

HEALTH CARE TRENDS

The Network Effect on Total Cost of Care

THIS IS HOW

Health care continues to be the largest employee-related expense for U.S. businesses. Fueled by environmental factors following the COVID-19 pandemic, employers facing these challenges are looking for ways to reduce costs. Linking the right provider network with the right benefits strategy is key.

Below, we analyze current trends that are likely to impact network performance – and how employers can use them to build a smarter benefits strategy that lowers total cost of care.

The Total Cost of COVID-19

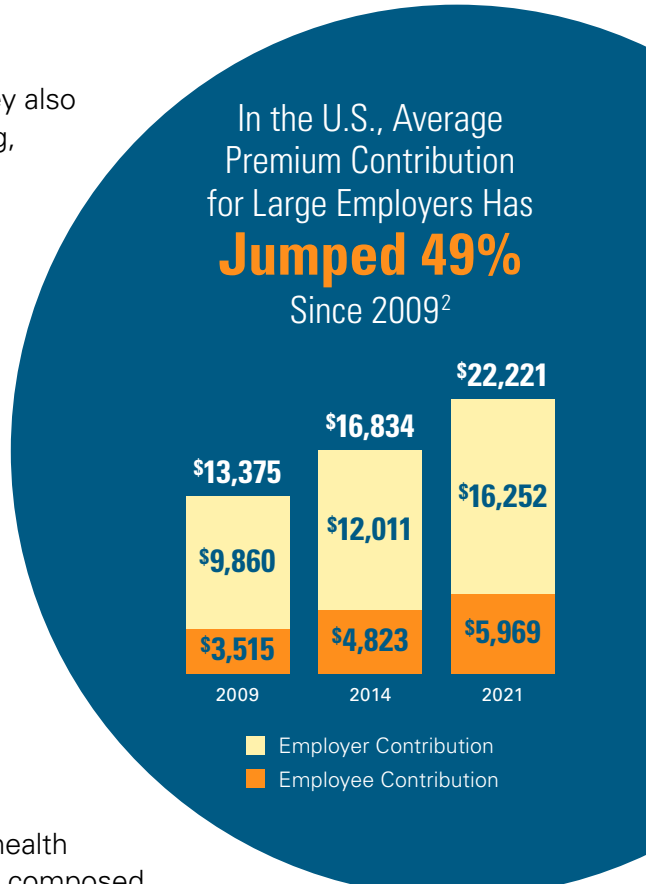
As COVID-19 restrictions lifted and employees returned to work, they also returned to care. Although employers anticipated increased spending, a significant spike in treatment for severe conditions pushed figures beyond expectations. In some cases, missed or delayed preventive screenings during the pandemic led late-stage diagnoses for conditions such as cancer. For others, the isolation and uncertainty fostered new or worsening behavioral health issues.

But the pandemic is certainly not the sole cost driver. Health care spending across the industry continues to rise. Hospital care tops the list of expenses at 31%, followed by physical and clinical services at 20% and retail prescription drugs at 8%.¹ In addition, from 2016 to 2021, total premiums increased 22%, employer contribution jumped 49% and worker contribution increased 13%.²

Beyond their bottom lines, the long-term impact of COVID-19 on employee productivity also is a concern for employers. For the financial health of their businesses and overall well-being of their employees, employers are looking for ways to reduce their total cost of care.

Total cost of care encompasses an organization's total spending on health care and health benefits for its employees and their dependents. It's composed of four key components that are interconnected – one of which is network and benefit design.

Provider networks are the foundation of any health plan. Employers can pull different levers to enhance network performance, which in turn, impacts the total cost of care. As networks continue to shift from volume to value, and solutions emerge and evolve – such as centers of excellence (COEs), virtual health and high performance networks (HPNs) – it's important to consider all of these factors when modeling the impact of network and benefit design to maximize savings.



