



Benfield

ARTHUR J. GALLAGHER & CO.

FALL 2017

EMI

Employer Market
Intelligence

EMPLOYER MARKET RELATIONSHIPS

A private ongoing, multiclient study.



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Introduction

In its thirteenth year, the 2017 Employer Market Relationships report examines the role and influence of healthcare stakeholders (manufacturers, benefits advisors and PBMs) within the Employer market, satisfaction with services offered and areas of opportunity for partnership between manufacturers and Employers and Coalitions.

Our study of 101 Jumbo Employers (5,000+ employees) and 38 Employer Health Coalitions was conducted in summer 2017. Follow-up interviews with sixteen Employers and Coalitions probed deeper on their perspectives and experiences interacting with manufacturers, benefits advisors and PBMs.

For the purposes of this research, a manufacturer “relationship” may entail support or project-based collaboration around health improvement initiatives, data analytics, employee/patient engagement or Employer/Coalition participation in manufacturer advisory boards. Collaboration results for individual manufacturers are shown for those with five or more Employer and Coalition relationships.

2017 Report Topics:

- Satisfaction with Manufacturer Support & Best Account Executive Awards
- Engagement with and Trustworthiness of Manufacturers, Benefits Advisors and PBMs
- Internal and External Influencers on Medical, Pharmacy and Specialty Benefit Decisions
- Satisfaction with Benefits Advisors and PBMs for Medical & Rx Benefit Management
- Satisfaction with Specialty Management Assistance Provided by Health Plans
- Perspectives on PBM Business Practices
- PBM Revenue Arrangements, Use of Transparent PBM Contracts and Rebate Guarantees
- Coalition Targeting

Each section concludes with implications and recommendations specifically for manufacturers.

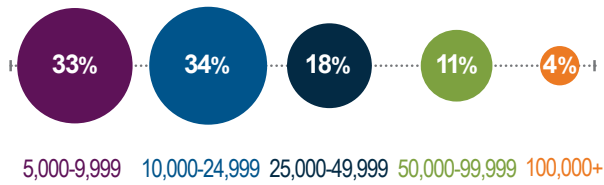
Clients utilize this report to develop strategies to effectively collaborate with Employers and Coalitions, to understand how these purchasers are working with their healthcare vendors, to benchmark program and account executive performance, and to identify opportunities based on information and resources of interest to Employers and Coalitions.

Contact Sarah Daley at 314-656-2384 or sarah_daley@ajg.com with questions or comments about this report or the EMI Service.

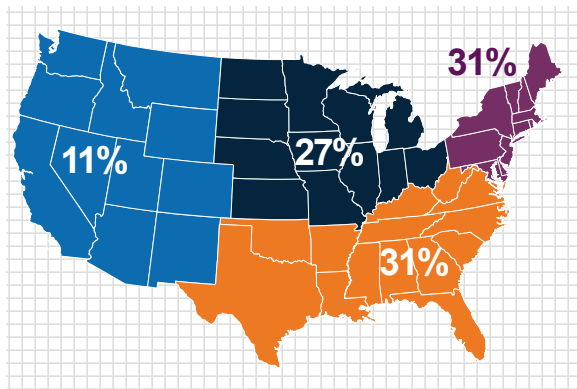
Employer Participant Panel & Relationship Summary

