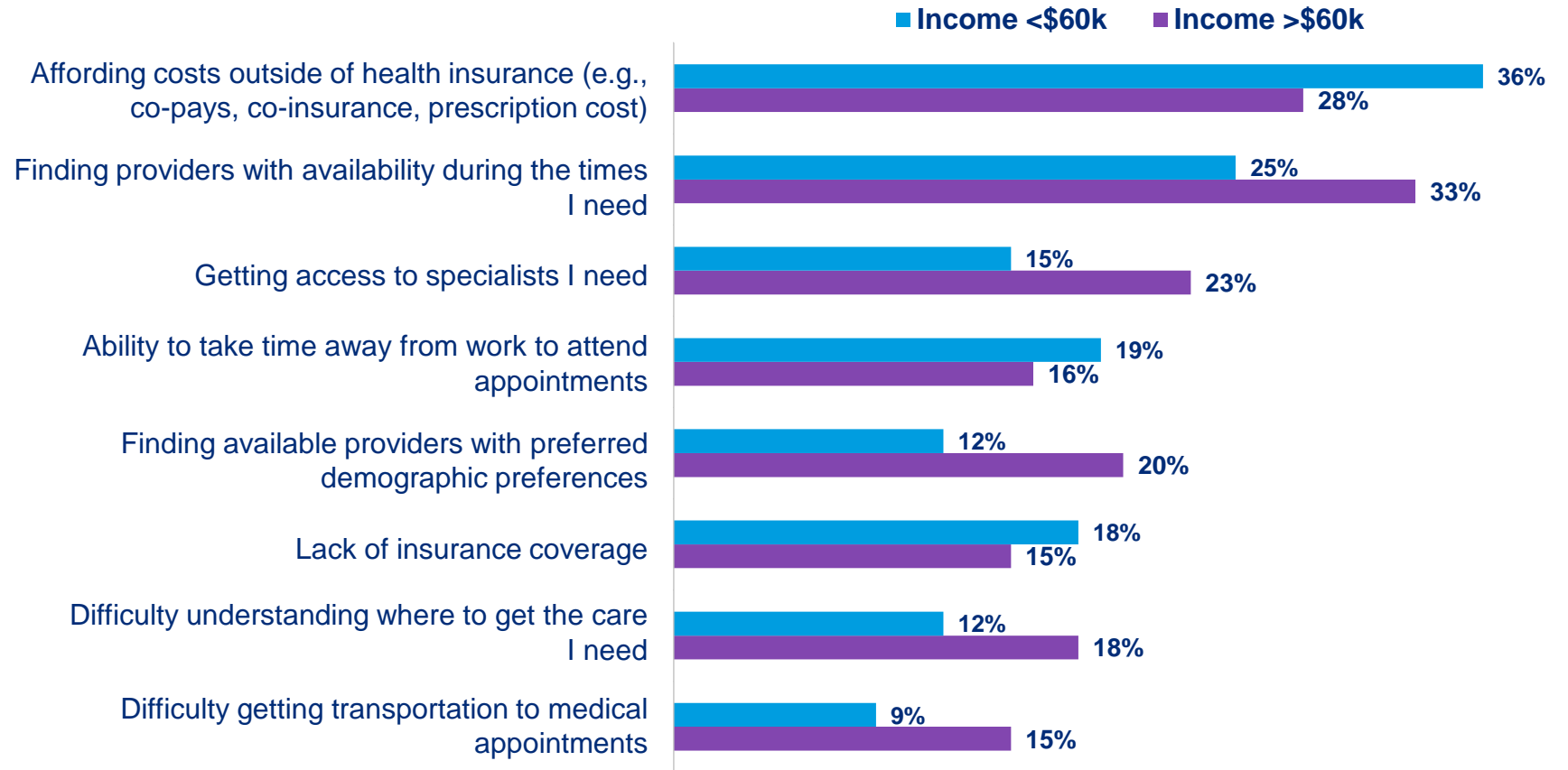


68%

of employees say they have challenges getting healthcare for themselves and their family

Those most concerned with affordability: low income workers, females and workers below age 25 and over age 44

What are your biggest challenges with getting the healthcare you need?



Fewer than half of workers are confident about retirement

 **46%**

of employees are confident they can turn retirement savings into consistent stream of lifetime income

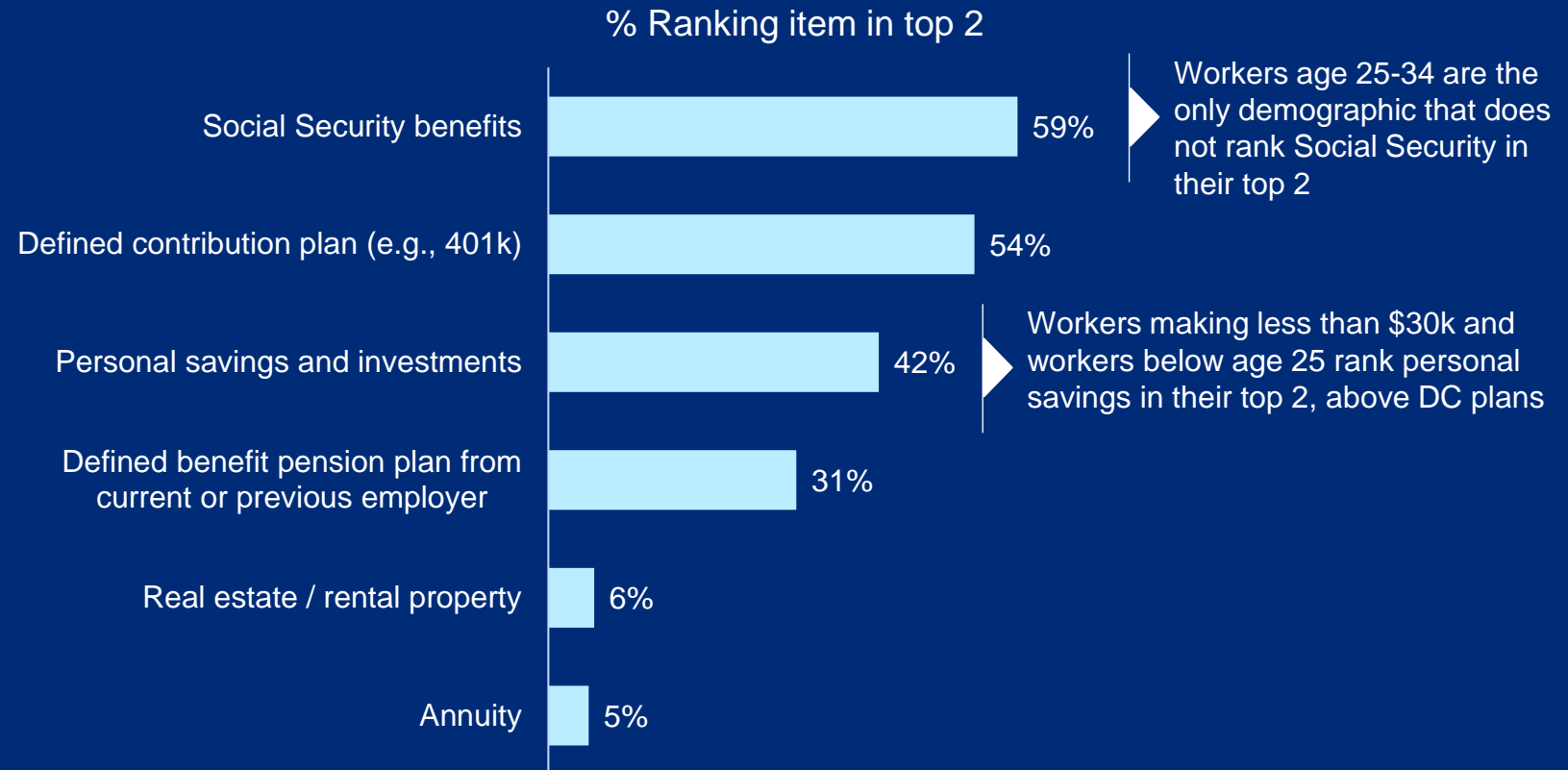
 **1 out of 4**

Low-income employees (<\$60k) are confident about retirement

 **3x**

Highest income earners are >3 times more confident vs lowest earners in ability to create a retirement income stream

Which of the following do you expect will be your two largest sources of income in retirement?



