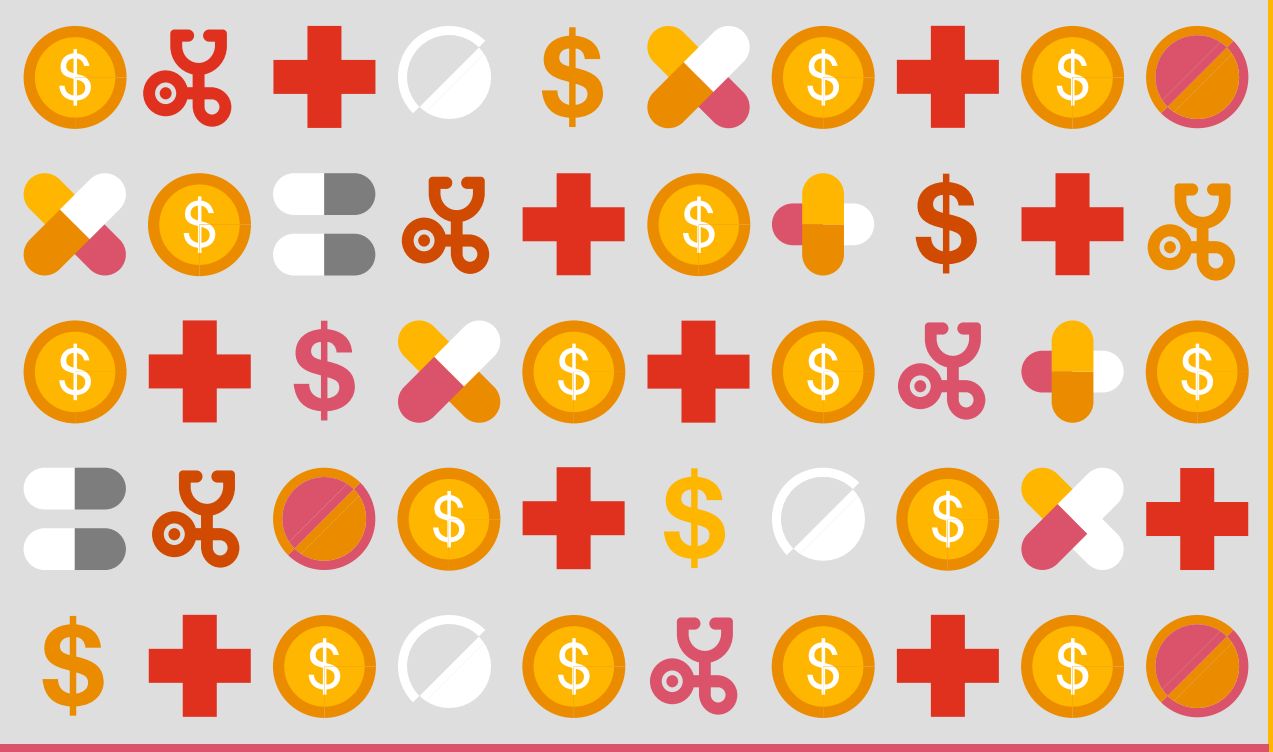


Medical cost trend: Behind the numbers 2020

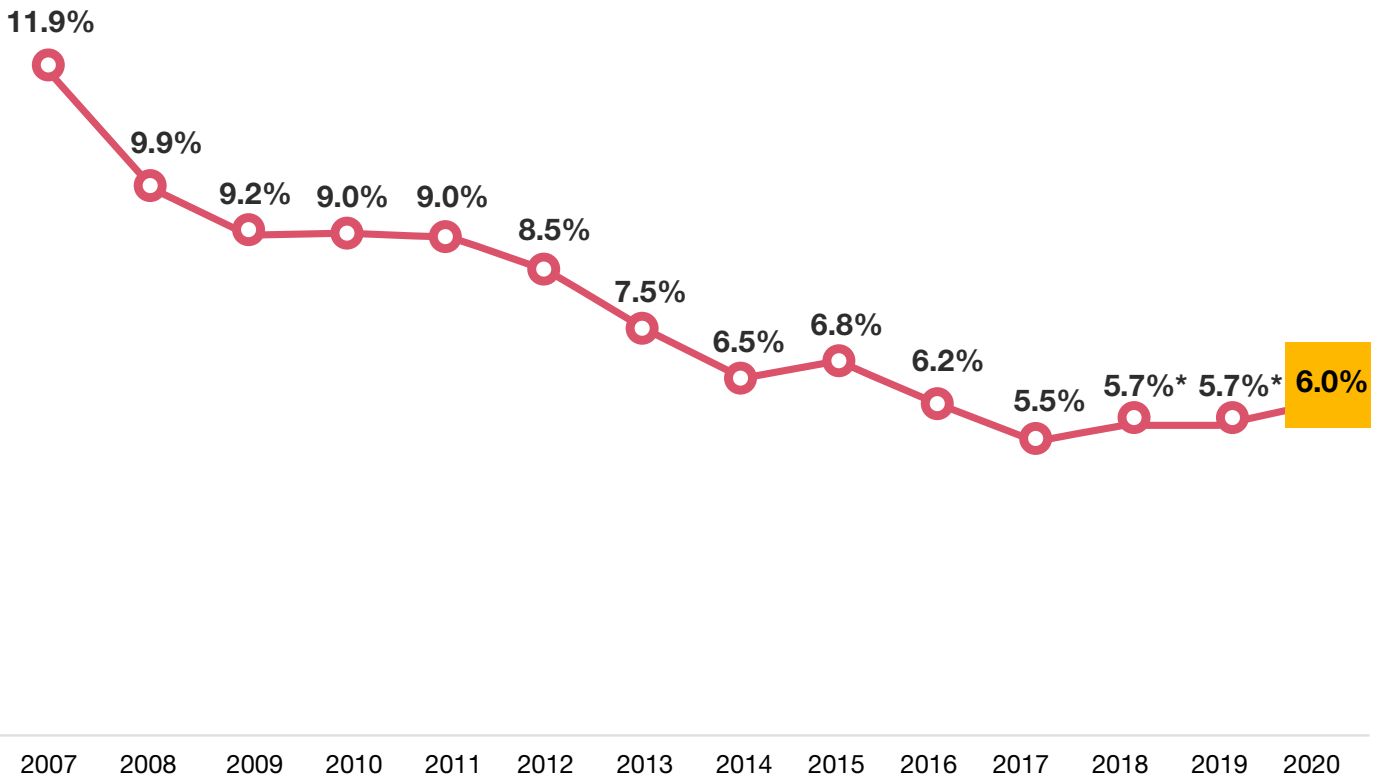
Chart pack

June 2019

pwc

www.pwc.com/us/medicalcosttrends

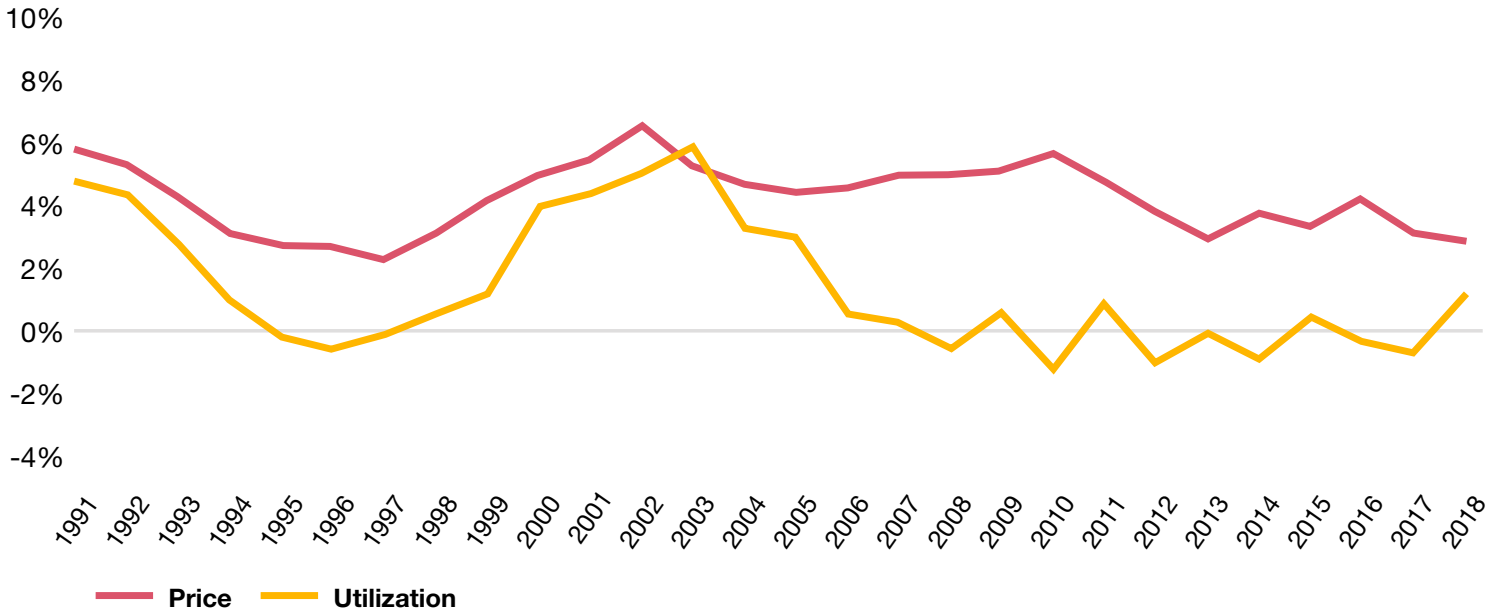
Figure 1: Medical cost trend has been flat for two years but is expected to increase in 2020



*HRI adjusted its estimates for 2018 and 2019 down from those previously reported.
Source: PwC Health Research Institute medical cost trends 2007-2020

Figure 2: Over the past 15 years, benefit cost growth has been driven by the prices of medical services and prescription drugs

