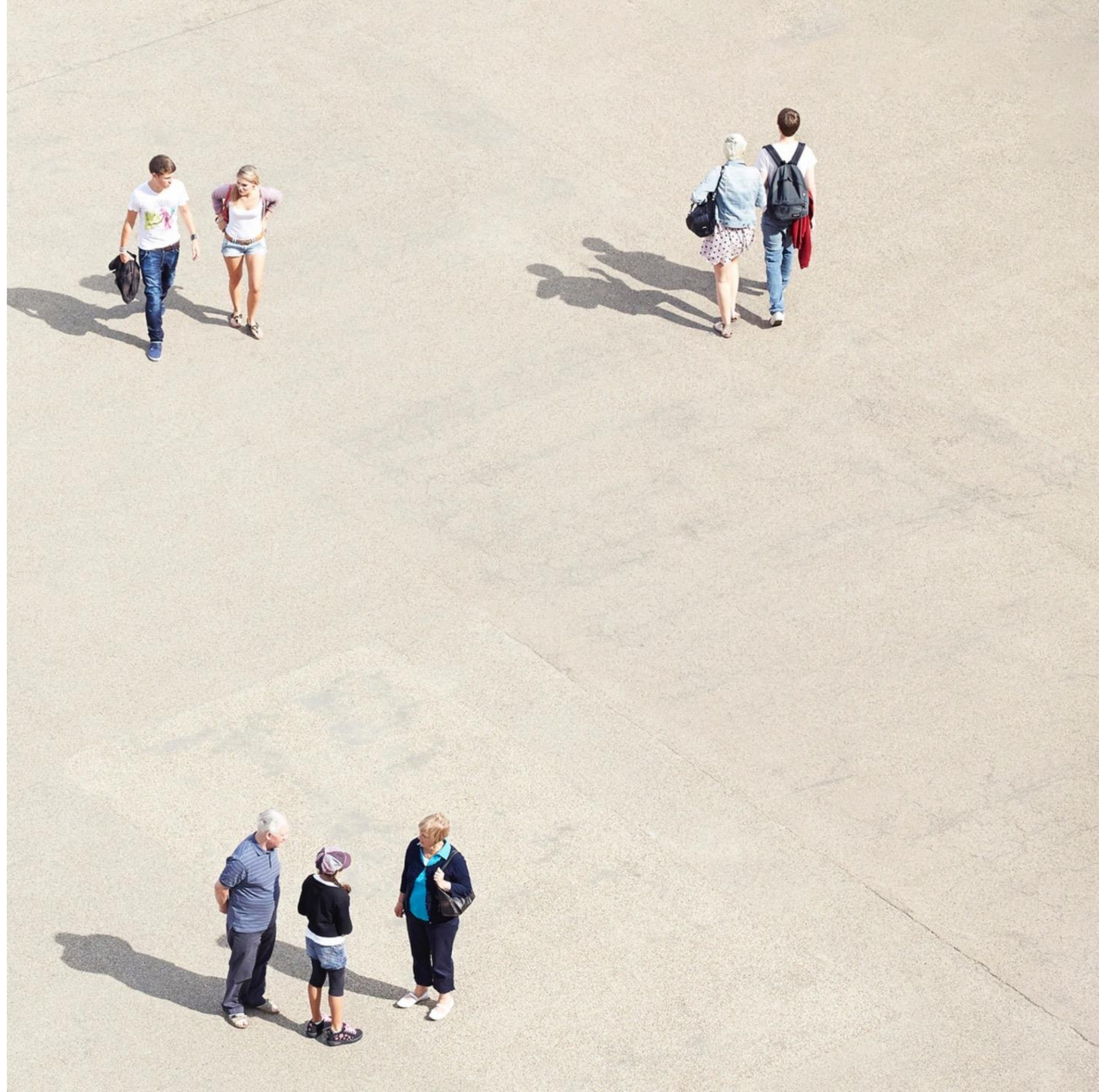




# The Next Era of Healthcare Cost Drivers

## *Manufacturers Alliance & Aon*

April 9, 2025



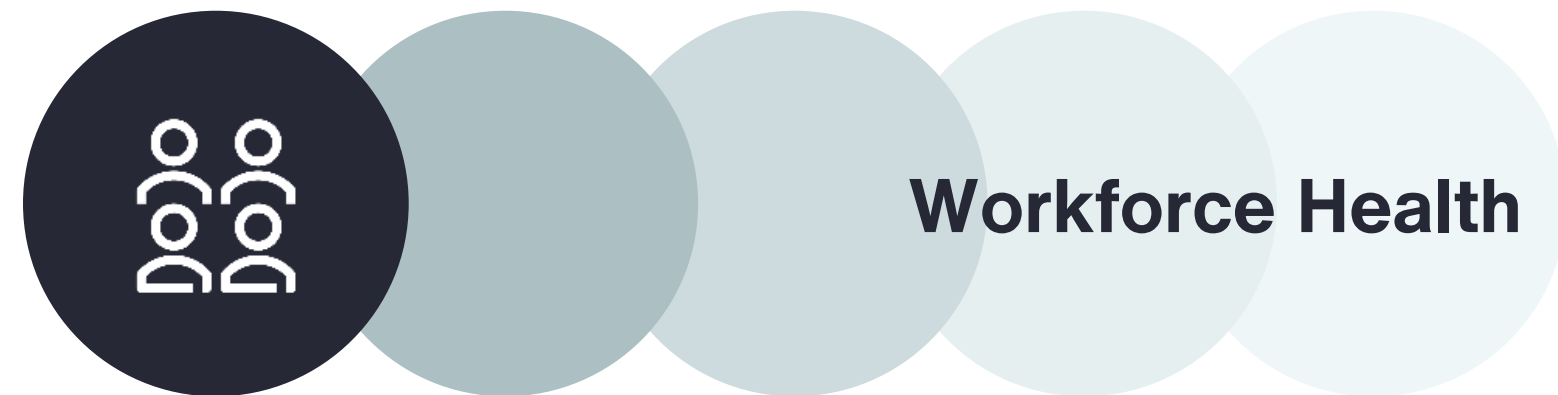
# Organizations Continue To Operate in a Heightened State of Volatility

Volatility creates uncertainty. Uncertainty is Risk.

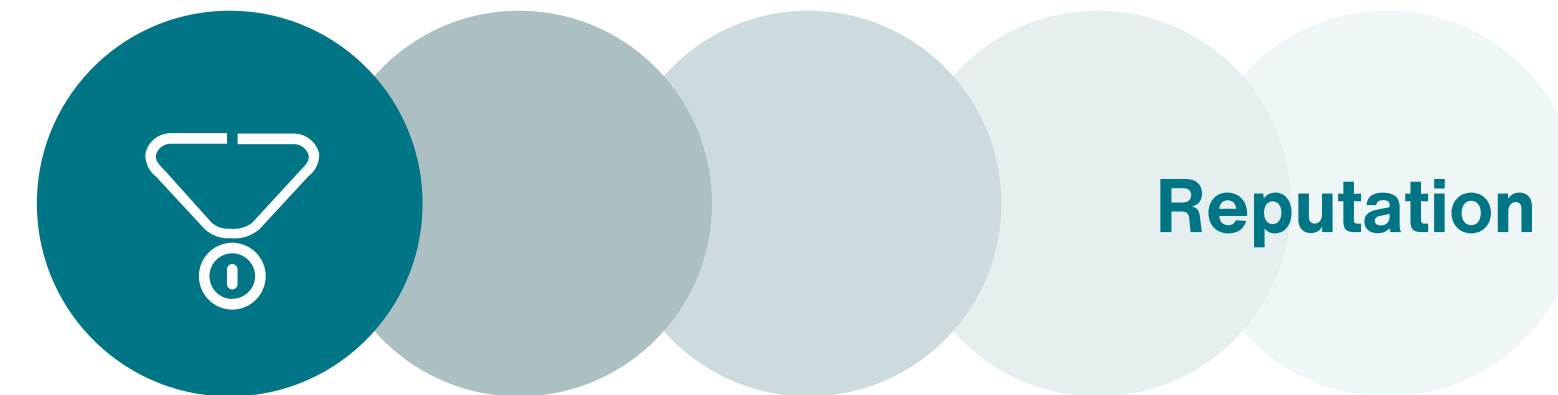


# The Imperative to Address People Risk

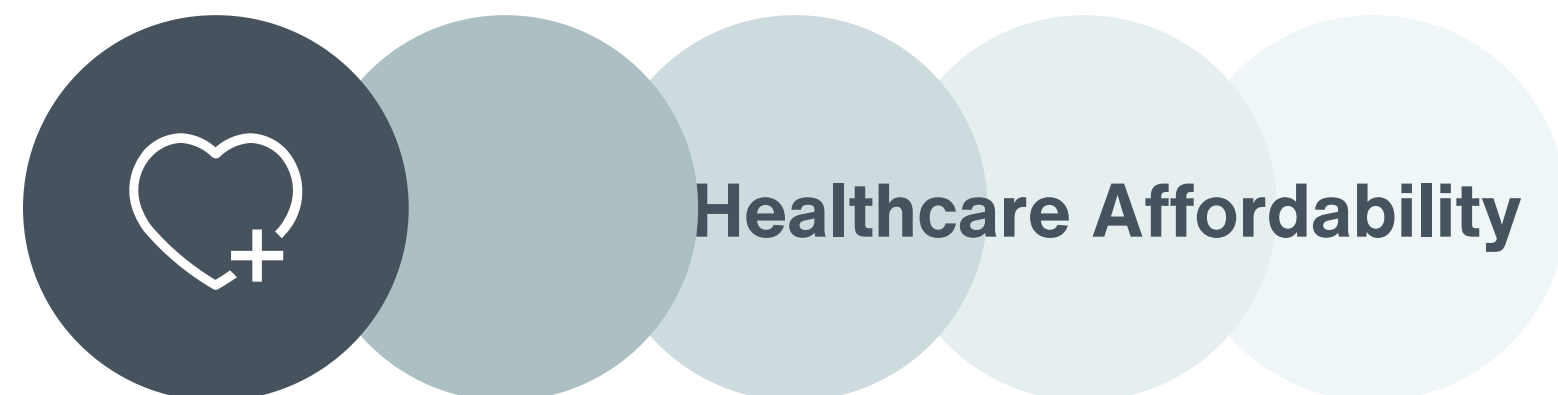
## A Thriving Organization Relies on Thriving Employees



