



TREND REPORT

2017 Trends *in* Health Care





INTRODUCTION

Your organization invests in a health benefit plan because you care about the well-being of your employees and you strive to attract and retain a level of talent that will help to drive success. But how do you know whether your investment in employee benefits is a sound one?

The M3 Trend Report is an annual publication that examines health benefit plans and demonstrates actual trends in the Wisconsin marketplace. The report provides readers an overview of overall trends and distinct factors such as region, employer size, and sector.

How does your health benefit plan compare to others in the marketplace? Is your plan in line with those of your peers in terms of structure, cost, and benefits? Review the data to find out.

OVERVIEW

In 2017 health plan premiums grew at an overall rate of 7.7 percent. This is the highest rate of change since 2011; however, it is still mild by historical norms. It is the product of an increase in insurance company pricing “trend” (many carriers and health plans have increased their medical inflation assumptions by 1 percent over the past year) and an increase in the Affordable Care Act’s health insurer tax (which is included in health plan premiums). M3 clients experienced an average premium change of 7.7 percent in 2017 compared to 6.7 percent in 2016.

Benefit plan design changes remain instrumental in helping to restrain costs, especially in the public sector. Through such changes M3 public sector clients’ held cost increases to 7.4 percent compared to 7.8 percent for private firms. The overall annual average cost per employee grew to \$13,053 in 2017, up from \$12,533 in 2016.

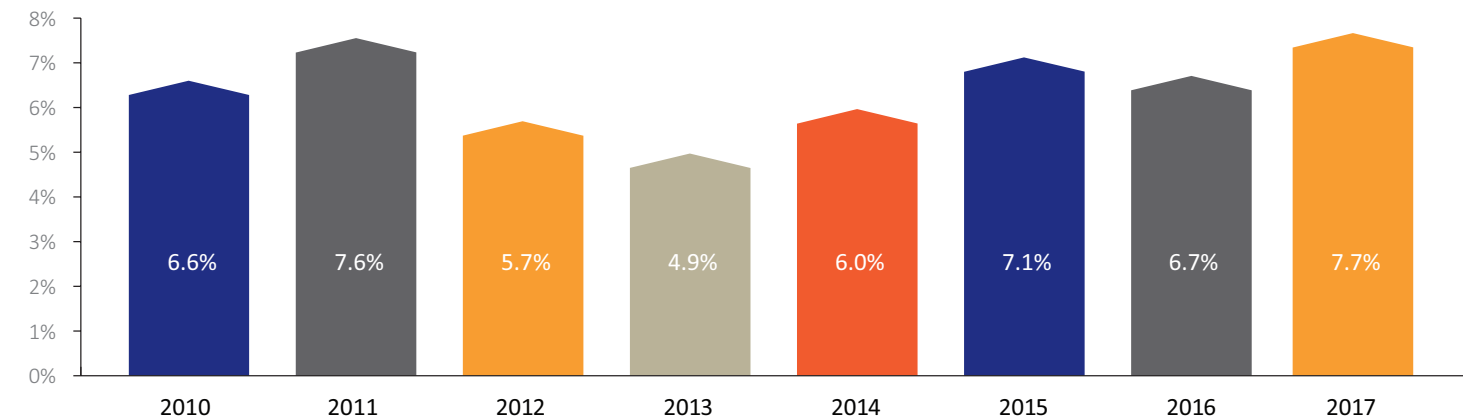
The change in employee and employer contributions was more subdued than in recent years with the private sector outpacing public firms. The rates per sector are as follows:

- Private sector single employees contributed 26 percent of the total cost (\$145 per month) in 2017, nearly equal to last year’s share (26 percent and \$144). Families contributed 30 percent of the total cost (\$504) in 2017, down slightly from 2016 (32 percent and \$515).
- Public sector employees saw larger reductions. Single plan contributions fell to 12 percent (\$84 per month) compared to 14 percent (\$101) last year, while family coverage decreased to 12 percent (\$205) compared to 14 percent (\$237) in the previous year.

