David Burda:

Welcome to the 4sight Health Roundup podcast, 4sight Health's podcast series for healthcare revolutionaries, outcomes matter customers count and value rules. Hello again, everyone. This is Dave Burda, news editor at 4sight Health. It is Thursday, October 31st, happy Halloween to those who celebrate or love candy. On today's show, we're gonna talk about some scary findings from the Kaiser Family Foundation's latest annual survey on employer health benefits. Many people, including myself, consider the annual report to be the gold standard of employer benefits surveys. To tell us the good and evil from the new report are Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi Dave. Hi Julie. How are you two doing this morning, Dave?

David W. Johnson:

Well, I'm a little sleepy because I stayed up to watch the end of the World Series game last night, where the Dodgers had a thrilling come from behind victory over the Yankees to win the World Series. Ironic. They call it the World Series 'cause it's baseball for the US and Canada. But the Yankees blew a five nothing lead in the fifth inning with three <laugh>, three errors, and five unearned runs. They're gonna be thinking about this all winter long.

Burda:

Yeah. Yeah, that one definitely hurt. Thanks Dave. Julie, how are you?

Julie Murchinson:

Well, been a busy week at work. It's been a stressful 45 years in politics <laugh> and <laugh>, and it's been a gorgeous week in Seattle until, of course, yesterday when it started raining just in time for Halloween. And Dave, I have a super cranky Yankees fan in the house, so it's, it's just not that fun.

Burda:

Oh Yeah. Just give it a little time, you know, it's always the worst the next day. So <laugh> hang in there. Now before we talk about scary findings from this new Kaiser benefits survey, let's talk about candy. Dave, I've seen you sneak a candy bar or two on occasion. What, what candy do you give away and what candy do you keep hide and eat later when no one's watching?

Johnson:

You know, 25 years ago, we had a lot of people come to the door, and then it basically dwindled down to nothing. But we always gave out good candy, and, you know, we wanted to be known as the place that gave out real candy bars. And you're right, I've [00:25:30] got a weakness, particularly for Payday bars which you will know since we, I know made a ton of ton of them going up to Green Bay last year. Yeah. But <laugh>.

Burda:

You need it once in a while. Thanks, Dave. Julie how about you? What candy are you giving away today and what candy do you keep and eat?

Murchinson:

Well, we're a split household. We have one diehard chocolate fan and three gummy Bear Sour Patch kit lovers. Oh. So yeah, I'm the chocolate lover. That's probably not a surprise. So I go with the, you know, Reese's Peanut Butter Cups Kit Ka and Godiva that I kind of bring over into my pile, <laugh> and all the other Snickers and the Three Musketeers, and the Twix and all that other stuff goes the kids.

Burda:

Wow. That, that's good. I'm sure they appreciate that. We don't give away any hard candy on a stick, like a Tootsie Pop. I have this irrational fear of choking. We do have weigh pretty much everything else. Milky Weighs three Musketeers, everything except Snickers and Kit Kats. I saved those for myself. And I may have one for breakfast after we taped this podcast with a cold glass of milk <laugh>. Okay. Let's talk about the 26th annual Employer Health Benefits survey from the Kaiser Family Foundation. This year's report is based on a survey of 2,142 randomly selected non-federal, public, and private employers with three or more employees. Hey, there's three of us. Maybe we can participate next year. Anyway, I'm gonna give you some of the top line findings from the report and you are gonna tell me one scary good finding and one scary bad finding, and then what both say about the healthcare system. Here we go. The average annual premium for family coverage rose 6.7% to $25,572 this year. The average annual premium for single coverage rose 6.1% to $8,951 this year. Interestingly, how much employees contributed to those premiums dropped this year. Employees paid 25% of the premium for family coverage. That's down from 29% last year. In terms of dollars, that's a drop of 4.2% to $6,296 out of pocket employees paid 16% of the premium for single coverage. That's down from 17% last year. In terms of dollars, that's a drop of 2.4% to $1,368. Now, I'm not an economist, but I would call paying less for health insurance scary good. Now let's hear from you two. Dave, what's your reaction to those premium changes? Then, give me one scary good finding and one scary bad finding and what they say about the healthcare industry.

