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Testimony of

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Before the United States Senate
Committee on Health, Education, Labor and Pensions

# How Primary Care Affects Healthcare Costs and Outcomes

February 5, 2019

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to discuss how primary care affects healthcare costs and outcomes.

My name is Tracy Watts. I am a Senior Partner and US Healthcare Reform Leader at Mercer, and I serve on the Policy Board of Directors for the American Benefits Council. I have more than 30 years of experience in helping Fortune 500 companies design, finance and administer their healthcare programs to control costs and improve quality of care.

Mercer is a business unit of Marsh & McLennan Companies (MMC), a US-based leading professional services firm with a global network of more than 65,000 experts in risk, strategy, and people. In addition to Mercer, the businesses of MMC, include Marsh, Guy Carpenter and Oliver Wyman, and we employ 25,000 colleagues in the US. Together, we collaborate with our clients to navigate the increasingly complex healthcare marketplace in order to: (i) help individuals, families and employees stay healthy and productive, (ii) enable innovation and (iii) lower their costs.

As you know, more than 181 million Americans—well over half the population—receive healthcare coverage through an employer. (US Census Bureau, Health Insurance Coverage in the United States: 2017) Given the significant role employers play in the healthcare market, I appreciate the opportunity to participate in today's hearing.

Employers, like other healthcare purchasers, have been plagued by ever-increasing healthcare costs. Because employers are frustrated with paying for the volume of healthcare services delivered rather than the value received, they are taking meaningful action to transform the healthcare system. This is the message of Leading the Way: Employer Innovations in Health Coverage, a report co-authored by Mercer and the American Benefits Council (the Council). The report notes that employers have pioneered strategies that directly address the biggest cost drivers in the US healthcare system. Employers recognize that primary care lays the foundation for better outcomes and better value in healthcare, and employer-led innovations have created greater value in healthcare spending by both the private sector and government.

Mercer employs 18 clinicians in our health and benefits consulting practice, including physicians, registered nurses and behavioral health specialists. I have often asked them, "What's the one thing that makes the biggest difference in an employee's health?" They've consistently said, "primary care." Primary care is ideally where care should start, including guided navigation across the confusing healthcare continuum.

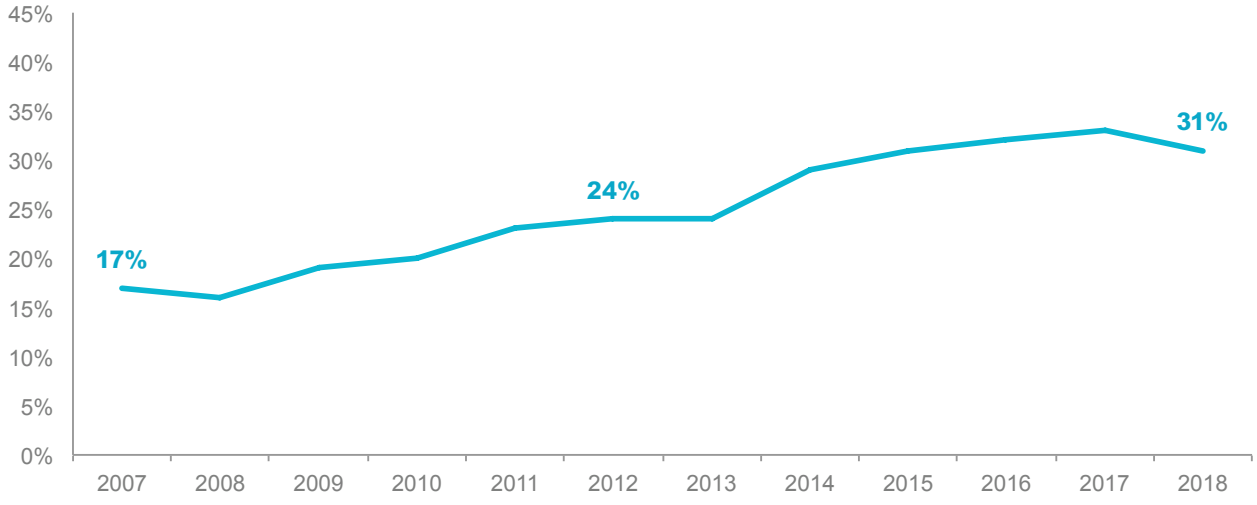
Today I will focus my remarks on ways employers are working to improve employee health and manage healthcare costs through onsite clinics and other innovative strategies. I will begin by sharing some important and relevant findings from *Mercer's National Survey of Employer-Sponsored Healthcare Plans*. Then I will share case studies that profile new employer strategies. I will highlight some new technologies that are giving employees a smarter, more convenient "front door" to healthcare and close by suggesting some updates to the rules governing health savings accounts (HSAs) that would better align with these employer innovations.