Mental and emotional health remains a top concern

Concerns over mental health most pronounced for younger workers, women, LGBTQ+, Black, Hispanic and Latino workers



Mental health ranked as the #5 concern overall – but ranked of higher concern to some employee groups

#2

Below Age 35

(drops below top 5 for age 45+)

#2

Female Caregivers

(versus #7 for non-caregivers)

#2

LGBTQ+

(versus #6 for non-LGBTQ+)

#3

Black, African American, Hispanic & Latino workers

(Versus #6 for White workers)

#3

Women

(Versus #8 for Men)

Excessive workloads are weighing heavy on employees

Behind pay, employees say burnout is the reason they will leave



Industry
spotlight

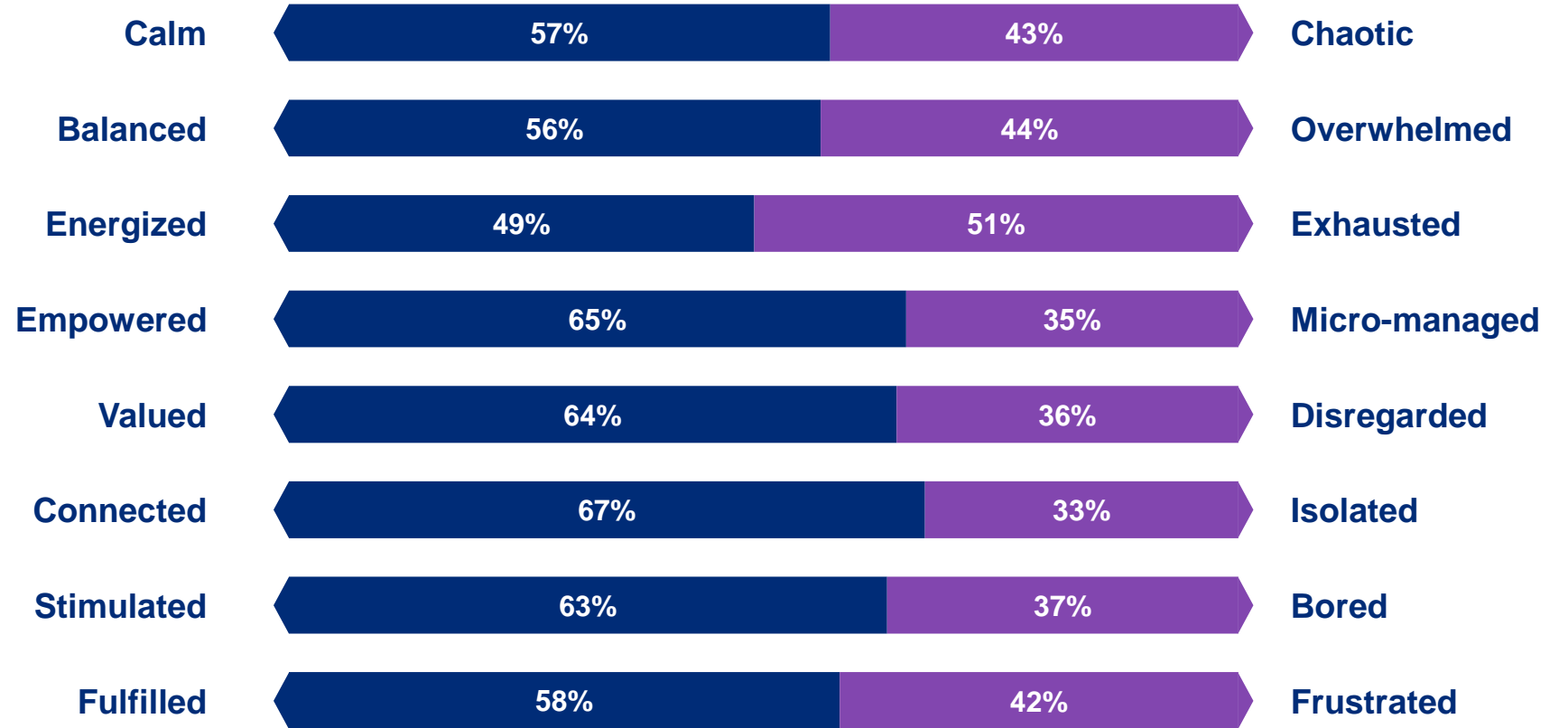
60%

of employees in healthcare, food service, retail and hospitality job functions feel exhausted on a typical day

59%

of employees in food service, retail, hospitality job functions report feeling frustrated on a typical day

On a typical day at work, I feel...



2. Survey on Employer Health & Benefit Strategies for 2024



Survey on Employer Health & Benefit Strategies for 2024

About the survey

- The survey was designed to discover how employers will prepare for rising health care costs while continuing to adapt benefit strategies for 2024 to improve attraction and retention and better meet the needs of the whole workforce. The survey was conducted from February 14 through March 10, 2023.
- The results in this report are based on **512 organizations with 500 or more employees**
- In total 721 organizations participated, from all industries and of all sizes:

Fewer than 500 employees	29%
500-4,999 employees	45%
5,000 or more employees	26%

In planning for 2024, employers are preparing for rising health care costs while staying focused on attraction and retention



Inflation is driving health care cost – but it also makes affordability a bigger concern

- With inflation creating financial stress for workers, health plan cost-shifting is off the table for many employers
- Budget concerns must be balanced with healthcare affordability and the need to offer attractive benefits



Employers are looking to enhance benefits by filling existing gaps

- Inclusive benefits provide something of value to everyone
- Flexibility is highly valued by workers
- Behavioral health care remains a critical need

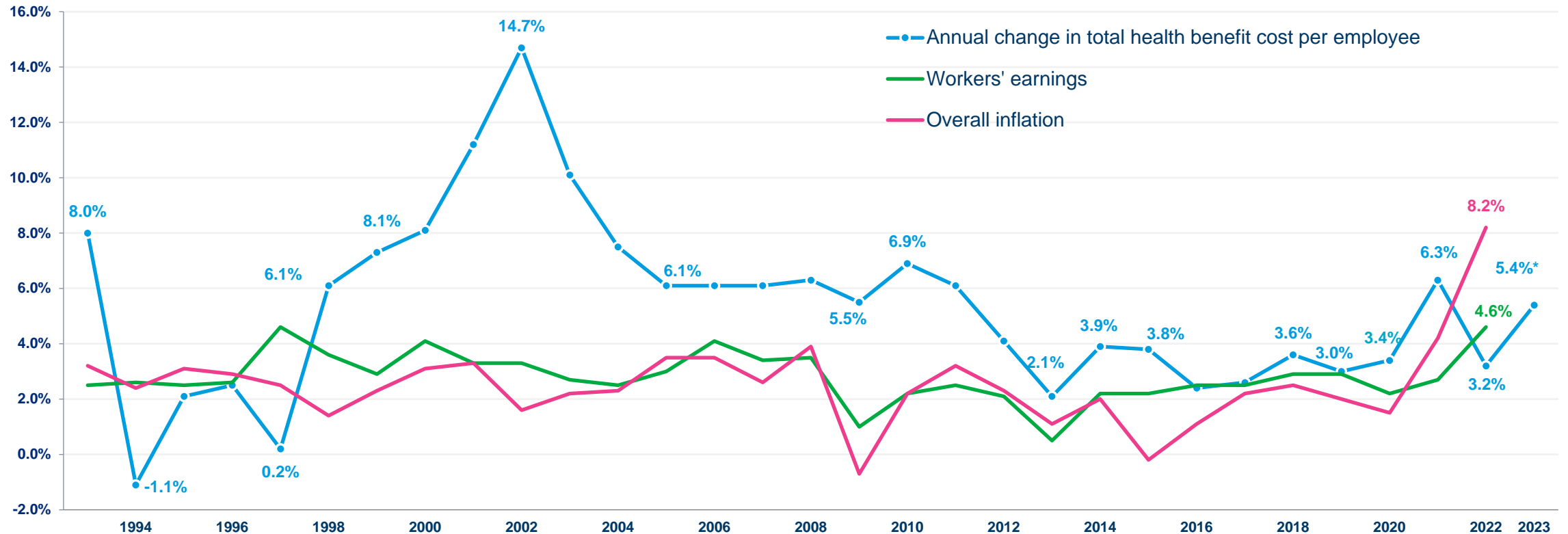


As cost growth speeds up, think value

- Steering employees to higher-value care can lower their out-of-pocket costs and help slow overall health plan cost growth
- Virtual care helps solve for affordability while also addressing access issues

