

Healthcare Updates

MichBusiness Health, Benefits, & Compliance Conference

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*Changes to provider
structures*

QUALITY

**decline
of health**

Regulatory uncertainty

access

Complexity

lack of transparency

COST

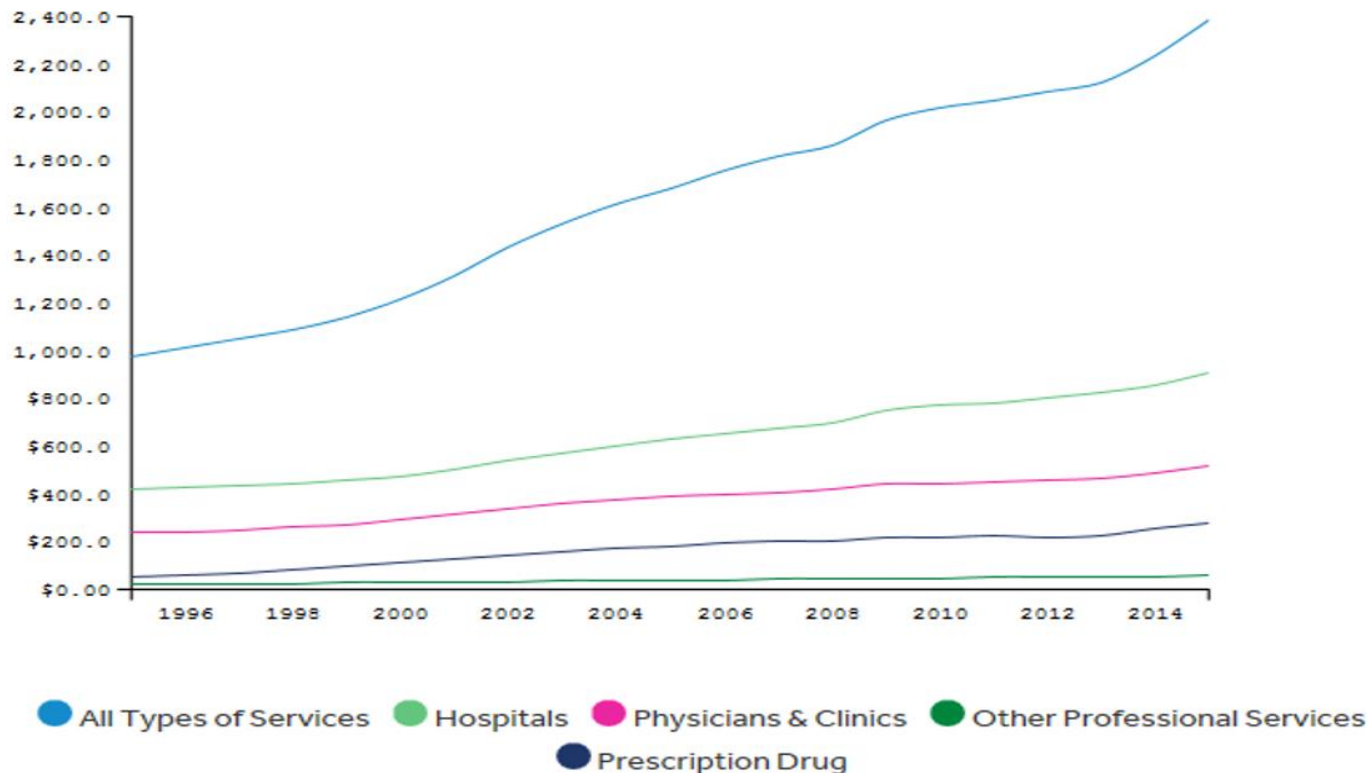
Market disruptors

confusion

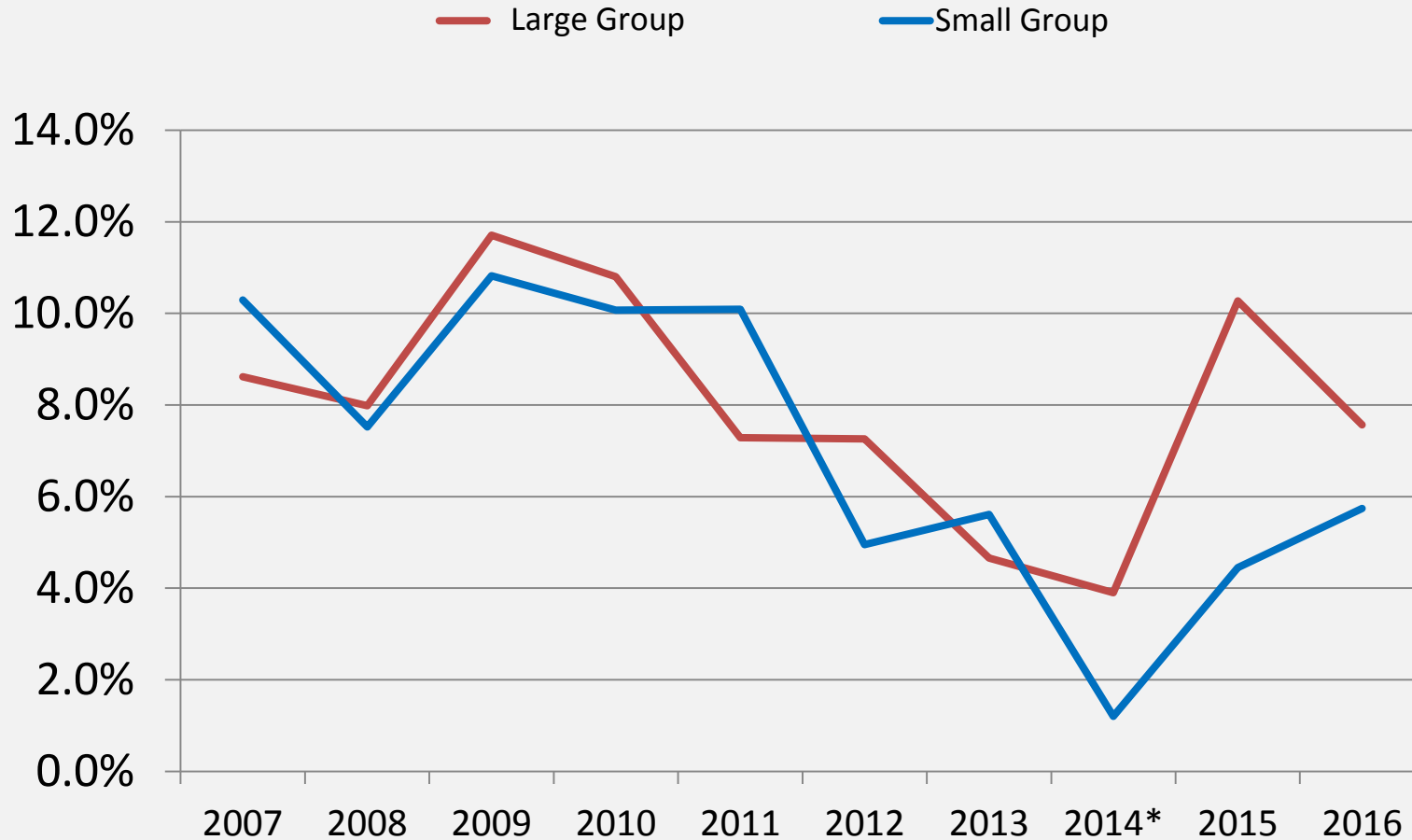
Increase in health costs over twenty years

U.S. HEALTH EXPENDITURES 1995 - 2015


On All Types of Services, Hospitals, Physicians & Clinics, Other Professional Services, Prescription Drug by Health Insurance (U.S. \$ Billions - Inflation Adjusted)



Trend Comparison - Small Group vs. Large Group



Costs will continue to increase



Life expectancy is projected to increase. In 2012, there were approximately 43.1 million U.S. citizens aged 65 or older. That number is projected to be

83.7 million in 2050.

- Census.gov

Health care cost, as a percentage of GDP, is expected to increase to

20.1% by 2025,

from approximately 18% today.

- CMS.gov

Employers wrestling with health care approach...