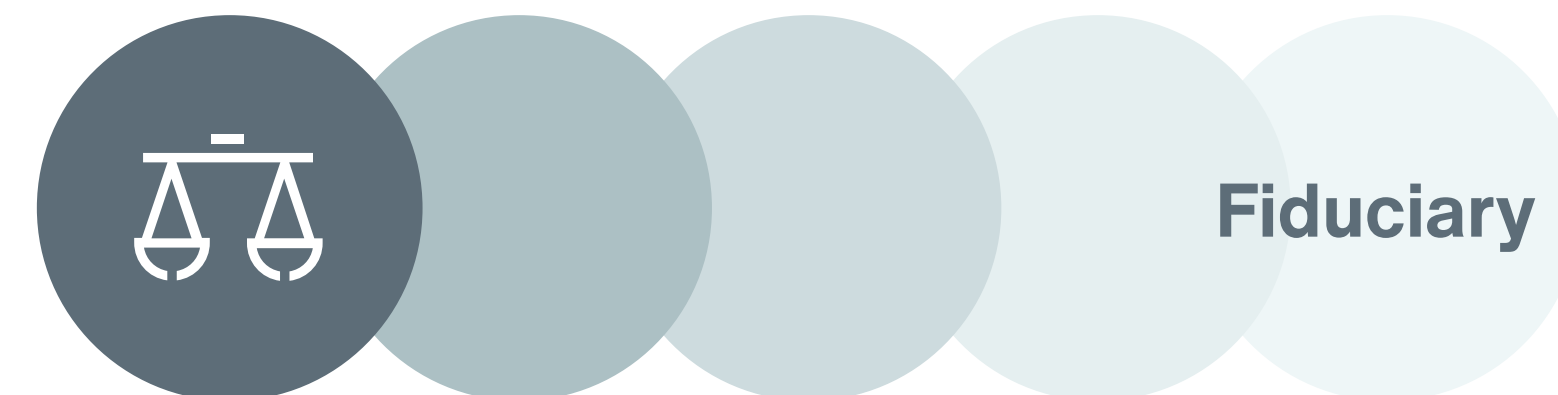
Barriers to health such as health disparities, poor wellbeing and access to care gaps lead to **lower on-the-job performance**



Unintentional inequities, experiential gaps and shifting employee expectations can **negatively impact reputation** in the eyes of employees and customers



Financial sustainability for employers and employees alike will be challenged by the **next era of healthcare cost drivers** and decreasing health outcomes

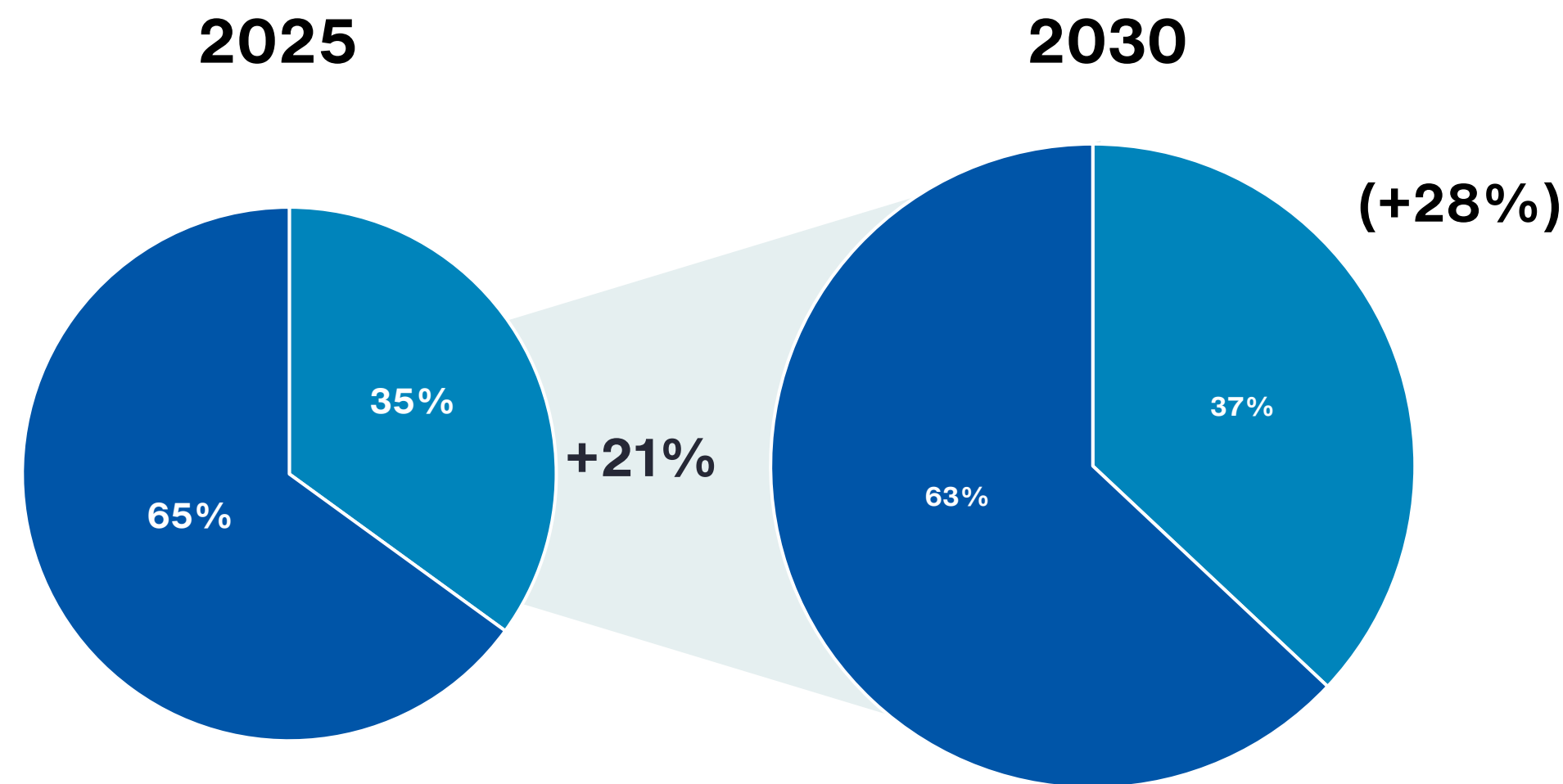


Rapid expansion of regulatory requirements and growing fiduciary scrutiny of employers' health plans create **potential liabilities**

# High Healthcare Trend a Barrier to Making Progress on People Risks

U.S. Healthcare Costs Continues Consuming Larger & Larger Share of Total Rewards Spend

