The Current & Future State of the Healthcare Industry

Sally Kim, Director of health plan research
Jan 23, 2024
Helping health care leaders work smarter and faster

WHO WE SERVE

Employers • Brokers & Consultants • Health plans • Hospitals • Health systems • Medical groups • Post-acute care providers • Life sciences firms • Digital health companies • Health care professional services firms

200 EXPERTS ON OUR TEAM
40+ years
OF RESEARCH EXPERIENCE
4,500+
MEMBERS IN OUR NETWORK

Our experts harness a time-tested research process and the collective wisdom of our vast member network to develop provocative insights, actionable strategies, and practical tools that are at the core of our offerings:

Research
The knowledge you need to stay current, plus the strategic guidance, data, and tools you need to take action.

People development
Virtual and in-person leadership development, custom learning solutions, and online manager support.
The patients are not alright

Characteristics of the patient emerging from the pandemic era

1. Year-over-year.
2. As a percent of claims in corresponding month of 2019 for recommended vaccines.

Adults reporting symptoms of anxiety or depression
n=66,790 adults in 2023

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>39%</td>
<td>32%</td>
<td>32%</td>
<td></td>
</tr>
</tbody>
</table>

2018-2021: 17% to 9%

YOY1 change in colorectal cancer diagnoses

2018: 17%
2019: 9%
2020: -14%
2021: -9%

Change in vaccines claims2 from 2019

Q4 2020: -17% to -40%
H1 2021: -15% to -62%

Missed prevention

2021: 26%
2022: 38%

Cost avoidance

2021: 26%
2022: 38%

Aggression

2021: 22%
2022: 48%

Americans reporting they or family postponed care due to costs
n=1,020 adults in 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>38%</td>
<td></td>
</tr>
</tbody>
</table>

Nurses reporting more workplace violence
n=2,575 nurses in 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>22%</td>
<td>48%</td>
<td></td>
</tr>
</tbody>
</table>

Source:
- “Declines in Routine Adult and Teen Vaccinations Continued in 2021,” Avalere Health, January 2022;
- “Updated Analysis Finds Sustained Drop in Routine Vaccines Through 2020,” Avalere Health, June 2021;
- “Record High in U.S. Put Off Medical Care Due to Cost in 2022,” Gallup, January 2023;
- “Adults Reporting Symptoms of Anxiety or Depressive Disorder During COVID-19 Pandemic,” KFF, 2023;
- “National nurse survey reveals significant increases in unsafe staffing, workplace violence, and moral distress,” National Nurses United, April 2022;
- “Declining Cancer Screenings Suggest Increased Burden of Disease,” Trilliant Health, April 2022.
A poor report card for our overall performance

Declining quality outlook

19% 2021 to 2022
Increase in adverse events resulting in permanent/severe harm or death

38% 2020 to 2021
Increase in maternal mortality deaths per 100,000 live births

11 PT 2021 to 2022
Increase in percent of nurses who are not satisfied with the quality of care they can provide in their current job
n=18,226 RNs in January 2023

73% 2023
Adults believe the healthcare system is not meeting their needs
n=2,519 adults in March 2023

Looming spending pressures

Annual growth in health expenditures per capita

- 2016: 3.7%
- 2017: 3.6%
- 2018: 4.0%
- 2019: 3.8%
- 2020: 9.9%
- 2021: 2.6%
- 2022: 3.9%
- 2023: 4.4%
- 2024: 4.1%

Includes federal Covid-19 funding

National debate over “Medicare for All”

Roadmap for today’s discussion

01  •  Trends in employer demands
02  •  Vertical integration
03  •  Digital member engagement
04  •  Innovative drug pipeline
ESI\textsuperscript{1} costs are no longer a predictable, steady rise…