After modest growth in plan cost last year, employers expect an increase of 5.4% in 2023 as inflation drives up health care prices

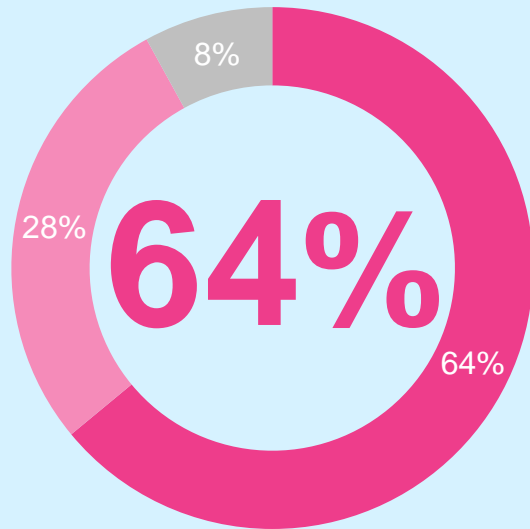
Change in total health benefit cost per employee compared to CPI, workers' earnings



2022 Mercer National Survey of Employer-Sponsored Health Plans
 Beginning in 2020, results are based on employers with 50 or more employees. *Projected.
 Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April); Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April).

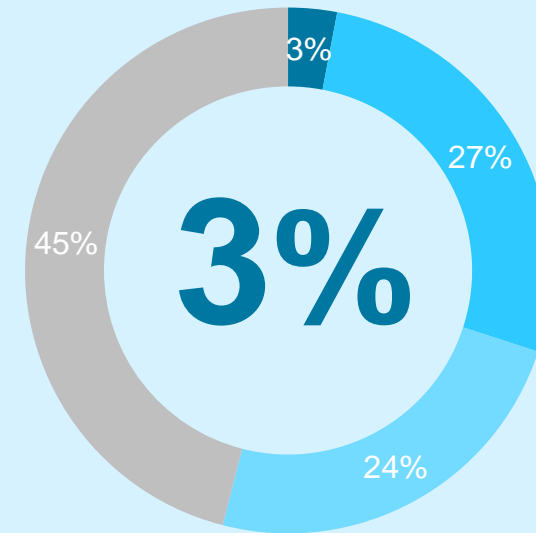
Employers continue to prioritize benefits enhancements — and to minimize cost-shifting to employees

Will enhance health and well-being offerings in 2024



- Planning to make enhancements
- Not making enhancements in 2024, but did so with the past two years
- Not making enhancements

Will shift enough cost to employees via plan design changes to reduce projected health plan cost increase*



- Will raise cost-sharing enough to reduce projected cost increase
- To keep pace with the projected cost increase
- By less than the projected cost increase
- Will not raise any cost-sharing requirements

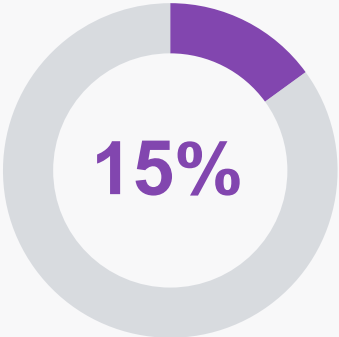
Employers with 500 or more employees

*In medical plan with the highest enrollment

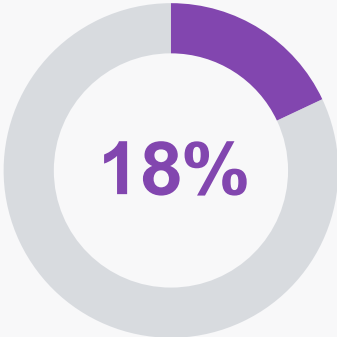
Enhancing benefits by filling gaps and addressing healthcare affordability

Boosting affordability

Helping employees keep more of their paychecks

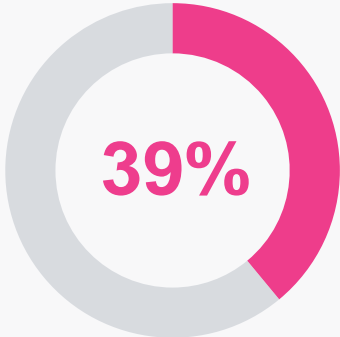


Offer free employee-only coverage in at least one medical plan



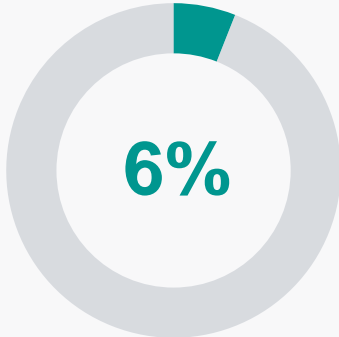
Use salary-based contributions

Removing financial barriers to seek care



Offer medical plan with no/low deductible (e.g., copay plan)

Providing cash to help pay for healthcare

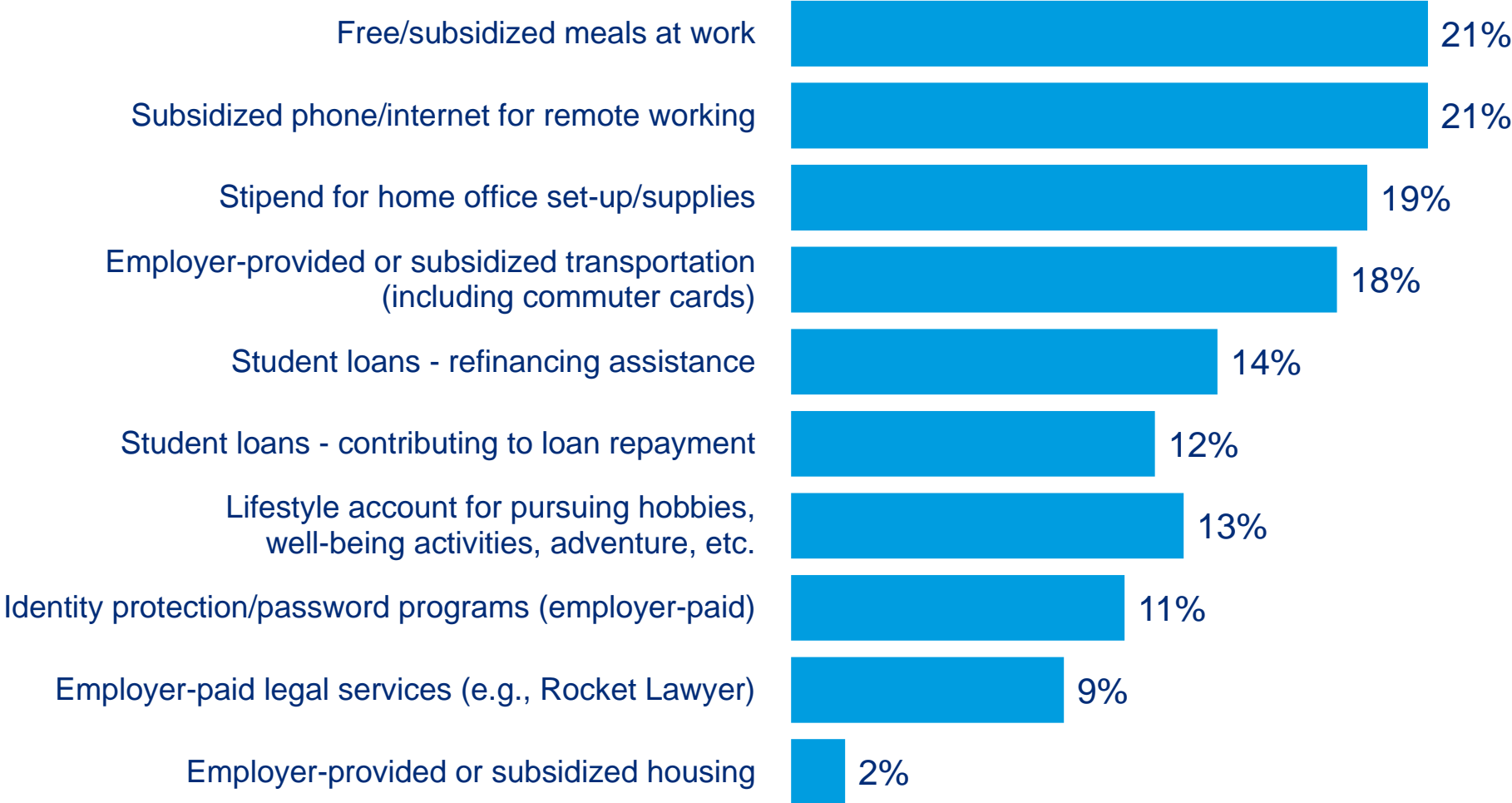


Make larger HSA contributions to low-earners

Employers with 500 or more employees

Financial support for work – and living – expenses

Offer or will offer in 2024



Employers with 500 or more employees

Health equity starts with affordability, but some employees are less confident they can afford needed care

Percent of US employees who are not confident they can afford healthcare...

if household income is...

