

Employer's Role in Healthcare: Fact or Fiction

NASI Conference
31 January 2008

Henry C. Eickelberg
General Dynamics Corporation

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.
 - \$24 billion in sales (2006)
- 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

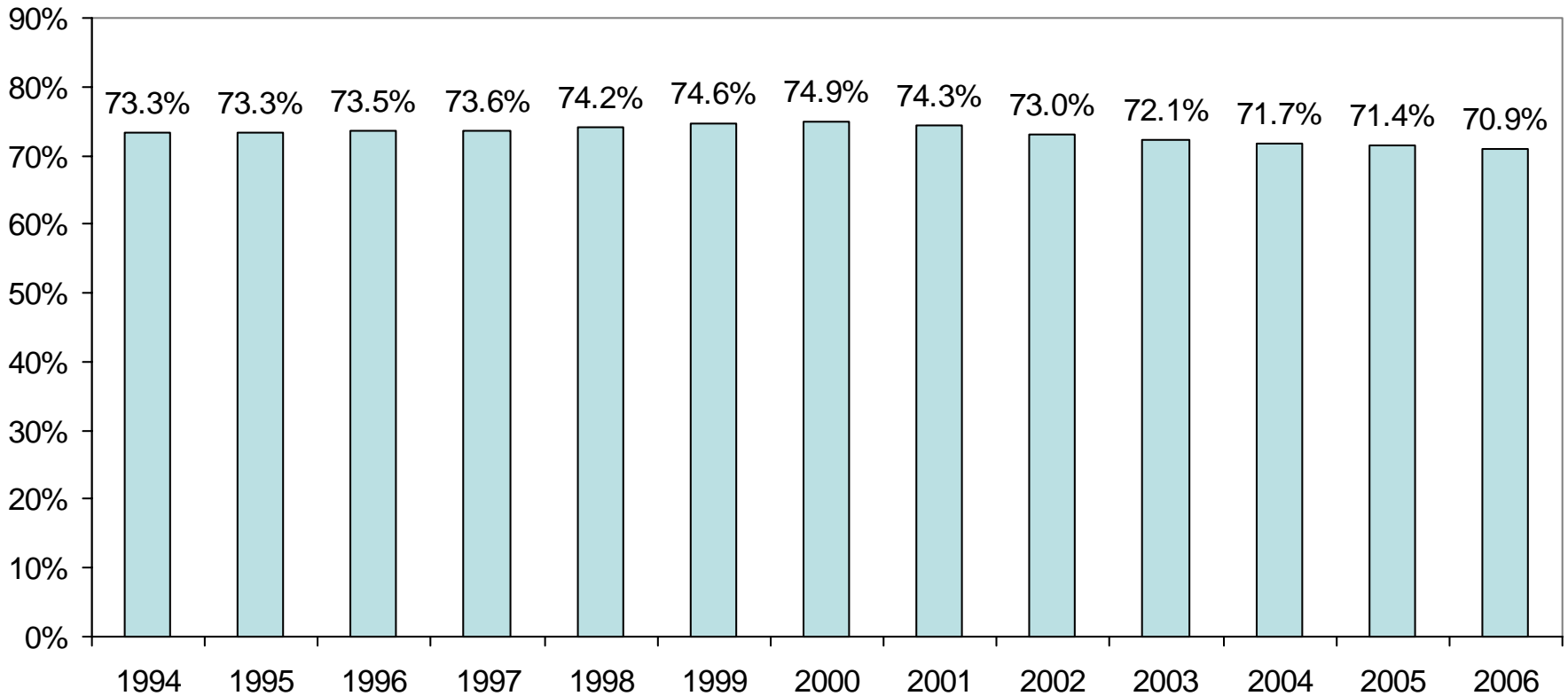
What should the employer's role be?

Do employers still have a role in providing healthcare?

Should employers still have a role in providing healthcare?