**Annual change in total health benefit cost per employee, from Mercer**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.1%</td>
</tr>
<tr>
<td>2014</td>
<td>3.9%</td>
</tr>
<tr>
<td>2015</td>
<td>3.8%</td>
</tr>
<tr>
<td>2016</td>
<td>3.6%</td>
</tr>
<tr>
<td>2017</td>
<td>3.0%</td>
</tr>
<tr>
<td>2018</td>
<td>3.4%</td>
</tr>
<tr>
<td>2019</td>
<td>6.3%</td>
</tr>
<tr>
<td>2020</td>
<td>3.2%</td>
</tr>
<tr>
<td>2021</td>
<td>5.4%</td>
</tr>
<tr>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
</tr>
</tbody>
</table>

9%-10% Expected increase in health costs at the next contract renewal (for 2024-2026 benefits)


Of US employers say managing healthcare benefits costs will be their top priority over the next two years\textsuperscript{3}
…and cost containment is only becoming more difficult

Four factors changing the cost landscape of employer-sponsored insurance

- **Inflation**: Provider rate increases, from rising supply and labor costs, are passed on to employers.
- **Hospital consolidation**: Employers are concerned about fewer options and higher spend from hospital consolidation.
- **High-cost claimants**: Million-dollar claims are increasing, especially among younger plan members.
- **Innovative drugs**: Employers are facing new treatments such as GLP-1s and cell and gene therapies.
Avoiding disruption is just as important as cost savings

Employers’ calculation when changing benefits

Cost containment potential for both the employer and their employees by adopting a new benefit or strategy

Avoiding disruption incorporates both employee palatability and employer administrative ease
Employers are driven by what their employees want

68% of employees say health coverage plays an important role in employee recruitment

77% of employees say health coverage plays an important role in employee retention

“We have an incredibly competitive talent acquisition market, so we, unfortunately, are not able to be as aggressive on cost as we want.”

CHRO of a large energy company

Managed navigation strategies offer a compromise

Possible employer approaches to benefits strategy

DELEGATE

Offload benefits
Move employees to defined contribution

Continue status quo
Continue to absorb or offload increased costs

Manage navigation
Actively embrace programs to manage patient care choices

Scrutinize partners
Monitor data to mandate fair payment and TCOC performance

CONTROL


Large employer benefit strategy offerings
n=135 large employers, covering over 18M lives

Center of Excellence (COE) programs

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Offered in 2023</th>
<th>Planning to offer in 2024/2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transplants</td>
<td>79%</td>
<td></td>
</tr>
<tr>
<td>Bariatric surgery</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td>Cancer</td>
<td>50%</td>
<td>26%</td>
</tr>
<tr>
<td>Musculo-skeletal</td>
<td>47%</td>
<td>22%</td>
</tr>
<tr>
<td>Cardio-vascular</td>
<td>46%</td>
<td>19%</td>
</tr>
<tr>
<td>Virtual comprehensive</td>
<td>37%</td>
<td>32%</td>
</tr>
<tr>
<td>primary care/virtual first</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onsite/near-site health</td>
<td>13%</td>
<td>24%</td>
</tr>
<tr>
<td>centers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steerage to physician</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>based ACOs/HPNs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directly contracted primary care</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

Purchasers are demanding more as they pay more year-over-year for a product they don’t use.
Roadmap for today’s discussion

01. Trends in employer demands
02. Vertical integration
03. Digital member engagement
04. Innovative drug pipeline
Health insurance just one piece of the pie for nationals

Largest national insurers diversifying their revenue streams beyond traditional insurance

Total revenue in 2022, by segment, in Billions ($)\(^1\)

<table>
<thead>
<tr>
<th>Business segment</th>
<th>UnitedHealthcare + Optum(^2)</th>
<th>CVS + Aetna(^3)</th>
<th>Cigna + Evernorth</th>
<th>Elevance (fka Anthem)</th>
<th>Centene</th>
<th>Humana + CenterWell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance:</td>
<td>$181B</td>
<td>$91B</td>
<td>$133B</td>
<td>$42B</td>
<td>$116B</td>
<td>$85B</td>
</tr>
<tr>
<td>PBM</td>
<td>$100B</td>
<td>$169B</td>
<td></td>
<td>$97B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>$72B</td>
<td>$177B</td>
<td></td>
<td>$157B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider</td>
<td><code>$100B</code></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>$100B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$324B</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

1. Revenues by segment may not add up to total revenue due to eliminations and rounding
2. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.
3. CVS’s 10-K filing does not further break its Aetna insurance business into specific insurance segment revenues.