Further examination of the data suggests that benefit plan design changes helped to moderate employee contributions.

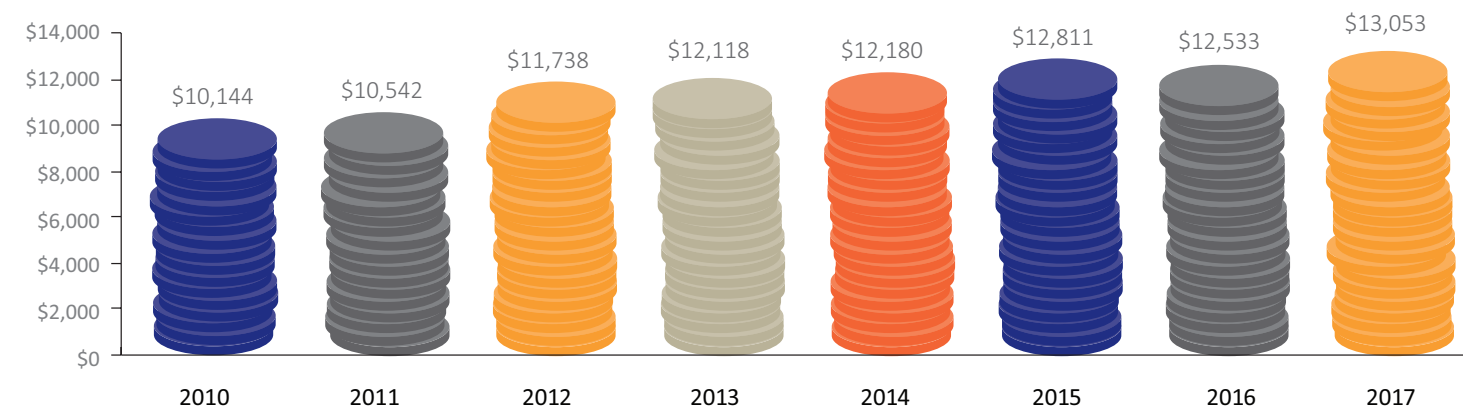
ANNUAL INCREASE IN HEALTH BENEFIT COST

Per Employee



AVERAGE ANNUAL HEALTH BENEFIT COST

Per Employee



PLAN DESIGN

2017 marked another year of appreciable increases in both private sector and public sector employee cost-sharing. This is consistent with the overall cost trend previously noted. Highlights from the year include:

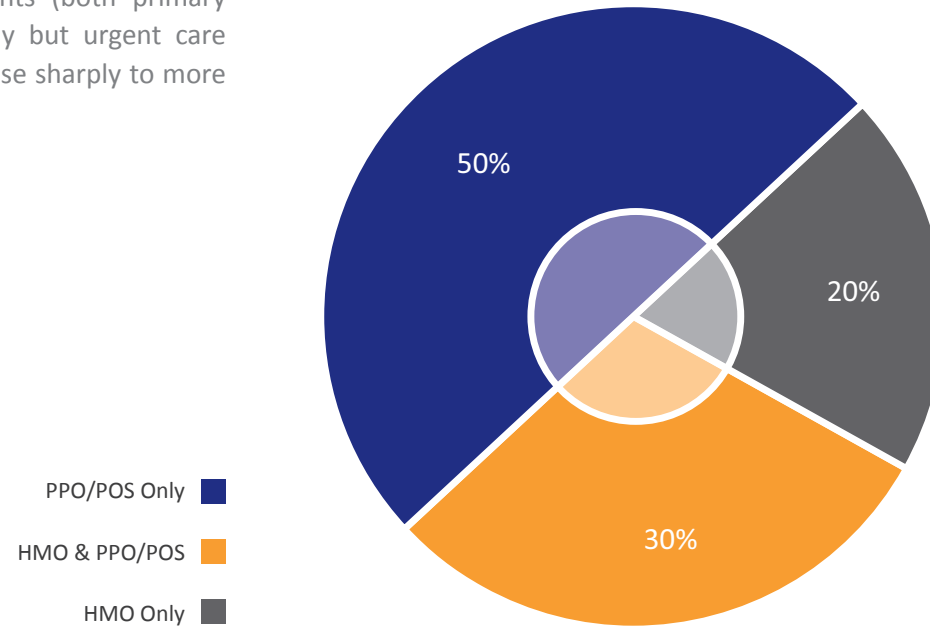
- Preferred Provider Organization (PPO) plan deductibles rose to \$2,141 on average for private sector clients and \$2,177 for public sector employers.
- Private sector plans experienced a more significant growth in out-of-pocket expenses. Private sector PPO out-of-pocket maximums grew to \$3,296 overall while public sector employees saw theirs rise to \$2,389.
- Private sector co-payments for services such as primary care office, specialty care office, urgent care and emergency room visits held steady in both magnitude and prevalence.
- Public sector office visit co-payments (both primary and specialty care) also held steady but urgent care and emergency room cost sharing rose sharply to more closely mirror the private sector.