101 SURVEYS | 8 INTERVIEWS | 4.2M ACTIVE COVERED LIVES

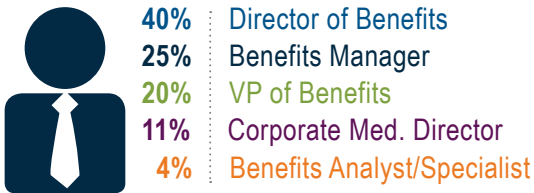
Size of Employee Population



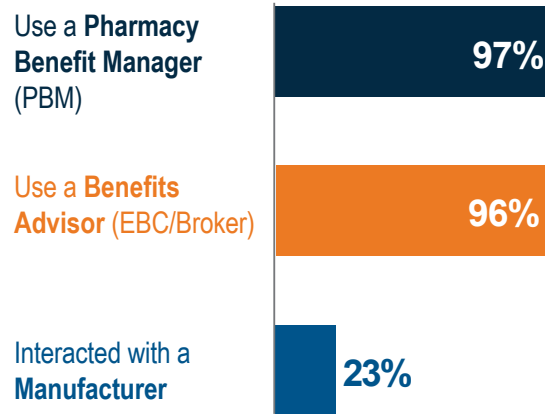
Geographical Breakdown of Participants



Respondent Organizational Position



Healthcare Stakeholder Relationships



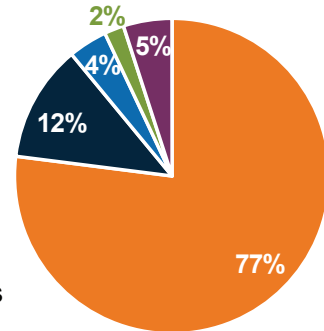
Relationship: Defined as interactions with a pharmaceutical, biologic or medical device manufacturer in the past 12 months (*August 2016–July 2017*)

23 Employers accounted for **53** manufacturer relationships

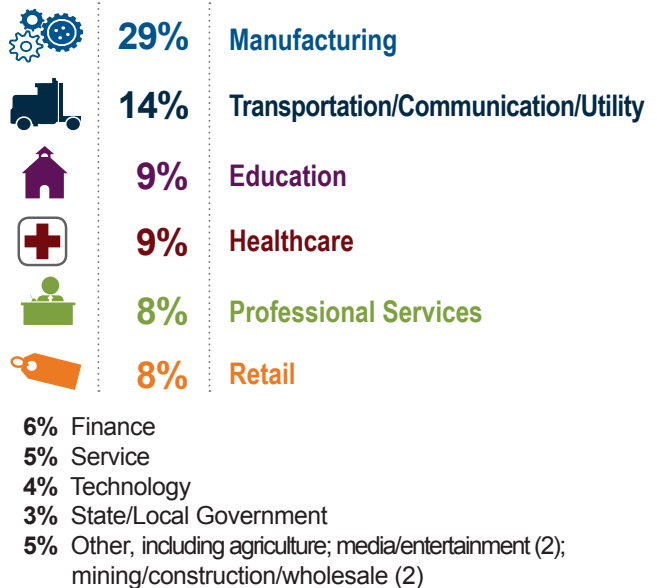
78 Employers had *no current* relationship with a manufacturer

Number of Manufacturer Relationships Per Employer

- No Relationship
- 1 Relationship
- 2 Relationships
- 3 Relationships
- 4+ Relationships



Industry Classification



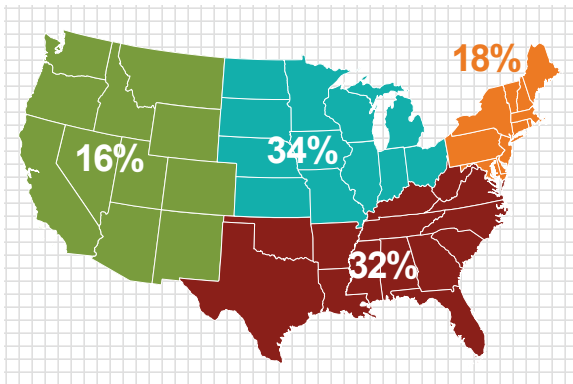
(n=101)

Coalition Participant Panel & Relationship Summary

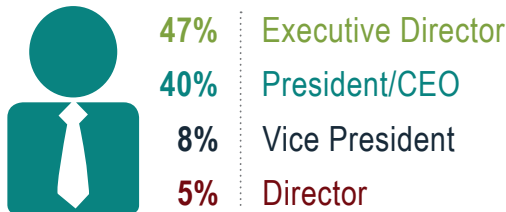
38 SURVEYS | 8 INTERVIEWS | 64M MEMBER LIVES REPRESENTED