Median income and above:

7%

Below median:

34%

if gender is...

Male:

10%

Female:

29%

if work status is...

Full time:

17%

Part time:

28%

Taking action to improve health equity, support DEI goals

78%

of employers are currently taking action to improve health equity

10%

are planning to develop a strategy

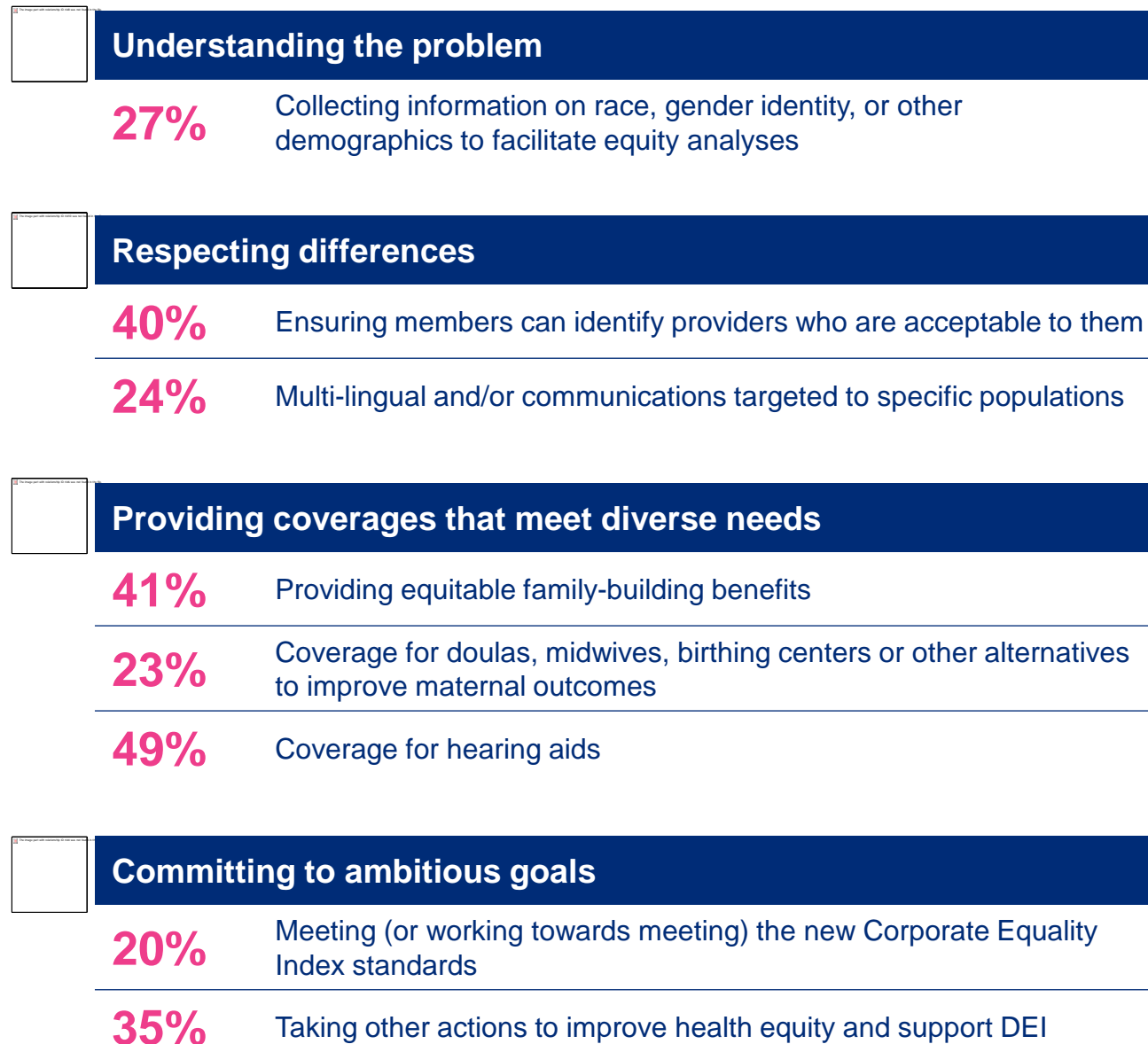
Only 12%

have yet to begin

Employers with 500 or more employees

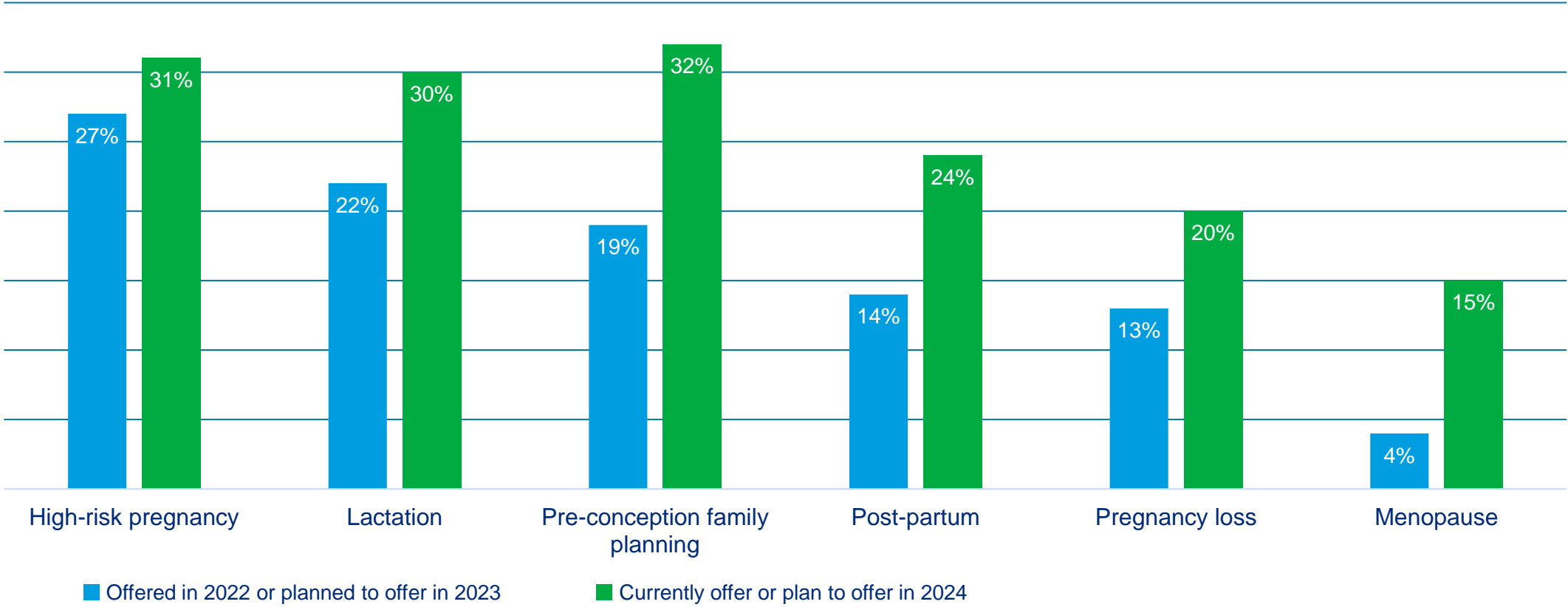


Mercer Survey on Health & Benefit Strategies for 2024



Employers moving quickly to add benefits or resources to support women's reproductive health