The table “Primary Benefit Plan Parameters for the Private and Public Sectors” provides averages for the most popular benefit plan design features along with their prevalence.

M3 clients continue to offer a wide variety of plan designs to their employees to provide flexibility and choice, and to further offset cost increases. 20 percent of M3 clients offered a Health Maintenance Organization (HMO) plan only (down slightly from 21 percent in 2016); 50 percent offered PPO or Point of Service (POS) plan(s) only (same as last year); and 30 percent offered a combination of HMO and PPO/POS plans (up slightly from 29 percent in 2016).

TYPE OF HEALTH BENEFIT PACKAGE OFFERED

As a Percentage of all M3 Clients



PRIMARY BENEFIT PLAN PARAMETERS FOR THE PRIVATE AND PUBLIC SECTORS

	PPO/POS		HMO	
	Private	Public	Private	Public
In-Network Deductible	\$2,141	\$2,177	\$2,234	\$2,467
% of Plans with Deductible	95%	98%	83%	98%
In-Network Co-Insurance	88%	97%	89%	99%
% of Plans with Co-Insurance <100%	68%	19%	58%	11%
In-Network Out-of-Pocket	\$3,296	\$2,389	\$2,914	\$2,619
% of Plans with Out-of-Pocket	95%	98%	83%	98%
Office Visit Co-Pay	\$29	\$19	\$28	\$16
% of Plans with Office Visit Co-Pay	63%	59%	72%	58%
Specialist Visit Co-Pay	\$58	\$41	\$54	\$34
% of Plans with Split Office Visit Co-Pay	31%	25%	29%	34%
Emergency Room Co-Pay	\$165	\$144	\$130	\$132
% of Plans with Emergency Room Co-Pay	67%	68%	78%	62%
Urgent Care Co-Pay	\$57	\$60	\$48	\$89
% of Plans with Urgent Care Co-Pay	60%	58%	72%	57%
Generic Rx Co-Pay	\$9	\$6	\$9	\$4
% of Plans with Generic Dollar Co-Pay	79%	73%	82%	79%
Preferred Brand Rx Co-Pay	\$34	\$22	\$31	\$19
% of Plans with Preferred Brand Dollar Co-Pay	71%	73%	67%	79%
Non-Formulary Rx Co-Pay	\$59	\$44	\$57	\$38
% of Plans with Non-Formulary Dollar Co-Pay	66%	71%	56%	74%

HIGH-DEDUCTIBLE PLANS

For purposes of this report, a “high-deductible plan” is defined as being equal to or greater than the current IRS requirement (\$1,300) but should not be confused with the statutorily defined “High-Deductible Health Plan” (HDHP); which is subject to numerous other regulatory parameters and typically used in conjunction with a Health Savings Account (HSA).