A Coalition is a membership organization made up of Employers and other healthcare stakeholders in a market area that provides 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

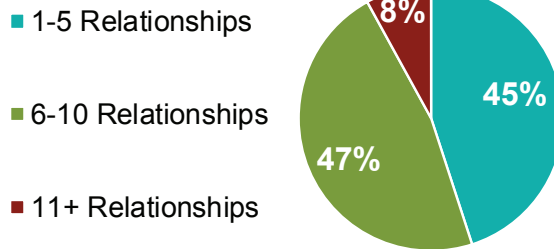


Relationship: Defined as interactions with a pharmaceutical, biologic or medical device manufacturer in the past 12 months (August 2016–July 2017)

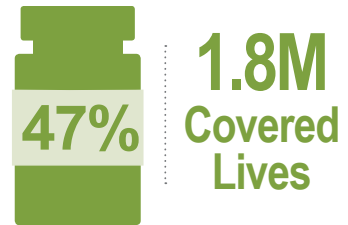
All participating Coalitions had at least one manufacturer relationship

232 Employer Health Coalition relationships with manufacturers

Number of Manufacturer Relationships Per Coalition



Contract with a Pharmacy Benefit Manager for Group Pharmacy Benefit Purchasing



(n=38)

See Appendix Figures A9 and A10 for a full list of Employer and Coalition Participants.

Employer & Coalition Engagement with Healthcare Stakeholders

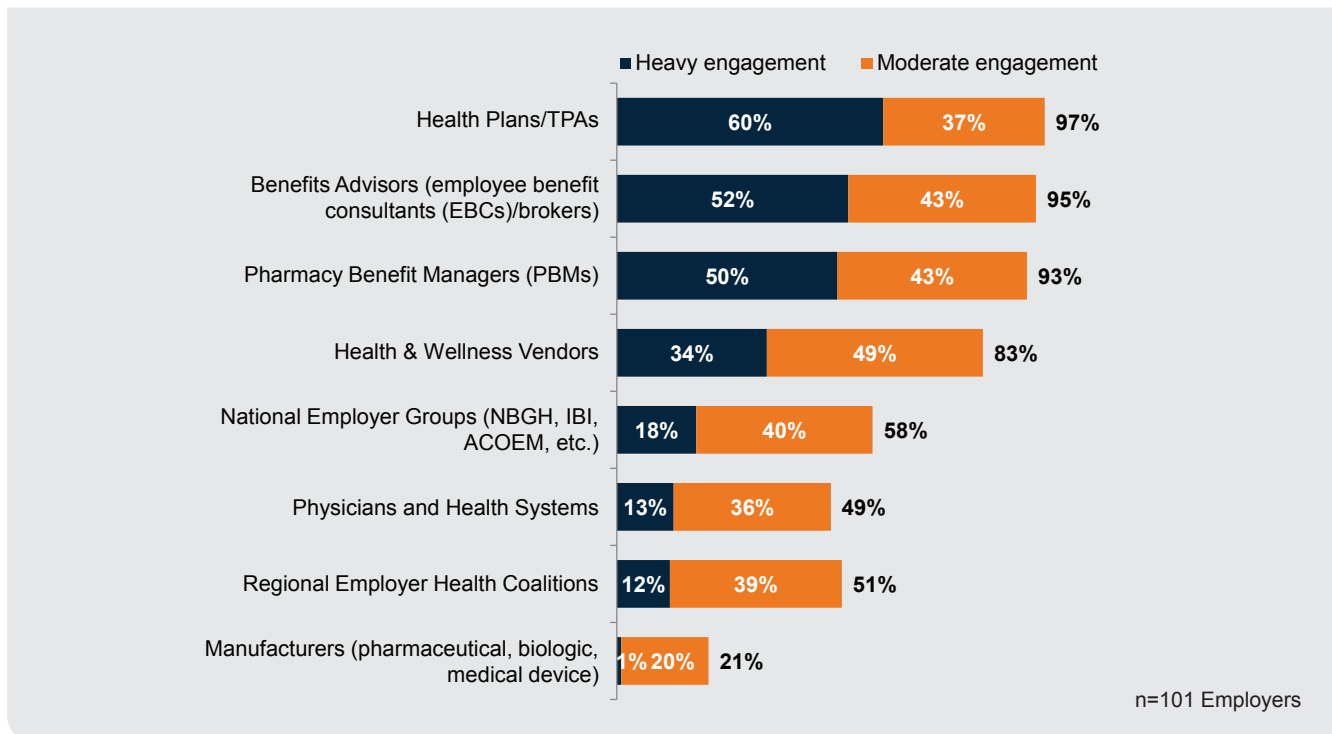
This section provides insight into Employer and Coalition engagement with and trust of various healthcare vendors and partners and an update on Health Transformation Alliance (HTA) activities. Topics of greatest interest for information on health and pharmacy management are identified and this section concludes with healthcare benefit decision making influences, satisfaction with health plan specialty management and sources of information.