Source: 2022 year-end earnings reports and 10-K filings from, $CI, $CNC, $CVS, $ELV, $HUM, and $UNH.
National players build cross-continuum reach

Giants pursue selective consolidation across care delivery and financing (as of July 2023)

Incumbent giants dominate with saturated assets
Further activity unlikely

All players compete for community assets
Aggressive ongoing activity

Corporations opt for selective partnerships
Tentative activity possible

1. Convenience care includes retail care and urgent care centers.
2. Includes primary and specialty care practices.

Sources: See additional sources slide.
## Giants draw from mix of assets to serve unique ambitions

### Sample strategic ambitions of corporate players poised to have ripple effects on the industry

<table>
<thead>
<tr>
<th>Corporate ambition</th>
<th>Hurdles to overcome</th>
<th>Sample market characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cross-sell adjacent services</strong>&lt;br&gt;Walgreens, Amazon, CVS</td>
<td>Patient conversion, reimbursement economics, partner coordination</td>
<td>• <strong>Geographic appeal</strong> (e.g., population density, population growth rates)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Ease of doing business</strong> (e.g., scope of practice regulations, corporate tax rates)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Cross-sell opportunities</strong> (e.g., # retail locations, # loyalty members)</td>
</tr>
<tr>
<td><strong>Contain senior care value</strong>&lt;br&gt;Humana, CVS, UHG</td>
<td>Patient attribution, clinician enablement, scaling, government scrutiny, quality</td>
<td>• <strong>Favorable payer mix</strong> (e.g., Medicare Advantage penetration)</td>
</tr>
<tr>
<td><strong>Control network operations</strong>&lt;br&gt;UHG, KP (Kaiser Permanente)</td>
<td>Patient engagement, multi-payer partnerships, referral discipline, cost management, antitrust</td>
<td>• <strong>Patients without regular PCP</strong> (e.g., % patients with regular PCP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Ease of doing business</strong> (e.g., scope of practice regulations, corporate tax rates)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Unconsolidated physician market</strong> (e.g., prevalence of sophisticated risk-based physician practices)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Primary care supply</strong> (e.g., per capita clinician supply)</td>
</tr>
</tbody>
</table>
Regional health plans respond to new urgency for scale

Range of health plan consolidation activity amid growth of large nationals and difficult economic climate

**Specialized health plan mergers**
Similarly sized health plans with unique expertise and relationships merge to amass scale, develop new-in-kind offerings, and maintain autonomy.

**Independent health plan partnerships**
Regional plans collaborate to scale individual expertise, innovation, and maximize investments while protecting market share.

**Traditional acquisition**
Smaller plans remain competitive by aligning with a larger operator to strengthen market share.

### EXAMPLES (As of Sept 2023)

- **SCAN and CareOregon to form HealthRight Group**
  - SCAN Group: CA-based nonprofit health plan with 275k members.
  - CareOregon: OR-based nonprofit health plan with 515k members.
  - HealthRight Group: $6.8B nonprofit health plan with 800k members allowing for each plan to retain autonomy.

- **BCBSVT to affiliate with BCBSM group of companies**
  - BCBSM: MI-based nonprofit health plan with 5.2M members.
  - BCBSVT: VT-based nonprofit health plan with 200k members.

- **Elevance to acquire BCBSLA (halted)**
  - Elevance: Multistate for-profit Blues operator with 47.3M members.
  - BCBSLA: LA-based nonprofit health plan with 1.9M members.