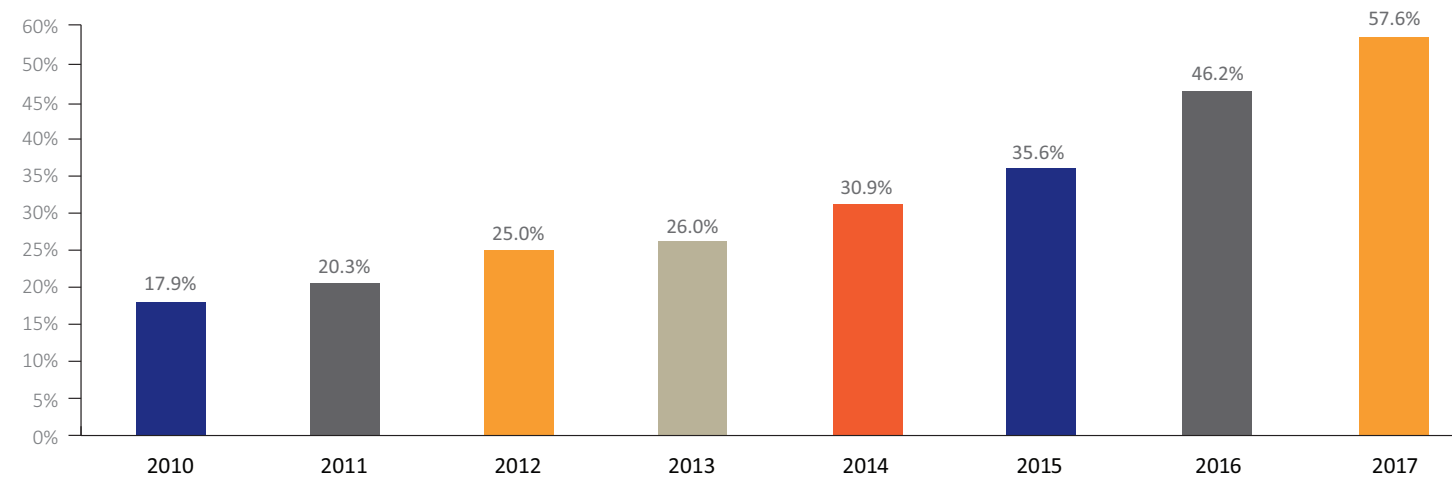
Over the past year, we saw a large increase in the offering of high-deductible plans as the total number of high-

deductible plans offered by M3 clients rose sharply to over 57 percent of all plans as compared to 46 percent for 2016; the largest yearly change since 2010.

While the ongoing employer migration to high-deductible plans is consistent with the trend for higher employee cost-sharing in general it also reflects efforts to ensure an “affordable” option is available for employees under ACA requirements.

HIGH-DEDUCTIBLE PLANS

As a Percentage of all M3 Designs



COSTS

PUBLIC VS. PRIVATE SECTOR PLANS

For the sixth successive year the average public sector cost per employee grew slower than the private sector. Public sector plans grew on average by 7.4 percent while their private sector counterparts saw cost increases averaging 7.8 percent. Some of this difference is due to benefit plan design changes.

