



Benfield

ARTHUR J. GALLAGHER & CO.

FALL 2016

EMI

Employer Market
Intelligence

EMPLOYER MARKET RELATIONSHIPS

A private ongoing, multiclient study.



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Introduction

Benfield-Gallagher has been conducting research to track and analyze biopharmaceutical manufacturer collaborations with Employers and Employer Health Coalitions for over a decade. Consistent with past years, results in this Employer Market Relationships report include individual manufacturer and account executive benchmarking information, collaboration examples and opportunities for successful partnerships. New this year, however, we've broadened the lens of our Relationships research to capture insights on Employer and Coalition relationships with benefits advisors (EBCs/Brokers), pharmacy benefit managers (PBMs) and health plans/third party administrators (TPAs). We took this expanded approach in response to manufacturer demand for insights into who Employers and Coalitions rely on to make health and pharmacy coverage decisions, and how these stakeholders influence benefits management overall.

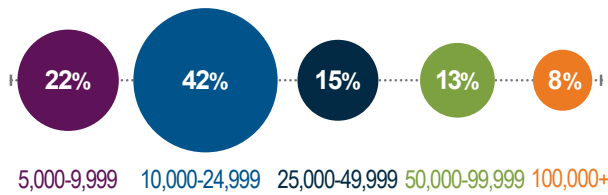
Our study of 105 jumbo Employers (5,000+ employees) and 33 Employer Health Coalitions was conducted in May of 2016. Fifteen follow-up interviews were conducted with Employers and Coalitions to further assess their experience and perspective on partnering with healthcare stakeholders. All Employer respondents utilize a health plan carrier/TPA, and nearly all utilize a PBM (99%) or a benefits advisor (93%). Just over a quarter (28%) of Employers indicate they have had a relationship with a manufacturer over the past year. For the purpose of this research, a manufacturer "relationship" is defined as the exchange of disease state, company or product information with a manufacturer contact. A relationship may also include project-based or financial collaboration in the form of support for health programs/initiatives, worksite-based clinics, employee/patient engagement programs or participation in advisory boards or focus groups.

This year's report begins with an overview of Employer and Coalition engagement with a broad range of healthcare stakeholders. This includes level of engagement, perceptions of trustworthiness and benefit management topics of interest. This is followed by four sections focused specifically on Employer and Coalition collaborations with biopharmaceutical and medical device manufacturers, employer benefits advisors, pharmacy benefit managers, and health plans/TPAs. The report concludes with six mini-case studies detailing innovative collaboration examples across the healthcare benefits supply chain. In each section, special attention is paid to outlining manufacturer relevant implications and recommendations for strategy and engagement.

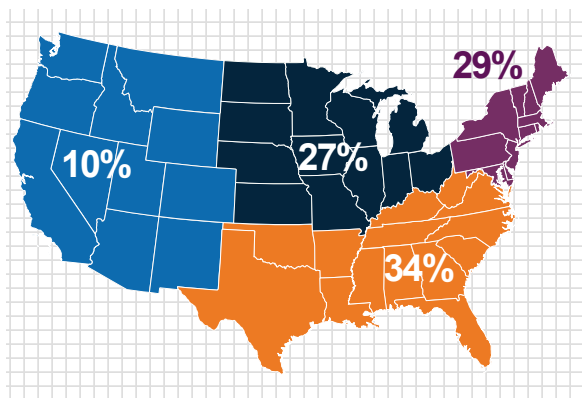
Employer Participant Panel & Relationship Summary