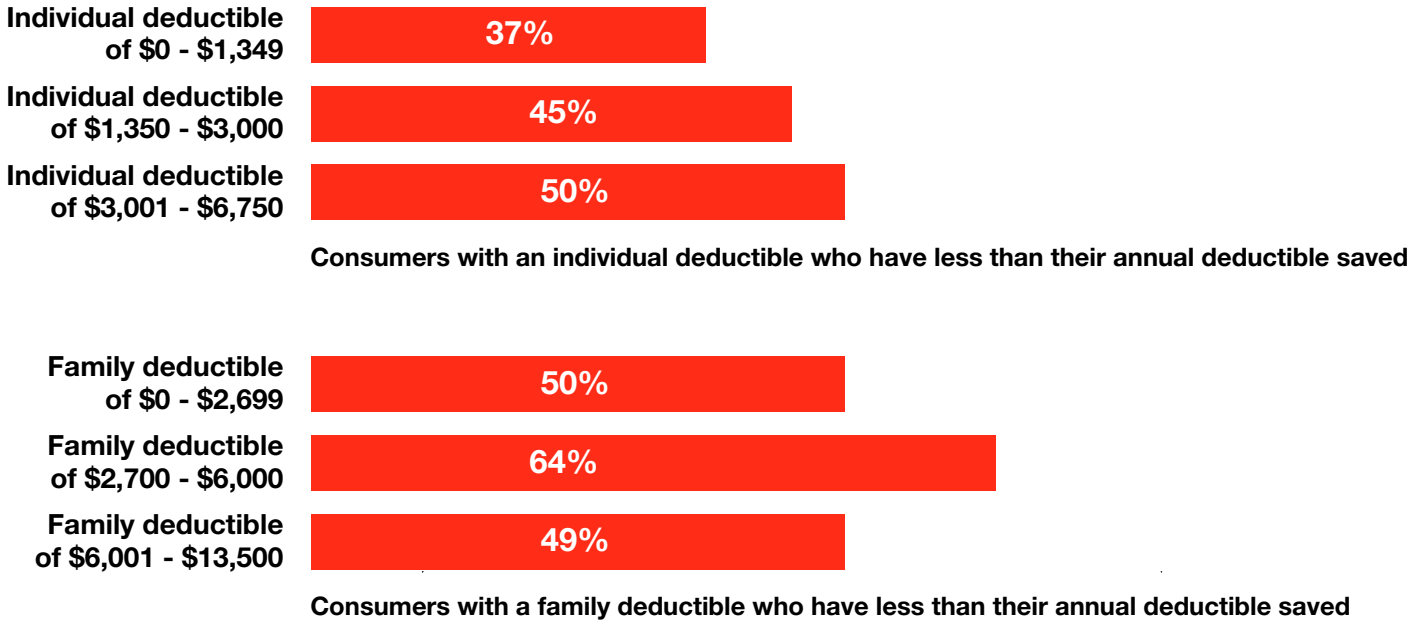
Components of growth in employer benefit costs, 1991-2018



Source: PwC Health Research Institute analysis of CMS national health expenditure accounts, Kaiser Family Foundation data and Bureau of Labor Statistics data

Figure 3: Families and individuals commonly don't have enough money saved to pay their deductible

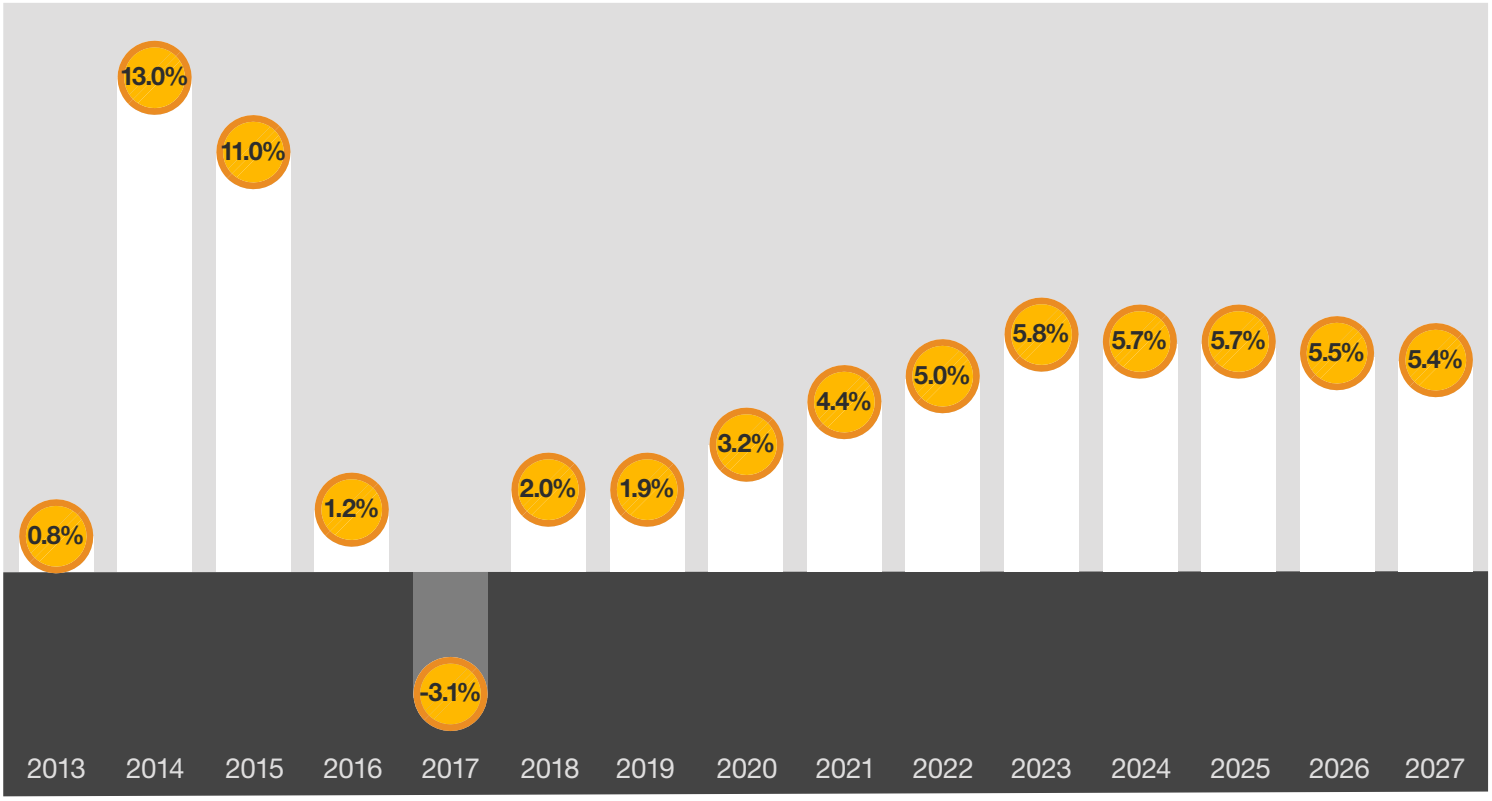
For all deductible levels, across individuals and families, one-third or more did not have enough savings to cover their deductible



