



Pharmacy and Ancillary Benefits Outlook Report

An employer's guide to evolving pharmacy and ancillary benefit strategies in a changing benefits landscape.

Introduction

As we head into the next decade of employee benefits, employers are focused on building a healthy, happy and productive workforce, streamlining benefits delivery and increasing employee engagement. To achieve these objectives, the pressure is on to continually consider new strategies for all benefit plans including pharmacy and ancillary, not just health and wellness plans. The Pharmacy and Ancillary Benefits Outlook Report is an employer's guide to evolving their pharmacy and ancillary benefit strategies for a greater contribution to their overall benefit objectives.

The Current Employee Benefits Landscape

At a time when unemployment is low and competition for skilled workers is high, employee benefits are increasingly vital to attracting and retaining talent. With health care price trends outpacing inflation and the workforce spanning five generations, benefit packages need to achieve cost savings while meeting the needs of a broader employee demographic:

- Employers must consider workforce diversity.
- They must consider comprehensive employee well-being that includes health, behavioral, financial and social aspects
- They also must consider a workforce whose styles of communication, technology usage and methods of seeking health care are vastly different

Bridging the Gap

In their quest to meet the varied needs of today's employees, employers are engaging in strategic benefits planning. The goal is to leverage their existing pharmacy and ancillary benefits spend to contribute more towards their company's overall benefit objectives and help bridge the employee demographic gap. Ancillary benefits are most commonly dental, vision, life, disability, employee assistance program (EAP)/behavioral health and supplemental health plans like accident, critical illness and hospital indemnity insurance.

Strategic pharmacy and ancillary benefits planning includes consideration of:

- Implementing an integrated health care (IHC) model to increase workforce health, productivity and engagement. IHC is a big-data, employee benefits strategy that connects pharmacy and ancillary data to an employer's health and wellness plan. That means vision claims with a diagnosis of diabetes could trigger extra patient support. Or patients with certain medical conditions like heart disease that are better managed with good dental health could be automatically identified, enrolled and notified of extra dental services. This helps patients maintain their dental and overall health.
- Bundling health, pharmacy and ancillary plans through one carrier to streamline benefits delivery and qualify the employer for savings on their health care premium.
- Providing access to supplemental health plans to help meet the diverse needs of employees. Although the majority (57 percent) of employers offer a supplemental health plan,¹ there is an opportunity to provide greater access by benefit line and increase employee job satisfaction. Specifically, only 35 percent of employers offer accident insurance, 40 percent offer critical illness insurance and 26 percent offer hospital indemnity insurance. Plus a recent study found that there is a 5 percent increase in employee job satisfaction for each ancillary benefit offered.^{2,3}

The following pages take a closer look at the benefits landscape by benefit line.

Pharmacy Benefits Outlook



Employers looking to evolve their pharmacy benefits strategy are engaging in strategic planning around integration, specialty drugs and personalization of care.

Integration of pharmacy benefits

An IHC model that includes pharmacy helps streamline data management, which is increasingly important with a greater focus on efficacy and prescription adherence. Having both medical and pharmacy plans with the same carrier enables better identification and closure of gaps in employee care – like unfilled prescriptions or missing lab tests – or when education and prevention are critical, as in the case of opioids where providers and pharmacists can gain full insight to diagnose and treat their patients properly.

Rising specialty drug costs

Specialty drugs are bringing great advances in health care and dramatically improving the medical outlook for employees and covered family members with rare and complex conditions. They also are having a potent effect on benefits administration and the bottom line.

Just a few years ago, specialty drugs constituted 30 percent of total drug spend. By 2021, specialty drug costs are projected to reach \$438 billion, approximately 60 percent of total drug spending.⁴

Specialty drug utilization is growing. With a robust pipeline, new drugs are coming to market and existing drugs are being approved for more uses. About 60 percent of the drug development pipeline today is made up of specialty medications.⁵ And these new products are often launched with high price tags. Plus, doctors are becoming more comfortable prescribing them. As a result, they're increasingly

becoming part of national treatment guidelines, further driving up their use.

Because specialty drugs can be covered under the medical or pharmacy benefit, integrated solutions are imperative to managing the full picture of specialty drug spend and utilization.

Personalization of care

In an environment that is becoming more digitized, there is growing need to offer comprehensive, real-time access to information with easy to use tools, helping all parties make smarter decisions and improve overall health.