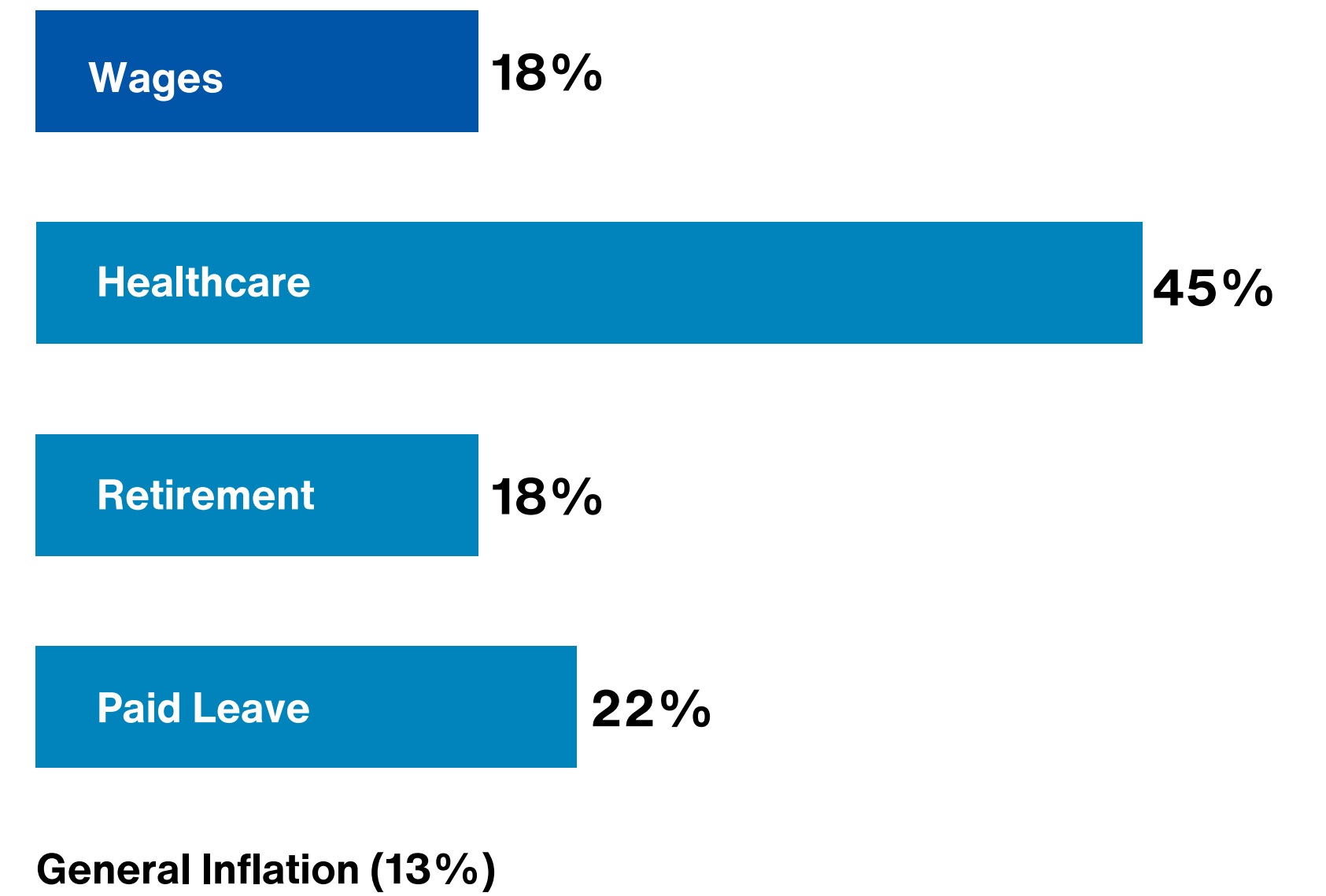
## Total Rewards Makeup



■ Wages ■ Benefit Contributions

Source: BLS, Aon Trend Survey

## Total Increase



**Cost of Healthcare is Stifling Business Growth**



45% of Americans can't access or afford quality care (Gallup)



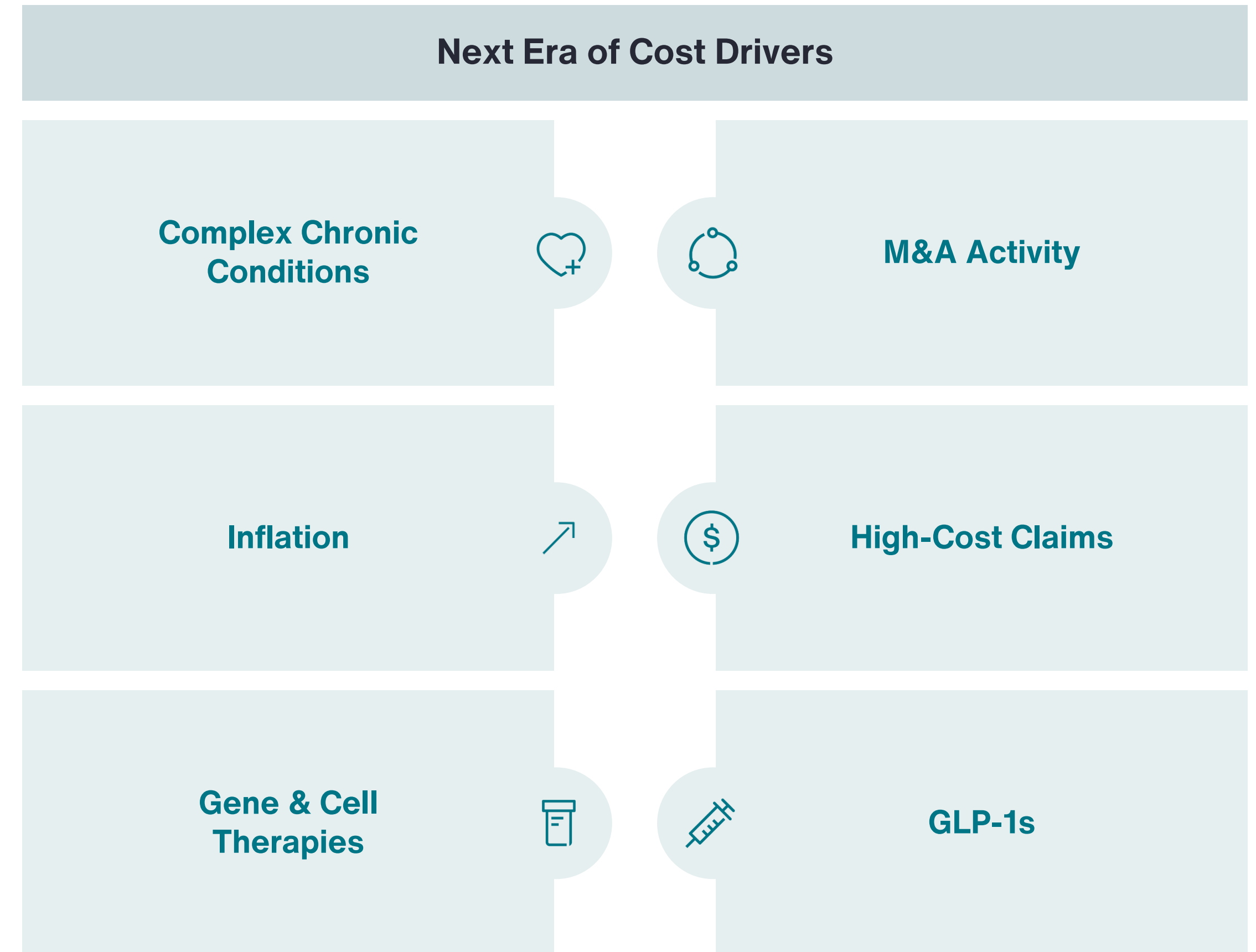
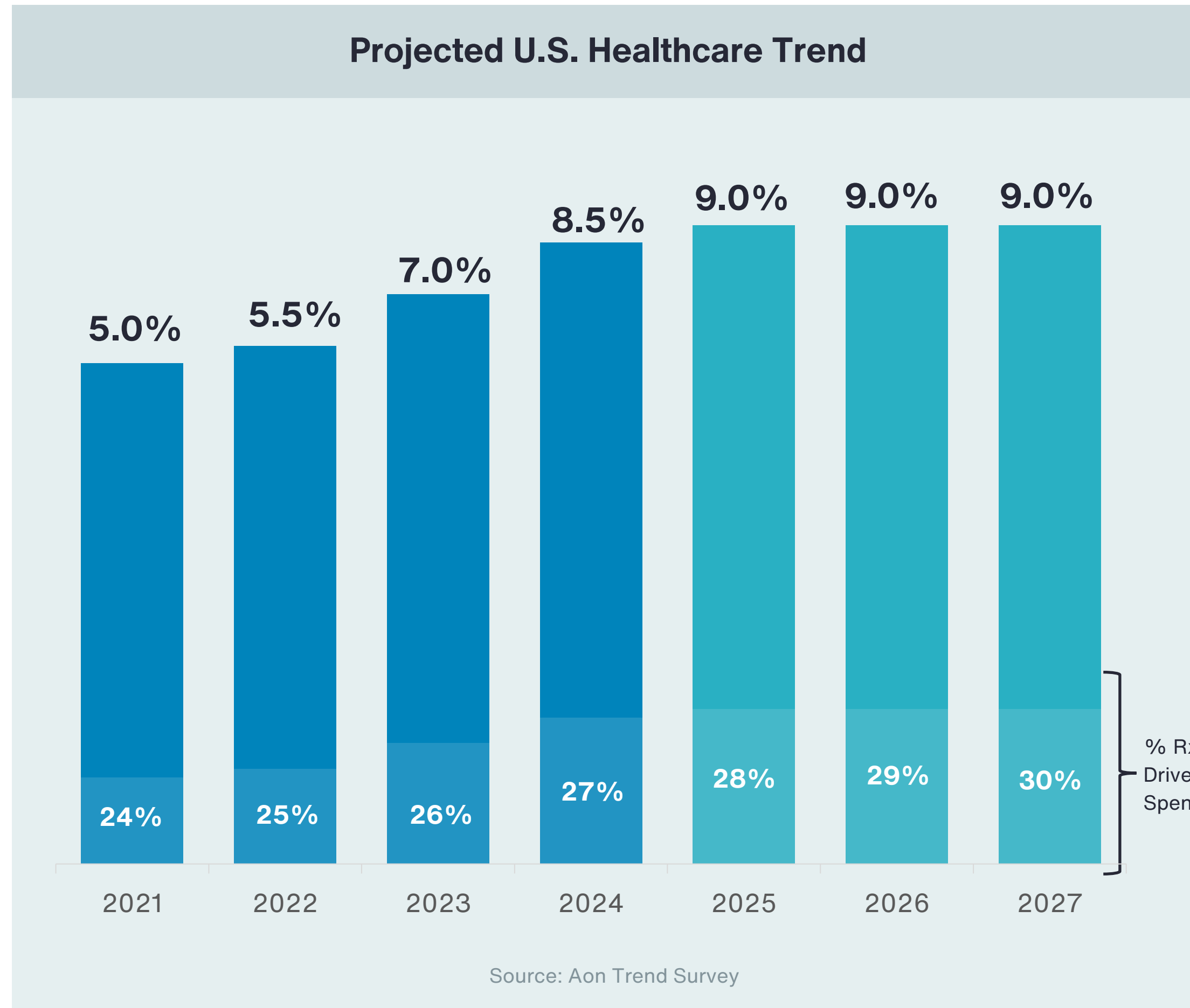
Rx driving trend, increasing from 25% of total spend to 28% in last 3 years (Aon)



Individuals with low medical affordability cost 2x as much as those with high affordability (Aon)

# Drivers of Healthcare Trend Are Enduring

Managing cost while investing in people requires new approaches



**WILD CARDS:** New artificial intelligence applications, continuing federal and state regulation

# Question 1

Which healthcare trend driver do you feel like your organization is least prepared to address?

