Health Insights

EMPLOYER AND HEALTH PLAN ANALYTICS

Quarterly analytic spotlight

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Contents

The latest on medical and Rx spend

By: Rebecca Niehus

Recently, Merative released its 2Q23 semi-annual book of MarketScan normative data for employers. Healthcare inflation has been an ongoing concern due to overall inflation and healthcare-specific concerns such as ongoing workforce shortages. Medical costs were predicted to increase at a 6% rate for 2023 and 7% for 2024.

Overall, Merative clients saw slightly lower than predicted medical increases through mid-2023. Based on a sample of 294 companies with 8.3M active members, there was a 5.5% increase in medical costs from the rolling year ending in June 2022 to the rolling year ending in June 2023. Combined with a 16.4% increase in prescription costs, our clients saw a 8.1% increase in total medical and prescription drug allowed costs per member per year ($6,868 PMPY in 2022 to $7,423 PMPY in 2023).

Allowed Amount Per Member Per Year	Jul 21-Jun 22	Jul 22-Jun 23	Trend
Total spend	$6,868	$7,423	8.1%
Medical only	$5,219	$5,505	5.5%
Rx only	$1,649	$1,918	16.4%
Inpatient	$1,335	$1,314	-1.6%
Outpatient	$3,692	$3,978	7.8%

Note: Inpatient and outpatient are not exhaustive of all medical spend

A major driver of prescription drug costs continues to be GLP-1 medications to treat diabetes and obesity, which increased from about 6% of total drug spend to about 10% of total drug spend and accounts for nearly 1/3 of the total cost increase.

On the medical side, the increase in costs is driven by a 7.8% increase in outpatient costs; inpatient spend notably decreased by 1.6%. Key drivers of outpatient growth include:

- Outpatient surgery: as additional services that were formerly inpatient-only migrate to outpatient settings, we see a corresponding increase in both average cost and use of outpatient surgical services
- Office visits: office visits for mental health services are up nearly 20%
- Emergency room visits: after a decline in utilization during the pandemic, ER utilization continues to climb

Top 10 Outpatient by Change in PMPY costs	Allowed Amount per Member per Year		Average Allowed Cost per Service		Service per 1,000 Member	
	2023	% Change	2023	% Change	2023	% Change
Medical Facility Outpatient Surgery	$778	11.2%	$447	6.0%	1,738.5	4.9%
Facility Outpatient ER	$444	11.1%	$237	3.1%	1,877.1	7.8%
Mental Health Office Visits	$119	25.6%	$140	7.0%	847.8	17.4%
Facility Outpatient Specialty Drugs	$230	10.4%	$1,519	2.5%	151.2	7.7%
Professional Specialty Drugs	$203	9.8%	$1,775	2.4%	114.2	7.2%
Professional Services Other	$179	8.1%	$145	1.8%	1,239.6	6.2%
Mental Health Other Outpatient	$69	19.7%	$145	3.5%	474.8	15.6%
Physician Non-Specialty Office Visits	$285	4.0%	$109	6.9%	2,611.7	-2.7%
Physician Specialty Outpatient Surgery	$173	6.2%	$546	-0.2%	316.2	6.4%
Physician Specialty Office Visits	$148	6.4%	$140	6.2%	1,058.4	0.3%