Having both medical and pharmacy plans with the same carrier enables better identification and closure of gaps in employee care

Dental Benefits Outlook



As the current workforce ages, compared to previous generations, older adults are keeping their teeth longer while younger generations are seeking a more aesthetic smile with increasing interest in preventive and cosmetic benefits.

As a result, 97 percent of employers offer dental coverage making it one of the most common benefits offered in addition to medical and pharmacy.² And, with 91 percent of adults having tooth decay, dental benefits are highly valued by employees and are becoming even more esteemed as the population ages.⁶

Employers looking to evolve their dental benefits strategy are engaging in strategic planning around integration, a changing dental benefits landscape and technology.

Integration of Dental Benefits

An IHC model that includes integrating dental helps satisfy employee interest in dental benefits while helping employers keep costs down through earlier detection of dental disease (and less costly treatment) and better management of health conditions that benefit from good dental health. Since 2016, the percentage of employers actively integrating dental and medical coverages has shot up by 16 percent. Now, 67 percent are actively integrating, while another 31 percent are considering it.⁷ And, 85 percent of employers agree that automatically identifying and notifying employees who would benefit from extra dental care (like cleanings) is vital to integrating health and dental plans.⁷

Personalized care based on the most recent scientific evidence is improving outcomes. The keys to its success is clinical integration solutions and multi-provider data sharing.

Changing benefits landscape

There is a growing awareness among employers of

dental benefit innovations. While core product offerings are generally similar, carriers are differentiating on plan designs through unique offerings including enhanced preventive care, additional dental care for members with chronic health conditions, high dollar and unlimited annual maximums, and even cosmetic dentistry. As employees contribute more to the cost of dental coverage, the benefits landscape continues to evolve to meet growing benefit expectations. With 90 percent of the body's diseases showing the first signs and symptoms in the mouth,⁸ more wellness programs are offering monetary rewards in the form of premium or co-pay discounts for employees that have regular preventive dental care. Meanwhile, carriers are increasingly offering medical premium discounts to encourage IHC participation among employers and employees alike.

Technology solutions improve access and employee engagement

Technology innovations are enhancing overall dental care access while engaging employees in dental benefit plans. Telemedicine or tele-dentistry is affording access to remote dental care, including at home orthodontia (braces) as well as virtual second opinions for complex dental care.

Meanwhile, mobile and online technology solutions are engaging employees through cost and care finder tools, online appointment scheduling, and real-time notifications to help consumers close care gaps. With technology bridging the digital divide between carriers and members, IHC solutions continue to rapidly evolve resulting in integrated, personalized, and real-time care solutions to enhance the member experience.

Vision Benefits Outlook



The majority of employers (90 percent) offer vision coverage.² It is increasingly considered a “must have” benefit, even if it is self-paid by the employee.¹ In fact, vision enrollment has increased across all population groups as digital eye strain has become more common.

One in four millennials say they have accepted a new job for more competitive benefits, where vision was the most appealing element of the package.⁹ Among the over 40 population, more than 69 percent wear prescription glasses, more than 24 million have cataracts and 2.2 million have glaucoma.^{10,11} This group also tends to have disposable income to pay for the coverage.

Employers looking to evolve their vision benefits strategy are engaging in strategic planning around integration, innovative eye care and technology.

Integration of vision benefits

With eye doctors and optometrists being a critical first line of defense in the early detection of chronic conditions like high blood pressure, high cholesterol or diabetes, it is not surprising that the adoption of an IHC model that includes vision is increasing. Nearly 70 percent of employers actively integrate vision and medical coverages and another 30 percent are considering it.⁷ And, 89 percent of employers agree that collaboration between doctors and vision providers is vital in order to impact high cost medical conditions like cancer, heart disease and diabetes as well as to boost productivity and reduce absenteeism and health care costs overall.⁷

Innovation to improve eye care

The continued innovation in the market, however, is not just about cost. It's about improving eye care overall. Strategies range from adjusting co-pays to incentivize exams; increasing covered allowances; offering discounts on lenses or corrective surgery; expanding payment for lens coatings including adaptive lenses

that block harmful UV rays and covering safety eyewear. Employers are also embracing evidence-based eye care such as retinal imaging for diabetics. And progressive wellness programs include education about eye care and vision benefits, and even offer monetary rewards for employees who have regular vision exams.

Tech: Better access to information

Technology is also coming into play for vision, and in a variety of ways. Online enrollment, portals and mobile apps that include comprehensive access to vision plan information are vital to employee education and engagement.