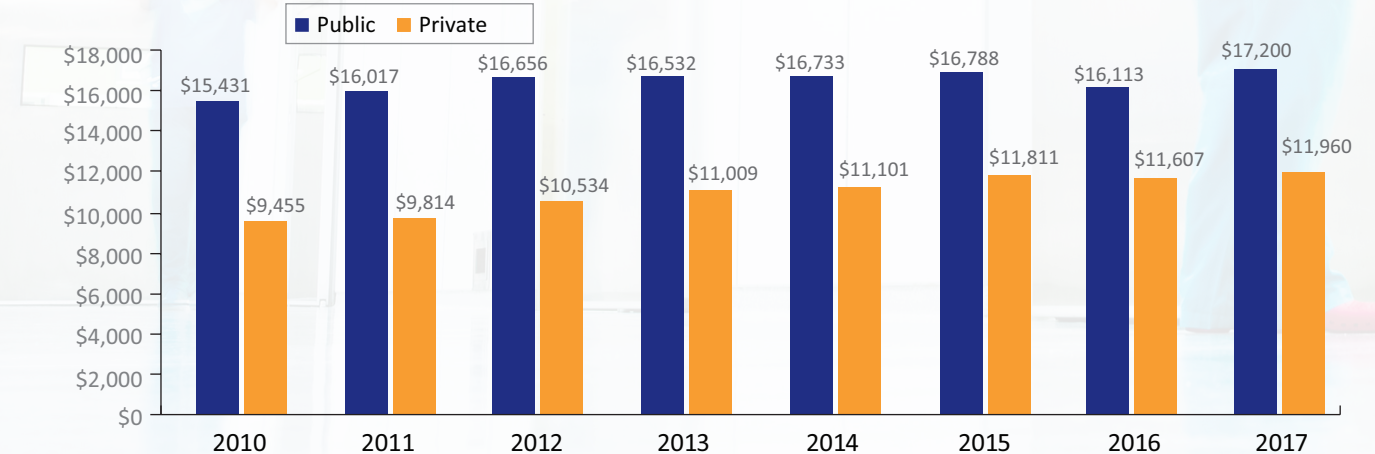
- The average public sector annual cost per employee rose to \$17,200 in 2017 from \$16,113 in 2016.
- The 2017 private sector average annual cost per employee increased to \$11,960 from \$11,607 in 2016.

Though increases were smaller, public sector plan costs themselves continued to exceed those of the private sector.

Data from the past several years shows us that public sector insurance benefits have been behaving more like plans offered by private sector employers. In recent years, public sector employees have been asked to shoulder a greater share of their health care costs both in the premiums they pay and out-of-pocket usage costs.

PUBLIC VS. PRIVATE PLANS

Average Annual Cost Per Employee



EMPLOYER SIZE

2017 saw some variation in cost changes among employers of different sizes and the pattern was generally consistent with past years.

- < 99** Small employers with 99 or fewer employees experienced the largest cost increases at 8.1 percent, a sharp uptick from 2016's increase of 6.9 percent.
- > 500** The largest employers, those with 500 or more employees, saw an overall cost change of only 5.4 percent compared to 5.0 percent in 2016.
- 100 to 249** Mid-size employers of 100-249 employees displayed cost increases of 7.8 percent as compared to 6.8 percent in 2016.

SELF-FUNDED VS. FULLY INSURED

In terms of cost increase for 2017, self-funded employers fared far better than the overall average with a general cost change of 4.1 percent as compared to 2.6 percent for 2016 (self-funded employers tend to be larger employers, which contributes to this phenomenon). The average annual cost per employee rose to \$12,357 in 2017, up slightly from \$12,030 in 2016.

The change in costs was significantly different across so called "fixed costs" (administration fees, network access fees and reinsurance premiums) and actual medical and prescription drug expenditures (commonly called "variable costs"). In 2017, fixed costs rose at a 5.0 percent rate (up from 4.7 percent in 2016) while variable costs rose by 3.4 percent (up from 1.0 percent last year).

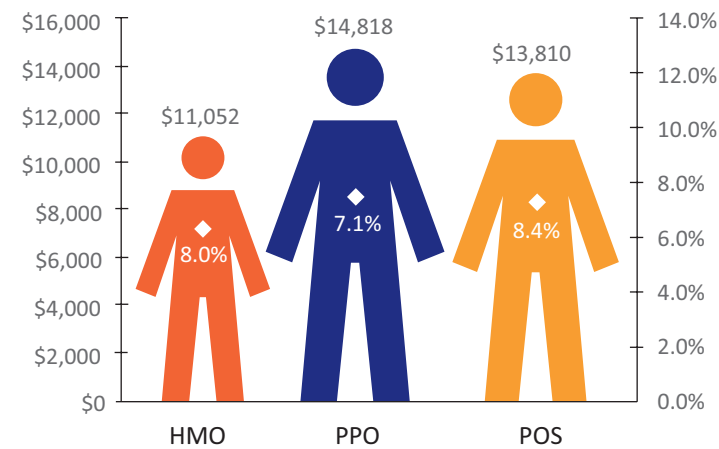
TYPE OF BENEFIT PLAN AND COST

The type of benefit plan offered can have a noticeable impact on the cost of that plan. Plans with broad provider networks (or no network at all) and relatively loose care and utilization management (such as PPO and POS plans) typically cost more than more tightly-managed HMO benefit plans with a more restrictive choice of providers. However this does not mean lower premium increases.