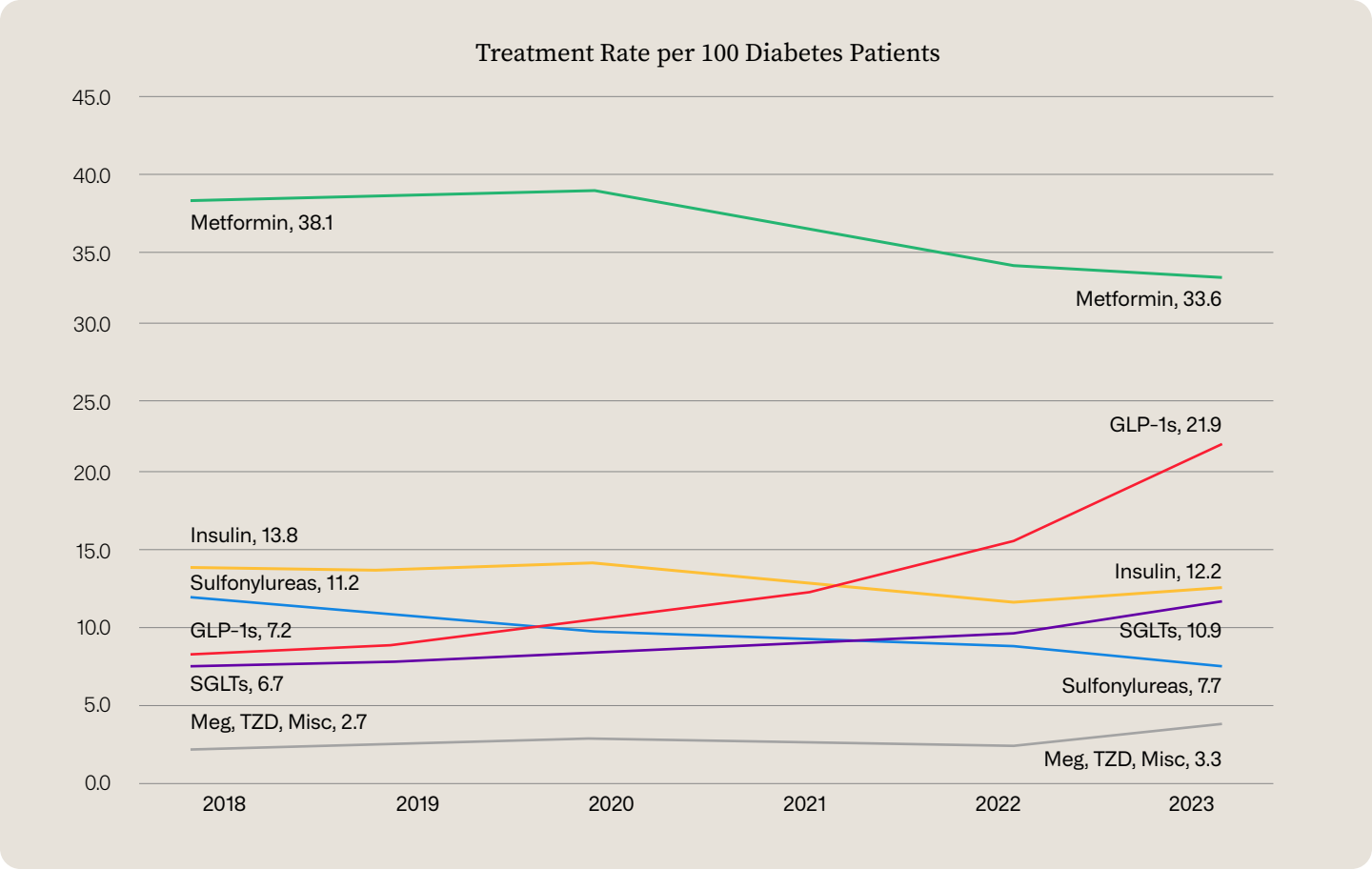
Contact us to develop a plan to monitor the drivers of cost increases and to learn more about the semi-annual norms report and other normative data assets.

Rx corner: Diabetes treatment trend and GLP-1 outcomes

By: Katherine Shanahan

Although GLP-1s have been available on the market for nearly a decade, in recent years we've seen a jump in utilization due to their effectiveness – especially in the management of HbA1c and weight loss. Over the last few years, GLP-1s have shifted into a standard of treatment for diabetes, especially for higher-stage diabetic patients with complications.

Leveraging Merative's MarketScan Treatment Pathways, we found in 2018, 7.2 per 100 Diabetes patients were taking GLP-1 medications compared to 11.2 per 100 taking Sulfonylureas, 13.8 per 100 taking Insulin, and 38.1 per 100 taking Metformin. Over the last five years, this has shifted, with Metformin decreasing to 33.6 per 100, Insulin down to 12.2 per 100, and Sulfonylureas shrinking to 7.7 per 100. Meanwhile, the rate of diabetes patients taking GLP-1 medications has ballooned to 21.9 per 100, clearly replacing historic treatment classes as a preferred therapy.[1]



Source: Merative MarketScan Treatment Pathways. Self Insured Actives. January 2018 – September 2023

But this shift begs the question, are GLP-1s being used appropriately and are they working?