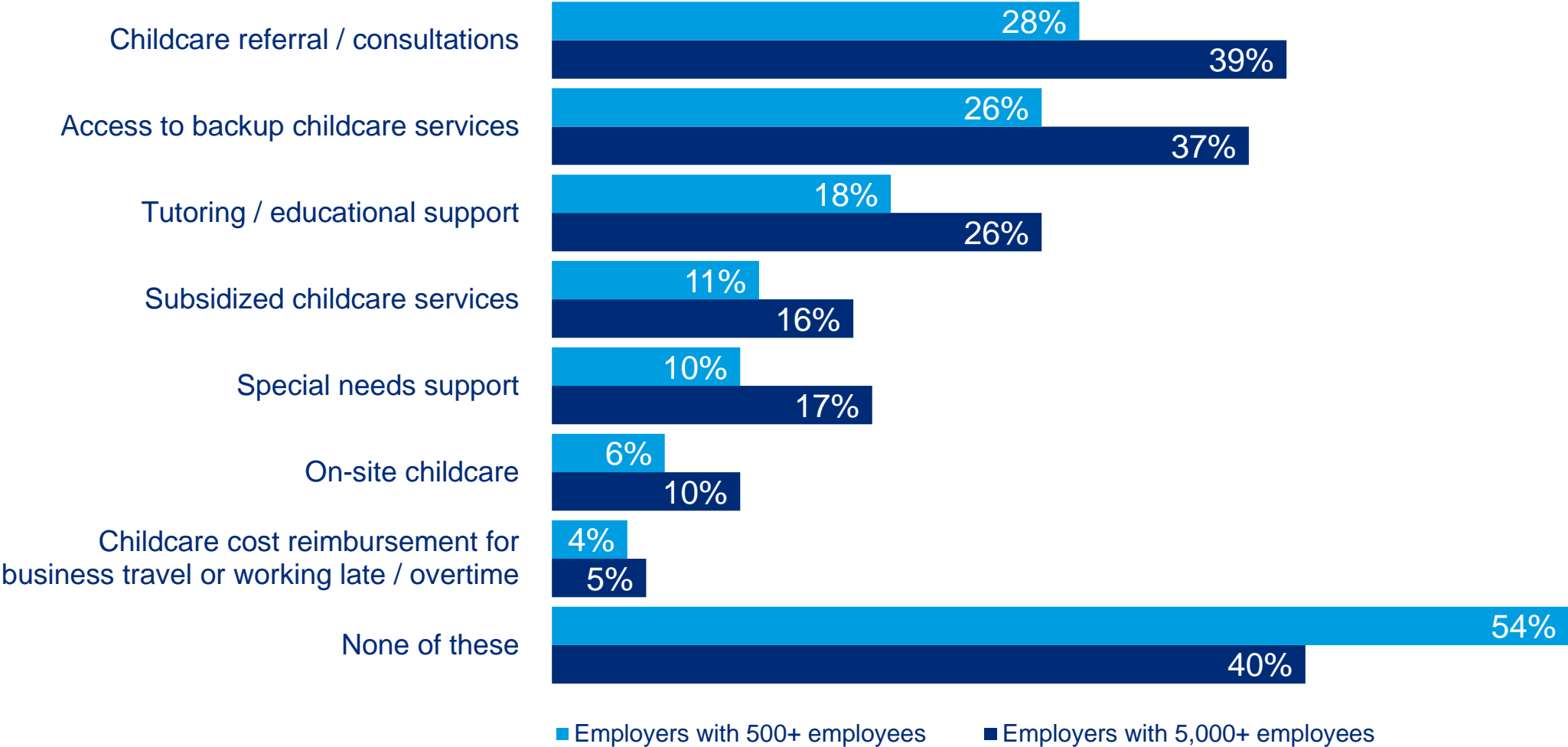
46% of employers will offer one or more of these benefits in 2024, up from 37% in 2023



Employers with 500 or more employees

Supporting caregivers with childcare benefits and resources

Offer or will offer in 2024

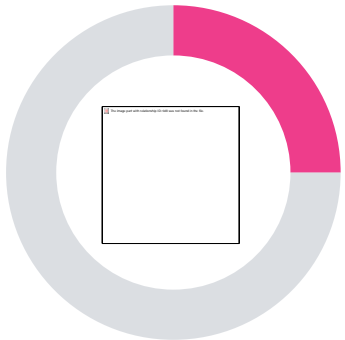


Employers with 500 or more employees

Focus on behavioral health care

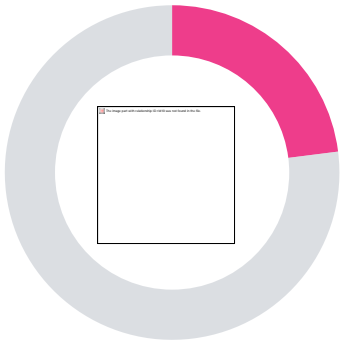
Most employers have recently assessed employee behavioral health needs, or plan to

Have assessed employee behavioral health needs within the past two years using:



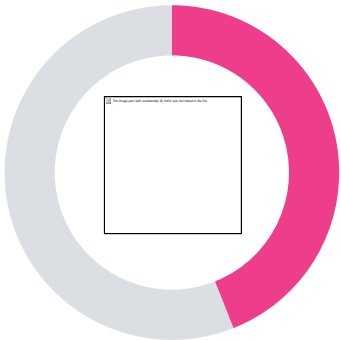
25%

Employee surveys/
focus groups



23%

Health
assessments



44%

Claims
analysis



8%

Anxiety/depression
screenings

An additional 12% plan to conduct some type of assessment of employee behavioral health needs in 2023 or 2024.

Only 23% have not recently assessed needs and have no specific plans to do so

Employers with 500 or more employees

Effectiveness of actions taken to increase behavioral healthcare utilization or create a more supportive environment

		Of those taking action:		
		Have taken this action within the past 3 years	Has been effective or very effective	Has been fairly effective
1	Added supplemental network for virtual or in-person care	42%	69%	22%
2	Enhanced or expanded EAP	69%	59%	25%
3	Took steps to increase screenings for mental health and/or substance abuse	19%	58%	33%
4	Manager training in recognizing BH issues and steering to resources	36%	49%	30%
5	Conducted campaign to reduce stigma and encourage use of BH resources	49%	46%	33%
6	Added digital or in-person resources for managing stress/building resiliency	58%	44%	29%

Employers with 500 or more employees



Room for improvement in supporting those with substance use disorders

48%

of employers have not taken any of these steps to address substance use in the workforce