105 SURVEYS | 9 INTERVIEWS | 5.9M COVERED LIVES

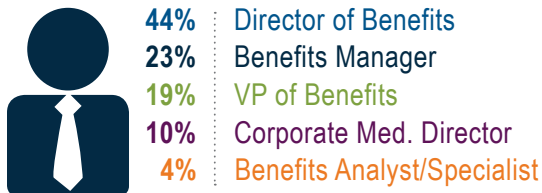
Size of Employee Population



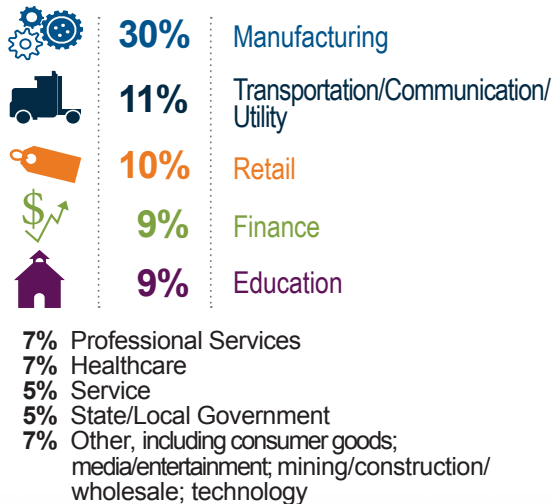
Geographical Breakdown of Participants



Respondent Organizational Position



Industry Classification

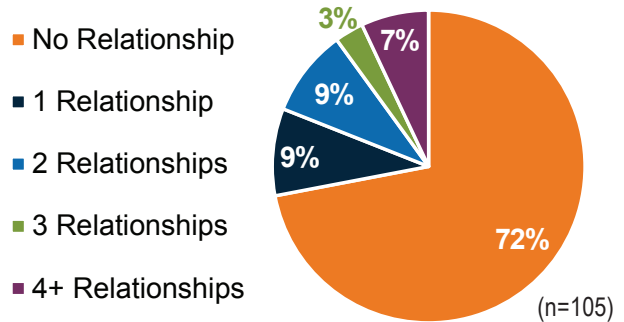


Relationship: Defined as interactions with a pharmaceutical, biologic or medical device manufacturer in the past 12 months (*June 2015–May 2016*)

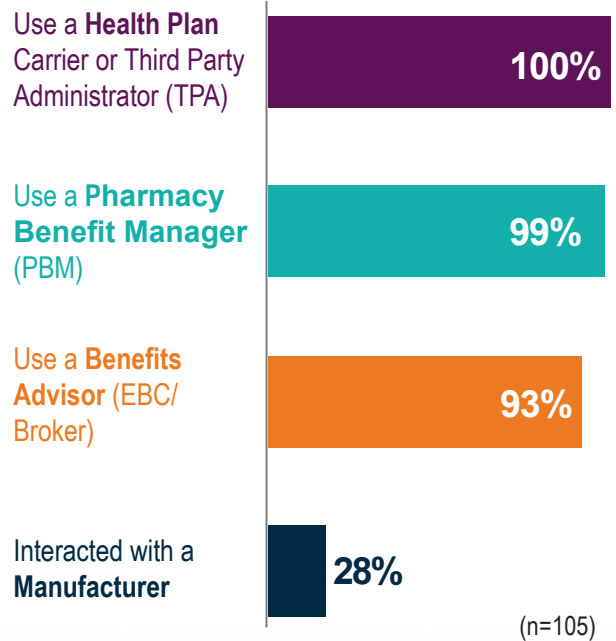
29 Employers accounted for **81** manufacturer relationships

76 Employers had **no current** relationship with a manufacturer

Number of Manufacturer Relationships Per Employer



Healthcare Vendor Utilization

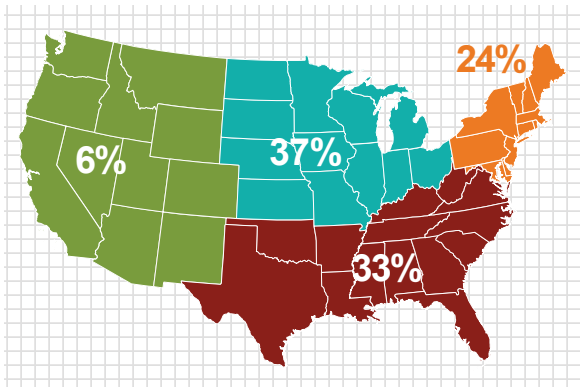


Coalition Participant Panel & Relationship Summary

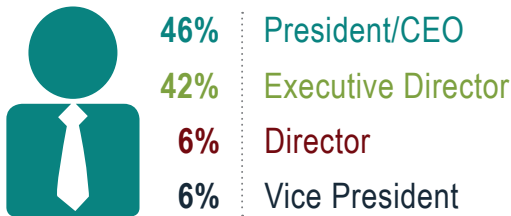
33 SURVEYS | 6 INTERVIEWS | 116M MEMBER LIVES REPRESENTED

A Coalition is a membership organization made up of Employers and other healthcare stakeholders in a market area that provide a forum for educational conferences, assistance with benefit design, healthcare cost and quality initiatives and in some cases, purchasing of healthcare products and services.