One in four millennials say they have accepted a new job for more competitive benefits, where vision was the most appealing element of the package

Life and Disability Benefits Outlook



When it comes to income protection benefits, up to 85 percent of employers offer life insurance and roughly 70 percent of employers offer disability insurance.²

Life insurance is one of the best understood benefits; thus a leading line of coverage employees look for when considering employment. Disability is also coming into the spotlight, as the rapid passage of state-paid sick leave laws is grabbing both employer and employee attention.

Employers looking to evolve their life and disability benefits strategy are engaging in strategic planning around integration and the employee experience.

Integration of life and disability benefits

Both life and disability are recognized as benefits that align with health and financial wellness strategies and are often integrated with other benefit programs. Seven in ten employers purchase life and disability from the same carrier while 51 percent of employers actively integrate disability and medical coverages and another 45 percent are considering it.^{12,7}

While life integration is driven by the ability to achieve reduced or discounted pricing, gain better service, simplify employee communications, and streamline processes, disability integration results in a better employee experience, stronger tracking and reporting and reduced costs.¹² 90 percent of employers agree that collaboration between nurse care managers and disability case managers is vital to an integrated health and disability plan.⁷ Disability teams coordinating with care management nurses help get employees appropriate care so they can get back to work quickly and safely. Integration also affords the opportunity to impact high frequency medical conditions like cancer, cardiac, diabetes, pregnancy and musculoskeletal

across multiple lines of coverage like medical, pharmacy, dental and vision.

As employers evaluate their benefit strategies disability is becoming more voluntary. This is especially true for long-term disability. It's common for new buyers to start with 100 percent employee paid and current buyers to shift to base programs with buy-ups over time.

Focus on the employee experience

The life and disability claim management experience, from both employee and employer perspectives, has become a major focus, with technology influencing the ways in which all parties can interact. There has been an intensifying focus on life events and how employers can respond in a supportive way during times of change and upheaval in a person's life. This focus on employee support makes the referral opportunities and activity reminders important to consider.

In addition, employers are incorporating EAP and behavioral health to more proactively address the rising prevalence of mental illness within the workforce. The value of positioning supplemental products like accident insurance, critical illness and hospital indemnity with absence management offerings is gaining ground. And as with other ancillary benefits, the use of telemedicine is increasing in recognition of the impact of convenient, 24/7/365 access for those in rural areas or with conditions that require more frequent interaction, such as those with chronic or co-morbid conditions including mental illness.¹²

EAP and Behavioral Health Benefits Outlook



With regard to behavioral health, 86 percent of employers offer coverage through their health plan and 78 percent in the form of employee assistance programs or EAPs.²

In a given year, 1 in 5 adults experiences mental illness. Depression alone is associated with more than \$44 billion per year in lost productivity at the workplace.¹³ Because mental health is among the leading causes of workplace absence, there is an increasing awareness of emotional, behavioral and physical connections that need to be made across the range of employee benefits offered.

Employers looking to evolve their EAP and behavioral health benefits strategy are engaging in strategic planning around integration and the employee experience.

When medical, disability and behavioral health programs are combined, they can result in an enhanced level of care, including early detection and outreach to support members' mental health needs.

In addition, EAPs help lessen the strain of stress, depression and other factors that impact emotional well-being. Within an integrated program, referrals to specialists are made early and often, and care managers coordinate their efforts so it feels like one claim to the employee, even though multiple coverages and approaches may be involved.

Because of the impact mental health conditions can make on the corporate bottom line, including workplace productivity, worker retention and disability rates, companies are using innovative approaches to address it.

Employers looking to evolve their EAP and behavioral health benefits strategy are engaging in strategic

planning around reducing the mental health stigma and encouraging utilization of mental health benefits.

Reducing the stigma

As locating and accessing timely treatment can be a challenge, employers are improving access to mental health programs through specialist, onsite and virtual resources. They're working with their carrier partners to bolster networks in their health plans and use EAP as a first resource for mental health, financial and other stress-inducing needs. Onsite and online resources as well as wide-ranging educational campaigns are geared toward reducing the stigma associated with asking for help. Employers are incorporating training programs for supervisors and front-line managers, to help them identify employees who may be struggling and discreetly refer them to resources that can help.