Sources: "Blue Cross and Blue Shield of Vermont and Blue Cross Blue Shield of Michigan Pursue Affiliation," BCBS VT, May 2023; and "Blue Cross and Blue Shield of Vermont to affiliate with Michigan counterpart," VTDigger, May 2023; "SCAN Group, CareOregon plan merger into HealthRight Group," Modern Healthcare, December 2022; "Elevance Health To Buy Louisiana Blue Cross Plan," Forbes, January 2023.
Scale and control over the care journey will be necessary for health plan success, but it can be synthetic.
Roadmap for today’s discussion

01 Trends in employer demands
02 Vertical integration
03 Digital member engagement
04 Innovative drug pipeline
Members see doctors’ role as clinical, plans’ as financial

Percent of members who prefer the following from their health plan vs doctor vs self-service tools

n = 3030

Clinical

- Find a new specialist doctor: 49% (Health Plan), 25% (Doctor), 14% (Self-service tools)
- Offer an online scheduling tool with my doctor: 48% (Health Plan), 23% (Doctor), 18% (Self-service tools)
- Remind me about my annual physical and other routine screenings: 48% (Health Plan), 23% (Doctor), 14% (Self-service tools)

Financial

- Tell me where I am in my deductible or out of pocket maximum: 67% (Health Plan), 11% (Doctor), 7% (Self-service tools)
- Tell me how much my care will cost: 57% (Health Plan), 23% (Doctor), 7% (Self-service tools)
- Explain my medical bills: 55% (Health Plan), 22% (Doctor), 8% (Self-service tools)

Source: 2022 Member Engagement Survey, Advisory Board.
But there’s still hope to have an identity beyond “payer”

Percent of members who prefer the following from their health plan vs doctor vs self-service tools

Source: 2022 Member Engagement Survey, Advisory Board.

<table>
<thead>
<tr>
<th>Service</th>
<th>Health Plan</th>
<th>Doctor</th>
<th>Self-service tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Find a new specialist doctor</td>
<td>49%</td>
<td>14%</td>
<td>25%</td>
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<tr>
<td>Offer an online scheduling tool with my doctor</td>
<td>48%</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Remind me about my annual physical and other routine screenings</td>
<td>23%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Find a new primary care doctor</td>
<td>48%</td>
<td>14%</td>
<td>23%</td>
</tr>
<tr>
<td>Offer a patient care advocate service to coordinate my care</td>
<td>39%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Tell me where I am in my deductible or out of pocket maximum</td>
<td>67%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Tell me how much my care will cost</td>
<td>57%</td>
<td>7%</td>
<td>7%</td>
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<tr>
<td>Explain my medical bills</td>
<td>55%</td>
<td>22%</td>
<td>8%</td>
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</tbody>
</table>
Digital inflection points abound through care journey

The modern patient’s health care journey

- Triage and symptom check
- Scheduling
- Virtual visit
- Patient portal
- Follow up virtual visit
- Ongoing monitoring
- Provider search
- Check-in and insurance
- Labs and prescriptions
- In-person procedure
- Remote monitoring device setup

In-person procedure
Virtual-first an entry point for downstream navigation

One key outcome of virtual-first is routing patients to cost-effective care

Convenient experience for members
Improved clinical outcomes
Lower unit costs for services
Prevent avoidable utilization
Route patients to cost-effective care

Which in-network endocrinologist would you like to be referred to?

Dr. Green
Female
1.2 miles away
Open today
$50 cost-sharing

Dr. Red
Male
3.6 miles away
Open today
$50 cost-sharing

Dr. Blue
Female
2.3 miles away
Open Monday
$60 cost-sharing

Feasibility rating
Cost-savings potential
Employee palatability
Administrative ease
What is AI, really?