Source: PwC Health Research Institute consumer survey, spring 2019

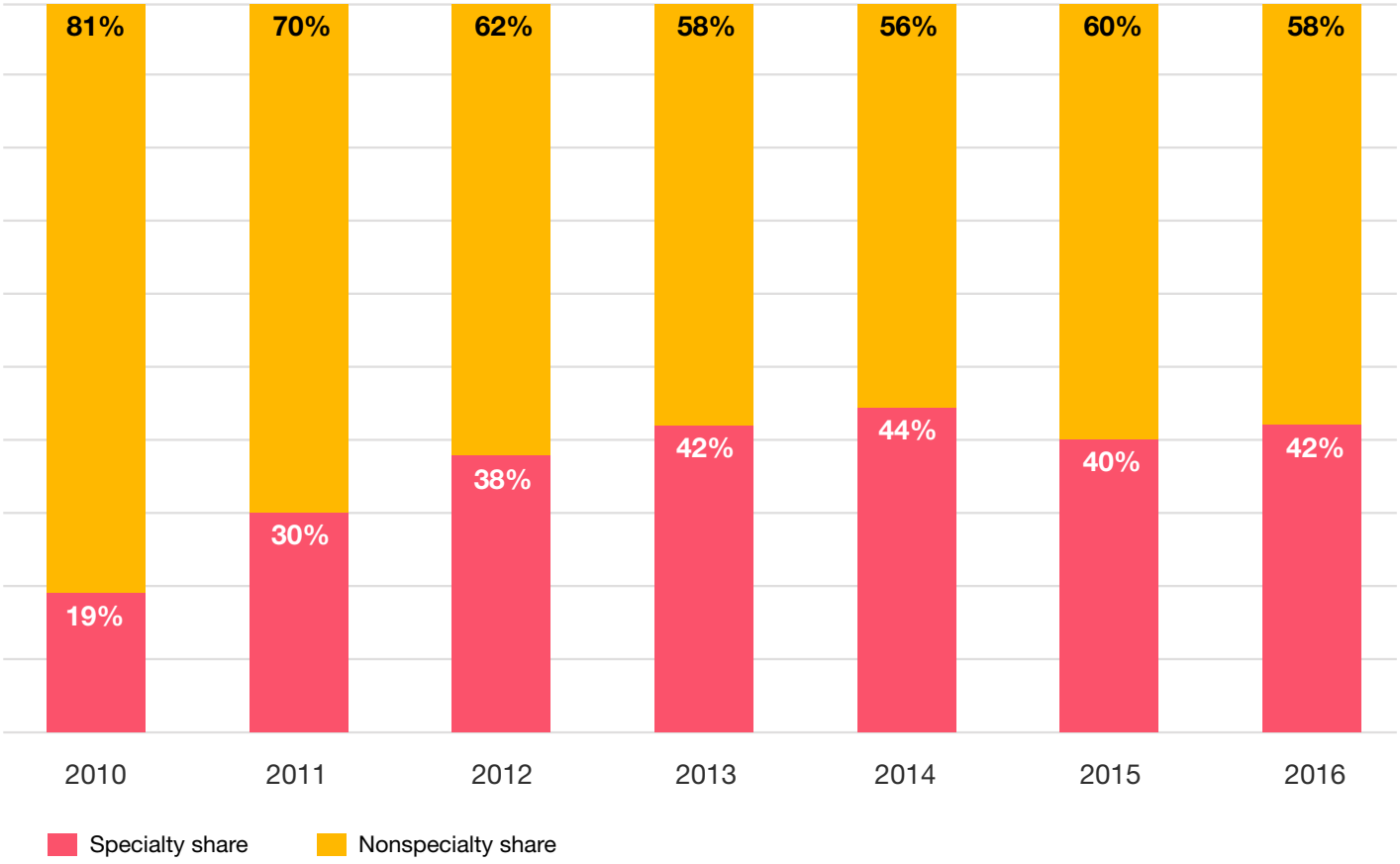
Figure 4: Retail prescription drug spending growth will pick up from 2020 to 2027

Drug spending growth for private health insurance is expected to increase starting in 2020



Source: PwC Health Research Institute analysis of CMS national health expenditure data for private health insurance, historical data 2013-17 and projected data 2018-27

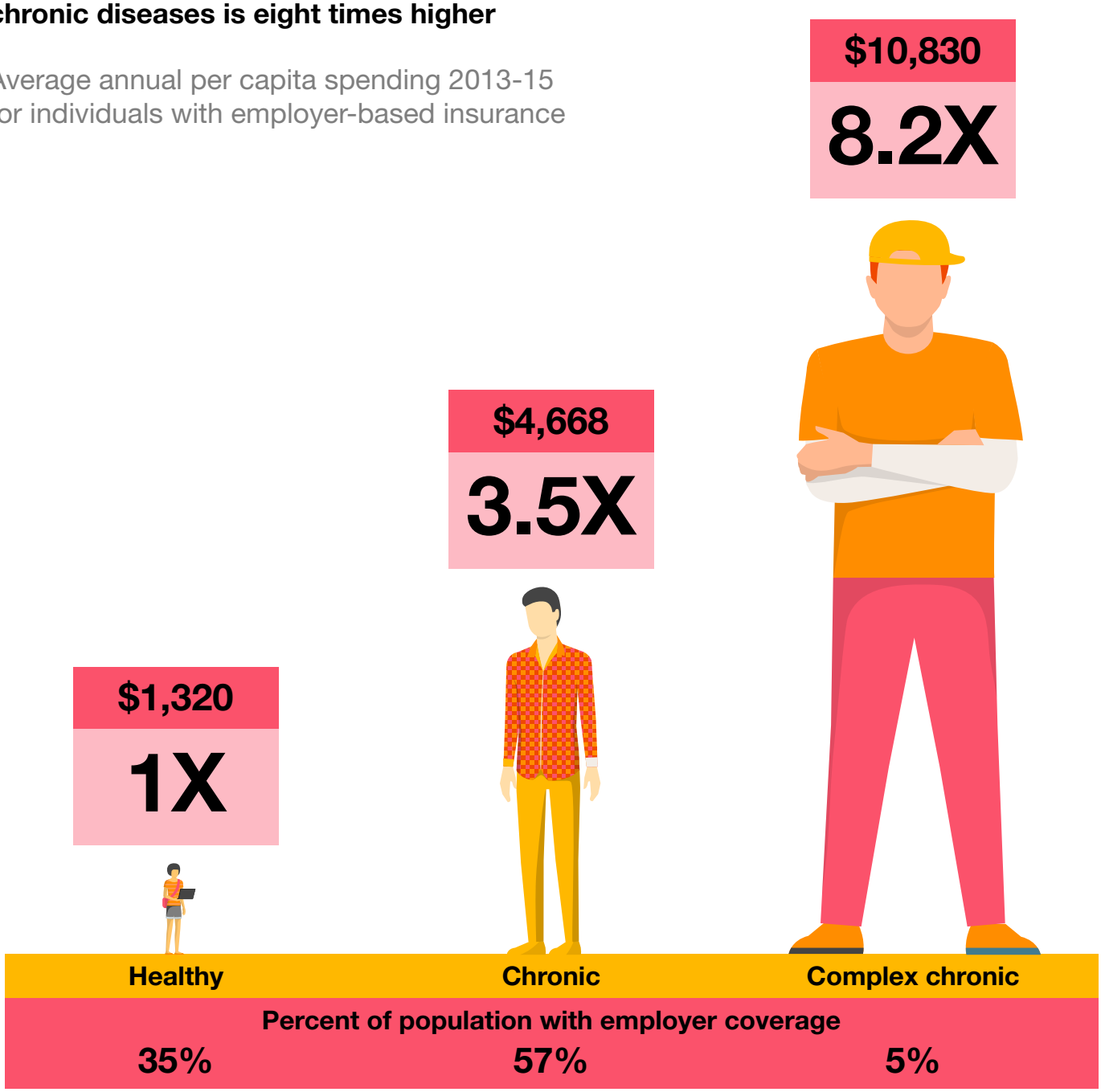
Figure 5: Specialty drug spending is growing as a share of total retail drug spending