**Continued Growth of Onsite Clinics**

*Mercer's National Survey of Employer-Sponsored Healthcare Plans* includes responses from more than 2,500 employers and is the oldest, largest and most comprehensive survey of its kind. Its results are statistically valid and projectable to all employers in the US that offer health benefits and have 10 or more employees.

Over the past decade, our survey has shown an increase in the prevalence of onsite or near-site clinics providing non-occupational health services, particularly among very large employers. General medical clinics are offered by 31% of organizations with 5,000 or more employees (up from 24% in 2012 and just 17% in 2007), and another 10% of employers of this size are considering adding a clinic by 2020.

**FIGURE 1**
**Offerings of Worksite or Near-Site Medical Clinic for Primary Care Services**
Among employers with 5,000 or more employees



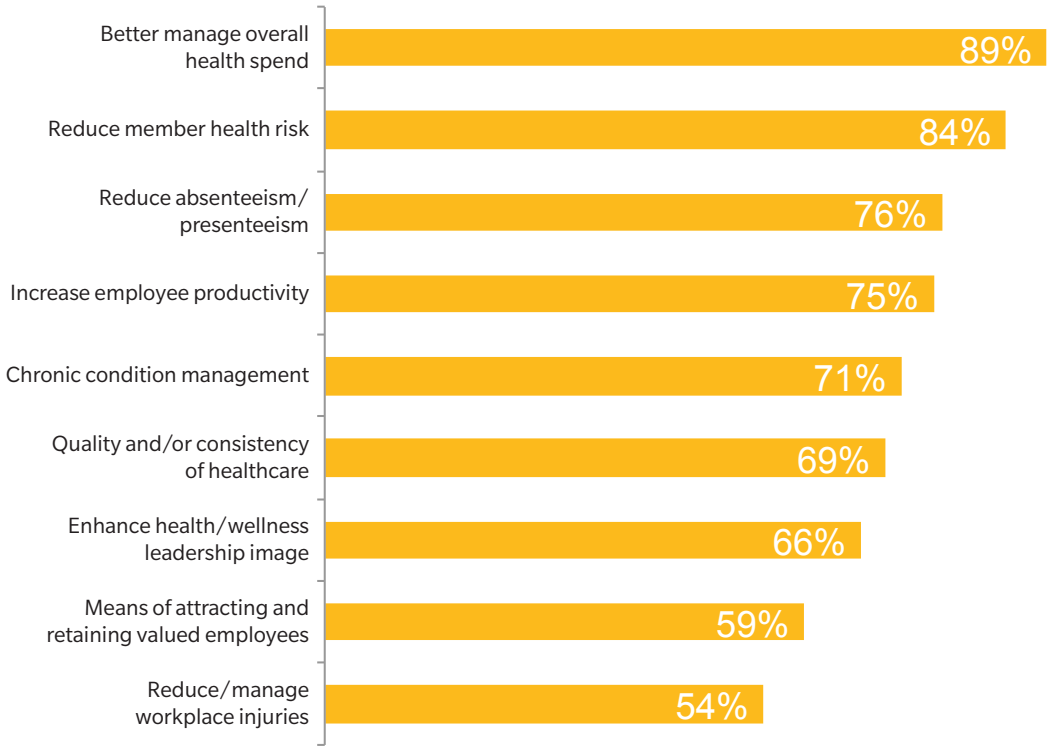
Among employers with 500-4,999 employees, growth has been slower. Though only 17% currently provide a general medical clinic, another 10% are considering adding one in 2020.

In a follow-up survey of 121 employers that offer a worksite clinic, employers listed their top objectives in establishing worksite clinics as: (i) better managing overall health spend, (ii) reducing member health risk, (iii) reducing absenteeism/presenteeism and (iv) increasing employee productivity and (v) chronic condition management.

**FIGURE 2**

**Important Objectives in Establishing a Worksite Clinic**

Percentage of respondents rating objective "Important" or "Very Important" on a five-point scale




When asked about their organization's perception of the financial success of the clinic in terms of reducing health benefit cost trend, 61% of respondents believe it has been successful. Respondents were also asked about the clinic's performance in improving employee health and wellness, and 71% say it has been successful in this regard. For 41%, the return on investment ranges from 1:1 to a high of 4:1.