**MYTH:** AI is magic

*AI is sentient and can autonomously perform a wide variety of tasks with limited guidance*

**REALITY:** AI is a range of specialized tools

- Performs **specific tasks** that normally require human intelligence by using algorithms, pattern matching, and other techniques
- Must be **trained**, and can only learn from data it has access to
- **Continuously improves** accuracy of predictions and pattern matching with more interactions
- Each AI model has **limited utility** outside of the task for which it was designed, though generative AI will enable easier translation

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**Advances in technology pushing the limits of AI**

- **Advanced statistics and RPA**: Automates processes and analytics based on preset rules
- **Predictive AI**: Infers information to make decisions
- **Generative AI**: Creates new content through pattern-matching

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**MYTH vs. REALITY**

- **MYTH:** AI is sentient and can autonomously perform a wide variety of tasks with limited guidance
- **REALITY:** AI is a range of specialized tools

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1. Robotic process automation.

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Sci-fi ambitions handcuffed to fax machine reality

Doximity generative AI platform

Provides physicians an easy way to accelerate and complete administrative and clinical tasks…

- Write a statement of support for social security disability for my patient with bipolar disorder.
  - Try Prompt →

- Trained in medical terminology and shorthand; knows how to format clinical documentation and common medical correspondence.

- Fluency in dozens of languages; can translate documents and produce multilingual patient education.

- May occasionally generate incorrect information. Confirm any factual references before using clinically.

- Is not HIPAA-compliant; do not include PHI in prompts.

Free Fax to Insurers

- Aetna 833-596-0339
- Anthem 800-754-4708
- Cigna 615-401-4642
- Health Net 800-281-9000

Doximity members can fax letters directly to insurers using our digital fax service. To enter Doximity’s HIPAA compliant

…but also offers free fax service, because most communication between providers and payers still relies on fax machines

Digital is a (currently underused) tool we have at our disposal to inflect member behavior change.
Roadmap for today’s discussion

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04 Innovative drug pipeline
Drugs poised to eclipse the strategic focus on procedures

THERAPEUTIC DRUGS

Innovation activity targets rare, untreated conditions

54-74
New cell and gene therapies expected in the market by 2030
As of December 2022

Drug spend catching up to hospital operating costs

One provider-sponsored plan’s experience with drug costs in 2022:

Retail prescriptions + Provider-administered drugs = ~20% OF PREMIUM = Hospital operating costs

EPISODIC PROCEDURES

Innovation activity enables lower-acuity care

Projected overall procedure utilization change 2022 to 2027

-1.5% Inpatient
+10.0% Outpatient

Transparency data and outpatient shift pressure rates

95% Commercially-insured lives represented by payer transparency data, for all sites

69% Average price for a procedure in an ASC relative to the same in a HOPD1


1. Hospital outpatient department.
Weight management drugs driving industry frenzy

Promising clinical effects

15-20%  
Average total body weight loss on semaglutide¹

20  
Cardiovascular outcome measures included in SELECT trial

Rising patient demand

111%  
Increase in Ozempic prescriptions from February 2022 to February 2023

44%  
Of surveyed people with obesity would change jobs to gain coverage for obesity treatment in April 2023

Financial implications

$13,618  
Average annual per capita net price of Wegovy (semaglutide) in 2022

142M  
Eligible US patient population in 2022 for semaglutide for weight loss according to FDA criteria²

Variable coverage in 2023

✅ Direct-to-consumer companies Ro and WeightWatchers enter weight loss medication space

❓ 51% of surveyed health plans do not cover weight loss medications³

❓ Medicaid covers select weight loss drugs in 16 states

❌ Medicare Modernization Act of 2003 prohibits Part D coverage of weight management drugs

1. Medication indicated for treatment of type 2 diabetes and obesity.
2. BMI >30 or BMI >27 with a pre-existing condition such as diabetes.
3. 31% are considering adding coverage in the next 1-2 years.
4. Through flexible benefits and formularies that meet CMS requirements.