Employment Based Health Coverage

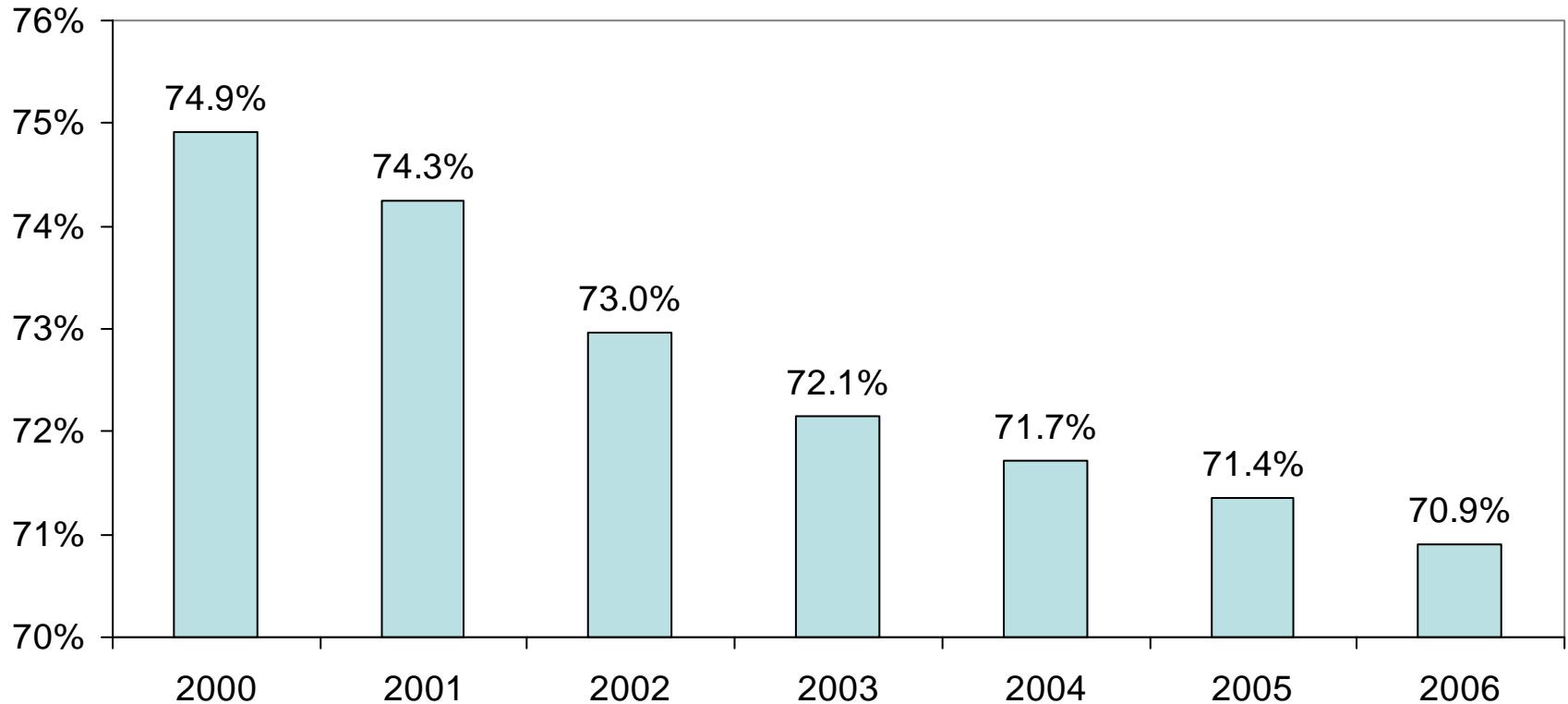
Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, 1994-2006



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey, March Supplement.

More Recent Experience

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



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey, March Supplement.

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.

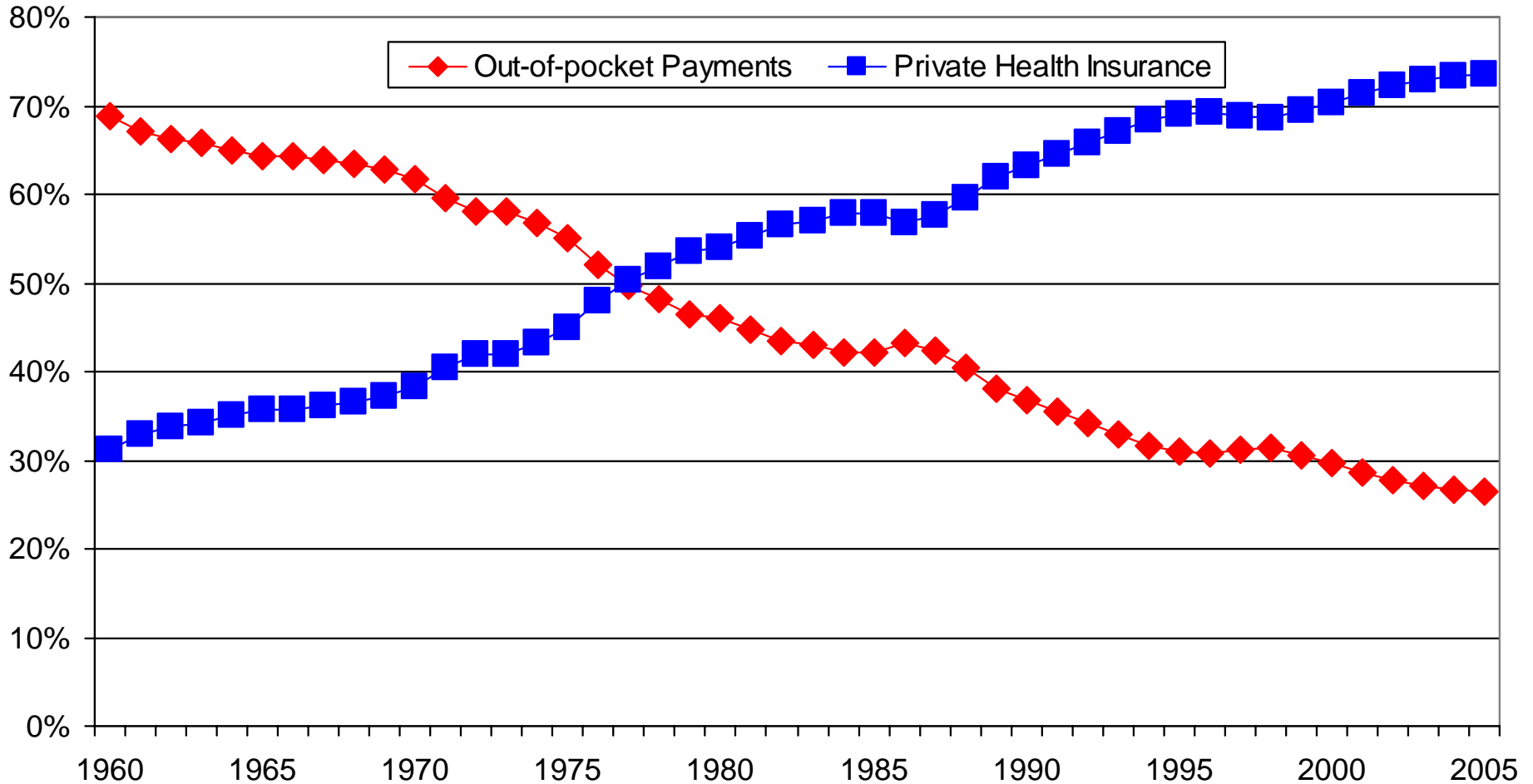
What about **Medical Technology**?