Employers with 500 or more employees



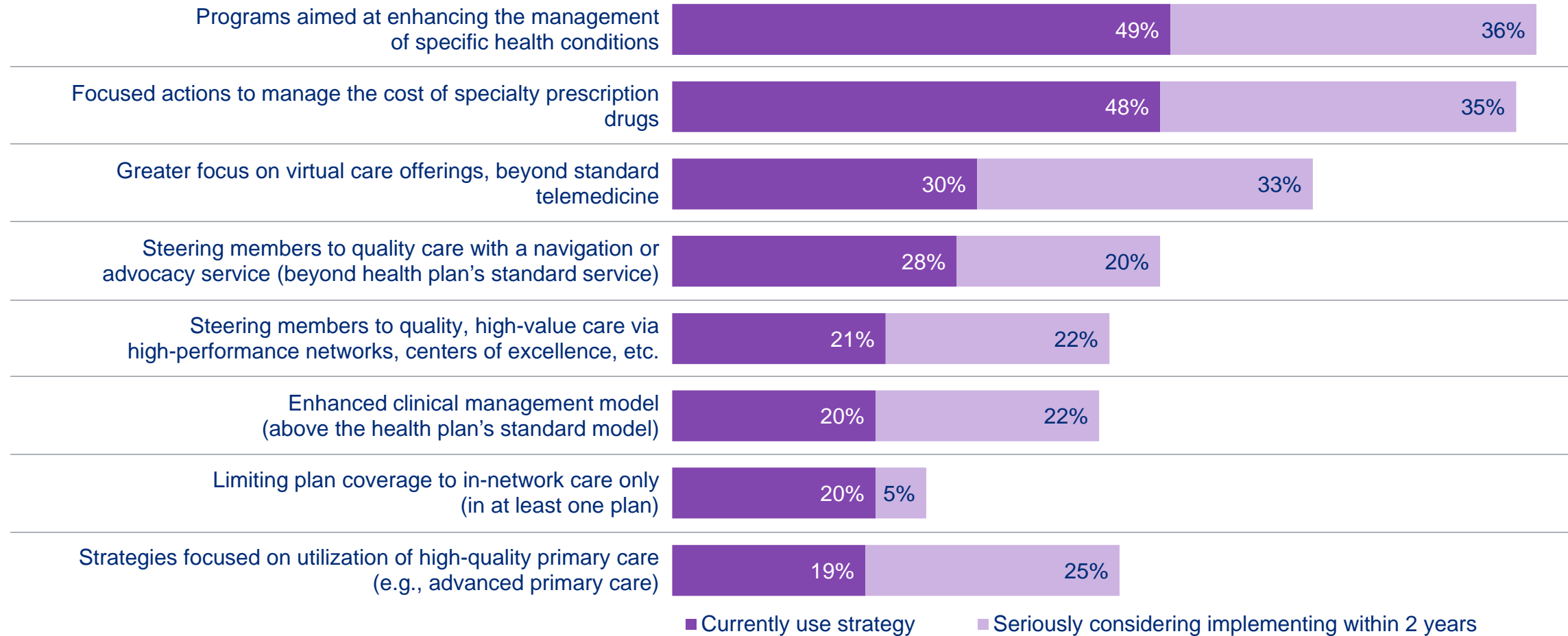
Mercer Survey on Health & Benefit Strategies for 2024



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**To address rising cost
without shifting cost,
employers are thinking *value***

Strategies employers are using to slow health cost growth – without shifting cost to employees

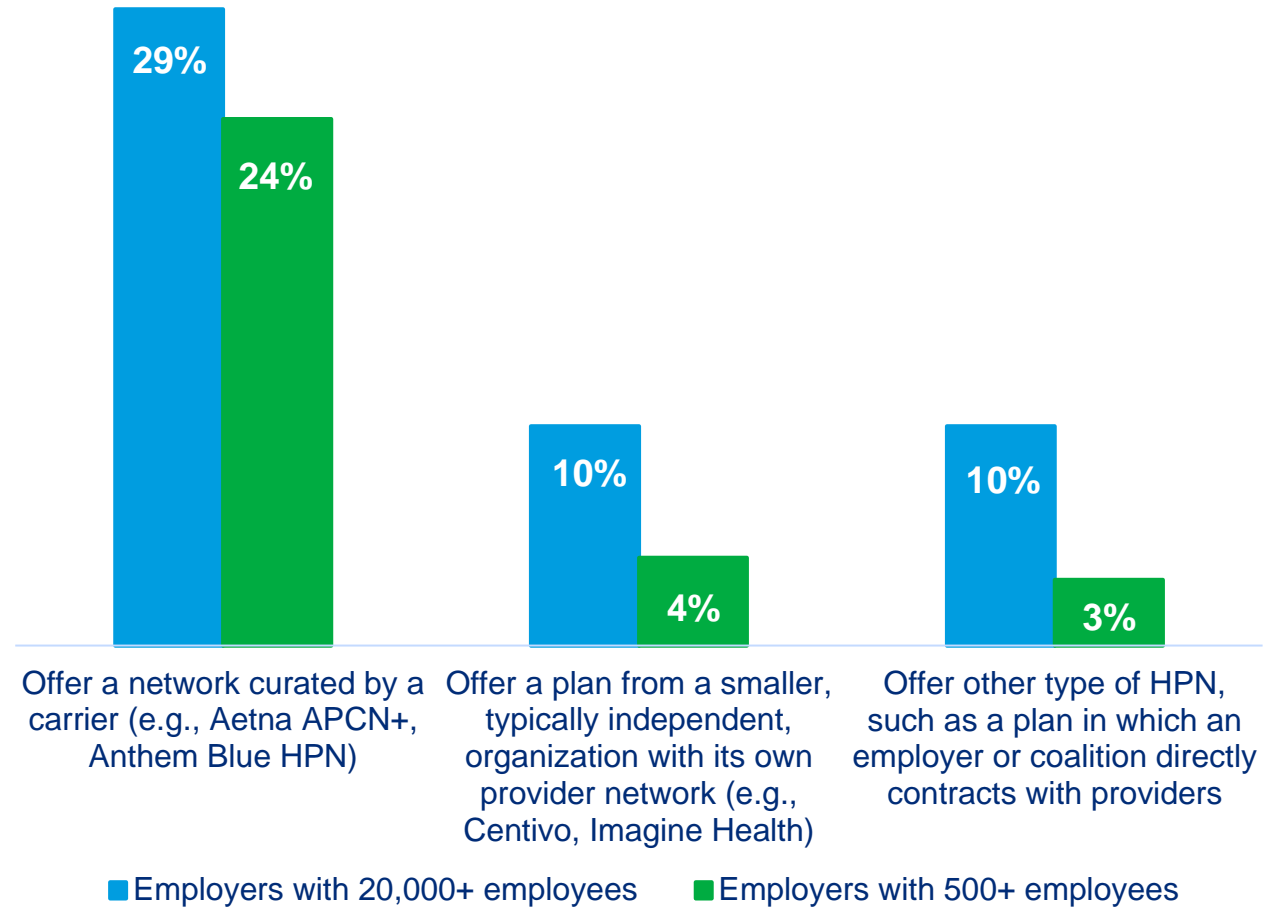


Employers with 500 or more employees

High-performance networks aim for better outcomes, less waste



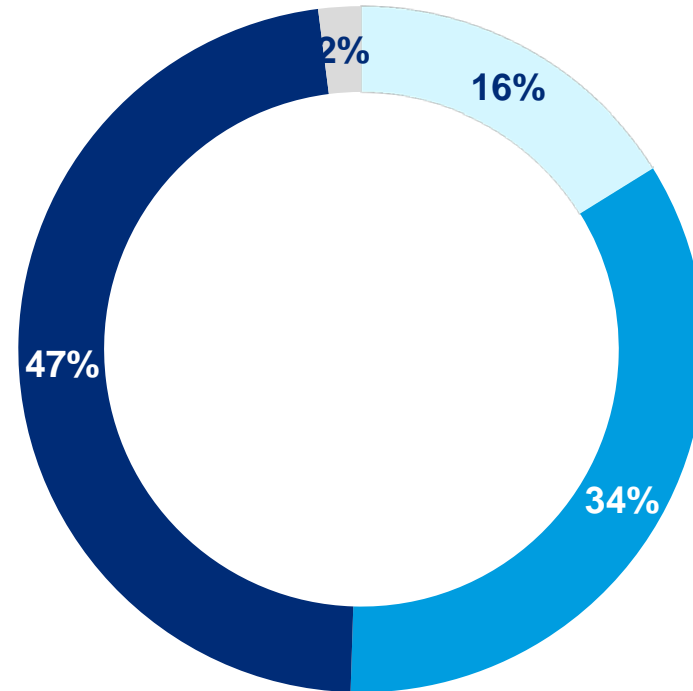
Implementing a high-performance network strategy can be disruptive for plan members. But communicating the value of a network in which all providers meet higher standards can help – as can offering lower cost-sharing. While carrier-based networks are by far the most common, HPNs designed and managed by independent vendors are gaining traction, especially among the largest employers.