Employer Engagement with Healthcare Stakeholders

Employers engage with a range of stakeholders, especially vendor partners, in an effort to increase the value of healthcare and pharmacy programs (Figure 1). To achieve health management goals, Employers most heavily engage with health plans and third-party administrators (TPAs) (60% heavily engaged) followed closely by benefit advisors (EBCs and brokers) (52% heavily engaged) and PBMs (50% heavily engaged).

Engagement with biopharmaceutical manufacturers remains relatively low with just 1% of Employers heavily engaged and 20% moderately engaged. However, engagement has grown seven percentage points from last year. There is opportunity for manufacturers to further Employers' health management goals by increasing engagement and trust.

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



Overall Employer Interest in Receiving Employee Health Information & Resources from Manufacturers (n=101)



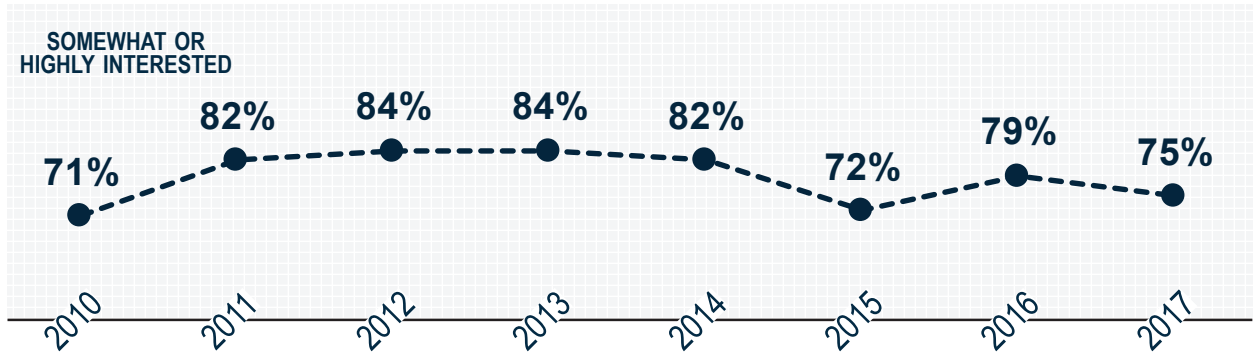
25% NOT INTERESTED

52% SOMEWHAT INTERESTED

23% HIGHLY INTERESTED

Trending Level of Interest Among All Employers

(2010 n=111; 2011 n=105; 2012 n=104; 2013 n=112; 2014 n=109; 2015 n=107; 2016 n=105; 2017 n=101)



Reasons Employers are Not Working with Manufacturers (n=78)

46% Manufacturer has never approached

40% Not interested in working with manufacturers

18% Manufacturer has not approached in past 12 months

6% Not aware manufacturers work with Employers

Overall Coalition Interest in Receiving Employee Health Information & Resources from Manufacturers (n=38)