GLP-1 medications are largely targeted for use in diabetes patients with higher severity or risk of complications, after a patient has tried Metformin and other drug classes to manage HbA1c levels. However, recent research and changes to treatment recommendations are pushing GLP-1s earlier into treatment, with the goal of staving off disease progression – especially in patients with high-risk comorbitidies.[2]

This shift is observed in US claims data when assessing GLP-1 use by HbA1c range. In 2021, 18.7% of diabetes patients maintaining a HbA1c level between 6.5% - 8.0% used a GLP-1 medication. In 2022, this grew to 22.7% (up 4 percentage points). Similarly, GLP-1 use in diabetes patients who maintained a HbA1c level below 6.5% grew 2.5 percentage points year over year. This is compared to GLP-1 utilization in diabetes patients with the highest HbA1c levels - maintained above 8.0%, which only grew 1.9 percentage points.[3]

So, while GLP-1s continue to be highly utilized in patients with the highest HbA1c levels, GLP-1 utilization by low and mid-risk patients is growing more rapidly year over year.

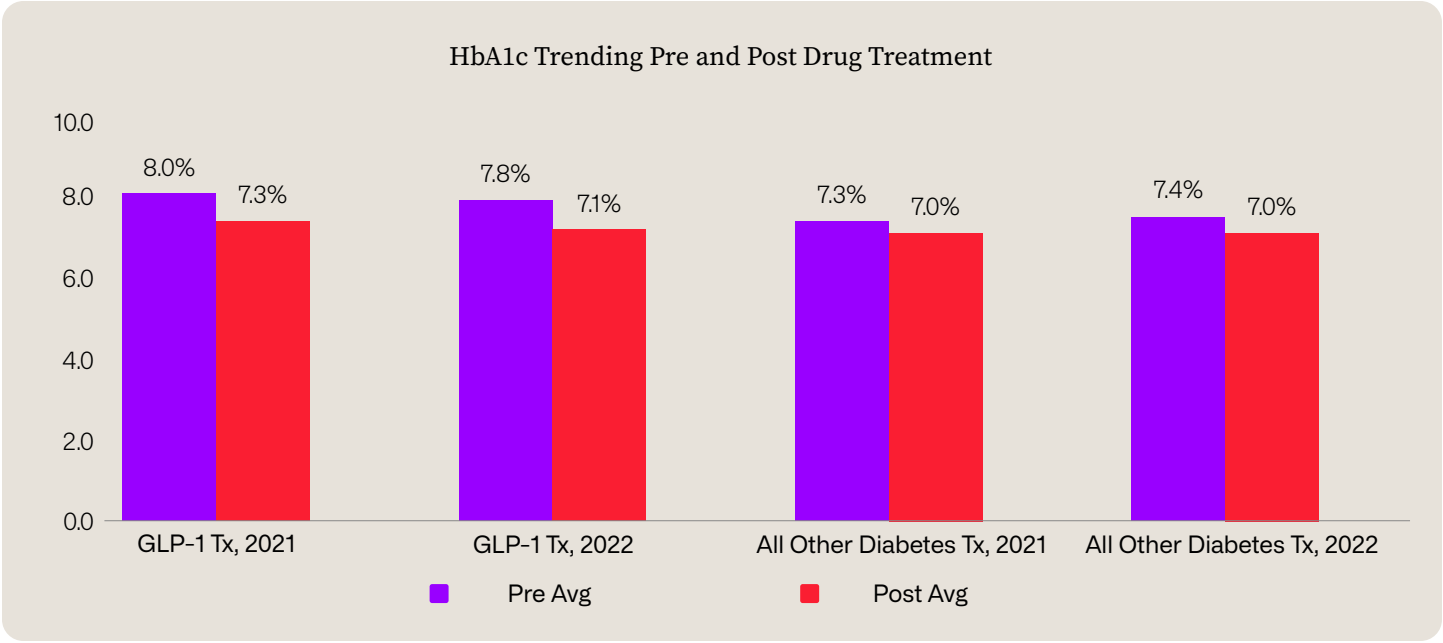
For diabetes-specific GLP-1 medications, payers are eager to measure their financial return on investment. A 2020 research study using data from MarketScan found that a 1% reduction in HbA1c was associated with a 13% reduction in diabetes-related healthcare costs – or roughly $736 per patient.[4] But to see clinical improvement (and subsequent financial savings), patients must not only maintain, but lower their HbA1c.