- Growing Chronic Condition Prevalence
- Inflation
- Gene & Cell Therapies
- Market Consolidation
- High Cost Claims
- GLP-1s

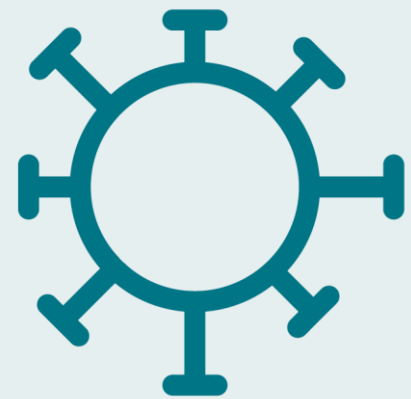
# Drug Classes Growing at an Amazing Pace



**GLP-1s**



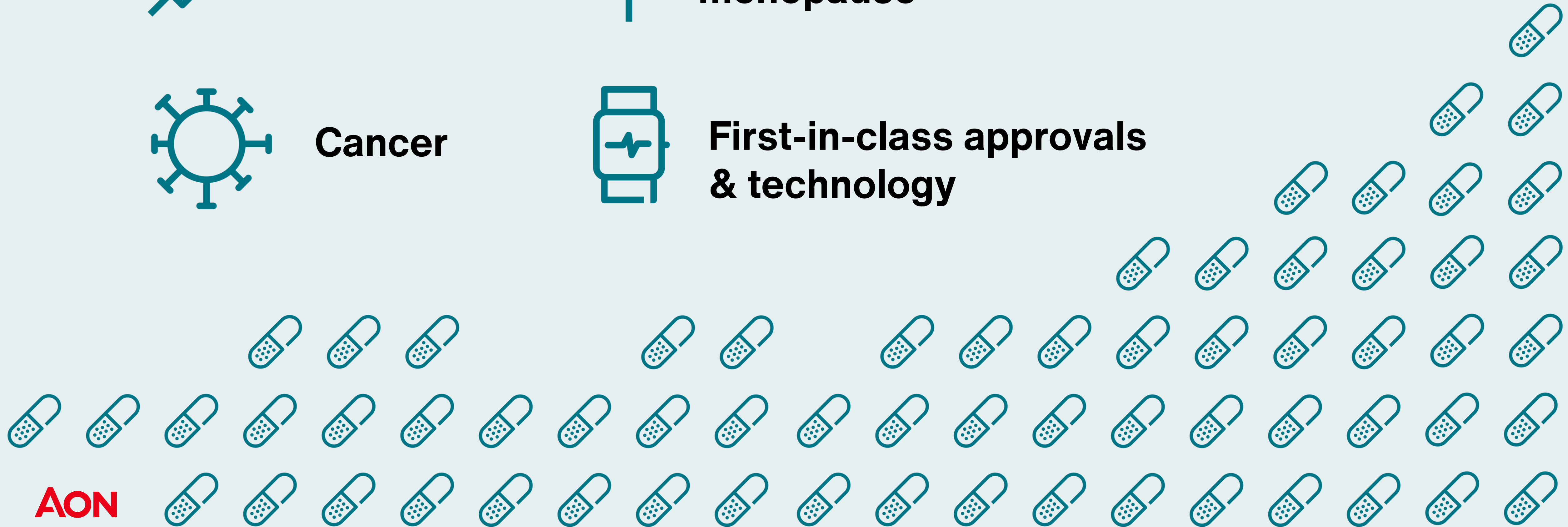
**Women's health & menopause**



**Cancer**



**First-in-class approvals & technology**



# Market Landscape Not Advancing Employer Priorities

Employers need a visionary ally now more than ever

—  
**Increasing, Yet Inadequate Regulation**

Requiring more from employers but not driving broad reform.



—  
**Carriers Becoming Health Services Organizations**

Integrating vertically to compete profitably with a focus on government sectors.



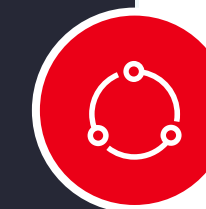
—  
**Waning Investment Interest in Employers**

8% of digital health companies innovate for employers down from 15% in 2020.



—  
**Market Consolidation Continues**

Leading to higher cost and decreasing healthcare provider independence.



—  
**Faltering Healthcare Delivery System**

U.S. costliest high-income nation for healthcare yet population getting sicker and developing diseases earlier in life.

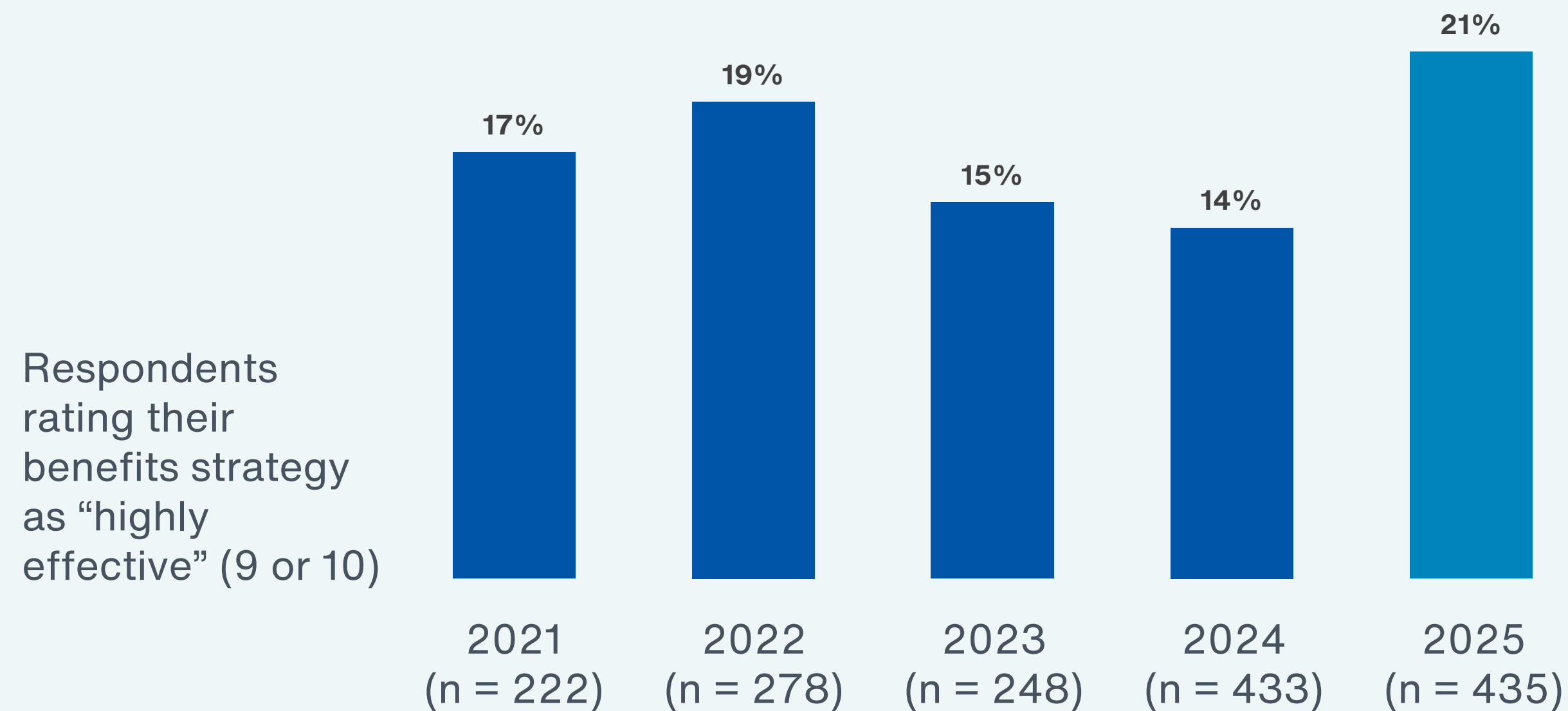




# A Growing Number of Employers Rate Their Benefits Strategy as Highly Effective – and They are Achieving Lower Cost Increases