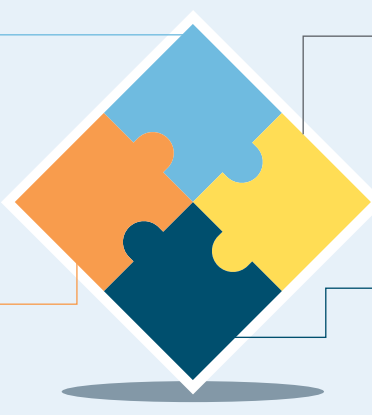
THE FOUR KEY COMPONENTS OF TOTAL COST OF CARE

NETWORK AND BENEFIT DESIGN

- Network discounts
- Value-based payment arrangements
- High performance networks, narrow networks and centers of excellence
- Benefit design based on your population's health

MEMBER ENGAGEMENT

- Advocacy and navigation
- Health and wellness programs



CLINICAL PROGRAMS

- Population health management
- Care management of at-risk members
- Integrated medical and pharmacy benefits
- Integrated physical and behavioral health care

COST PROTECTION

- Data and analytics
- Pre- and post-payment reviews
- Fraud prevention

TOP 3 TOTAL COST OF CARE DRIVERS¹



Hospital Care

31% of health spending



Physical and Clinical Services

20% of health spending



Retail Prescription Drugs

8% of health spending

What's Ahead for 2022 (and Beyond)

With health care costs steadily on the rise, large employers plan to implement more solutions aimed at reducing costs and improving access. For most, this includes increasing virtual health opportunities, expanding mental health services and focusing more on high-cost claims.³

Advanced Primary Care (APC) and High Performance Networks (HPNs)

Seeing the value of high performance (quality) at a lower cost, more and more large employers are offering HPNs – rising to 46% in 2022.³ Reducing costs without sacrificing quality also makes Advanced Primary Care (APC) ideal for large employers. With an emphasis on quality care and patient experience, the approach begins with standard primary care but integrates more in-depth interactions between providers and patients. In addition to benefits like health and nutritional coaching, behavioral and mental health services, it may also lead to screenings related to food security, healthy housing and other non-medical drivers of health. In 2022, 58% of large employers will implement at least one APC strategy – up from 51% in 2021.³ But the work doesn't stop there.

With health care costs steadily on the rise, large employers plan to implement more solutions aimed at reducing costs and improving access.

Employers must continue to assess and improve the primary care experience for their employees. By engaging with APC models and providers, employers can move away from fee-for-service to value-based reimbursement models that promote better outcomes and a payment strategy that rewards quality versus quantity. In the next 2-3 years, 49% of employers plan to steer employees to primary care accountable care organizations (ACOs) or HPNs.³

Centers of Excellence (COEs)

In recent years, COEs have given employers an opportunity to bolster the quality of the health care they offer. These groups of providers are selected to perform certain specialized services based on their expertise, outcomes and favorable financial arrangements. There are 11 conditions for which employers can create a COE arrangement, and in the years to come, each condition is expected to grow in prevalence.

In 2022, the most common types of COEs are those focused on transplants (78%), bariatric surgery (72%) and musculoskeletal conditions/procedures (52%).³ Looking ahead to 2023, mental health is among COEs that will grow up to 20 percentage points or more.³



LARGE EMPLOYERS' HEALTH CARE PRIORITIES FOR 2022

Are these trends on your radar?³

Telehealth

As a result of COVID-19, 76% of employers who prioritize telehealth or virtual health benefits for their employees plan to keep these services in place.³



Advanced Primary Care (APCs)

In 2022, 58% of large employers will implement at least one Advanced Primary Care strategy. Why the interest? Advanced Primary Care helps:

- Reduce overall health care costs
- Provide higher quality care with more personalized support
- Improve patient experience and adherence to screenings and physicals

High Performance Networks (HPNs)

Seeing the value of high performance (quality) at a lower cost, more large employers are offering HPNs – up from 42% in 2021 to 46% in 2022.²



Expansion of Centers of Excellence (COEs) for Mental Health and Emotional Well-Being

Expanding access to mental health services in 2022 is a top priority for 76% of employers.



Learn why a smart benefits strategy built atop a strong network foundation can drive down total cost of care at [BlueCrossNC.com/HealthCareTrends](https://www.bluecrossnc.com/HealthCareTrends).

1 Health Care Cost of Care Presentation. Internal Blue Cross NC data, November 2021.
2 "2021 Employer Health Benefits Survey," Kaiser Family Foundation, November 10, 2021. Online: <https://www.kff.org/report-section/ehbs-2021-summary-of-findings/> (Accessed May 2022).
3 "2022 Large Employers' Health Care Strategy and Plan Design Survey," Business Group on Health, August 2021. Online: <https://www.businessgrouphealth.org/resources/2022-large-employers-health-care-strategy-and-plan-design-survey/> (Accessed May 2022).
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