Source: PwC Health Research Institute analysis of employer drug spending data from Medical Expenditure Panel Survey, 2010-16

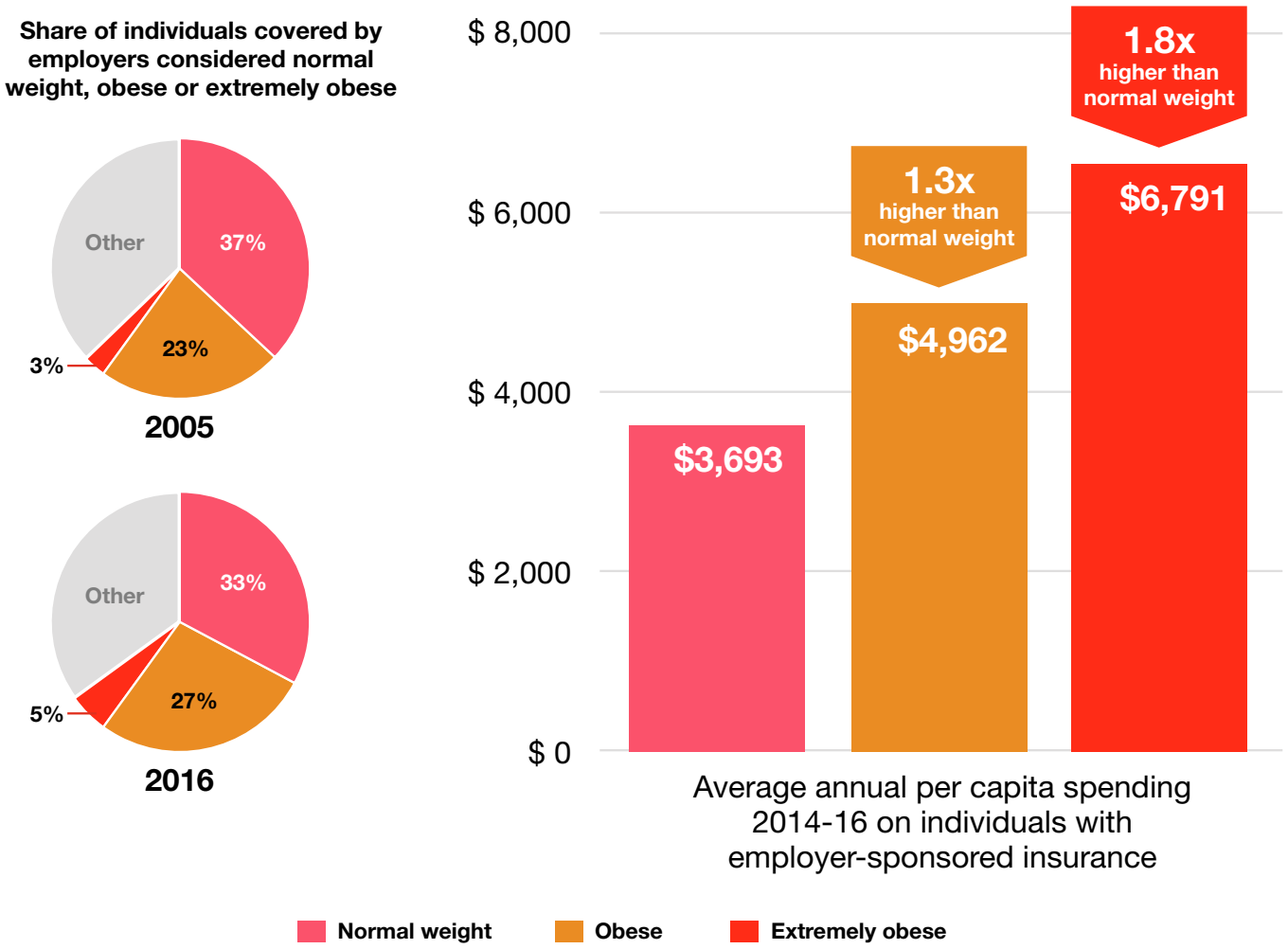
Figure 6: Spending by employers on individuals with chronic diseases is nearly quadruple that of healthy individuals while spending on individuals with complex chronic diseases is eight times higher

Average annual per capita spending 2013-15
for individuals with employer-based insurance



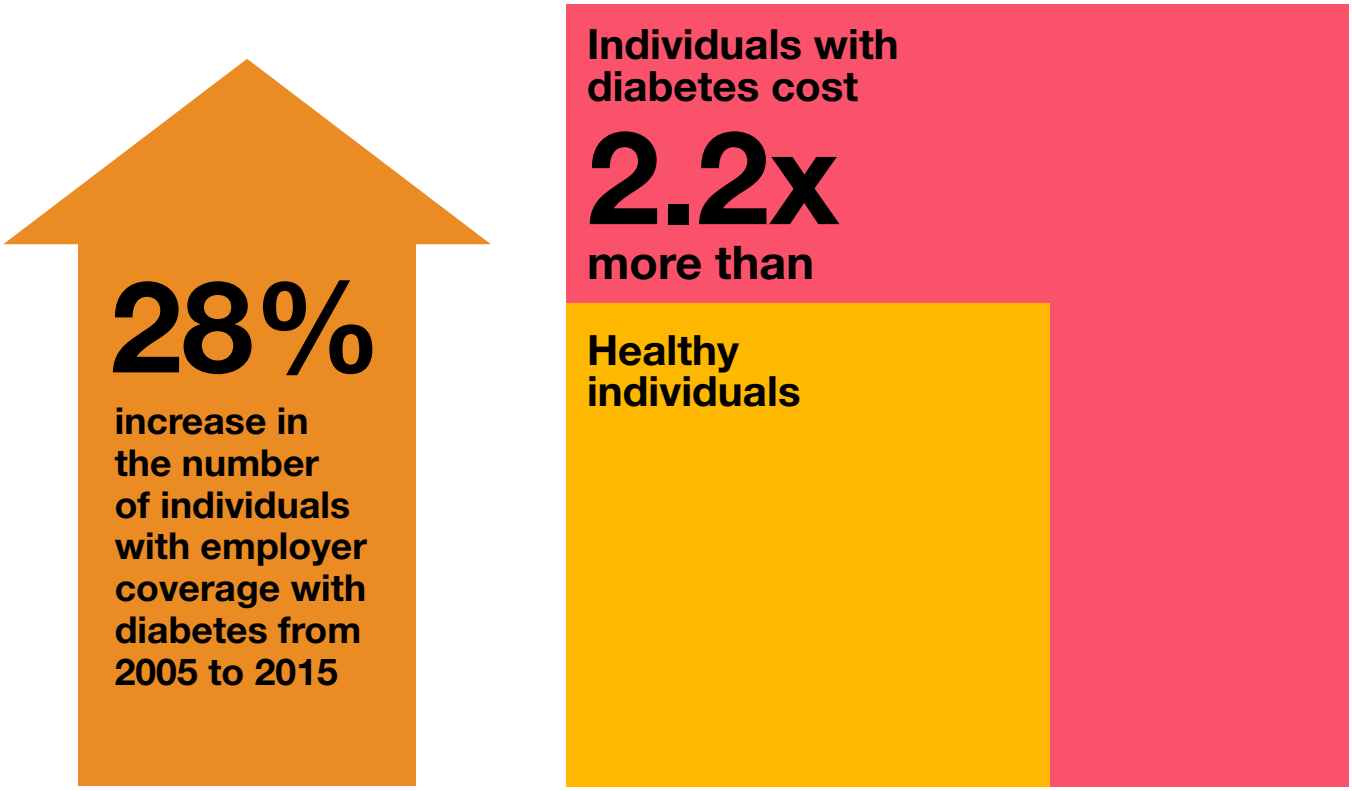
Source: PwC Health Research Institute analysis of Medical Expenditure Panel Survey data for individuals with employer-based insurance, 2013-15
Note: Consumers with chronic disease have problems affecting a single body system such as hypertension and require uncomplicated disease management. Consumers with complex chronic disease live with one or more chronic diseases affecting multiple body systems and requiring complicated disease management. Additionally, note that the percentage of the population with employer coverage considered healthy, chronic or complex chronic is 97 percent. The other 3 percent are either individuals with a mental illness as their primary health issue or individuals considered frail elderly—over the age of 75, living at home and facing health issues related to falls or dementia and suffer generally poor health.