Encouraging utilization

Also, technology is being leveraged more than ever to encourage access. This includes online portals and apps that help to support emotional well-being and resiliency. These tools and resources help employees in a number of ways such as meditation, mindfulness, sleep, anxiety, and depression. And, telehealth is helping to connect employees with providers more quickly, whether it be via telephone, video or chat, and is expected to grow over time.

As every organization is unique, the key is to find the right combination of activities that raise awareness, create a mentally healthy climate and improve access to care among your population.

Supplemental Health Benefits Outlook



Considering the various coverages available in the marketplace and changing workforce demographics, it goes without saying that employee benefits are not a one size fits all package.

While high deductible health plans work to address and control overall employee benefit spend, they leave gaps in coverage that need to be filled. The same goes for group-based ancillary coverages.

This commitment to offering employees a wider range of benefits is evident with 57 percent of employers making supplemental health benefits like accident, critical illness and hospital indemnity plans available to their employees.¹ More specifically, a third of employers offer accident insurance, while 40 percent offer critical illness, and a little more than a quarter offer hospital indemnity insurance.²

Employers looking to evolve their benefits strategy are engaging in strategic planning around protecting employees financially and integration.

Protecting employees financially

Supplemental health benefits are part of financial wellness strategies for employees and their families. More than three fourths of U.S. workers live paycheck to paycheck and 4 in 10 adults cannot cover an unexpected \$400 expense without selling something or borrowing money.^{14,15} So when accidents or unplanned health or financial events happen, employees need help.

To alleviate employees' financial burden, employers are arranging for accident, critical illness and hospital indemnity policies to provide immediate lump-sum payments in the event of an unforeseen accident or illness. Policies can range from covering just a few conditions to multiple, with a wide range of riders available. Benefits are paid directly to employee and

can be used for a much broader range of financial needs than just medical expenses, such as lost time at work, child care expenses, and travel expenses for the insured and the family.

Integration of supplemental health coverages

Benefit administration platforms are making it easier for employers to offer as many supplemental health lines as they believe may be of interest to their populations and promote the idea of packaging these coverages with the overall benefit offering. Advancing technology among insurance carriers is improving claims notification. By using medical data that would normally trigger a claim reported for a disability, the same systems might also trigger a claim for accident, critical illness and hospital indemnity insurance depending on the nature of the illness or injury. Providing a platform that can not only simplify employee decision making, but also provide information at the right time is significant when employees are trying to understand how various benefits work to complement each other.

Benefits are paid directly to employee and can be used for a much broader range of financial needs than just medical expenses

Summary

Employers are investing the time, money and effort to design employee benefits packages that support their health, productivity and culture goals. As new products and approaches become available and workforce priorities continue to shift, pharmacy and ancillary benefits via integrated health care can play a bigger role in winning the war for talent, as well as overall well-being. And, as technology expands, it will improve employee engagement through stronger connections between employers, employees and their benefits. By incorporating pharmacy and ancillary benefits in a comprehensive and integrated manner, employees will receive better care, while employers will achieve cost efficiencies – and greater workplace satisfaction ratings.

1 MetLife Employee Benefit Trends Study, 2019.

2 The Evolution of Benefits, Society for Human Resources (SHRM), 2018.

3 Employee Perceptions on Pharmacy & Specialty Benefits, Anthem, September 2018.

4 Drug Channels Institute and internal data/analysis, 2018.

5 Based on 2019 internal analysis of the Biomedtracker database and www.fda.gov as of January 31, 2019.

6 Centers for Disease Control and Prevention, National Center for Health Statistics, May 2015.

7 Integrated Health Care Report: Edition 3, Anthem, 2018.

8 Know Your Teeth, Prevent Oral Health Problems: Visit a Dentist Twice a Year, Academy of General Dentistry, September 2018.

9 Employee Perceptions of Vision Benefits Survey, Transitions Optical, Inc. 2016.

10 Vision Insurance in the US, IBISWorld Industry Report, 2017.

11 “Your Sight Matters”, Comprehensive Eye Exams Can Help Identify Chronic Conditions, 2018.

12 7th Consecutive Employer Survey of Integrated Disability, Absence, and Health Management Trends, Spring Consulting Group, 2018.

13 University of Michigan Depression Center. Why Employers Should Care About Depression (accessed June 2016): depressioncenter.org.

14 CareerBuilder Survey, Harris Poll, 2017.

15 Report on the Economic Well-Being of U.S. Households, Federal Reserve Board, 2018.

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