Consistent with past years, in 2017 HMO plans had the lowest overall cost per employee at \$11,052 while PPO and POS plans came in at \$14,818 and \$13,810 respectively. This pattern differs slightly for the change in costs with PPO plans leading the group with a 2017 average cost increase of 7.1 percent followed by HMO plans at 8.0 percent and POS plans at 8.4 percent.

ANNUAL COST & RATE INCREASE BY PLAN DESIGN

Per Employee



EMPLOYEE CONTRIBUTIONS TO PREMIUMS

Health benefit plan costs are typically shared between an employee and their employer.

Private sector employee contributions were as follows:

- %** On a percentage basis, private sector employee contribution rates barely changed in 2017 at 26 percent for single coverage and 30 percent for family coverage (the corresponding values for 2016 were 26 percent and 32 percent).
- \$** On a dollar basis, the change was similar with 2017 monthly contributions moving to \$145 for single coverage and \$504 for a family plan (compared to \$144 and \$515 in 2016).

Public sector employee contributions were as follows:

- %** On a percentage basis, employee contribution rates fell slightly for single coverage to 12 percent in 2017 from 14 percent in 2016. The average family contribution also decreased to 12 percent compared to 14 percent in 2016.
- \$** On a dollar basis, the change in monthly dollar premium contributions was also muted, with 2017 contribution rates falling to \$84 for single coverage and \$205 for family plans (compared to \$101 and \$237 in 2016).

