Standard Disclaimer

The views expressed in this presentation are solely the presenter’s and do not necessarily reflect the views of the presenter’s employer, or the sponsor of this conference.
Who is General Dynamics Corporation?

• 4th Largest Defense & Aerospace Co.
• Headquarters is in Falls Church, VA
• Employee Population:
  – 83,000 employees world-wide
  – 73,000 in the United States
• Healthcare Eligible Population:
  – All full-time employees (moderate part-time subsidy)
  – Cover over 100,000 eligible dependents
  – 16,000 eligible retirees with some level of coverage
Employer’s Role in Healthcare

What should the employer’s role be?

Do employers still have a role in providing healthcare?

Should employers still have a role in providing healthcare?
Employment Based Health Coverage

Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, 1994-2006

More Recent Experience

Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, 2000-2006

Summary (so far....)

- Still a very high percentage (on a relative basis) of employer support

- But, fairly large reduction (in percentage terms) since 2000

- **Question** – is it still a competitive disadvantage to not offer healthcare?
A question employers are starting to ask themselves

How much should employers spend on healthcare?
Question is Too Simple

• How much should our company be spending on healthcare?
What about Demographics?

• How much should our company be spending on healthcare?
  – Considering our employee population
    • Employee health status, age, geographic location, family status, etc.
What about Medical Technology?

• How much should our company be spending on healthcare?
  – Considering our employee population
    • Employee health status, age, geographic location, family status, etc.
  – Considering advances in medical procedures
    • Assuming no increases in prices
What about **Budget Alternatives**?

- How much should our company be spending on healthcare?
  - Considering our **employee population**
    - Employee health status, age, geographic location, family status, etc.
  - Considering **advances in medical procedures**
    - Assuming no increases in prices
  - Considering **demand for investment elsewhere**
    - Dollars spent on healthcare vs. reinvested in job creation
Who’s paying what for healthcare?

Source: Centers for Medicare and Medicaid Services.

31 January 2008
Utilization – Is it equal?

- Blue = $4.71/person
- Red = $1.48/person
- Green = $0.50/person

- Blue vs. Green = 9X
- Red vs. Green = 3X

Need Effective Medical Management Programs!
What are Employer’s Doing?
Employer’s Role & Response

• Employers are definitely reviewing their financial commitment

• Requiring greater employee financial accountability:
  – Started long ago with FSA’s
  – Continues now with Consumer-driven Health Plans

• Balancing Plan Design Features
  – Medical advances vs. Employee Expectations
  – Example – Medical advances vs. employee expectations
    • Infertility treatments not covered
    • BUT medical emergency premature babies - $1,000,000
Employer’s Role & Response

• Greater use of medical claims data
  – Understanding the trends and shifts
  – Implementing programs to moderate cost growth (wellness initiatives)

• On-site clinics for access and affordability

• Reassessing financial support for dependents
  – Greater scrutiny of eligible dependents
  – Not legally required to offer coverage to anyone
Employer’s Role & Response

• Forming coalitions to address healthcare issues:
  – Medical Purchasing/Drug Coalitions
  – Coalitions for the Uninsured
  – Leapfrog (Quality initiatives)
  – Other programs around the country
Employer’s Role & Response

• Employers haven’t given up (not yet)

• Governmental action could preempt employer involvement

• **Core issue** – Who is in the best position to balance employee expectations/wants vs. utilization/medical innovation?
Thank You!
Bibliography

• The Future of Employment-Based Health Benefits: Have Employers Reached a Tipping Point?
  – Paul Fronstin, Ph.D. Director, Health Research and Education Program Employee Benefit Research Institute

• What Should A Country Spend on Health Care?
  – William D. Savedoff, Senior Partner, Social Insight, Published in Health Affairs, Vol. 26, No. 4 (July/August 2007)