Changing workforce

- Baby boomers and millennials
- Greater diversity
- Growth of contractor/temp work
- Shift from manufacturing to service

“We need new & more flexible plan designs to serve a more diverse workforce”

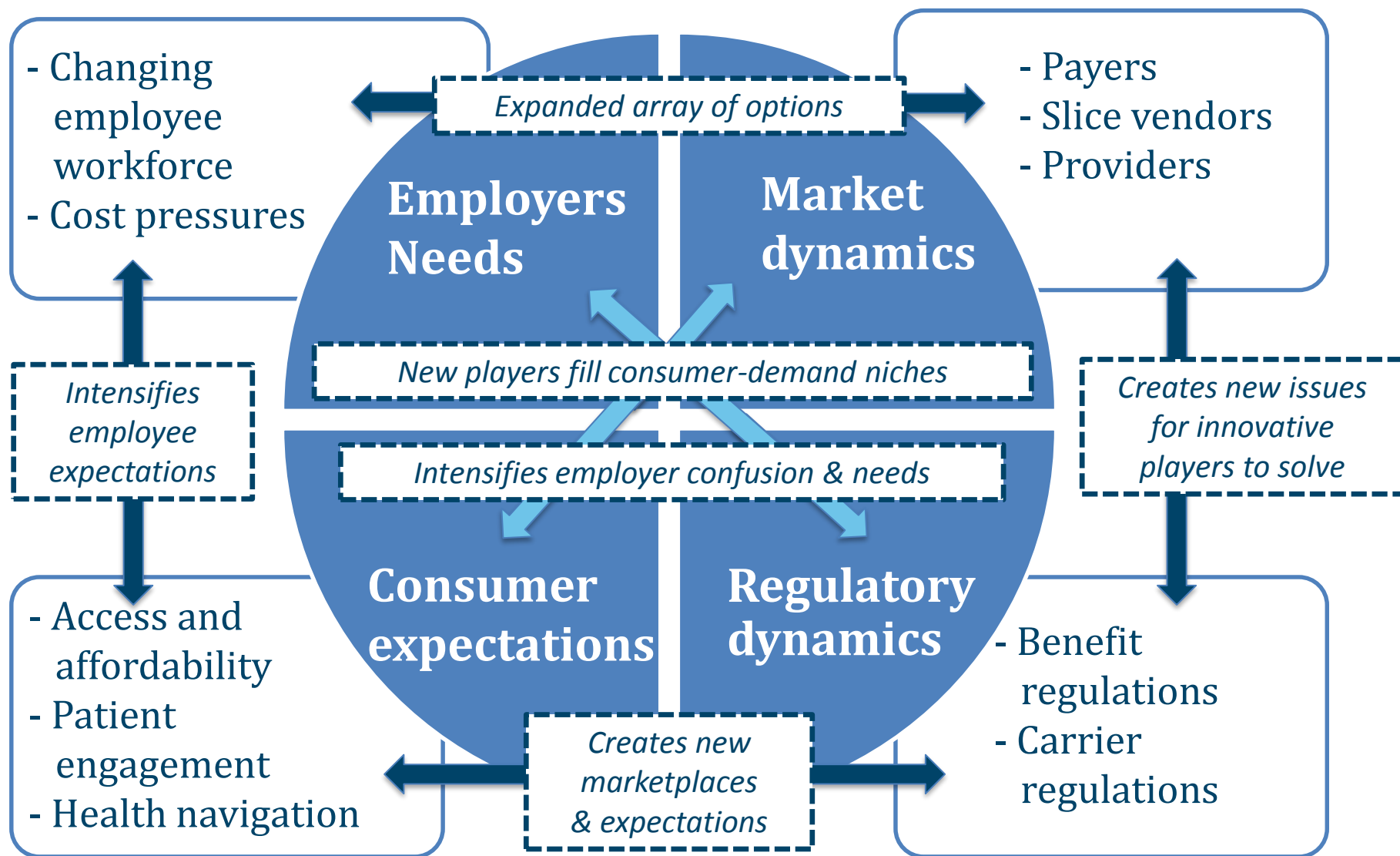


Cost pressures

- Health inflation accelerating faster than ever before
- Thinner benefit plans and/or CDHPs
- Increased employer interest in population health management solutions

“Lower cost this year and over time is a foundational requirement”

Health insurance is facing pressures on multiple fronts





affordability strategy

- **Changes to provider delivery**
- **Employer pressures driving plan and pricing modernization**

government regulation

- **Implications of past and future elections**
- **Constantly changing regulatory landscape and compliance**

innovation

- **Opportunities in advancing information technology**
- **Game changing emerging technologies**

Members are looking for providers who understand who they are

OUTCOMES



Fact 1

More than 1.1 million BCBSM members have access to a Blues' PCMH-designated practice.