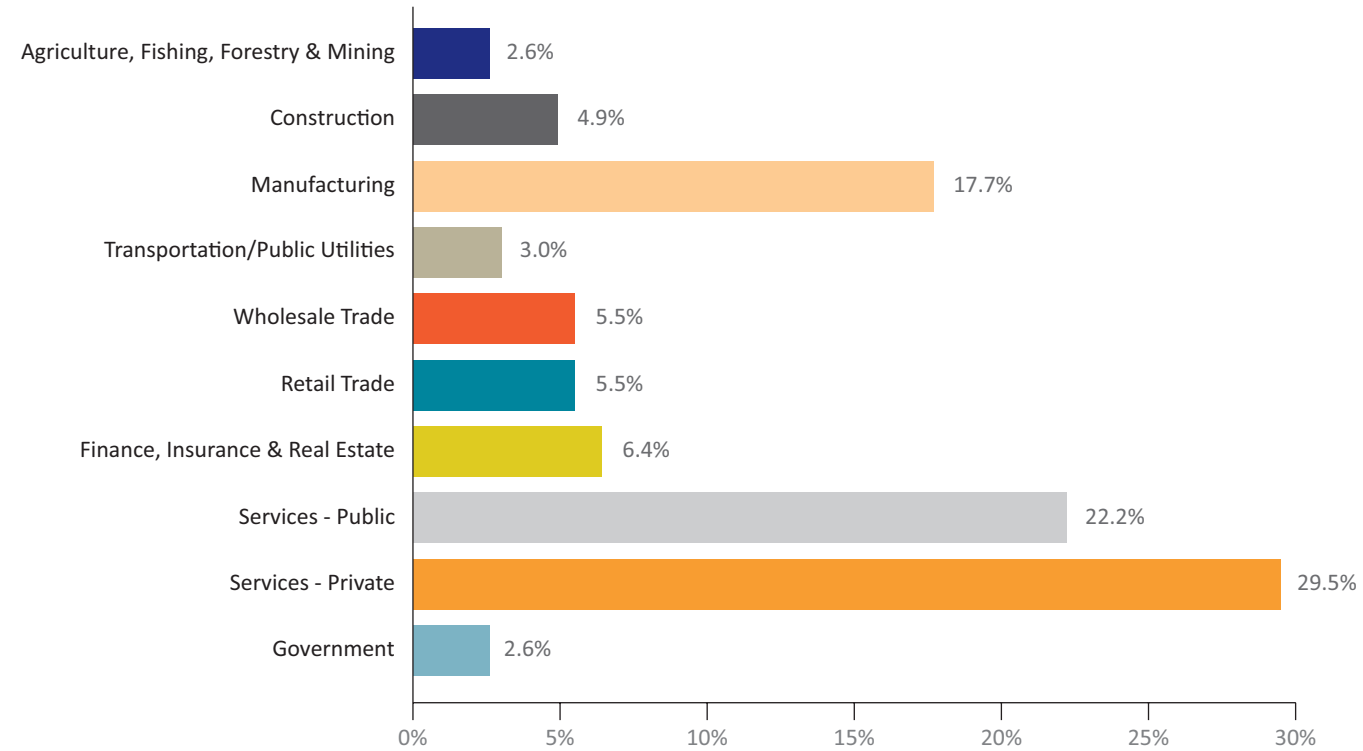


METHODOLOGY

The 2017 Trend Report, provided by M3 Insurance, is based on data harvested from its clientele which consists of 1,547 distinct benefit plans among 689 employers. Most of these employers are Wisconsin-based. Firms range in size from three to more than 5,000 employees. The study sample includes roughly 75 percent private sector businesses and 25 percent public sector entities. The data provided in the 2017 Trend Report is based on plan design information as of April 30, 2017.