**TABLE 1: Return On Investment (ROI) for the Worksite Clinic in the Most Recent Reporting Period**

Majority of respondents (54%) don't know or haven't attempted to measure ROI

| Return | Percent of respondents |
|---|---|
| Less than 1.00 | 7% |
| 1.00-1.49 | 11% |
| 1.50-1.99 | 13% |
| 2.00-2.49 | 8% |
| 2.50-2.99 | 3% |
| 3.00-3.99 | 3% |
| 4.00 or more | 3% |

*Source: Mercer's Survey of Worksite Clinics 2018*

**Case Study 1: PepsiCo Offers Onsite Clinics to Improve Employee Engagement and Manage Occupational Injuries**

PepsiCo has over 45 onsite clinics throughout the United States that were established to treat and manage occupational injuries and act as an engagement point for employees' health intervention and wellness programs. They asked Mercer to help them measure the impact of the centers using rigorous, defendable methodology. We used a best practice match cohort approach—which means we matched clinic users to non-users with similar episodes of care and other characteristics and examined multiple outcomes: healthcare, productivity and disability. The onsite clinics have resulted in:

- **Healthcare ROI of 3.1 to 1.** Clinic users had: healthcare savings of $117 per member per month, which was primarily driven by medical spend; lower utilization across all areas (outpatient, specialist, ER, inpatient, diagnostics, Rx); higher engagement in coaching and care management, but lower compliance. The majority of healthcare savings were seen in the first year after the first visit to the clinic.
- **Productivity 3.9 to 1**. Visits completed at the clinic compared to those with community providers generated $9.3 million or 47 Full Time Equivalents in productivity savings over the three-year period, driven by non-occupational acute care visit savings.
- **No significant impact on disability or Workers' Compensation metrics for overall clinic users.** Among those who sought medical services there were reductions in short-term disability and long-term disability frequency and duration.

The following case studies are from Leading the Way: Employer Innovations in Health Coverage, the report from Mercer and the Council that profiles 15 companies that are implementing cutting edge strategies to manage healthcare costs, drive better quality and personalize the experience for their plan members.

### Case Study 2: Professional Services Company Contracted with Shared Onsite/ Nearby Primary Care Services Facility to Address Healthcare Cost Trend

A professional services firm provides employees and family members with free 24/7 access to onsite or near-site clinics offering primary care services and generic drug dispensing. The clinic accepts a fixed per-member per-month payment for the service. The reduction in emergency room and urgent care utilization has produced significant savings—from 10%–30% in actual healthcare spend. Savings have been maintained year-over-year for four years.

Despite the positive results, the Affordable Care Act's "Cadillac tax" on high-cost health plans may prompt employers to reduce the types of services provided in onsite and near-site clinics, or close them all together. Currently, onsite medical clinics offering more than "de minimis" medical care are included in the excise tax calculation. As the Cadillac tax looms, we've been surprised by employers' continued commitment to onsite clinics. But as the effective date nears, employers will have to start making tough financial decisions—that unwavering support may not hold. This is one of the many reasons we continue to work for repeal of the tax.

### Innovative Contracting Strategies

Onsite clinics aren't the only strategy employers are using to enhance the use and effectiveness of primary care. Taking a page from the patient centered medical home care delivery model, where you have a multi-disciplinary team of providers who proactively manage a patient's care, the following case studies illustrate some of the ways employers are incorporating aspects of that model into their own health plans.

### Case Study 3: Intel Connected Providers to Focus on Outcomes, Eliminate Waste

Intel found members with chronic conditions needed assistance coordinating their care to avoid wasted spending and achieve improved health outcomes. They contracted with health systems in key markets to create accountable care organizations in which payment reflects performance on cost, quality and patient experience measures. With an emphasis on care coordination, the Connected Care program is achieving higher member satisfaction, lower cost trend and overall lower spending per member.

### Case Study 4: Boeing Opens New Doors to Behavioral Health

Boeing is removing barriers to behavioral healthcare. Through an innovative program in one of Boeing's accountable care organizations, primary care doctors can consult directly with a psychiatrist's office during a patient's office visit—a collaborative care model that produces better outcomes. A new program will provide members with same-day telephone or video access to a psychiatrist or doctoral psychologist for free.

### Case Study 5: Princeton University Health-Coaching Program Targeted Diabetes

At Princeton University, diabetes was the biggest health plan cost driver with claims averaging $13,000 annually per member. By offering monetary incentives, they doubled participation in their health-coaching program. Sixty-six percent of those program participants reduced their hemoglobin A1c levels—translating to a 65% reduction in cardiovascular risk. Of those with high A1c levels prior to entering the program, 43% reduced their values to a target level and 10% to a pre-diabetes level.