See additional sources slide for sources.
Employers must make a choice about weight loss drugs

Employer and health plan range of coverage

Don’t cover at all
• Medications considered lifestyle drugs
• Too expensive to cover for all eligible members
• Considered ineffective long-term

Cover with limitations
• Cover while measuring weight loss outcomes
• Cover in tandem with lifestyle modification programs
• Cover with duration and quantity limits

Full coverage
• Employee demand is high enough to justify coverage
• Treat obesity as a chronic condition

CGTs bring clinical breakthroughs, but don’t come cheap

**Estimated patients treated by gene therapy between 2020-2035**
1.09M

**Estimated annual spend on gene therapies in 2026**
$25.3B

**Predicted gene therapy spend as a percent of estimated national health expenditure in 2026**
0.5%

**IN THE NEWS**

**Cell and gene therapies (CGTs) celebrated for clinical capabilities**

“Last-resort cancer therapy holds back disease for more than a decade”

NATURE, FEB ’22

“Zolgensma demonstrates ‘remarkable’ long-term results for children with SMA”

HEALIO, MAY ’21

“The FDA approved a gene therapy that can reverse a form of childhood blindness”

QUARTZ, DEC ’17

...but high costs bring debate over prices and financing

“A Dilemma for Governments: How to Pay for Million-Dollar Therapies”

THE NEW YORK TIMES, JAN ’23

“FDA approves $3.5 million treatment for hemophilia, now the most expensive drug in the world”

CNN, NOV ’22

“At $850,000, price for new childhood blindness gene therapy four times too high, analysis says”

PBS, JAN ’18

1. Spinal muscular atrophy.
2. 2026 is projected to be the peak in spend on gene therapies between 2020 and 2035.
## Plans explore alternative models to manage drug costs

<table>
<thead>
<tr>
<th>GOAL</th>
<th>CHALLENGE</th>
<th>EMERGING MODELS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stop-loss insurance</strong></td>
<td>Protect against catastrophic or unpredictable financial losses by sharing risk with a larger pool</td>
<td>Unsustainable and full of holes</td>
</tr>
<tr>
<td><strong>Care management add-ons</strong></td>
<td>Reduce total cost of care by improving care coordination and optimizing medication regimens</td>
<td>Unclear return on investment</td>
</tr>
<tr>
<td><strong>Outcomes-based agreements</strong></td>
<td>Protect against uncertain drug performance by structuring rebates or payments based on milestone achievements</td>
<td>Difficult to execute</td>
</tr>
<tr>
<td><strong>Specialty pharmacy carve-outs</strong></td>
<td>Exclude (carve out) some or all specialty drugs from PBM(^2) coverage and lower drug spend through a variety of mechanisms</td>
<td>Contributes to fragmentation</td>
</tr>
</tbody>
</table>

2. Pharmacy benefit manager.

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**Proposed CMMI Accelerating Clinical Evidence Model** would adjust CMS payments for drugs approved under the Accelerated Approval Program to incentivize manufacturers to complete confirmatory trials.

**CMMI developing CGT\(^1\) Access Model** for state Medicaid agencies to assign CMS to negotiate multi-state, outcomes-based agreements with manufacturers.

**Large PBMs offering new CGT carve-out models** that attempt to combine risk-pooling, care management, and outcomes-based agreements for specific CGTs.

Drug spending is poised to overtake medical spending so our reaction time to new drugs must get faster.
Key takeaways

Trends in employer demands
- Cost increases in ESI are not only high, but also no longer predictable
- Four factors are changing the ESI cost landscape
- Avoiding disruption incorporates both employee palatability and employer administrative ease
- The sweet spot for employers will be in managing navigation

Digital member engagement
- Members expect plans to play a role in navigation
- Virtual-first products could drive down spend via navigation
- AI is a tool to address our existing problems, not a catch-all solution

Vertical integration
- Plans are becoming health solutions companies to respond to member and purchaser demand
- Incumbents are competing for outpatient care, but not hospital care
- Giants are all acquiring but with different strategic goals
- Regionals are responding with synthetic scale

Innovative drug pipeline
- Drug spend is poised to eclipse procedural spend
- Employers are actively thinking about weight-loss drug coverage right now, and want help
- Ultra-high cost drugs are on employers’ minds but with no clear solution
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- Value-based care
- Digital health trends
- Behavioral health
- Pharmacy trends
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