% of Diabetes patients using GLP-1 medication

HbA1c level	2021	2022	Trend
Maintained below 6.5%	4.2%	6.8%	+2.5%pp
Maintained between 6.5% - 8.0%	18.7%	22.7%	+4.0%pp
Maintained above 8.0%	28.4%	30.3%	+1.9%pp

Source: Merative MarketScan Treatment Pathways. Continuously Enrolled Self Insured Actives. January 2021 – December 2022

When analyzing diabetes patients in MarketScan Treatment Pathways database, we found in both 2021 and 2022, patients lowered their HbA1c levels by 0.7 percentage points in under 6 months while using a GLP-1 medication. This is compared to patients using any other diabetes treatment, who had an average decrease of 0.4 percentage points in under 6 months in both years.[3]



Source: Merative MarketScan Treatment Pathways. Continuously Enrolled Self Insured Actives. January 2021 – December 2022

As GLP-1s continue to expand in use for diabetes patients and consequently drive treatment spending, payers will need to consider their strategy for risk stratifying this population and measuring their outcomes. HbA1c and weight data are critical to evaluate whether patients are matched with the right treatment and reaching their clinical goals. Unfortunately, many payers have a gap here – either missing a lab collection partner (through their carrier / provider group or with a point solution) or not currently integrating this data with prescription claims. Looking ahead, lab and biometric data will continue to become more important in measuring outcomes of metabolic and cardiovascular patients. As payers consider their budgets to cover medications in these rising conditions, investing in a comprehensive data strategy – from collection to integration – should be a top priority.

Support employee financial wellness

By: Rebecca Niehus

Many employers are expanding their wellness programs to encompass financial wellness in addition to the physical wellness and disease management programs that have become ubiquitous. These programs are often focused on retirement savings, emergency funds, and student debt support, but benefits teams can focus closer to home, and ensure employees are supported in increasing their health insurance literacy.

A recent survey showed that many Americans have low health insurance literacy, and well over half cannot define common insurance terms such as coinsurance and copayment. When combined with the fact that the majority of employers opt for passive benefits enrollment, this means that many plan members auto-enroll in the same plan year after year and may have chosen that plan from a poorly informed perspective.

One study found that the average enrollee selected a plan that was not the most financially beneficial for them, with lower-income, female, older, and chronically ill employees most likely to opt for less financially beneficial plans. Many employees choose these plans because they think they afford access to a wider provider network, but this is usually not the case. To support employee benefit choices, it is important to provide education on what the plan covers and the providers that are included. A Health Savings Account (HSA) plan is the lowest cost option for most employees (approximately 3/4 of all employees who were offered Merative's Benefit Mentor tool in 2023 were estimated to have the lowest costs if they chose the HSA plan), but only about 40% of MarketScan members whose employers offered both a High Deductible Health Plan (HDHP) and a non-HDHP opted for the HDHP plan in 2022. The members most likely to elect an HDHP were the younger members in the highest poverty areas, with older members and members in wealthier areas less likely to choose these plans.

When comparing industries, we see substantial variation in the percentage of members enrolled in HDHPs. For example, 66% of employees in the finance industry enrolled in HDHPs compared to 15% of services employees who elected a savings account eligible plan.

Additionally, only 9% of families who had out-of-pocket expenses at or above the IRS maximum for HDHPs in 2021 elected an HDHP for 2022, despite these plans often having lower out-of-pocket maximums than other offered plans (as this data is in aggregate, the details of the plan choices offered to each family are unavailable for analysis). For members with high health care utilization who may be worried about large initial outlays at the beginning of the plan year, there are solutions available to help support these members in their ability to elect high-deductible plans with lower total out of pocket and premium expenses.