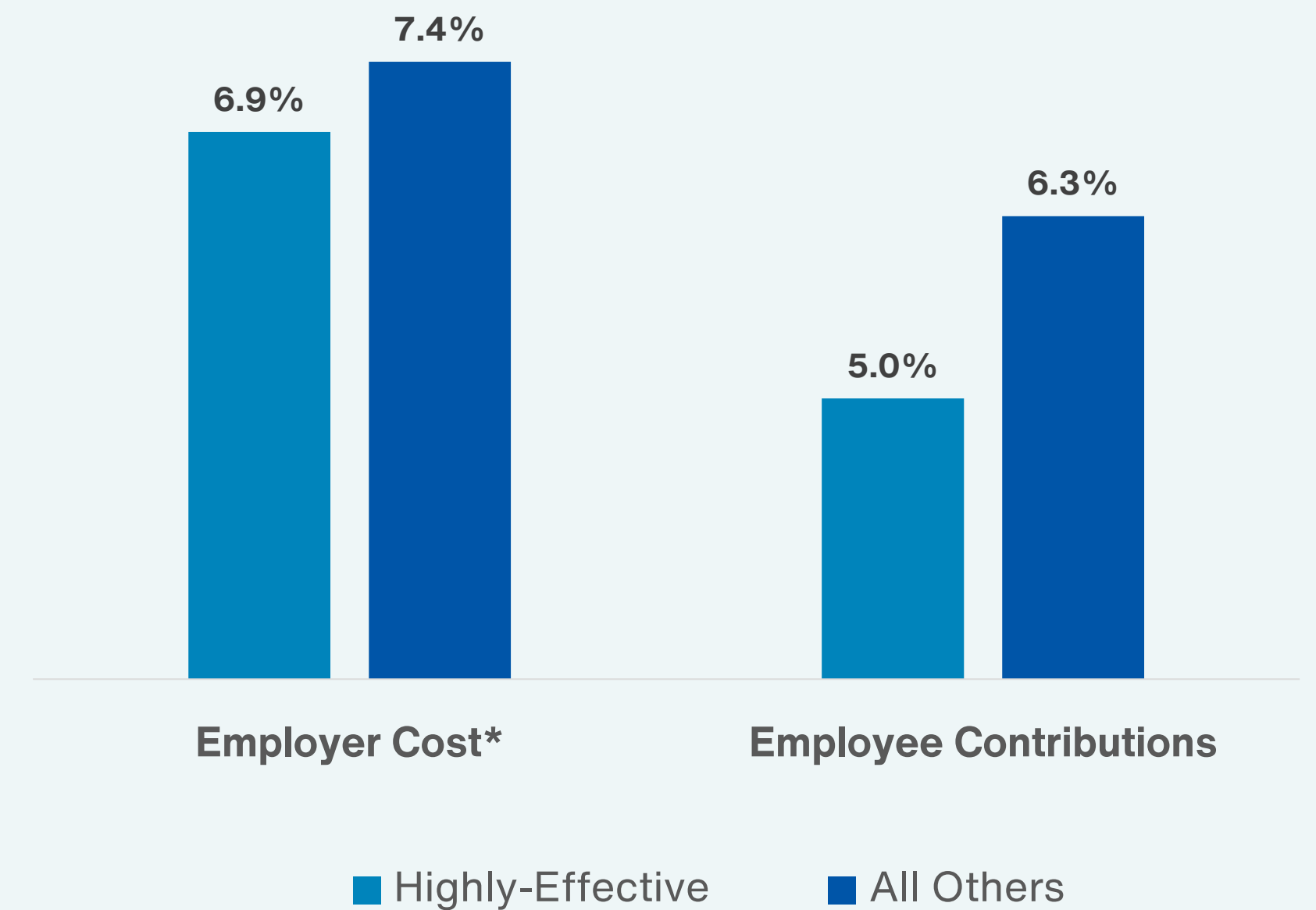
Despite a challenging environment with the highest healthcare trend in a decade, employer confidence in the effectiveness of their benefits programs is increasing – and those who rate their strategy as highly effective achieved lower cost increases for their organization and employees

Using a 10-point scale, where 10 is very effective and 1 is not effective at all, given current market dynamics, how effective do you think your current benefit strategy is?



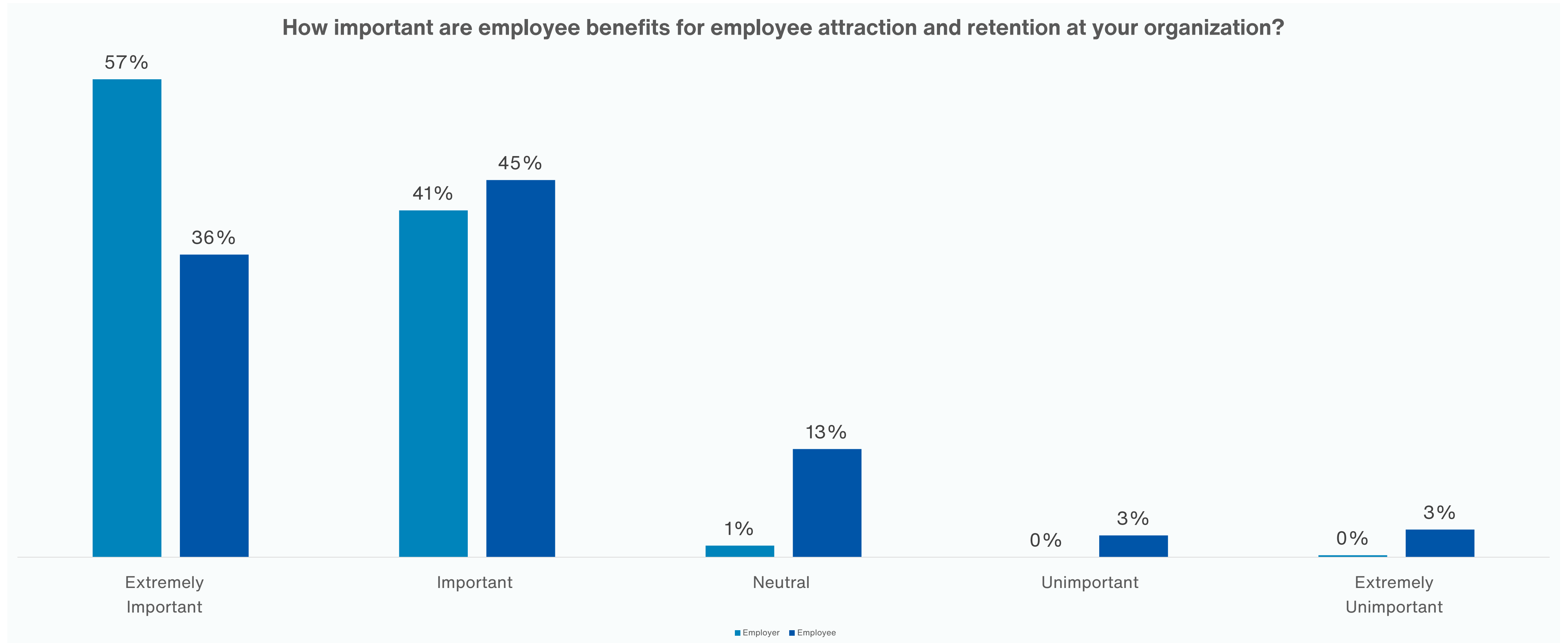
Respondents rating their benefits strategy as “highly effective” (9 or 10)

Employers who rate their benefits strategy as highly effective are achieving lower 2025 healthcare cost increases for their organization and employees



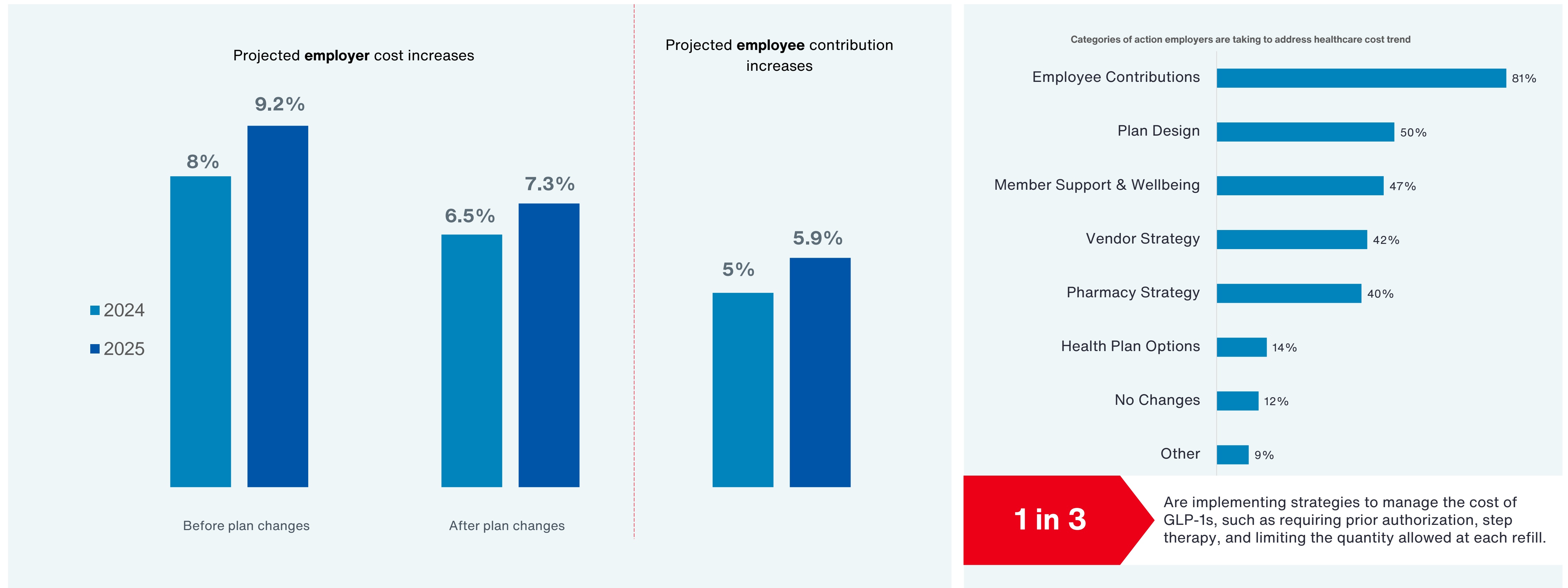
\*after changes to reduce cost increases