Geographical Breakdown of Coalitions



Respondent Organizational Position

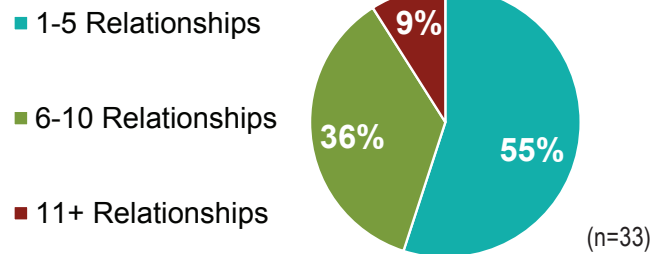


Relationship: Defined as interactions with a pharmaceutical, biologic or medical device manufacturer in the past 12 months (June 2015–May 2016)

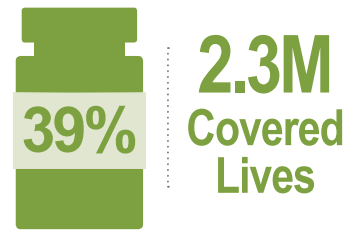
All participating Coalitions had at least one manufacturer relationship

201 Employer Health Coalition relationships with manufacturers

Number of Manufacturer Relationships Per Coalition



Contract with a Pharmacy Benefit Manager for Group Pharmacy Benefit Purchasing



See Appendix pages 117–125 for more information and a full list of Employer & Coalition participants.

Employer & Coalition Engagement with Healthcare Stakeholders

This section provides insight into Employer and Coalition engagement with, and trust of, various healthcare vendors and partners. Topics of greatest interest related to health and pharmacy management are identified as well as key information needed to evaluate specialty medication coverage.

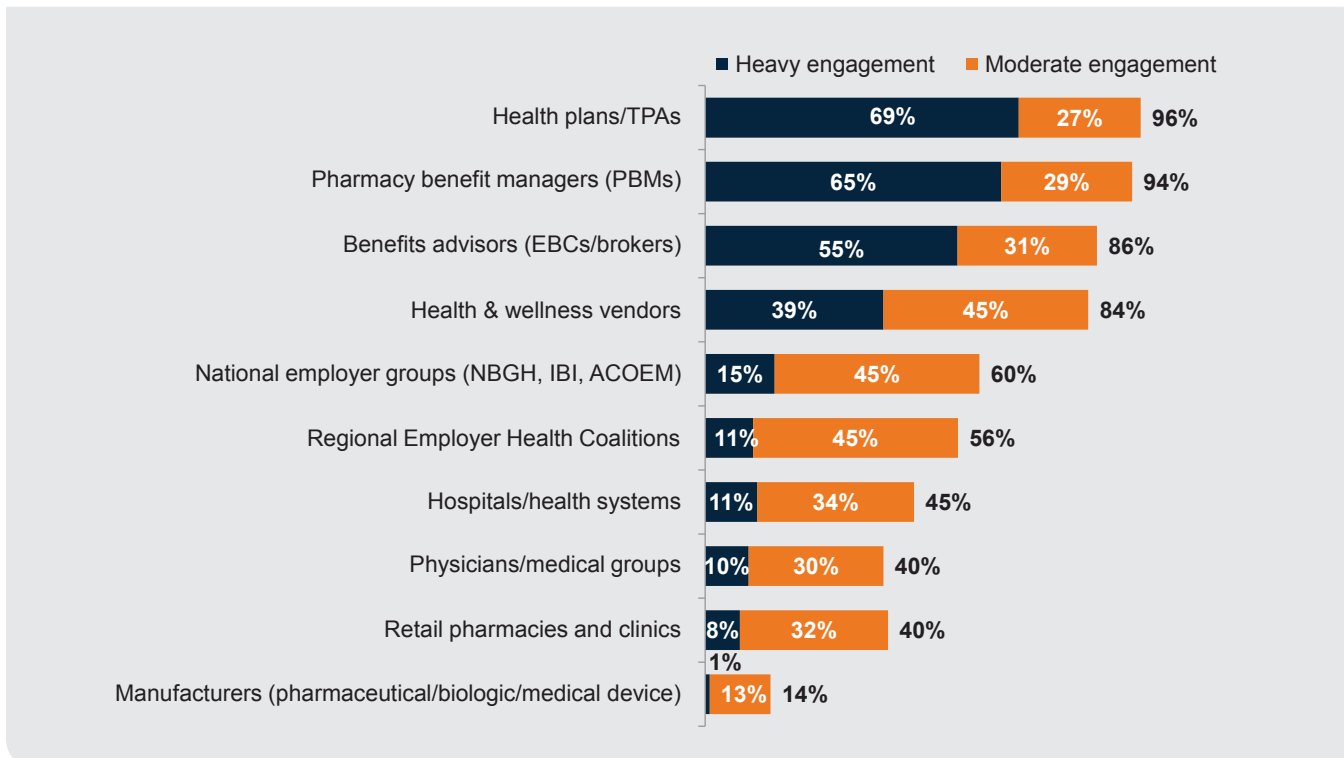
Employer Engagement with Healthcare Stakeholders