Figure 7: The percent of individuals with employer coverage who are obese has grown and these individuals cost employers 1.3 to 1.8 times more than individuals of normal weight



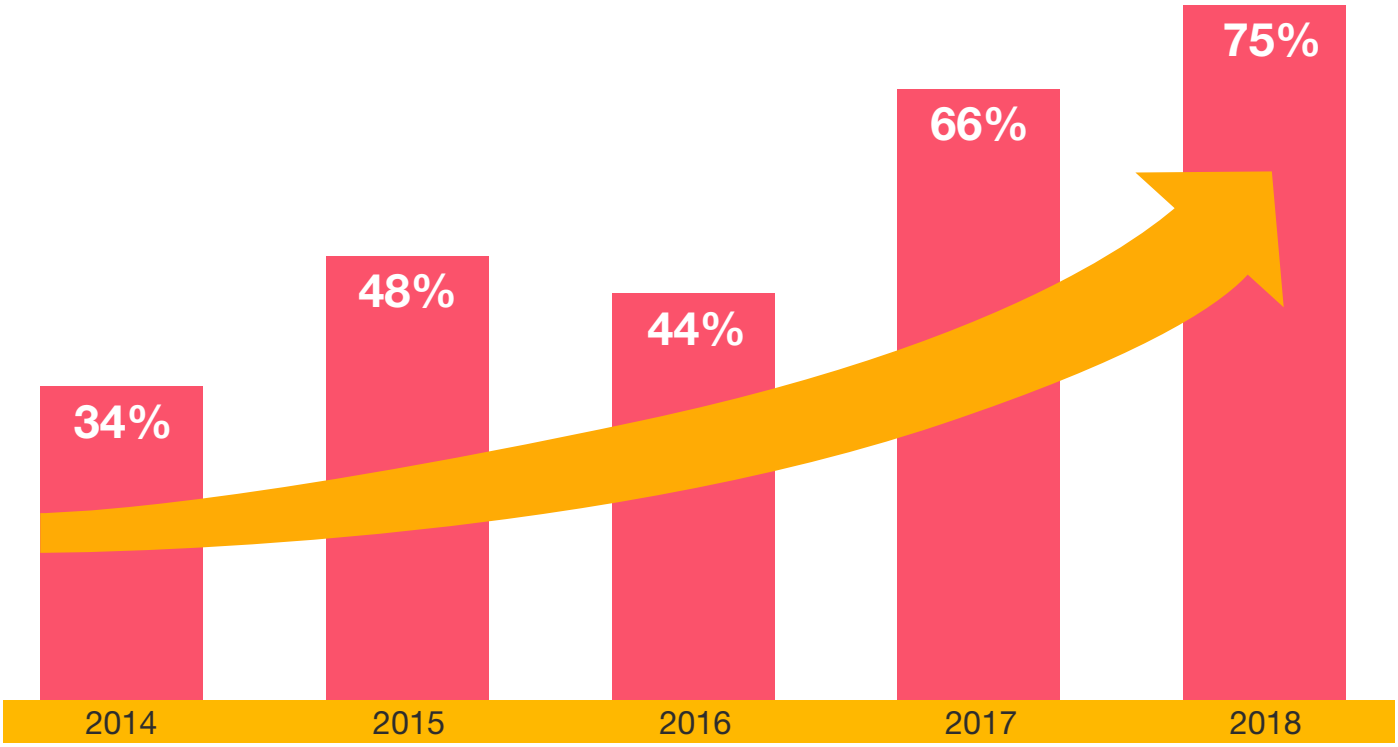
*Other includes the percent of the population that was underweight or overweight in 2005 and 2016.
Source: PwC Health Research Institute analysis of Medical Expenditure Panel Survey data for individuals with employer-based insurance, 2005 and 2014-16

Figure 8: Individuals with diabetes cost employers 2.2 times more than healthy individuals



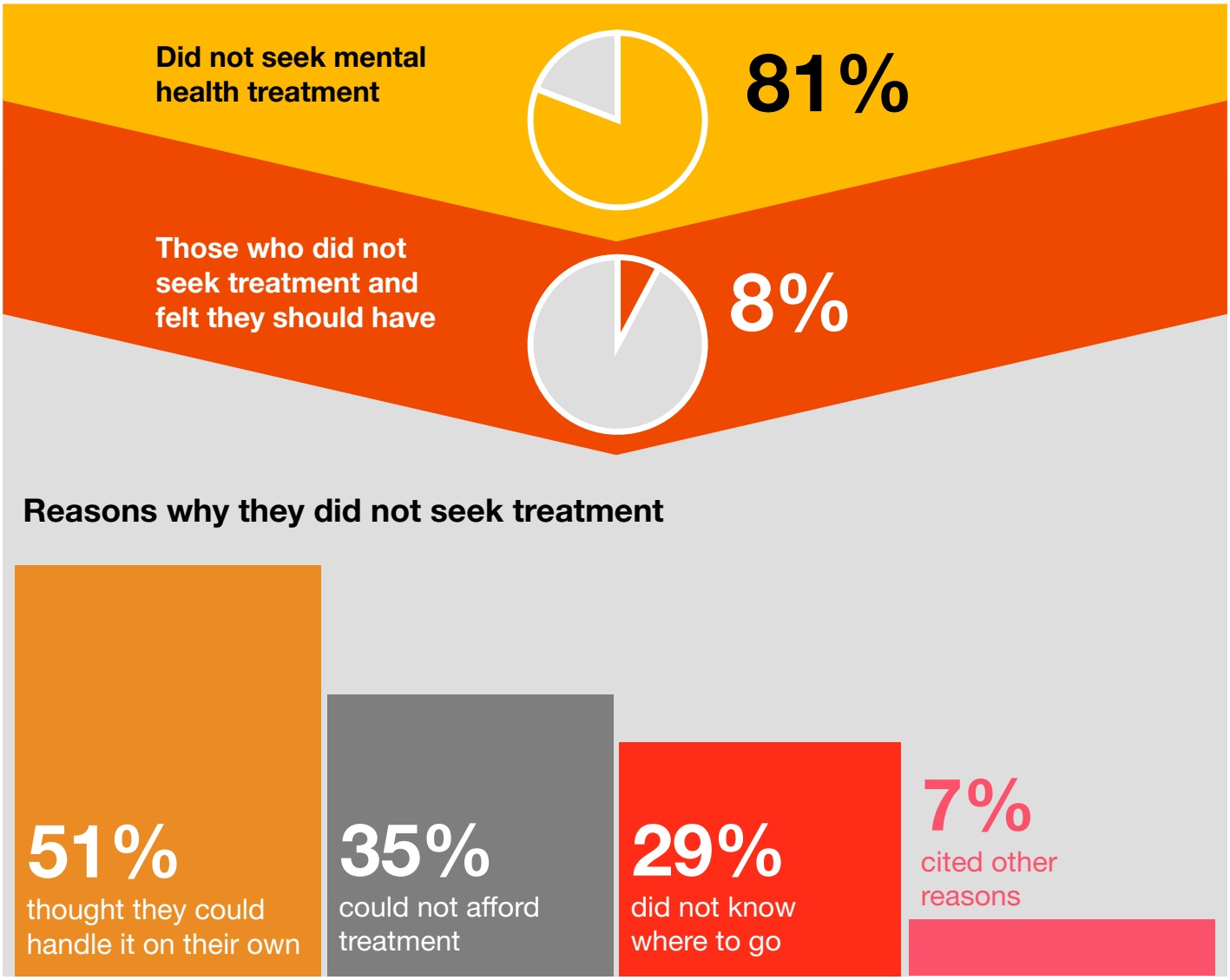
Source: PwC Health Research Institute analysis of Medical Expenditure Panel Survey data for individuals with employer-based insurance, 2005 and 2013-2015
Note: Spending numbers included in this figure are average annual per capita spending for individuals with employer-based insurance, 2013-15.