# Bridging the Perception Gap: Degree of the Importance of Benefits for Attraction & Retention Varies Between Employers & Employees



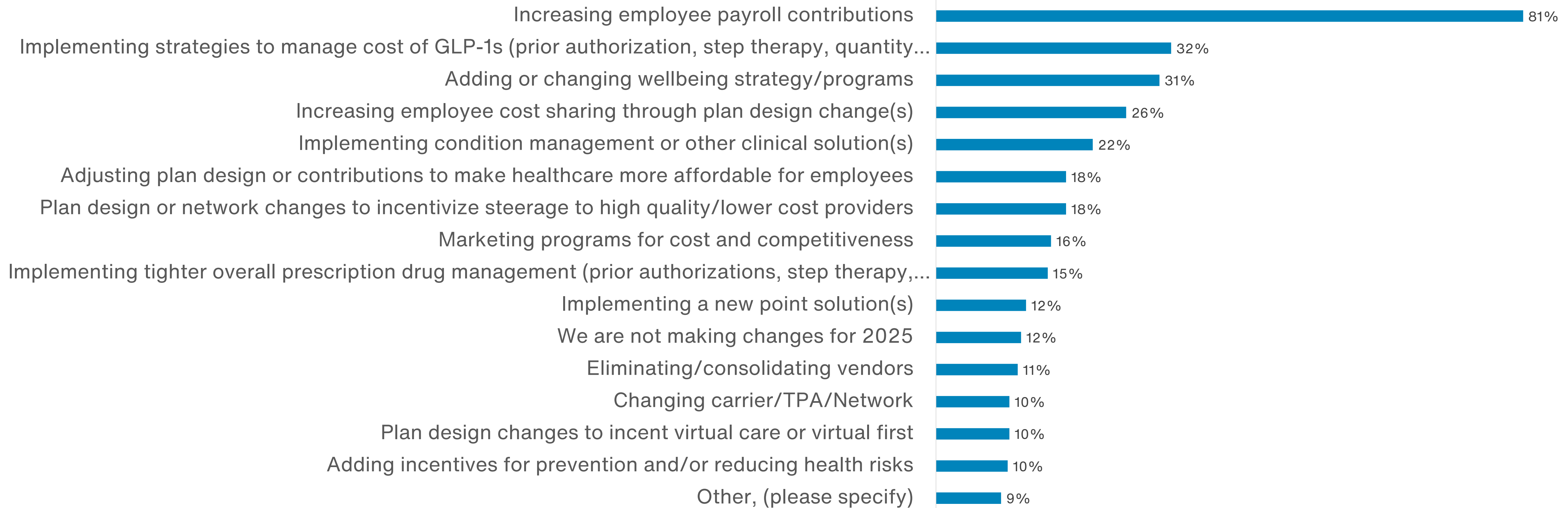
# Employers Managing 2025 Cost with More Employee Cost Sharing Balanced by Added Support to Navigate Care and Improve Wellbeing

Beyond increasing employee contributions, a variety of methods are being used to address costs for 2025. These include plan design changes, like incentives to promote high-quality/cost-effective care; better support for members through navigation solutions and wellbeing programs; tighter management of vendors; and pharmacy strategies, like PBM bidding, and more utilization management controls.



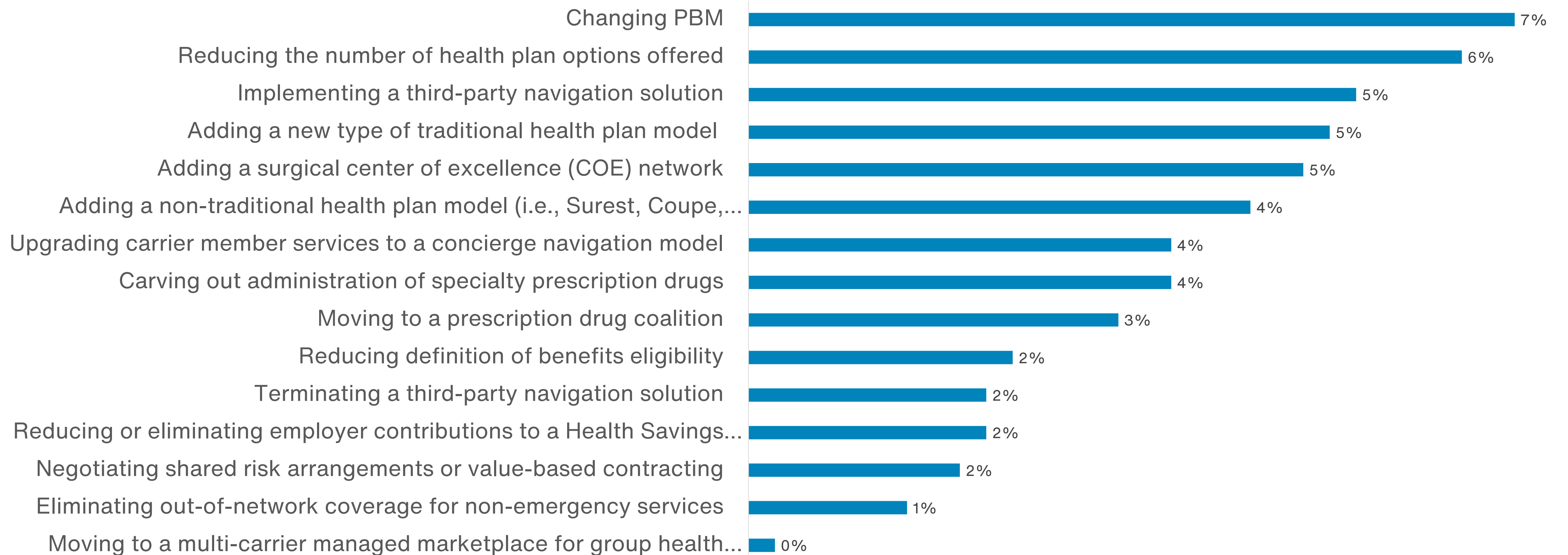
# Managing GLP-1s Second Most Common Cost Management Strategy After Raising Employee Contributions

For 2025, what specific actions are you taking to address healthcare cost trend?



# New Plan Design and Provider Contracting Models Are Gaining Traction but Adoption for 2025 is Less Common

For 2025, what specific actions are you taking to address healthcare cost trend?





# **Market Bright Spots**

## Question 2

Are you offering an alternative plan offering to your people today?

- Yes
- No

# Market Is Shifting to Alternative Health Plans

27%

Current market share for high-deductible health plans, down from peak of 31%



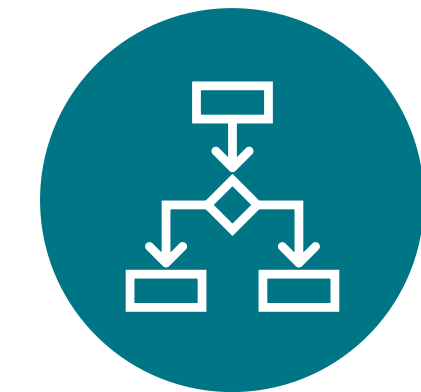
62

Aon clients currently offering an Alternative Health Plans, increase from 26 in 2024