Fact 2

Value Partnerships initiatives have saved more than \$1.4 billion in health care expenses.



Fact 3

The Angioplasty initiative had a 56% reduction in vascular complications from 2008- 2015.

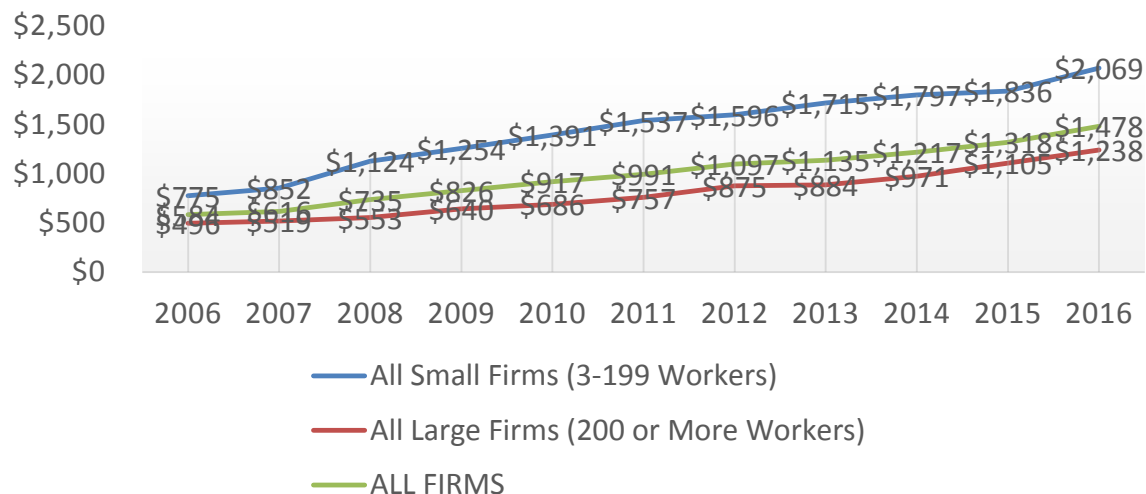


Fact 4

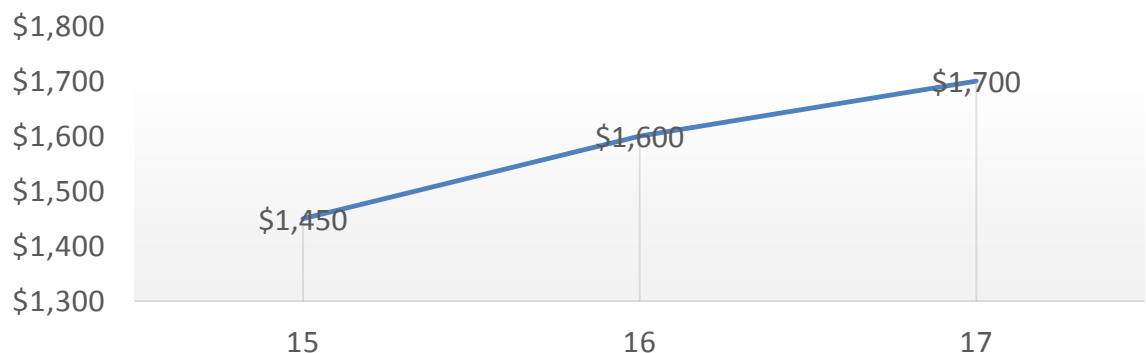
PCMH-designated practices had 19% fewer emergency room visits than non-designated practices.

With changes
in employer
and employee
needs,
deductibles
have been
trending up

Average Deductibles – U.S.