Figure 9: Employers offering mental health and depression programs, 2014-18



Source: PwC Health and Well-being Touchstone surveys, 2014-18
Note: Touchstone 2019 data are not cited in this figure as the question about mental health and disease management programs was asked differently in 2019, making the data for 2019 not comparable to the data from 2014-18.

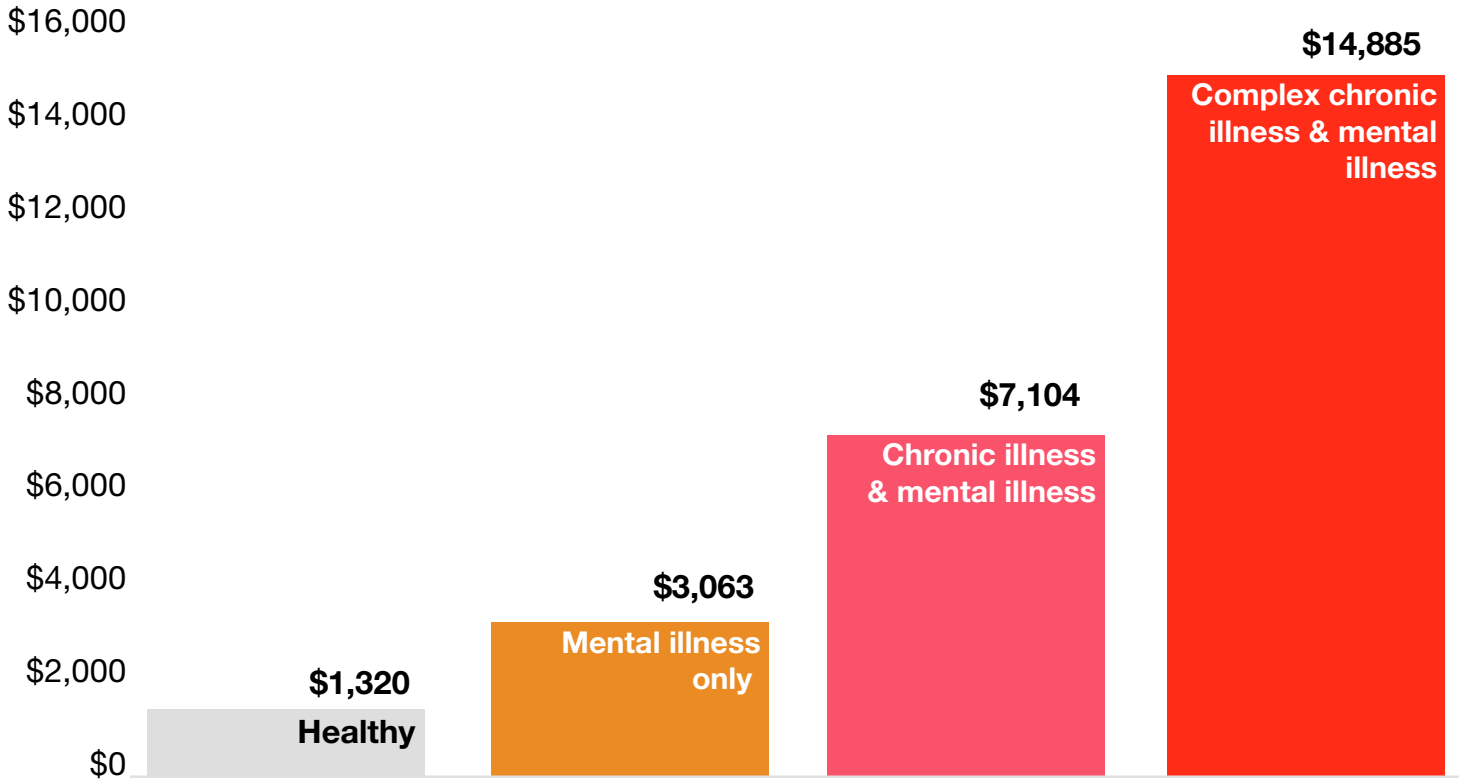
Figure 10: Eighty-one percent of consumers with employer coverage have not sought out mental health services in the past five years; nearly 10 percent of them believe they should have



Source: PwC Health Research Institute consumer survey, spring 2019
Note: Survey respondents were asked to select all applicable reasons why they did not seek treatment; as such, these percentages will not total 100 percent.

Figure 11: The cost of caring for individuals with employer-based insurance who have both a complex chronic illness and mental illness is five times more than that for individuals who have only a mental illness

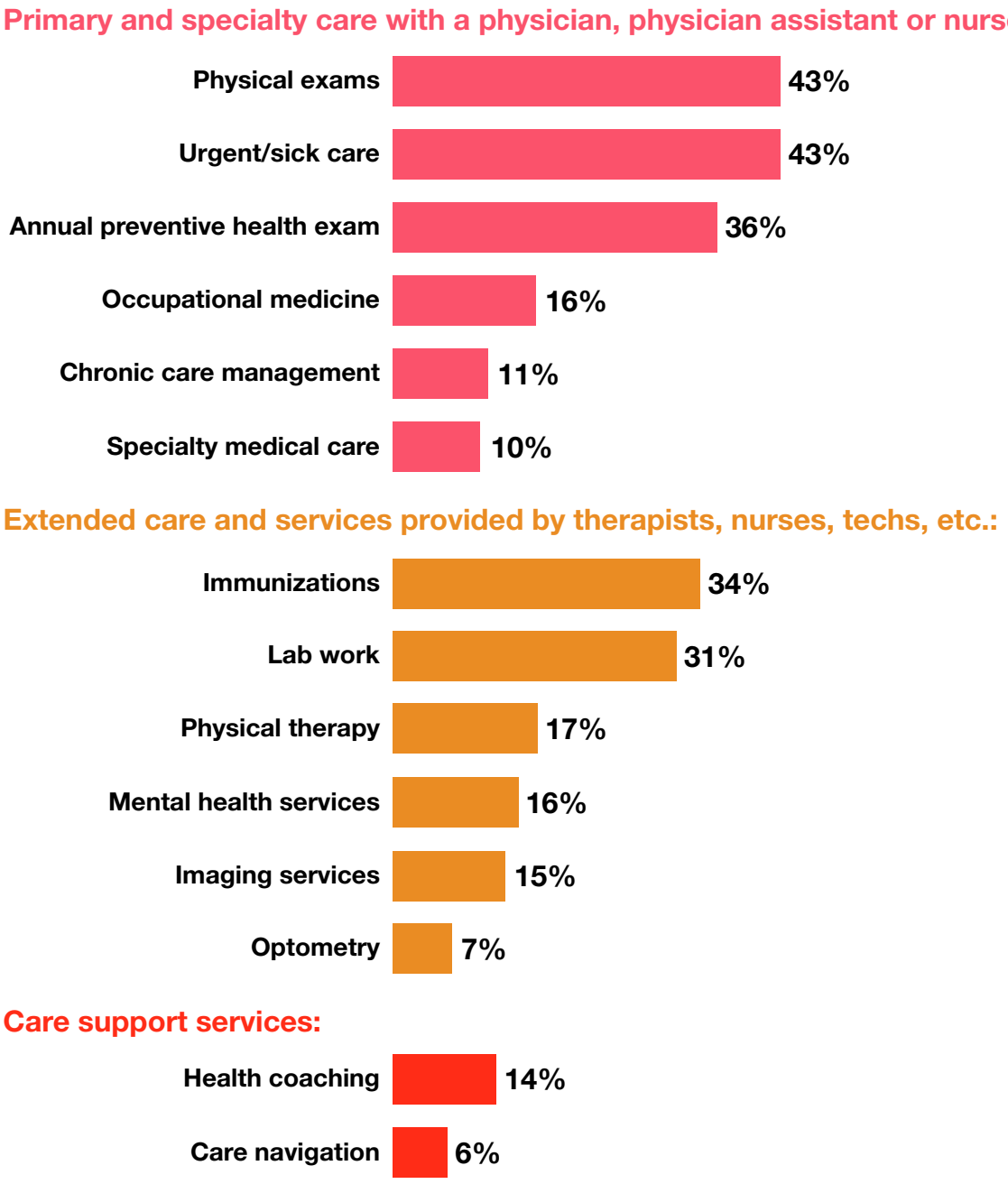
Average annual per capita spending 2013-15 for individuals with employer-based insurance