60%

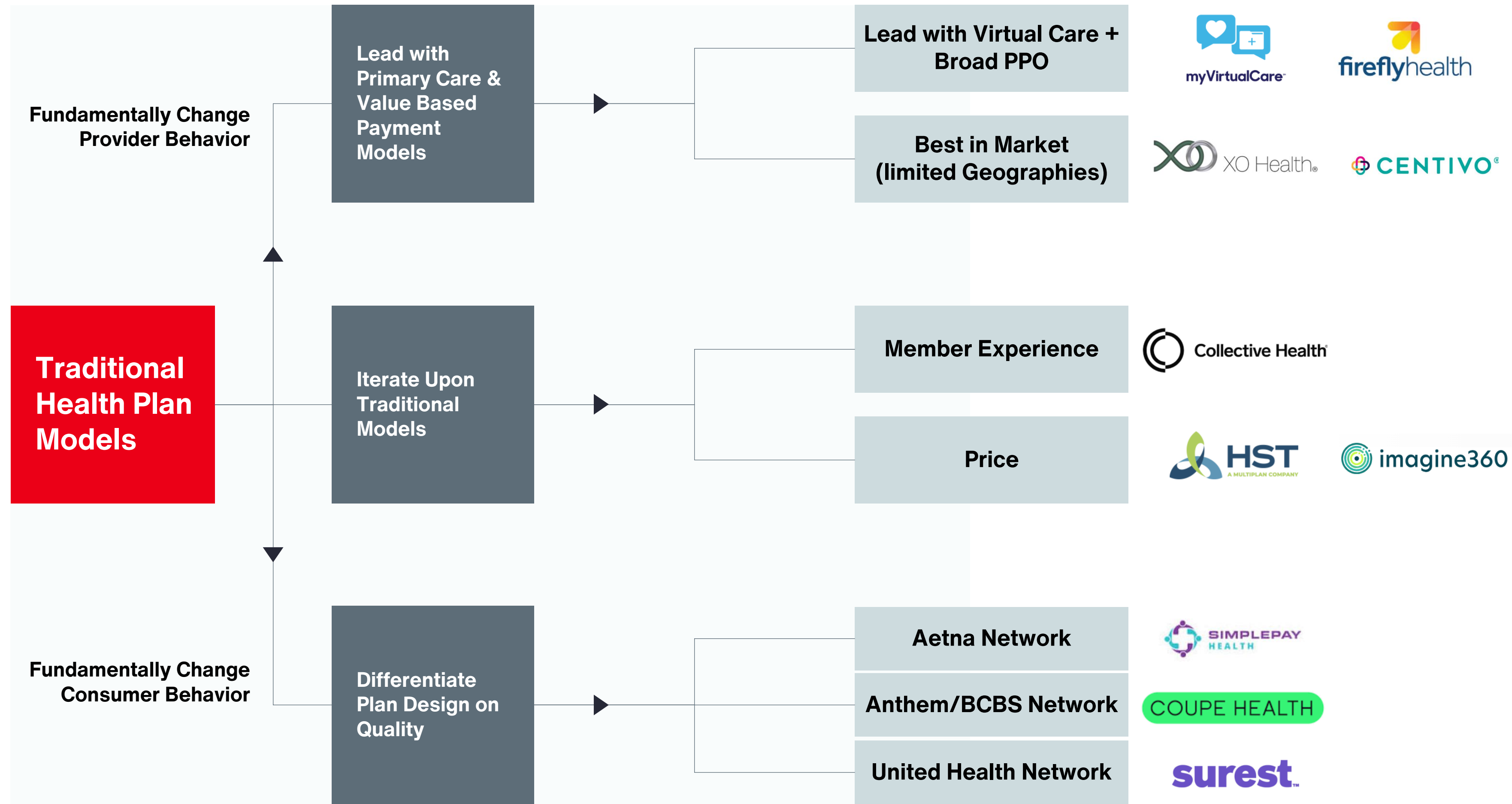
Of employers have or are interested in adding models that steer members through plan design to high-quality/cost-effective hospitals, physicians and/or ancillary services





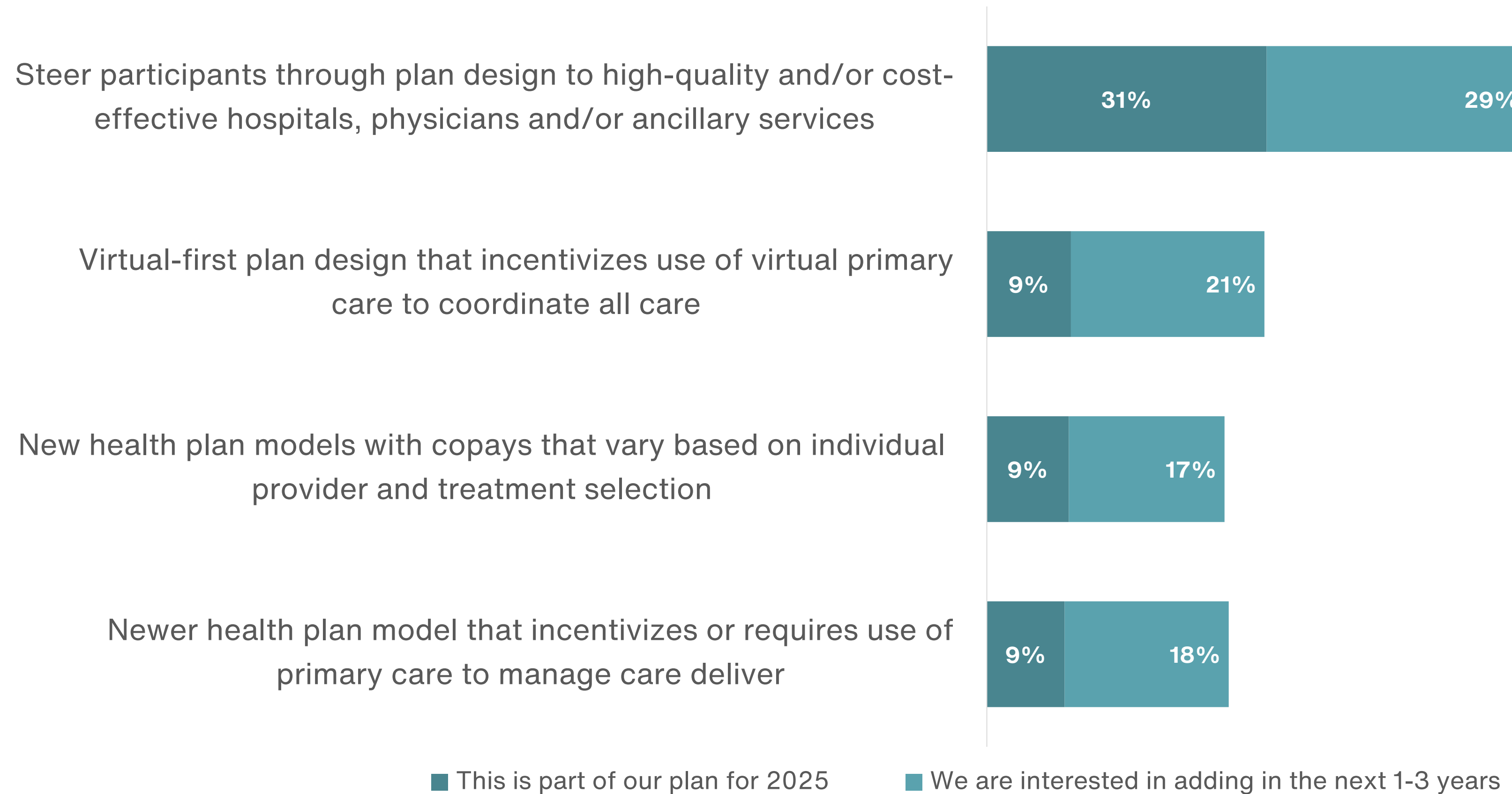
# Emerging Health Plans

## Framework for Evaluating Vendors



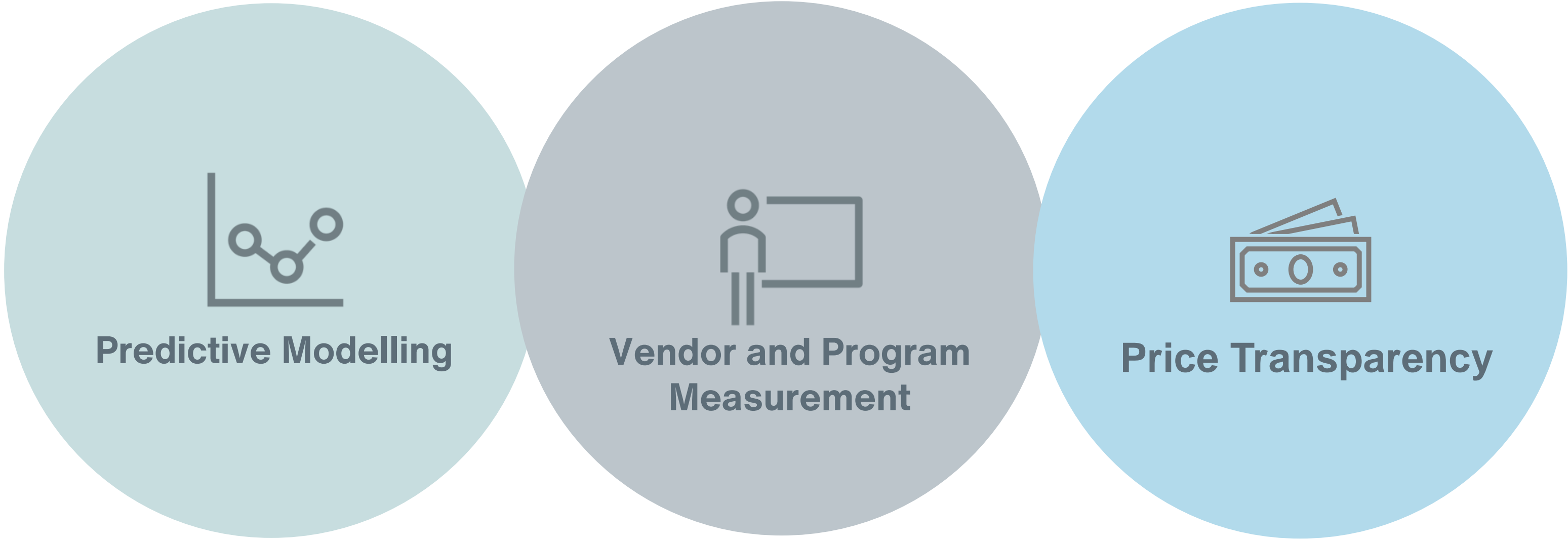
# Alternative Plans Seek to Solve Legacy Pain Points

For each of the following please indicate their role in your current healthcare design



Source: Aon 2025 Annual Health Survey

# Acceleration of Data & Analytics



Predictive Modelling

Vendor and Program Measurement

Price Transparency

## Prepare

Employers are using predictive analytics to forecast costs with increased precision, protect their budget from high-cost claimants, and monitor emerging risks.

