Employer Commercial Insurance Landscape

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In this column, we'll be introducing the employer perspective related to many aspects of utilizing or developing pathways of care. We will be doing that through establishing the fundamentals of employer-based health care, perspectives around care from the employer point of view, and current and emerging trends that impact all key stakeholders.

EMPLOYERS HOLD RISK

Let's start with some basics to appreciate the overall picture in health care that has held true for over 100 years. Employers have provided care directly or indirectly for their workers to ensure a stable, healthy workforce. In the process, they created communities and provided for what we now call "social determinants of health." As hospitals became a central place to receive improved care, stabilizing hospital finances became important, along with establishing an affordable mechanism for workers to access hospitals vs local health care providers that varied in care quality and outcomes. This ultimately led to the use of insurance as a financing mechanism to counterbalance the risk of employers incurring ever-growing health care costs.

While much of that old landscape remains the same today, the issue of financial risk and who holds it remains paramount when discussing the value of health care with each key stakeholder—provider, patient, and payer. What has become more common is exploring how best to share risk to align the interests for all key stakeholders. For example, contracting by third parties with care providers (hospitals, medical groups, pharmacies, laboratories, and radiology departments) is standard fare today, along with third parties contracting with the manufacturers who distribute their products or therapies through those same providers. The goal is to eliminate wide cost variations in billing for services, products, and therapies paid by employer plans or their administrative service organizations (ASOs)/third-party administrators (TPAs). These third parties typically do not hold the risk of care costs but benefit from the management of it. Increasingly, this misalignment of interests has created inequities among all parties involved in the modern health care ecosystem. Yet, the holder of commercial claim risk—the employer—has continued to explore ways to more effectively manage it, including various risk-sharing strategies.

EMPLOYER PLANS ARE A DOMINANT PAYER

Compared to the federal government as a payer (Medicare or entitlements such as Medicaid, military, Veteran's Affairs, and Indian Health), employers as commercial plan sponsors represent an equal or greater share of covered lives. Employer plans include self-funded/insured as the largest segment, followed by fully funded/insured, state, county, municipal employee plans, and unions and Taft-Hartley plans as the smallest segment.

Employers seeking to more effectively and efficiently manage risk continue to drive experimentation with equitable risk-sharing arrangements through their tactically focused TPAs. As a result, employer insight remains strong on the use of clinical pathways in providing care, but as payers they have become more reliant on numerous third-party players that evolved over the past 60+ years. Data science, informatics, population health, health economics, and ASOs have emerged as additional components in total health care costs, while their individual contributions to care value remain elusive.

EMPLOYER STRATEGIES SEED MARKET CHANGE

Transformations underway that will affect value and pathway execution have emerged from seeds planted going back to the late 1990s by pioneering employer plans. Those leading-edge plans sought innovation and alternative thinking around how, where, and what aspects of care would be covered to optimize outcomes that create a healthy, stable workforce for families in their plan member community. As a result, on-site and near-site clinics evolved, along with an emphasis on primary and preventive care that included a multidisciplinary care team. Benefit design innovations emerged that could address unmet needs and target higher risk populations that were not being well served by existing plan designs. Experimenting with centers of excellence, evidence-based medicine metrics, and quality reporting matured along with more robust care pathways.

Transformation today has been reenergized coming out of the COVID-19 pandemic. Although they began prior to the pandemic, current efforts have taken on greater urgency as economics are more uncertain still in the face of the extraordinary health care costs incurred by employers. Despite well-intentioned efforts to drive change strategically, other consumer market dynamics, economic downturns, political shifts, legislation, misaligned third-party economics, and a recent pandemic have stifled or slowed the innovations desired by employers.

GOING FORWARD

It is impossible to cover all aspects of the commercial landscape in a single column. The purpose here is to start that effort so that more insights and information can be shared about this

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important perspective, since employers act as payers for all health care services, products, and therapies found in care pathways. Employers represent a real strategic opportunity, not a panacea for immediate change across the US health care market. However, there is a rapidly growing alignment from many current trends where a stronger partnership has emerged among the key stakeholders mentioned earlier. That portends faster cycles of change as we have seen in other segments of our economy, like cellular phones and computers.

Future installments of this column in the *Journal of Clinical Pathways* will cover a variety of those transformative trends, themes, and topics affecting aspects of care pathways through employer meeting insights, along with guest authors and interviews. Reader questions, feedback, and suggestions are always welcome and can be directed to JCPEditors@hmpglobal.com. ◆