BCBSM/BCN Average Deductibles

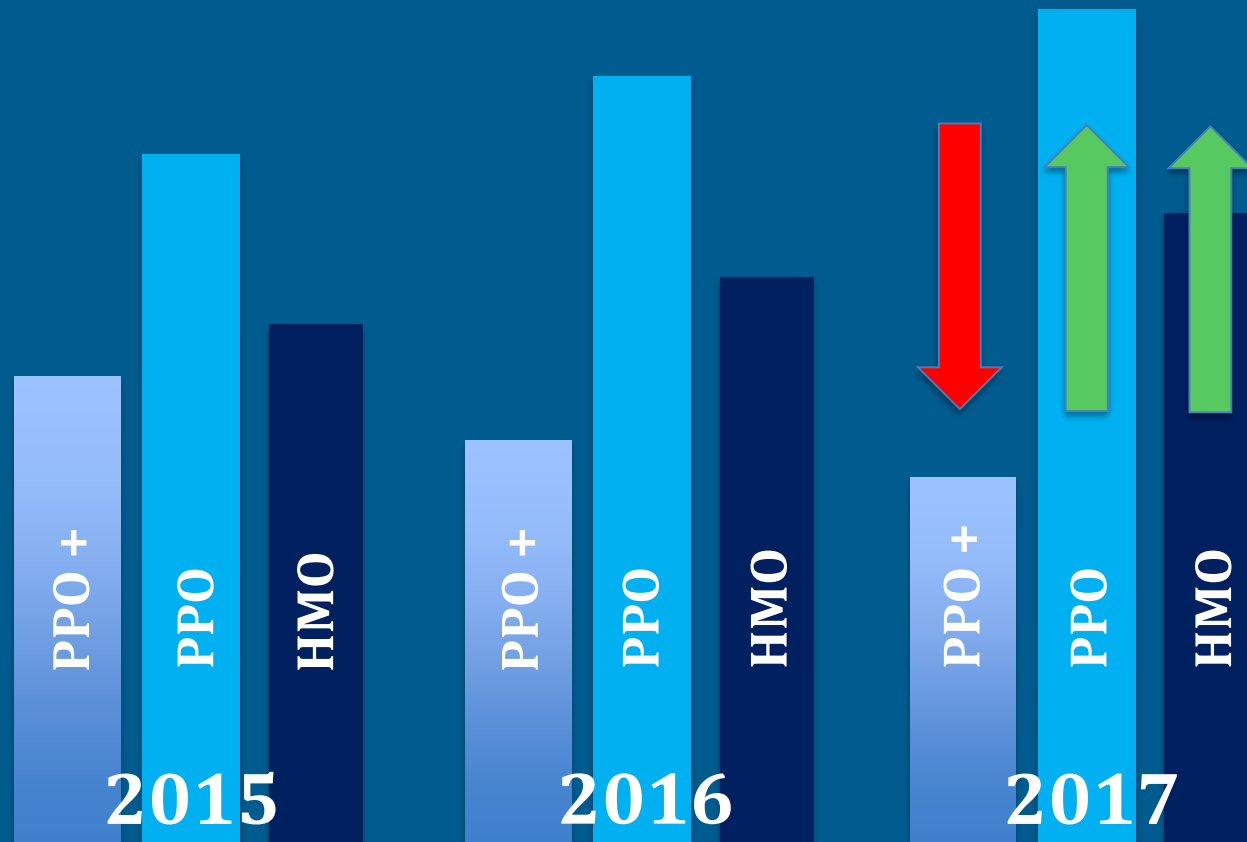


affordability
strategy

Plan design trends