Even in a year with a passive plan enrollment, benefits teams should not be passive in communicating and educating employees. Especially in an environment where average monthly expenses increased by 9%, ensuring that employees are electing the plan that is most financially appropriate for them supports employee financial wellness. It is critical to provide targeted communication to increase health insurance literacy, which includes helping employees understand the basics of health insurance terminology, the potential tax advantages of HSAs, and providing a clear view of employee costs, including both paycheck contributions and likely out of pocket payments.

% of Members in High Deductible Plans

	Employers who offer HDHP and another option	All employers
Finance	57%	66%
Manufacturing	50%	37%
Retail	29%	29%
Services	29%	15%
Transportation, communication, utilities	44%	51%

Embedding equity into the health care system

By: Mahil Senathirajah

As the pressure to address health inequities and social drivers of health increases, many players are starting to step up to the plate.

Health plans

CMS has established a "Health Equity Index" within its Medicare Advantage Stars program that will drive millions of dollars toward high-performing plans. The National Committee for Quality Assurance (NCQA) is requiring the reporting of an increasing number of quality measures by race and ethnicity strata. One large New England health plan created a pay-for-equity contract that rewards clinicians for reducing disparities within its commercial population.

NCQA has also established a Health Equity Accreditation program. A large state health insurance exchange is leading the charge by requiring NCQA accreditation for its exchange health plans. They are also diving deeper into the data and making updates to data collection practices to be more inclusive. For example, they are disaggregating the "Asian" race category to examine differences by South Asian, East Asian, and Southeast Asian sub-populations.

Hospitals

CMS required hospitals to report a "Hospital Commitment to Equity" measure for CY 2023 and has indicated that the measure "lays the groundwork for a future meaningful suite of measures" that are likely to have payment implications. Short of financial rewards, expected reporting on CMS Hospital Compare will create a reputational financial incentive to address equity. CMS has also implemented mandatory SDOH "Screening" and "Screen Positive" measures for CY 2024.

Physicians

Physician and hospital organizations participating in the CMS Accountable Care Organization program can now reap bonus financial rewards through the "ACO Health Equity Adjustment." In addition, physicians can see Medicare and Medicaid reimbursement reductions for failing to meet new requirements, which include:

- A quality measure for screening for social drivers of health
- Two new equity improvement activities: 1) actions to improve care for LGBTQ+ patients and 2) creating and implementing a language access plan

Disparities and social needs are linked

As new data arising from these measures starts to flow, analytic approaches should adapt to incorporate and benefit from them. Payers can actively start to integrate their own health equity information in with their health care claims data. This data can be elements such as member race, ethnicity, or education level, but it can also include social drivers of health (SDOH) information, either individual-level as that data builds out or publicly available, geographic data from sources such as the CDC's Social Vulnerability Index. There is an emerging analytic area that has not yet received sufficient discussion: the nexus between health equity and SDOH. In other words, understanding how disparities are driven by systemic racism/implicit bias versus higher social needs within specific populations. Merative can help you make the best of this emerging new data whether it's understanding patterns of behavior in your sub-populations and defining a plan of action, or evaluating programs already in place to make sure populations that have high social needs are not overlooked.

Insights and events you don't want to miss:

- See where to find us at Conference Board and SALGBA
- 3 trends payers should be aware of: Read the summary or watch the webinar
- Two years into the No Surprises Act: Are you compliant with federal regulations?
- Explore our thought leadership library

About Health Insights

Health Insights by Merative helps health plans, employers, and governments understand whether the healthcare programs they have in place are working, find effective interventions to optimize healthcare spend, and improve population health and program performance. Health Insights turns chaos into comprehension in one tool, driving the powerful insights and targeted interventions that help organizations strive for a healthier population and bottom line. Our combination of leading analytics and trusted experts is how we've maintained a 90+% retention rate among the top brands in the country.

Learn more at merative.com/healthcare-analytics.

About Merative

A data, analytics, and software partner with technology and expertise that help drive real progress in health and social care.

Learn more at www.merative.com

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