These are just some of the ways employers are working to improve care under a fee-for-service system that does not encourage proactive health management activities by primary care providers, and where individuals only interact with providers when they are ill.

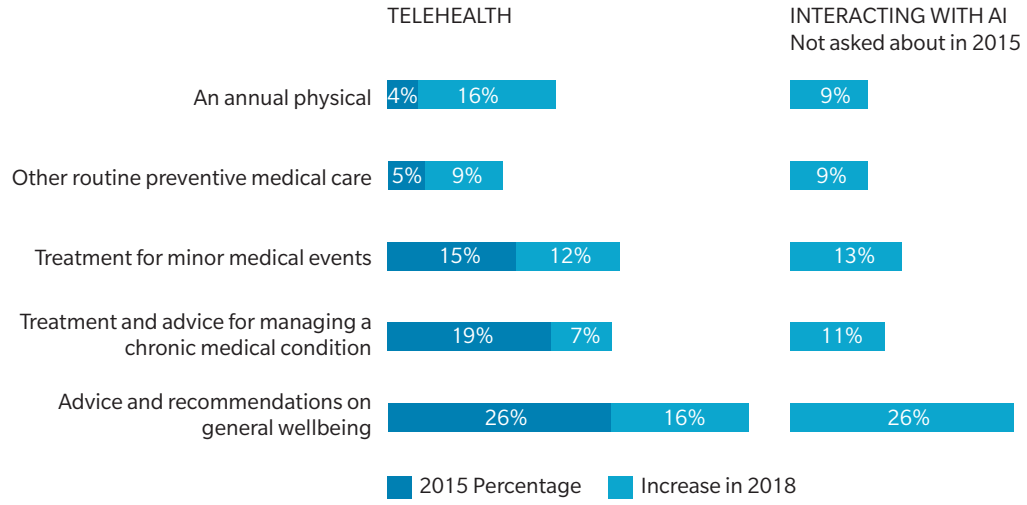
The case studies demonstrate how employer plan sponsors are succeeding at lowering costs and improving the quality of service through innovation. If recognized, scaled and promoted, the innovations highlighted in these studies can serve as a roadmap to fundamentally improve the healthcare system as a whole.

### The New "Front Door" to Healthcare

I would be remiss if I didn't address how primary care is being affected by the new "front door" to healthcare. In general, this refers to moving certain types of care out of the emergency room and doctor's office and delivering it through more convenient means such as telehealth and Artificial Intelligence (AI) which helps consumers either direct self-care, or triage them to the most efficient and convenient point of care.

Telehealth has become the norm in employers' plans—it is now offered by 80% of employers. But consumer research recently conducted by our sister company Oliver Wyman found that only 10% of consumers have used telemedicine services over the past year. The utilization rate for AI was similar. Despite low utilization, openness to telehealth and AI has grown dramatically in the past three years. Consumers are growing more comfortable with these technologies and showing a greater willingness to share personal health data (52%) to receive services tailored to their situation. *(Oliver Wyman, 2018 Consumer Survey of US Healthcare: Waiting for Consumers)*

**FIGURE 3: Openness to the New Front Door Has Grown Dramatically in the Past Three Years**
Percentage of respondents who would consider receiving these health and wellness services via telehealth or interacting with AI




While we expect utilization of these services to increase, state licensure laws vary widely, adding complexity and uncertainty to telehealth consultation. There is also a danger that the new front door could further fragment care delivery without effective communication and information sharing back to a patient's primary care physician. Enacting policies that promote interoperability and greater transparency will help guard against fragmentation and support coordinated primary care.

### Modernize Health Savings Accounts

In addition to the policy priorities outlined here, modernizing laws and regulations governing Health Savings Accounts (HSAs) would better align this increasingly popular plan design with innovative delivery system reforms that drive more efficient care and better outcomes. HSAs have been used to help make health coverage more affordable, encourage wiser consumption of health services and allow pre-tax spending on a wide range of qualified services. The current regulatory regime, however, has not kept pace with employer innovations.

We encourage Congress to pass legislation that would provide flexibility to allow more pre-deductible coverage in HSA-qualifying high-deductible health plans for people with chronic conditions, and to permit pre-deductible use of telemedicine services or employer onsite medical clinics without risking HSA eligibility. Such legislation should also allow individuals to use HSA funds to pay for "direct primary care service arrangements," a promising strategy being adopted by some major employers. These changes would help decrease overall healthcare spending and improve employees' quality of life.

Thank you for the opportunity to share our employer data and these case studies with the Committee. I'll be pleased to answer your questions.