Many Jumbo Employers are working to increase the value of their healthcare and pharmacy programs and are increasingly looking to engage various stakeholders, including vendor partners, in order to reach these goals. Employers are most likely to engage health plans and third party administrators (TPAs) (69% heavily engaged, 27% moderately engaged) followed closely by pharmacy benefit managers (PBMs) at 65% heavily engaged and 29% moderately engaged (Figure 1). Just over half (55%) of Employers are heavily engaged with benefits advisors, with another 31% moderately engage with this group.

Health and wellness vendors are a common partner for Employers, though these relationships are more likely to be moderate (45%) in scale than heavy (39%). Nearly half of Employers report heavy (11%) or moderate (34%) engagement with hospitals/health systems.

Currently, few Employers are engaged with biopharmaceutical manufacturers as a partner in achieving health management goals, with just 14% of Employers reporting heavy or moderate engagement. Though these relationships are expected to grow in the near future (Figure 2), there are some barriers related to trust (as indicated in Figure 3) that if overcome, may open up new opportunities for collaboration.

FIGURE 1: CURRENT LEVEL OF ENGAGEMENT WITH EXTERNAL PARTIES RELATIVE TO ACHIEVING HEALTH MANAGEMENT GOALS—EMPLOYERS



n=105 Employers

Source: Benfield, a division of Gallagher Benefit Services, Inc. EMI Relationships, 2016.

“My belief after years of doing this is that all healthcare is local, and we could define local in lots of ways, but to really make a difference you have to go community-by-community. It seems to me that engaging stakeholder groups—whether it’s Employers, health plans, doctors, or health systems—all together across the table is one of the ways to really make a difference.”

– Director of Benefits, Employer

“Our health plan was influential in helping us with our current relationship with the local health system, so that was big, and they continue to be a player and supportive of that in various ways.”

– Benefits Manager, Employer

“It’s perhaps a little self-serving but medical groups are trying to reach out to the Employer community and do direct contracting. I’ve had more requests to do direct contracting in the last two years than I did in the previous twenty.”