Johnson:

Let's talk about the numbers a little bit and then get into the implications. The average family premium rose 7% to $25,572. Dave, as you mentioned that's a lot of dough anyway. You slice it. You may recall that Zeke Emmanuel and I published a piece in JAMA, I dunno, seven, eight years ago, creating the affordability index, which looked at the cost of this family premium over median household income. And we actually saw a very meaningful increase in median household income in 2023. It's now over $80,000, but that ratio cost of a family premium employer and employee portion over median household income is still coming in at 32%, very high, but roughly where it's been since 2010. In 1999, that ratio was 14%. Second point at 25 to 30% of total costs administrative expenses embedded within the premium approximate almost $7,000. That's a lot inter intermediary fat that we should be targeting. And we actually need a GLP one drug for administrative costs in healthcare <laugh>. So we should get on that. Premiums rose at a faster pace than wages, which were up 4.5% inflation, which was up 3.2%. So healthcare at least for this year is an increasing drag on both wages and inflation. Although healthcare does tend to lag a bit because premiums get set in advance of the year. Out-of-pocket costs, notably

deductibles, remained high but were stable. So what's all this mean at, at first blush, it just looks like the same old same old healthcare costs rising more than the economy overall wages inflation and so on that translates into stealing resources from other sectors to make the overall equation fit. But the actual story is much more complicated than than that. The percentage of premium paid by workers, Dave, as you noted dropped to 4.2%. I think that reflects the tightening labor market, and employers are doing everything they can do to attract and retain workers, which means they're absorbing the cost increase. Remember employers look at total cost and employees look at wages, and employers are absorbing this. This puts increasing financial pressure on self-insured employers and they don't like it. So all of this kind of distills down to several fault lines. Access versus affordability. I think affordability is becoming an even bigger issue for self-insured employers. And then access affordability and access manifest in broad versus narrow networks. We still haven't seen enough of risk-based contracting. So you've got that fault line between reimbursement based and risk-based contracting. Consumers are increasingly getting into the game for all kinds of reasons. One, their, their share of the payment has been going up. And also there are a number of new tools that increase their ability to influence purchasing decisions, all of which leads to creation of new business models in the marketplace. And two, which we feature in the new book, are APRI; which is managing among others the lives of 40,000 JP Morgan employees and dependents in and around Columbus, Ohio. We've talked about that before, and zero intermediaries in that relationship. And then Transparent, which has got a digital first platform, and then contractual arrangements with a very high value network of providers for specific treatments.

Burda:

Yeah, a lot bubbling just below the surface. That, that's great. Thanks Dave. Julie, any questions for Dave?

Speaker 4 (34:16):

Well, Dave, you know, my favorite topic is GLP-1s. <affirmative>. And this report paints a pretty rough picture of the potential cost increases due to GLP-1 coverage for weight loss. That's, you know, many expect will happen in the next few years. And it noted that 18% of firms with 200 or more employees cover GLP ones for, you know, primarily use for weight loss. But then among the firms that don't cover it for weight loss today, 62% aren't likely in the next 12 months. 23% are somewhat likely and 3% are likely. So do these numbers make sense and align with the dreary expectation?

Johnson:

Yeah, I think this is a tide in waves issue, Julie. The statistics you're citing are, are waves. And there's still a lot of sticker shock associated with the GLP one drugs, but you get under the surface and look at the tide, which which comes in in sort of a relentless way. And what are some things that we see? One demand for these drugs is ridiculously high. I mean, it's just ridiculously high competition for providing them is increasing, you know, up to the point where the FDA has granted compounders the right to provide these drugs at, at lower cost just to help meet this demand. I think bigger picture, the prices, given the demand, and given all of the manufacturers in this space the prices are likely to come down just like they have for the Hep C drugs. It's in the broader societal interest to figure out how to get more and more people on these drugs. So if you look at the tides Julie, I think we're on the road to widespread use that's ultimately affordable because we don't really have any other choice.

Burda:

Thanks, Dave. Julie, it's your turn. What's your reaction to those premium changes I mentioned earlier, then give me one scary good finding and one scary bad finding, and what do they say about where healthcare is going?

Murchinson:

Well, there's no doubt that healthcare costs have been on a rocket ship. And this tracks with everything we're seeing. And Dave, to your point about employers, I love Drew Altman's quote, he said, and I quote, employers are shelling out the equivalent of buying an economy car for every worker every year to pay for family coverage. And then he went on to state what the numbers show, which is that the Thai labor market in recent years means employers have not been able to continue offloading costs onto workers who are already struggling with health bills. We see that healthcare bills, we see that in the, the news every week, right? Yeah, it's, this report will make your head spin with stats, but it's pretty on point in so many ways. My scary bad I shouldn't be surprised by this, and there were plenty of stats to put this in context, but when you just listen to the numbers over the last five years, the average fa premium for family coverage has increased 24%. I mean, that sounds like a big number over a short period of time, and that's scary. Another one I I noticed was just caught my eye, 37% of covered workers at small firms have their entire premium paid for by their employers, while only 5% of workers at large firms do. It's kind of striking and creates a bit of an imbalance in some way, you know, in society, like another layer of haves and have nots in some way. So, you know, it's a, it's amazing, very, the variation in employer models today. So my scary good, I found hard to come up with, to be honest with you, <laugh>, because employers are between a rock and a hard place. And I kind of wanna turn a bad into a good in terms of market innovation. You know, tiered and narrow networks have alone not really impacted the cost trend the way many had hoped. And they're out there, I'm not so sure that the, the use is as high as anyone would've projected. And several in the industry have been waiting for the IRA models to scale, but they're kind of inching along at the moment. However, a relatively, you know, recent, I would say not in the last few months, but you know, year plus ish is a move by United with a company that they bought a couple years ago called Bind that they've now rebranded as surest. And there are a couple other companies in this space as well that Aetna and HCC and others have just announced that they're working with. They seem to almost be in response to the runaway upward cost trend. And of course, it's not a response, but the recent health plan interest in these models would make you believe it is. So these plans united at I-H-T-S-C, others are partnering with new employer sponsored health plan models like Sures to help members get ready for this, Dave, see what they'll owe in advance, and compare options within the health plans provider networks, <laugh>. This is not necessarily for every procedure, but for the high cost categories, the headline issues. And, you know, sheriff says a lot actually, and Dave I'm not gonna put words in your mouth, but I liken these models the beginning of transparency and a choice architecture that may actually work in healthcare. And here's why. Members have to actively choose their provider with these costs in mind, which purportedly are engaging members at a much higher rate because the member is making the choice. And these plans are creating kind of a dynamic element to health coverage that was tried 15 years ago and failed. So I think this is scary good.

Burda:

Hmm. Yeah. Yeah. We'll see what happens. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Well, if we open up the aperture a little bit, Julie, to five years, what we see is that premiums for family coverage have, as you mentioned, have increased 24% over the last five years, which seems like a huge number. But during the same period, workers' wages increased 28%, and inflation is measured by the consumer price index. CPI has increased 23%. So basically premiums have been in line with inflation and workers are actually putting a little more money in their pocket in this narrow slice of analysis. And when you get away from commercial we know that Medicare and Medicaid treatment payments are substantially lower than those paid by commercial insurers. And that gap has been increasing over the last couple decades. This overall payment pattern places increased financial pressure on providers who depend on higher paying commercial patients to subsidize the cost of their total operations. Looking at the five-year pattern, rather than the one year pattern do these relationships suggest that healthcare spending at a societal level is reached an inflection point?

Murchinson:

Well, inflation has slowed in the last year. So we'll see whether healthcare costs can actually stay at the rate or under the rate of inflation, given that healthcare costs themselves continue to rise. I think the rest of the economy is arguably performing better than our sector in that respect, and we're still experiencing major labor supply issues. So, I don't know. You know, a lot of providers are speaking with digital and advanced marketing tools, more commercial patients, more and more and more and more and more. So the subsidization today is driving a lot of these business models out of the whole and into, you know, some very razor thin margin business model. Again I, I don't know. I'm not that hopeful that we're, we're gonna see the cost trend come under control in the way that you say,

Burda:

You know, for me, I always find great stories in the last chapter of the report, which is where they throw random questions about other things happening in healthcare. And here's one that I'm not sure is scary, good or scary bad, but does speak to your point, Julie, about transparency. 37% of employers with 200 or more workers said they didn't think or didn't know that the new health plan cost transparency rules would reduce healthcare spending. So that's a healthy dose of skepticism or ignorance over price transparency. Now, let's talk about other big news that happened this past week. It wasn't all bad, was it? Julie, what else happened that we should know about?

Murchinson:

Well, if you didn't see it, the third Peterson Institute report came out on hypertension. This is following their report on diabetes, and then MSK, so the third report. And it found that digital hypertension solutions focused on medication management were more effective than those that transmit home monitoring data largely to providers and solutions that focus on patient behavior change. I'm not surprised by that behavior change, but it was disappointing to see that the, you know, remote

monitoring is not as effective, efficacious, everything as medication management. There's a lot more to it, so I encourage you to read it.

Burda:

Yeah, no, good tip. Thank you. Dave, what other news is worth mentioning?

Johnson:

Well, this is bad news. In Oregon this week, they discovered a bird flu strain in pigs. And that's because pigs can also get human forms of flu. And when the viruses intermingle, they can become more virulent and transmissible. So something really to keep an eye on. ‘Cause The last thing we need right now is another pandemic.

Burda:

You guys are bringing me down. I have high blood pressure and I eat pork chops.

Murchinson:

Just don't eat them from Oregon.

Burda:

<Laugh>. Thanks Dave. And thanks Julie. That is all the time we have for today, If you'd like to learn more about the topics we discussed on today's show, please visit our website at 4sighthealth.com. You also can subscribe to the roundup on Spotify, apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.