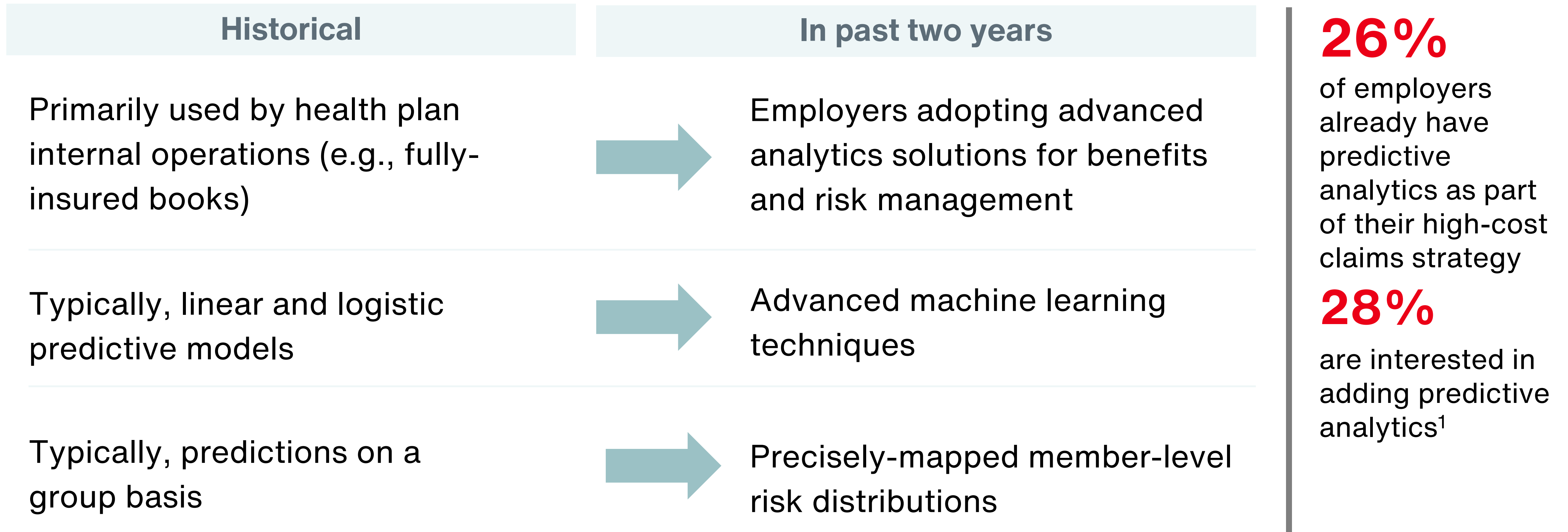
## Evaluate

Employers are placing an increased focus on measuring the effectiveness their health and wellbeing programs through tailored benchmarking and ROI evaluation.

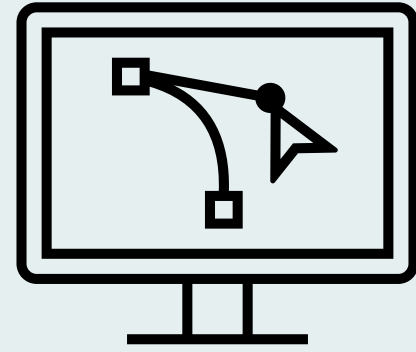
## Innovate

Employers are incorporating high performance networks as part of their plan offerings and leveraging price transparency information to make informed decisions.

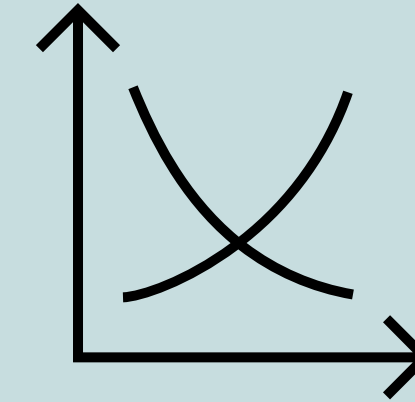
# Employers are beginning to adopt sophisticated analytics models to manage high-cost claims



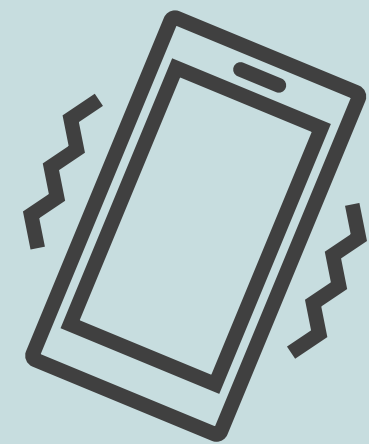
# How are employers using machine learning in benefits and risk management?



**Budget and forecast costs** with increased precision



**Protect Budget** with reinsurance, captive, and financing strategy



Optimize **Care Management** to **prevent & mitigate** high-cost claims



**Monitor emerging risks and novel therapies** with robust reporting

## Question 3

How are you planning to maximize the value transparency data can bring to your benefits plan?

- Lean on vendors (e.g. payors)
- Lean on consultant
- Leverage internally
- No plans to leverage
- Other

# Price Transparency Background



## Health Care Price Transparency 2.0

As of July 1, 2022, all health plans must prepare and publicly post machine readable files (MRFs) that include all negotiated rates with in-network providers and historical allowed amount payments for out-of-network providers. With President Trump's **Executive Order** signed on February 25, 2025, we expect much more regulatory action and scrutiny for hospitals and payers to remain compliant with this law.



## Growing Adoption

This **new, game-changing data** has the potential to **revolutionize how health plans evaluate their networks**. We're seeing growing adoption of this data across the industry and expect this trend to gain momentum. We expect Price Transparency to become part of the standard process to evaluate networks in the near future.



## Legal & Fiduciary Risk

Employers have a **fiduciary duty under ERISA** to spend plan funds in the best interest of plan members and to prudently use available data when making plan spending decisions and service provider selections. Employers have faced **recent lawsuits** for not considering publicly available data when selecting medical TPAs and PBMs. Establishing a process to review transparency data can help protect employers from fiduciary lawsuits.

**Incorporate Price Transparency Data into your TPA Decision Making Process with Aon Price Transparency Analysis.**

# What are Machine Readable Files?

1 Petabyte

≈

  
10,000  
4K UHD Movies

or

  
500,000  
USB Flash Drives

or

  
200 million  
Photos



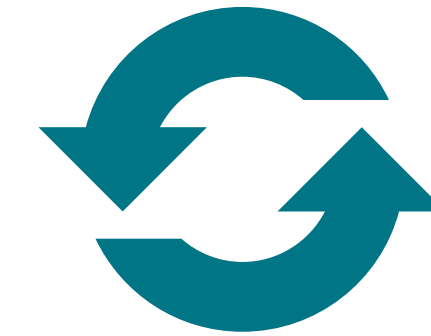
## Big Data

Large volumes of granular rate data that are too costly for employer groups to download, process and analyze without technical expertise



## Highly Complex

Requires TPA network expertise and data analytics capabilities to parse data, identify unreasonable rates and outliers, and extract meaningful information from within the noise



## Regularly Updated

Files are updated on a monthly or quarterly cadence, requiring significant resources spent in data maintenance to process and extract insights from newly released data files



# Aon Price Transparency Analysis

## Aon Data Sources



**Hospital Machine Readable Files**  
6,000+ hospitals, 650+ health systems



**Payer Machine Readable Files**  
1+ petabytes of data from 300+ payers



**50M+ Lives Commercial Data**



## Expert Data Processing



**Data scrubbing**  
Over 1 billion reported rates



**Procedure-level weighting**  
~700 selected MS-DRG / HCPCS codes



**Price indexing**  
100,000+ networks available



## Informed Network and Provider Decisions

### Market



Pinpoint where your participants are seeking care and how well your networks contract within those markets

### Procedures



Benchmark how competitive your health plan's negotiated rates are for selected highly utilized procedures

### Hospitals



Compare how well your network is negotiating with the top utilized hospitals

### Provider Steerage



Identify which facilities offer the best rates for your network

# Closing Thoughts

A dollar spent inefficiently on healthcare is a dollar not going to \_\_\_\_\_ that creates more value for organization and employees

Lean into new health plan models that reduce barriers to health and wellbeing

Ask more of your data; shift from retrospective to predictive to make more actionable

# Q&A

# Thank You