– Benefits Manager, Employer

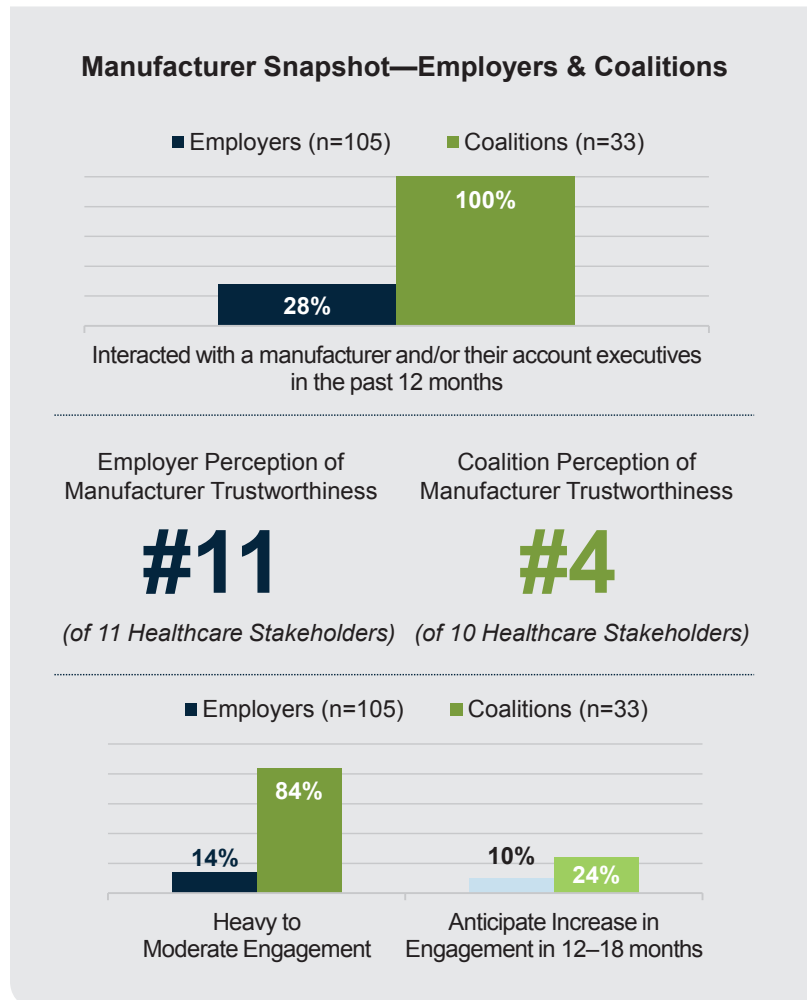
“As Employers we can no longer sit back and let vendors dictate to us what we should do. It’s our money. We’ve got to engage them to at least understand what they’re doing and demand certain results. I think they have an obligation to reach out to us as Employers too to innovate. What are some new pilot programs, new ideas? Transparency is a huge issue for us going forward. I don’t care where you are, we want clarity. We just want to understand what we’re paying for. We’ve got to figure out new ways to stay engaged; otherwise, as Employers, we’re just letting somebody else run the ship here, and it’s not been working out particularly well.”

– Director of Benefits, Employer

Employer & Coalition Collaboration with Manufacturers

The following pages focus on manufacturer presence within the Employer healthcare market. This section begins with an analysis of Employer- and Coalition-manufacturer interactions, recommendations for targeting key Coalition partners, and a description of manufacturer activity in the marketplace. The later part of the section delves into manufacturer influence on Employer benefit design and Employer and Coalition evaluations of their manufacturer relationships.

Overall, there is currently limited engagement between Employers and manufacturers. Twenty-eight percent of Employer respondents reported having current interactions with manufacturers, and of the eleven listed healthcare stakeholders, manufacturers rank at the bottom in perceived trustworthiness. Less than one-fifth of Employers are heavily or moderately engaged with manufacturers and just 10% anticipate increased engagement in the near term.



“There’s an opportunity to look at drugs and classes of drugs coming to market and the preferred products and considerations that we need in terms of our guidelines and criteria for approval for specific drugs within specific classes. Pharma is the least engaged with us around all of that. We tend to work with our PBM, with our specialty pharmacy, our mail vendor, and our consultants.”

– Director of Benefits, Employer

Coalitions are far more active with manufacturers than Employers. Every surveyed Coalition is working with at least one manufacturer, and the Coalitions view manufacturers as the fourth most trustworthy healthcare stakeholder from a list of ten. Eighty-four percent of Coalitions report heavy to moderate engagement with manufacturers, and nearly a quarter anticipate increased manufacturer engagement in the next year to year and a half.

Case Studies of Novel Employer Market Collaborations

As many Employers and Coalitions are increasingly dissatisfied with the status quo, they are looking for new and innovative approaches to healthcare purchasing and delivery. The following six mini case studies highlight market-level shakeups led by Employer or Coalition payers who are collaborating with various healthcare stakeholders to drive change.

Each case study lays out the issue, describes the initiative, the goals, and the outcomes to date if available, and concludes with implications for biopharmaceutical manufacturers.

FEATURED CASE STUDIES:

1. **Ford Motor Company** Partners with Providers and Health Plans for Intensive Management of High Risk Individuals
2. **Boeing** Partners with Preferred Providers for Higher Quality Care and Cost Savings
3. The **Health Transformation Alliance** Leverages Collective Power of Employers with a Vision for Change in Healthcare Purchasing
4. **Washington State Health Care Authority** Seeks Transformation in Payment Model from Fee-for-Service to Value-Based Purchasing
5. **Rochester Collaborative** Takes an Employer-Led, Multi-Stakeholder Approach to Improving Community Healthcare
6. **Pittsburgh Business Group on Health** Drives Data Integration for Enhanced Employer Decision Making