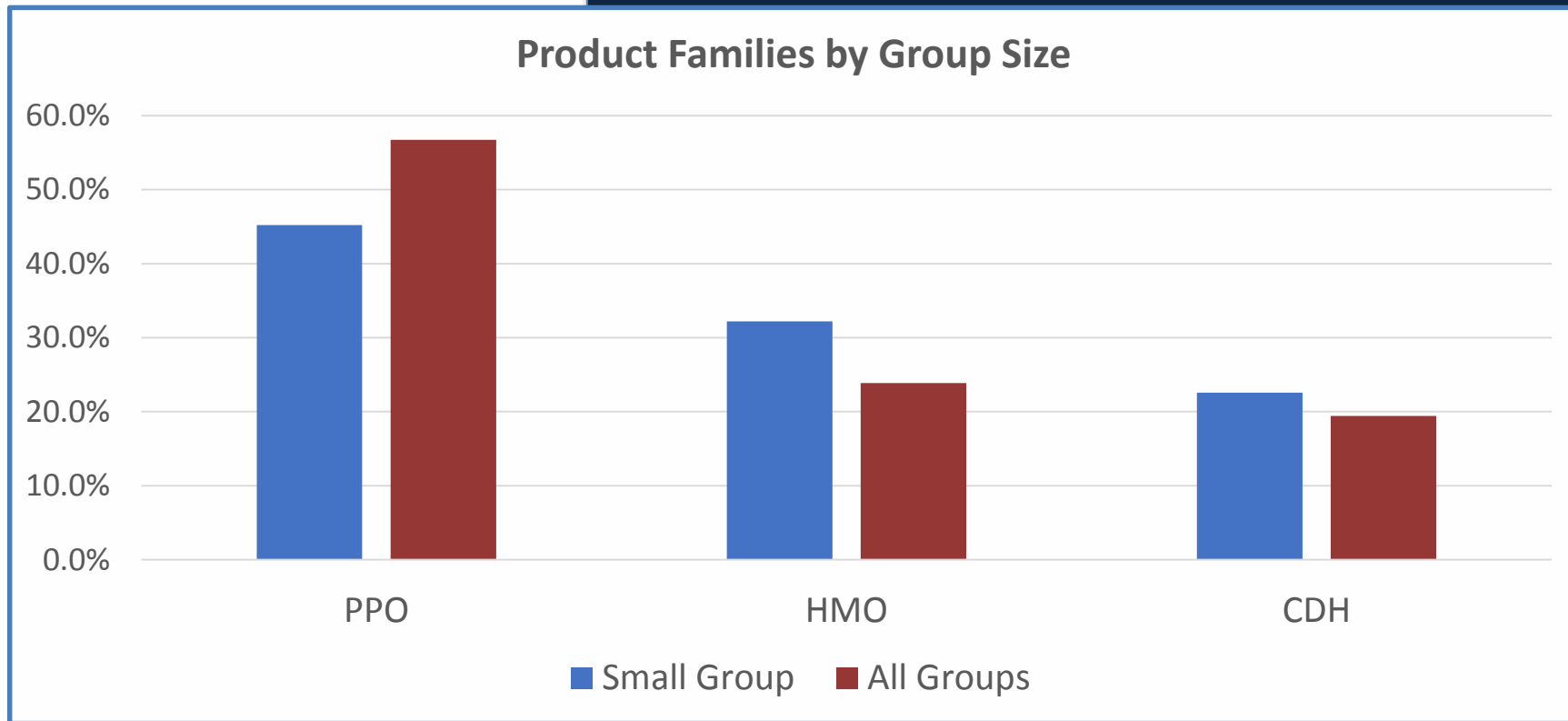
Also seeing
a shift in
platforms
as cost
challenges
increase

* Small Group segment
(2-50 eligible employees)