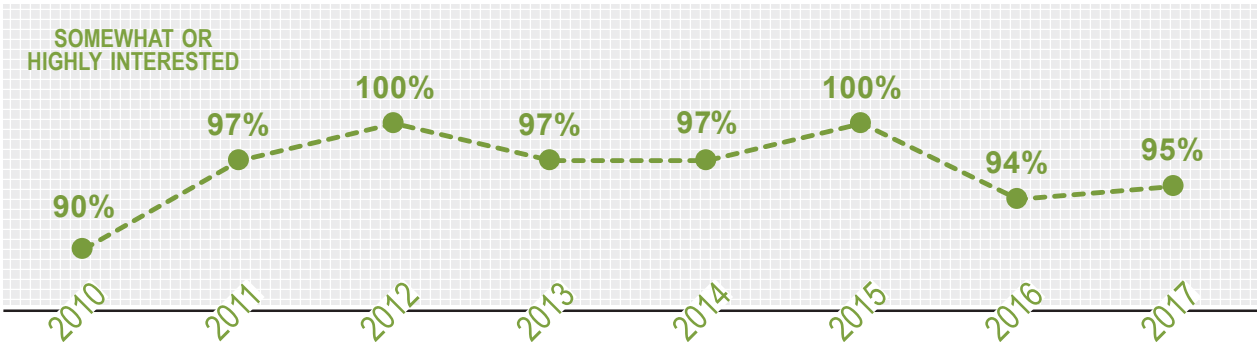
5% NOT INTERESTED

42% SOMEWHAT INTERESTED

53% HIGHLY INTERESTED

Trending Level of Interest Among All Coalitions

(2010 n=31; 2011 n=35; 2012 n=38; 2013 n=37; 2014 n=36; 2015 n=32; 2016 n=33; 2017 n=38)