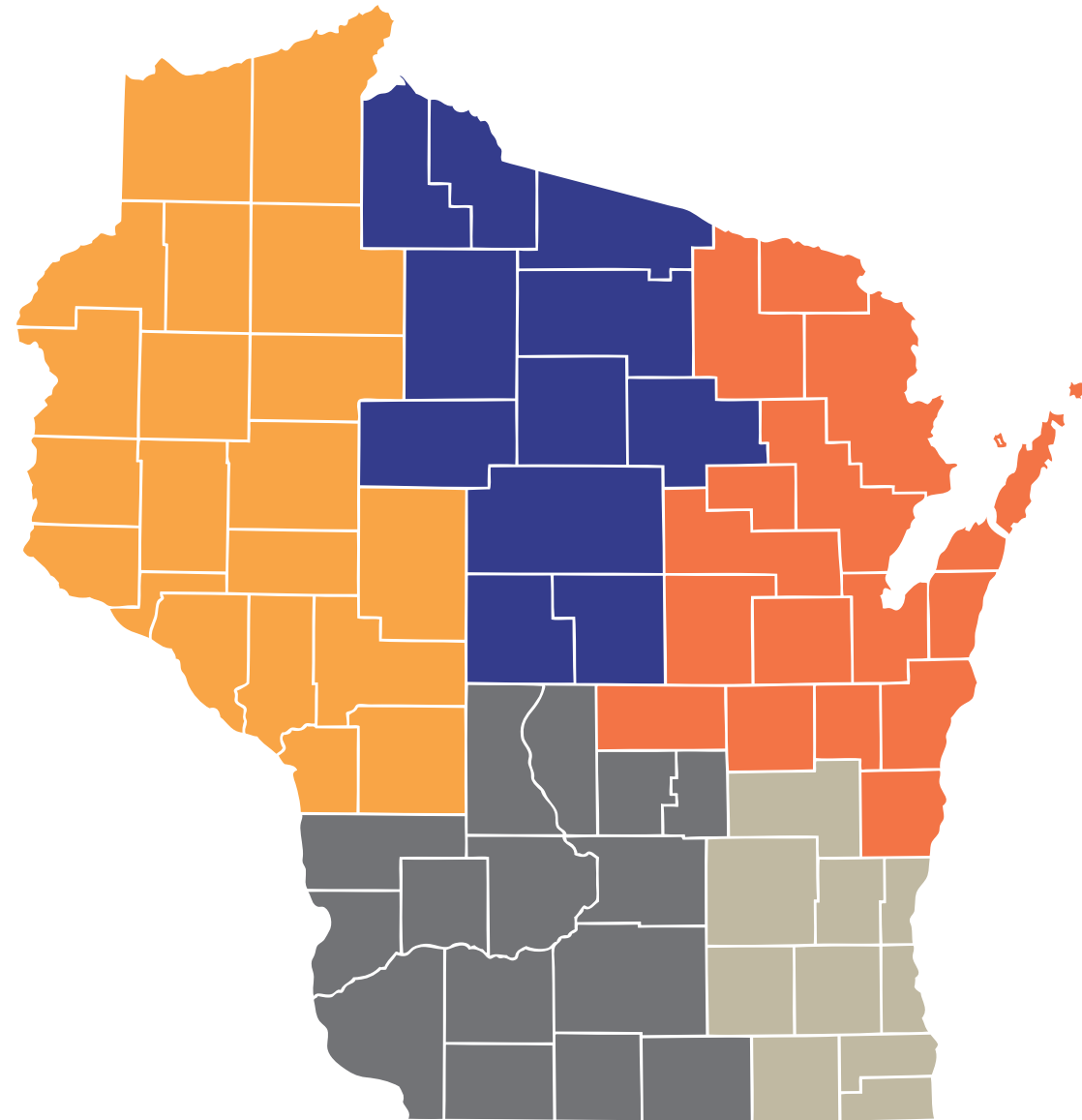
REGIONAL SNAPSHOT

The M3 Trend Report provides a regional snapshot of M3's Wisconsin clients across a variety of industries; in both public and private sectors. It is important to note that there can be significant differences in network and carrier/health plan availability throughout the state and, as such, costs can vary greatly. Please refer to the map of Wisconsin on page 11 for data that is representative of your area, including average increases, average annual costs, average employee contributions and more.



2017 HEALTH CARE TRENDS BY GEOGRAPHIC REGION

Among M3 Insurance Clients



EAU CLAIRE	<ul style="list-style-type: none"> 8.6% of all M3 Clients 7.6% of all M3 Client Full-Time Employees 8.3% Average Increase \$16,228 Annual Cost 14.4% Contribution - Single \$2,291 Average Deductible 63.4% Public Sector
WAUSAU	<ul style="list-style-type: none"> 7.3% of all M3 Clients 5.5% of all M3 Client Full-Time Employees 7.2% Average Increase \$15,881 Annual Cost 16.2% Contribution - Single \$2,320 Average Deductible 53.5% Public Sector
GREEN BAY	<ul style="list-style-type: none"> 13.8% of all M3 Clients 15.5% of all M3 Client Full-Time Employees 8.7% Average Increase \$12,997 Annual Cost 17.5% Contribution - Single \$2,477 Average Deductible 35.6% Public Sector
MILWAUKEE	<ul style="list-style-type: none"> 18.8% of all M3 Clients 11.9% of all M3 Client Full-Time Employees 9.0% Average Increase \$13,478 Annual Cost 20.0% Contribution - Single \$2,933 Average Deductible 15.7% Public Sector
MADISON	<ul style="list-style-type: none"> 51.5% of all M3 Clients 59.4% of all M3 Client Full-Time Employees 7.2% Average Increase \$12,556 Annual Cost 24.7% Contribution - Single \$1,856 Average Deductible 7.5% Public Sector

**For more information about trends in Employee Benefits
contact your Account Executive at 800.272.2443.**

About M3 Insurance

M3 Insurance offers insight, advice and strategies to help clients manage risk, purchase insurance and provide employee benefits. We are committed to being experts in both the products we represent and the industries we serve. Our people advance M3's competitive advantage in the marketplace, and our focus on community builds better places to live and work. M3 is consistently ranked a top 100 broker in America.

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