*More focus on
affordability each year*

small group vs. large group? ...different stories

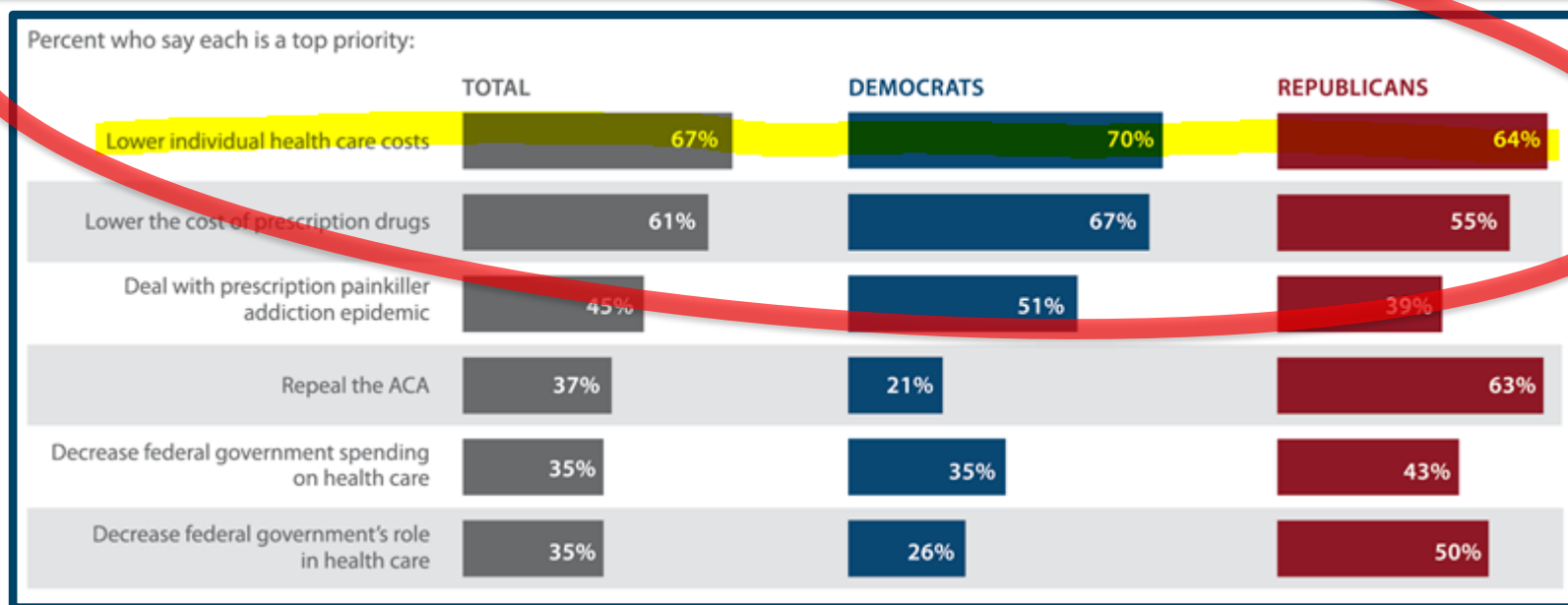


Most Americans agree on one thing...

We need an affordability strategy

US PUBLIC OPINION ON HEALTH CARE REFORM, 2017

Lowering out-of-pocket costs tops health care priorities



Source: Kaiser Family Foundation analysis. Original data and detailed source information are available at http://kff.org/JAMA_3-29-2017.

Competing Priorities

Hurricane relief

Debt ceiling

Budget / appropriations

Tax reform

CHIP reauthorization

Federal Aviation Administration reauthorization

Individual Market

HELP committee hearings (CSR & state innovation waivers)

Problem Solvers Caucus (CSR, reinsurance funding, employer mandate thresholds, medical device tax, state innovation waivers)

Group Coverage Market

Health insurance tax, Cadillac tax, HSA expansion, Rx Prices, employer mandate, reporting

Who would have thought?



*Imagine telling somebody
ten years ago that...*

- You'll make your baby's pictures public for the world to see
- You'll stay in a complete stranger's apartment instead of a hotel
- You'll trust a robot to manage your money
- You'll never buy another music album
- You'll get out of a taxi without paying the driver

U.S. consumers now spend 5 hours per day on mobile devices

*time spent
in mobile
apps had
increased
69 percent
year-over-
year*

Consumer expectations are shifting, driving new engagement models

Access & affordability

Empowering the consumer with convenient, affordable and transparent options for accessing healthcare services

Social engagement

Encouraging consumers to optimize their health through engagement, rewards and a support community

Health Navigation

Informing consumers about their health needs with personalized information

- ✓ 58% of prescription drug users refill prescriptions using a mobile application
- ✓ 40% of caregivers would use sensors for location tracking and fall detection
- ✓ Consumer interest in using telemedicine ranges from 32% for a minor injury to 49% for post-surgical care
- ✓ Consumers also express interest in using robotics & drones for the following:
 - 40%- medication assistance for chronic disease
 - 40%- disease diagnosis assistance
 - 38%- delivering laboratory samples
 - 35%- home maintenance (caregiving)
 - 32%- disease diagnosis replacement



Deloitte 2016



- Next-generation sequencing (NGS)
- Point-of-care (POC) diagnostics
- Leveraging social media to improve patient experience
- Artificial intelligence (AI)
- Biosensors and trackers
- 3D-printed devices
- Immunotherapy
- Virtual reality (VR)
- Convenient care
- Telehealth

*Top 10
innovations
in health care
are to achieve
more for less*



Food for thought... six disruptive scenarios



***My needs,
my healthcare***



***Employers flip
the model***



***Help me be
healthy!***



***No fixed
employer?
No problem!***



***Data-driven
prevention***



***Healthcare
everywhere***



Blue Cross
Blue Shield
Blue Care Network
of Michigan

Questions?