- 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**?

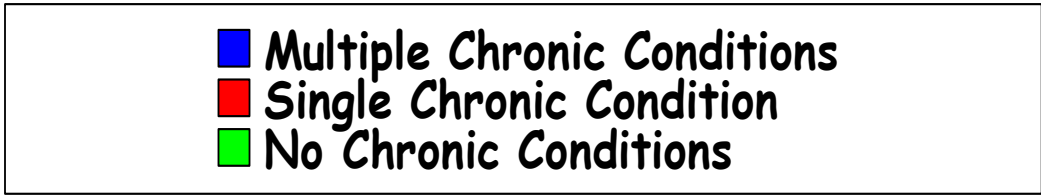
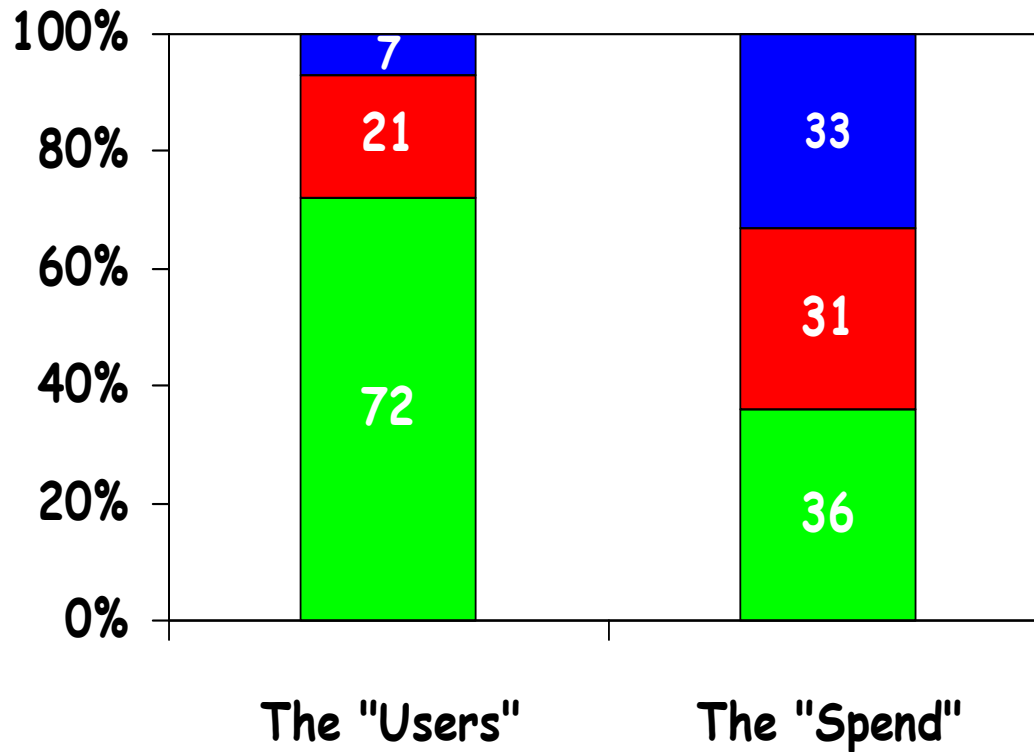
- How much should our company be spending on healthcare?
 - Considering our **employee population**
 - Employee health status, age, geographic location, family status, etc.
 - Considering **advances in medical procedures**
 - Assuming no increases in prices
 - Considering **demand for investment elsewhere**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

Who's paying what for healthcare?



Source: Centers for Medicare and Medicaid Services.

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)