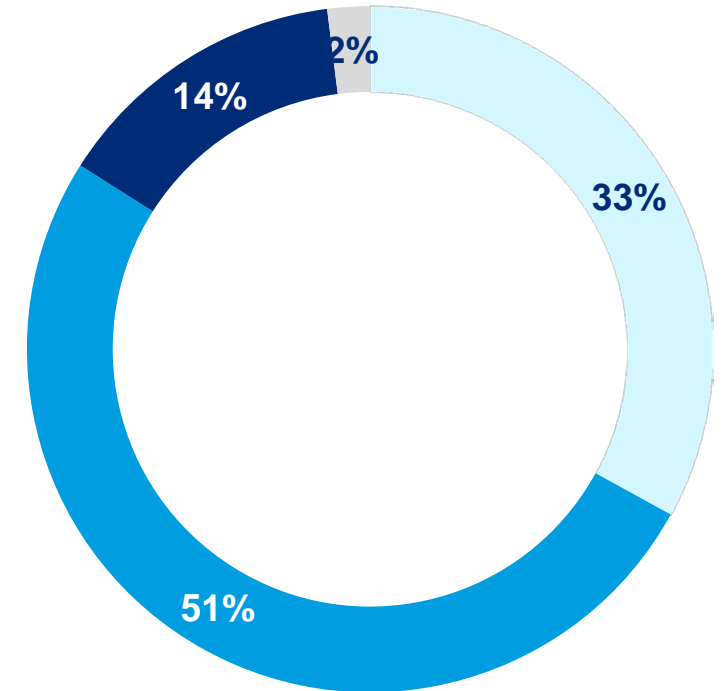
Telemedicine cost-sharing requirements

- Can access telemedicine pre-deductible and at no cost
- Can access telemedicine pre-deductible with cost sharing
- Participants pay the full fair-market value of a telemedicine visit until the deductible is met
- NA - telemedicine service is not offered through the medical plan

For HSA plan participants



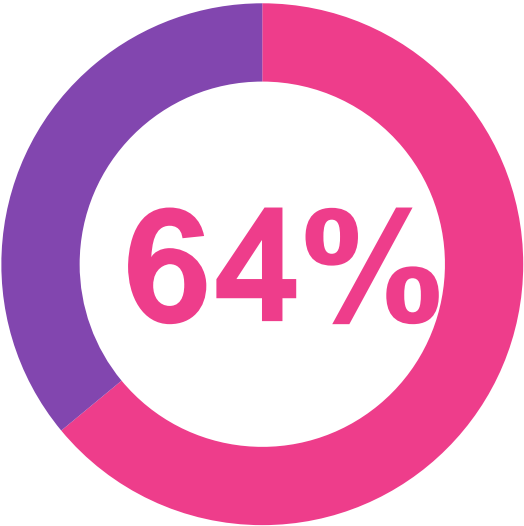
For PPO plan participants



Employers with 500 or more employees

Expanding virtual care beyond traditional telemedicine

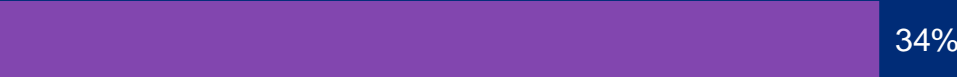
Telemedicine for acute care is a nearly universal offering. But today nearly two-thirds of sponsors provide other virtual solutions to address a broader range of healthcare needs



■ Provide virtual care beyond telemedicine or plan to in 2024

Virtual care solutions offered*

Behavioral health care (network of exclusively virtual therapists, e.g., Lyra, Spring Health)



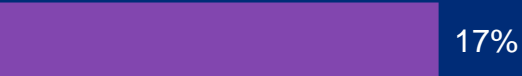
Specific care categories, such as musculoskeletal or diabetes (e.g., Hinge Health, Livongo)



Specialty care, such as dermatology or reproductive care (e.g., Luna, Thirty Madison)



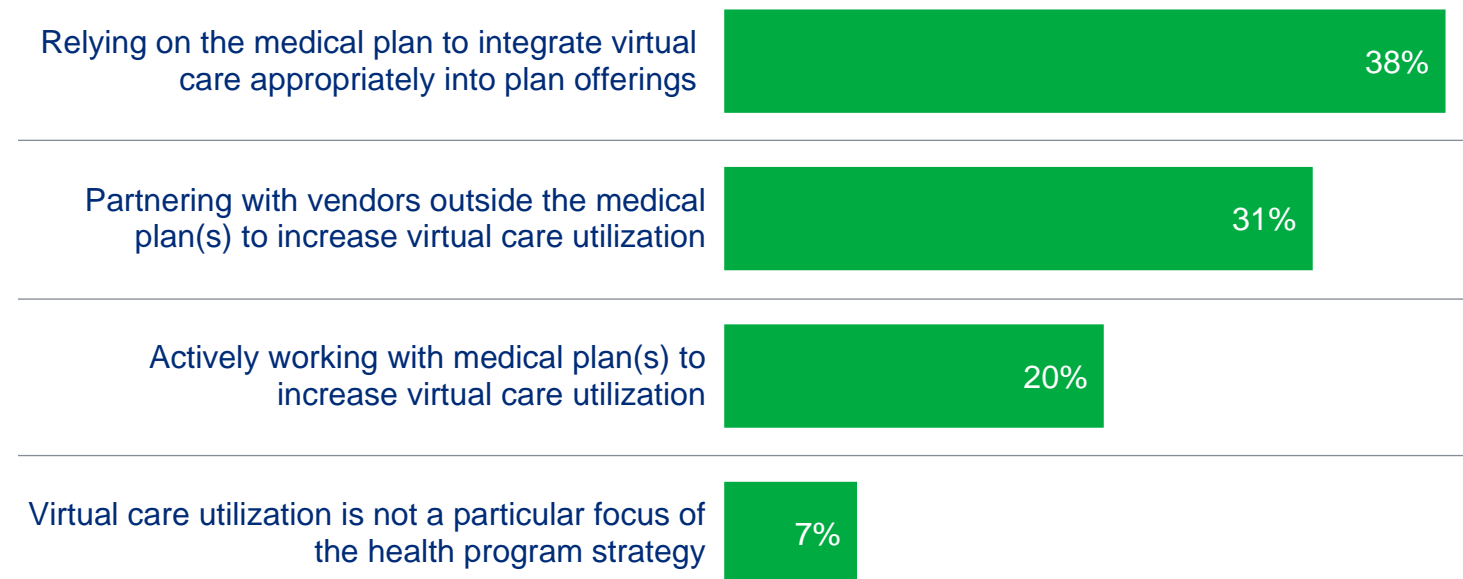
Primary care (e.g., 98point6, Medici)



*or planned for 2024

About half of employers offering virtual care beyond telemedicine are actively working with vendor partners to integrate virtual care into their health programs

Primary approach toward integrating virtual care in the health program



Employers with 500 or more employees

Many employees find digital health benefits helpful – or believe they would be helpful

Digital health benefits

■ Provided by my employer ■ Helpful to me or my family



3. Stop Loss 101

April 2023

A business of Marsh McLennan



Stop Loss Insurance

Covering high cost claims

SELF-INSURE ALL CLAIMS

- Retain 100% of risk (i.e. no stop loss coverage) within Employee Benefits' budget
- Retain risk within captive insurance company (benefits to diversifying current captive)

UTILIZE STOP LOSS FOR LARGE CLAIMS

- Seek coverage from medical carrier
- Seek coverage from third party/specialty/reinsurance market

PURCHASING STOP LOSS AND THE LEVEL OF STOP LOSS SHOULD BE A JOINT DECISION BETWEEN HR AND FINANCE

Stop loss overview

Background

- Stop loss insurance is a \$27+ billion market in the U.S.
- Self-funded clients who want to mitigate risks due to large or unanticipated claims purchase stop loss coverage through their claims administrator or from a third-party carrier
- Available stop loss products:

Individual (specific) stop loss

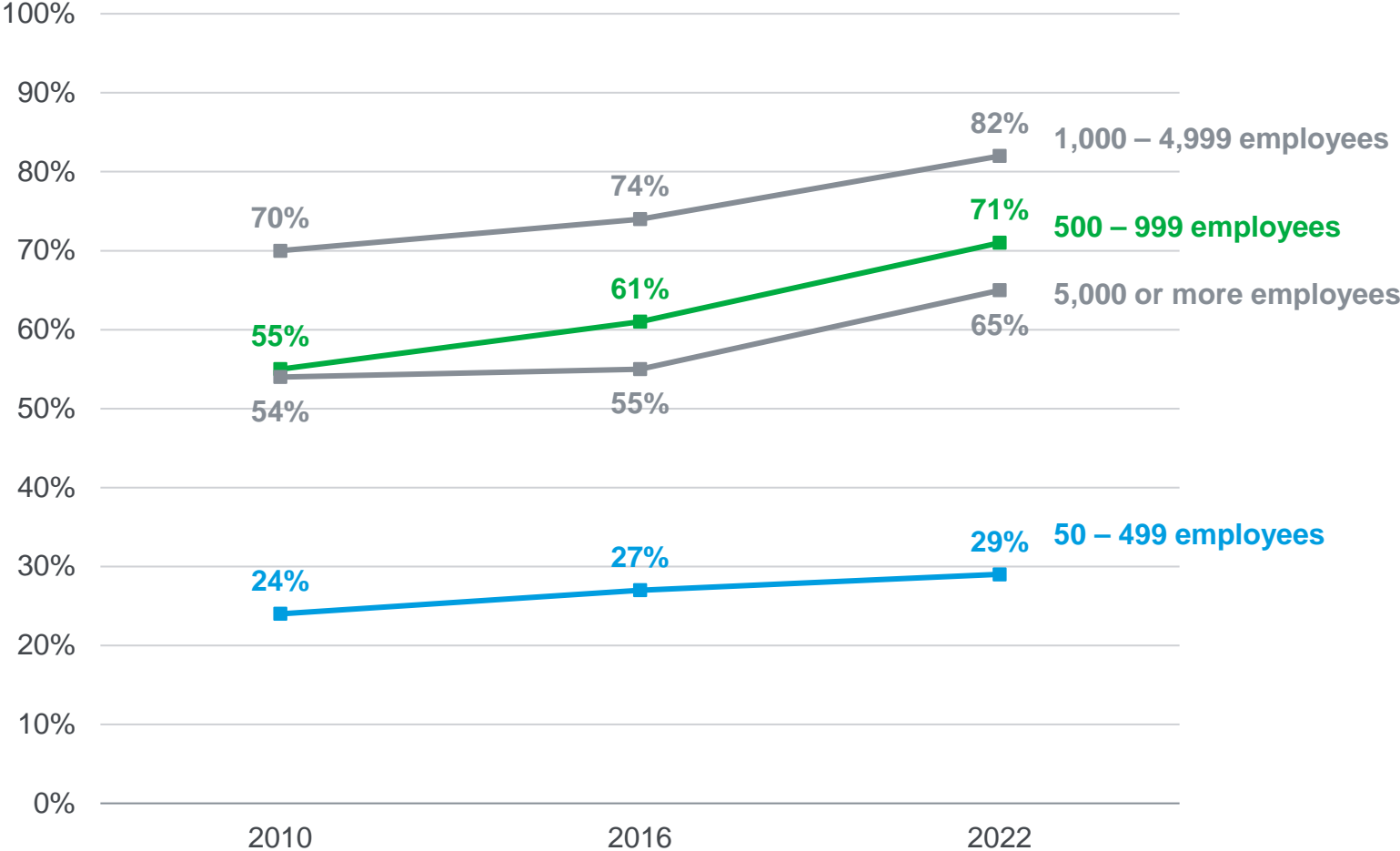
- Coverage per member in excess of a set threshold
- Most prevalent type of stop loss coverage

Aggregate stop loss

- Coverage for total claims spend above a corridor (e.g. 125% above expected)
- More prevalent with smaller employers



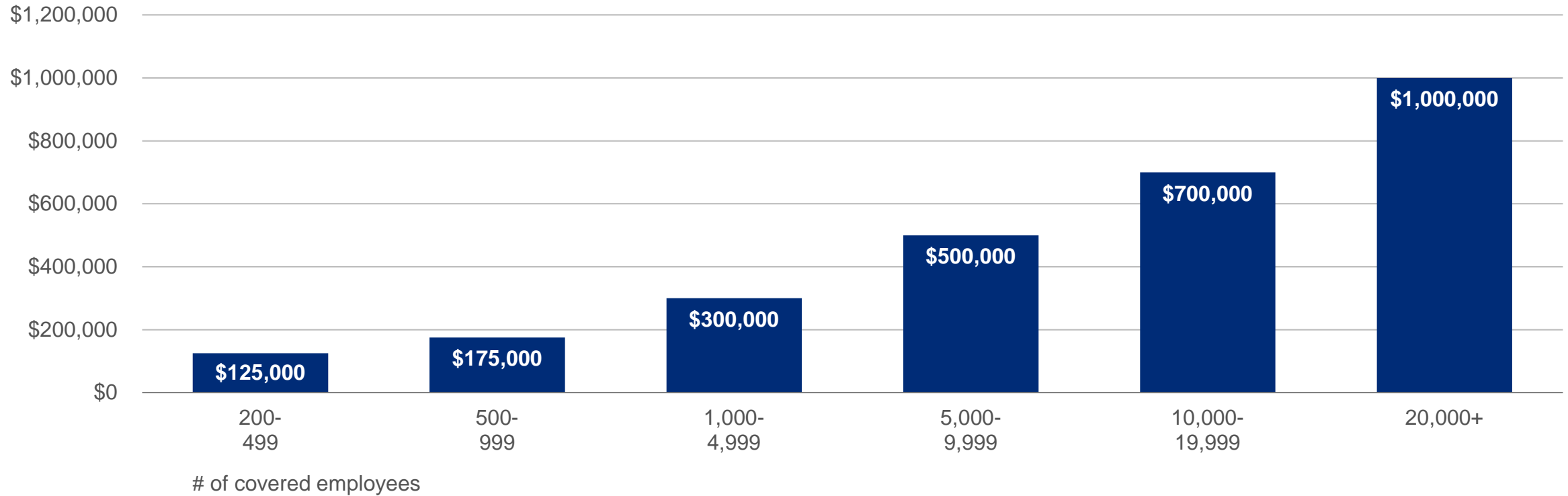
Employers that self-fund with stop-loss (largest medical plan, of any type), by employer size



- Most employers choose to self-fund their medical benefits because it is cheaper than fully-insured coverage
- They purchase stop-loss insurance to manage risk
- Self-funding also offers companies flexibility to design benefits to address affordability and their employee’s needs.
- Annual and lifetime maximums served as de facto stop-loss – we saw more employers purchase stop-loss after enactment of the ACA
- Many third-party stop-loss carriers will not quote groups with <100 lives
- Jumbo employers (5k+ employees) are more likely to forego stop-loss insurance and retain 100% of the risk

Median specific stop loss deductible

2022 Mercer survey



Source: Mercer's National Survey of Employer-Sponsored Health Plans, 2022

Uncompetitive stop loss terms

- Contract Basis:
 - <12 months of run-in or run-out protection can lead to claim denials with claims falling outside of the covered claim window (e.g. 15/12, 18/12, 12/15, 12/18).
- Run-in claims limitations:
 - Stop loss policies that limit the amount of run-in claims per member that can apply to the stop loss deductible, can lead to gaps in coverage and not all claims being reimbursed.
- Pharmacy Coverage:
 - Medical-only stop loss coverage creates a huge gap in coverage and ignores what has become a significant claims risk in recent years, with new high-cost drugs hitting the market. All stop loss policies should cover pharmacy claims along with medical claims.
- Lasers:
 - These are higher specific deductibles that are set for members with “known” ongoing claims risk; the stop loss carrier won’t start reimbursing claims for members until they reach the higher threshold.
- Renewal Rate Cap/No New Laser Provisions
 - Stop policies that do not place a limit on how high the premium can be increased at renewal, or allow the incumbent carrier to add new lasers, leave an employer with unlimited liability risk at renewal time.

Stop loss marketplace

Managing General Underwriter

- Managing General Underwriter (MGU) are separate businesses from the insurance companies that issue stop loss policies. They generally act as the marketing, underwriting and claims department for the Stop Loss insurer, managing their Stop Loss products
- MGUs may also represent more than one Insurer, and may change issuing insurers, which could be disruptive from a continuity and coverage perspective
- MGUs generally do not take any of the insurance risk associated with the Stop Loss policies they underwrite, but may receive compensation based upon the performance of their block of business
- The MGU may require coordination between the MGU and Third Party Administrator (TPA), and claims may take more time to resolve because MGUs might review all paid claims data before issuing reimbursement
 - Larger payments may require approval from the Stop Loss Insurer, causing further delay and possible reduction in recoverable amounts.
- The stop loss insurance policies underwritten by the MGU may not cover all claims paid under the benefit program.
- There are frequently differences in what may be considered experimental under the program administrator's viewpoint and what the MGU might determine



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