Source: PwC Health Research Institute analysis of Medical Expenditure Panel Survey data for individuals with employer-based insurance, 2013-15

Figure 12: Worksite clinic services are expanding

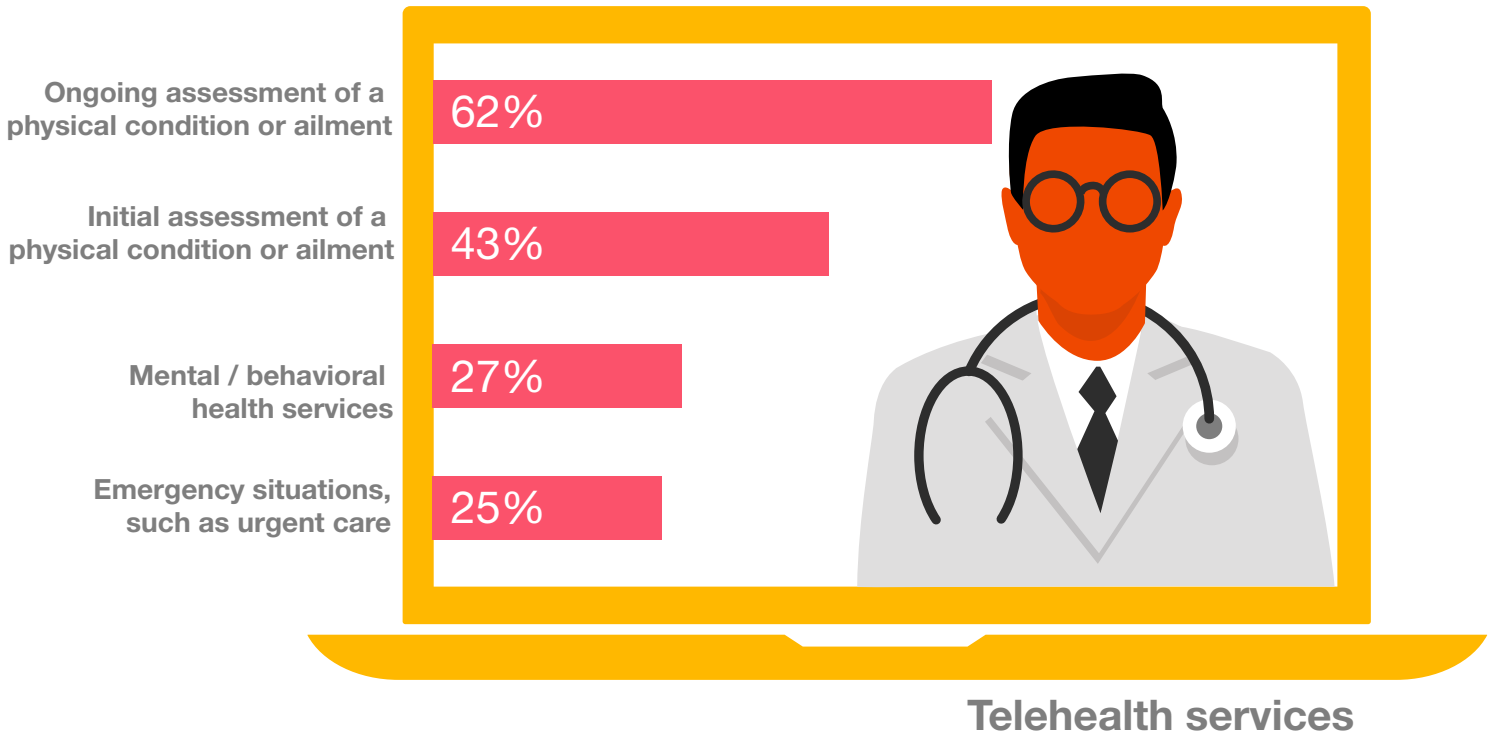
What services does your employer provide at its onsite or nearby health clinic?



Source: PwC Health Research Institute consumer survey, spring 2019

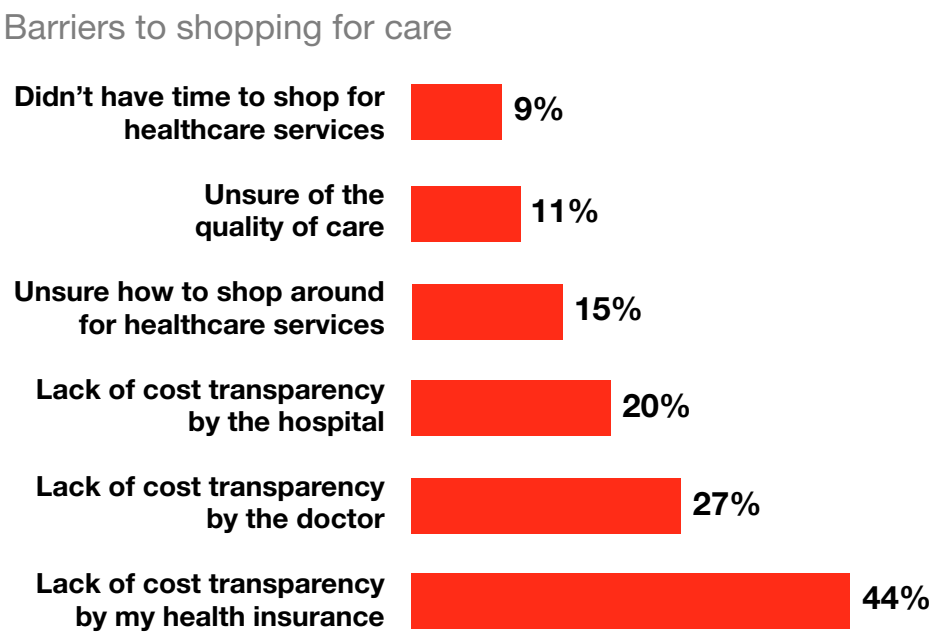
Figure 13: Consumers with employer coverage willing to use telehealth would consider using it in place of these in-person services

49 percent of consumers with employer coverage said they are willing to use telehealth in place of an in-person visit. Of those, these are the services they are willing to use:



Source: PwC Health Research Institute consumer survey, spring 2019

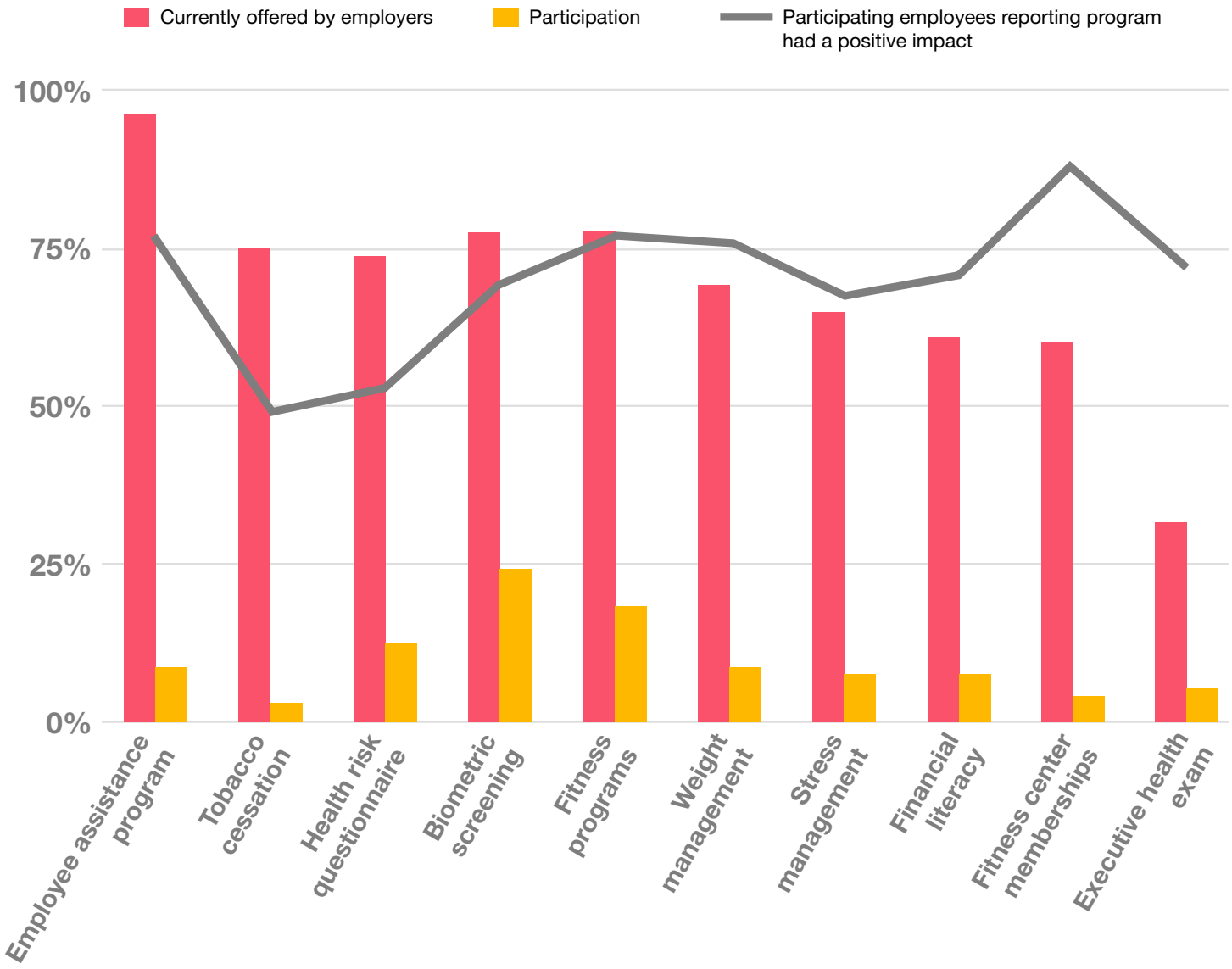
Figure 14: Lack of cost transparency by insurers and providers was the biggest barrier among the 30 percent of individuals with employer coverage who found it difficult to shop for care in the past two years



Source: PwC Health Research Institute consumer survey, spring 2019
Note: Consumers who reported they had shopped for care in the past two years and found it difficult to shop for that care were asked to select the top two factors that made it difficult to shop.

Figure 15: Despite employers' investment in health and wellness programs, participation remains low

Comparison of employer offering with employee uptake and program impact



Source: PwC 2019 Health and Well-being Touchstone Survey; PwC Health Research Institute consumer survey, spring 2019

Figure 16: Proposed drug pricing reforms at the federal level

	Description
Rebate reform	The US Department of Health and Human Services (HHS) released a proposal to make significant changes to safe harbors that protect rebates from the anti-kickback statute. Drug wholesale acquisition costs (also known as list prices) are expected to come down. HRI analysis: This is one of the most disruptive reforms that could impact the healthcare system for years to come. If the proposal becomes law as written, it would make net prices in Medicare and Medicaid transparent for the first time. While the proposal is specifically for Medicare and Medicaid, some have suggested applying it to the commercial market as well to avoid differences in pricing structures.
Importing drugs	Drug importation from neighboring countries would require approval from HHS. HRI analysis: This has not been done to date, but Vermont and Florida are two states leading the charge with this initiative. HHS Secretary Alex Azar has suggested that drug importation from Canada could potentially be allowed for single-source products that lack competition and experience extreme price hikes.
International pricing	International pricing index for physician-administered drugs in Medicare Part B. HRI analysis: There is concern from pharmaceutical companies that hundreds of millions of dollars of revenue would be lost. Some pharmaceutical companies could delay or forgo launching drugs in certain lower-cost international markets to avoid a lower reference price in the US. Some may also try to move products into self-administered applications to take them out of the physician-administered realm and hedge the risks associated with the proposed Part B policy.
Patent reform	Encourage faster entry of generic and biosimilar drugs. HRI analysis: More competition, especially from biosimilars, could mean lower prices for both the generics and biosimilars as well as their brand and biologic counterparts.

Source: PwC Health Research Institute, "Creating a stable drug pricing strategy in an unstable global market," May 2019

Figure 17: Summary of universal healthcare proposals at the federal level

	Medicare for All Act of 2019 (House version)	Medicare for All Act of 2019 (Senate version)	Medicare for America Act of 2019	Medicare at 50 Act
Impact on employees and employers	Within two years, it covers every resident of the US and also allows the HHS Secretary to make decisions to cover nonresidents, but the bill does not require that HHS do so.	Within four years, all legal residents are covered under Medicare.	Starting in 2023, large employers can continue to provide insurance, if it is gold-level coverage with benefits comparable to Medicare for America. Or, they enroll their employees in Medicare for America and contribute 8 percent of annual payroll to the Medicare Trust Fund. Employees can choose to enroll in Medicare for America, even if their employer offers qualifying coverage.	This bill would impact employees who are eligible for Medicare Part A or B, and between the ages of 50 and 64. This bill expands the population eligible for Medicare services.
Medical services not covered, or not mentioned in legislation (See note below figure)	Other forms of transportation; HHS would determine how it would be covered for low-income or disabled beneficiaries. (Note: emergency transportation is included in this bill)	Nothing explicitly excluded from coverage, of the coverage details noted below the figure.	Nothing explicitly excluded from coverage, of the coverage details noted below the figure.	This bill extends all benefits under Medicare to the expanded population, including Part A, Part B and Part D. It also includes the ability to enroll in Medicare Advantage plans that provide prescription drug coverage.
Prescription drugs	Covered. Specifically includes biologics, medical devices and both outpatient and inpatient prescription drugs.	Covered.	Covered. Bans the use of step therapy and prior authorization for any type of insurance, public or private. It directs the HHS Secretary to negotiate prices with manufacturers for beneficiaries.	The bill expands HHS' ability to negotiate prescription drug prices. Drug coverage policies would mirror Medicare coverage.
What would employers pay?	Employer contribution mechanisms are not identified.	Per statements from bill sponsor US Sen. Bernie Sanders, the plan is paid for through tax increases. Exact mechanism not laid out.	Employers can either make a firmwide contribution to the Medicare Trust Fund in lieu of offering insurance to employees (8 percent of payroll), or, if they offer a plan and an employee opts to enroll in Medicare for America instead, the employer has to make a contribution equal to what it would have otherwise made toward a qualified health plan.	Employer contribution mechanisms are not identified.

Source: PwC Health Research Institute analysis of federal healthcare proposals
Note: Unless otherwise mentioned, the following medical services are included in each of the proposals above: inpatient hospital care, outpatient hospital care, inpatient prescription drugs, ambulatory services, preventive care, mental health and substance abuse treatment, lab and diagnostic services, pediatric care, dental, vision, rehabilitative and habilitative care, emergency care, long-term care, maternal health and newborn care, contraception and emergency services.

For more information, please visit:

www.pwc.com/us/medicalcosttrends

www.pwc.com/us/healthindustries

www.pwc.com/hri

twitter.com/PwCHealth