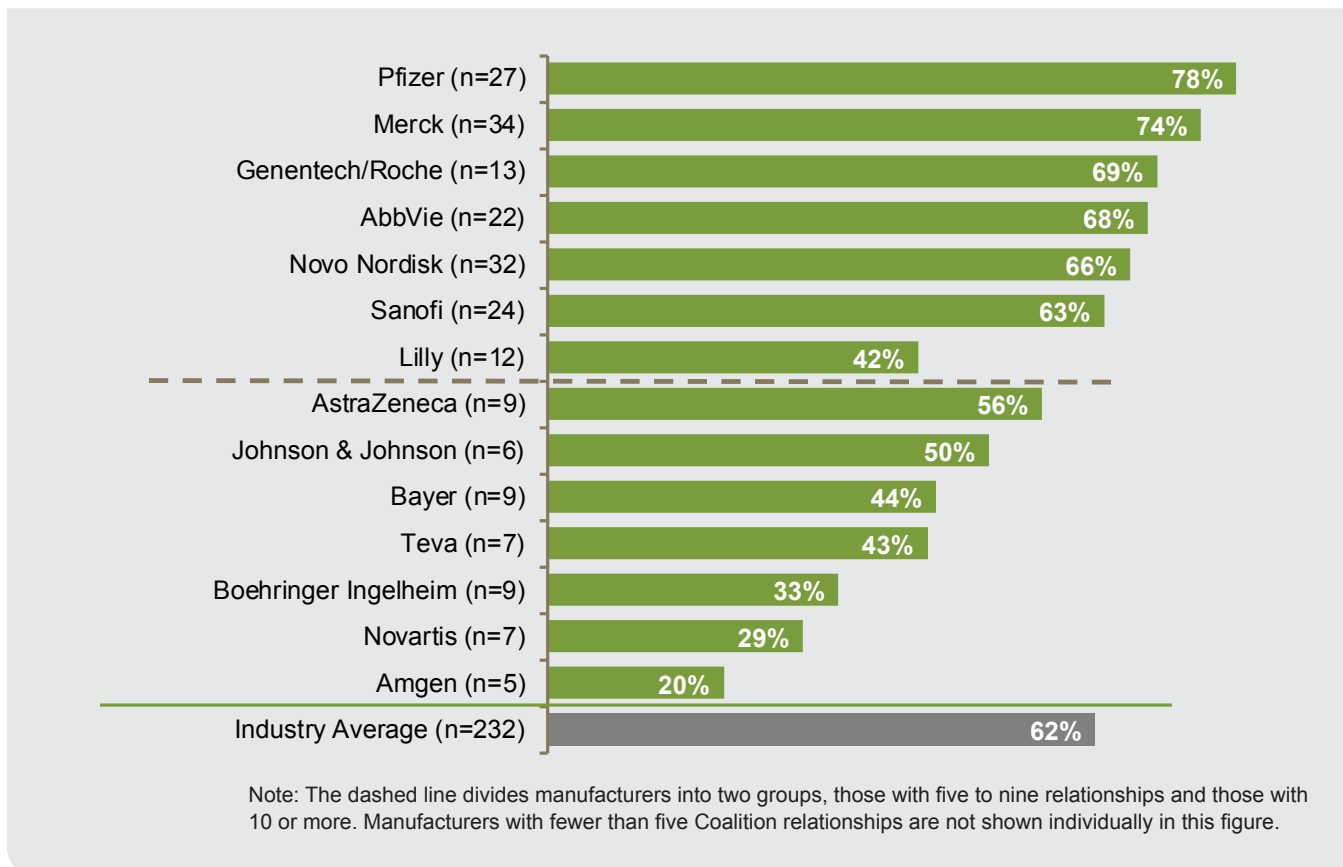


Coalition Overall Satisfaction with Manufacturer Support

Related to overall Coalition satisfaction with manufacturer support, Pfizer, Merck and Genentech/Roche rated in the top three for the second consecutive year (Figure 26). Pfizer moved from third to first place in ranking, although the percentage highly satisfied was down one percentage point to 78% from 79% in 2016. Genentech/Roche fell from first to third place (69% highly satisfied in 2017 vs. 93% in 2016). High satisfaction with AbbVie increased twelve percentage points from last year, reaching 68%, and high satisfaction with Novo Nordisk (66%) and Sanofi (63%) is above industry average.

Coalition satisfaction with manufacturers with five to nine relationships is notably lower than those with ten or more, and generally lower than last year. Ratings of high satisfaction tops at just 56% (AstraZeneca) this year compared to 83% (Takeda) in 2016. It is notable, however, that high satisfaction with AstraZeneca increased sixteen percentage points from last year (56% in 2017 vs. 40% in 2016).

FIGURE 26: COALITION OVERALL SATISFACTION WITH MANUFACTURER SUPPORT
(PERCENTAGE HIGHLY SATISFIED)



“[A manufacturer] has been very successful in producing information that is unbranded and that’s of use to Employers. It’s not just on disease states where they have a product. They’ve provided good information on ACA and policy changes. When they’ve done stuff on vaccines, it hasn’t just been about their vaccine. It’s about Employer benefit design that promotes vaccines, and its good stuff.”

– Executive Director, Coalition

Employer Relationships with PBMs

The survey responses show that pharmacy benefit managers (PBMs) are one of Employers' most relied-upon benefit vendors. The findings in this section demonstrate the complexity of both PBM-Employer relationships and pharmacy benefit management.

Almost all respondents (97%) report using a PBM. The remaining 3% defer completely to their health plan to manage pharmacy benefits through a carve-in or TPA arrangement. Not surprisingly, ninety-three percent of respondents say they are heavily to moderately engaged with their PBM relative to achieving health management goals (50% heavily engaged, 43% moderately engaged). A small percentage (18%) anticipate increased engagement with their PBM over the next year to year and a half.

Employers have few alternate options to a PBM when it comes to pharmacy benefit management. Despite the high level of current engagement, PBMs are in the bottom half of the pack when rated on their trustworthiness. Out of eight healthcare vendors rated, PBMs score fifth for trustworthiness. Just 20% of Employers rated them as highly trustworthy—see Figure 3—down from 33% in 2016. Verbatims throughout this section point to the lack of transparency—particularly around pricing and formulary placement—as a key contributor to the lack of trust Employers have in PBMs.





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