

# The Cadillac Tax is Delayed... Now What?

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# Cadillac Tax Overview

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# Cadillac Tax Overview

- 2010**  
Cadillac Tax became law under the Affordable Care Act (ACA) with a start date of January 2018
- 2015**  
Cadillac Tax delayed from 2018 to 2020 by Congress and President
- 2020**  
Cadillac Tax to go into effect on January 1, 2020... maybe



Non-deductible  
tax on employer-  
sponsored health  
plans that exceed  
certain  
thresholds

# Cadillac Tax Annual Limits



The Cadillac Tax annual limits are based on the total value of coverage. These totals are calculated similar to COBRA and include:

- Medical coverage (insured or self-insured) for active and former employees
- Employer Health FSA contributions
- Employer HAS contributions
- Onsite clinics

# Why the Tax?

- **Revenue source to fund the ACA**
  - Initially estimated to raise \$120 billion from 2018 – 2024
- **Belief high-value benefits lead to overall increased healthcare spending**
  - Therefore shifting more responsibility to the employee would lead to a decrease in healthcare spending

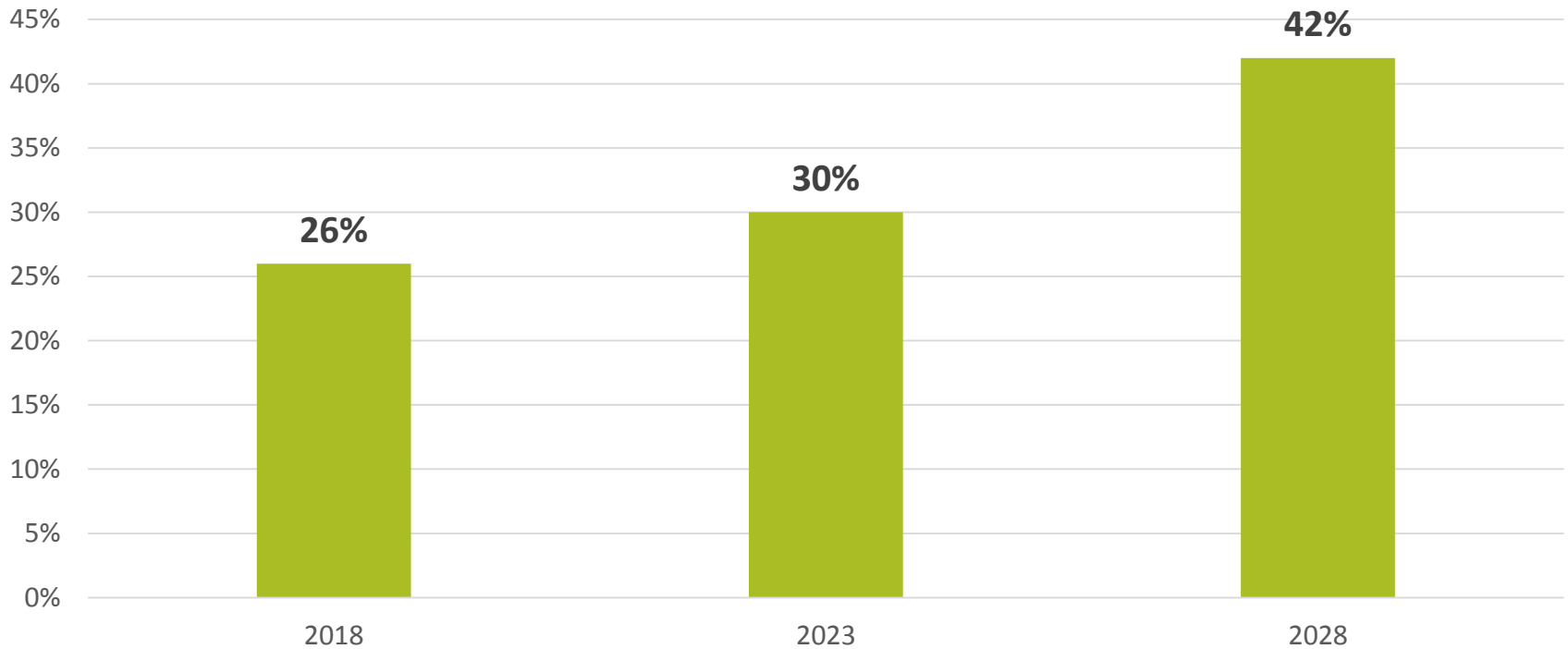


# Reality Check



# Impact of Cadillac Tax

% of Employers Offering Health Benefits with Plans that Would Exceed HCPT Threshold with 5% Premium Growth



Source: Kaiser Family Foundation



# Employer Strategies to Avoid Tax

- Increase deductibles and other cost sharing
- Eliminate covered services
- Cap or eliminate tax-preferred savings accounts (FSAs, HSAs, HRAs)
- Eliminate high-cost health insurance options
- Use less expensive (narrow) provider networks
- Offer benefits through a private exchange
- **Control unnecessary or ineffective spending to reduce plan spending**

# Trump or Hillary?

## Tax or no tax?



- December 2015: tax delayed until January 2020



- Future of tax likely tied to Presidential race results



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## What Now?

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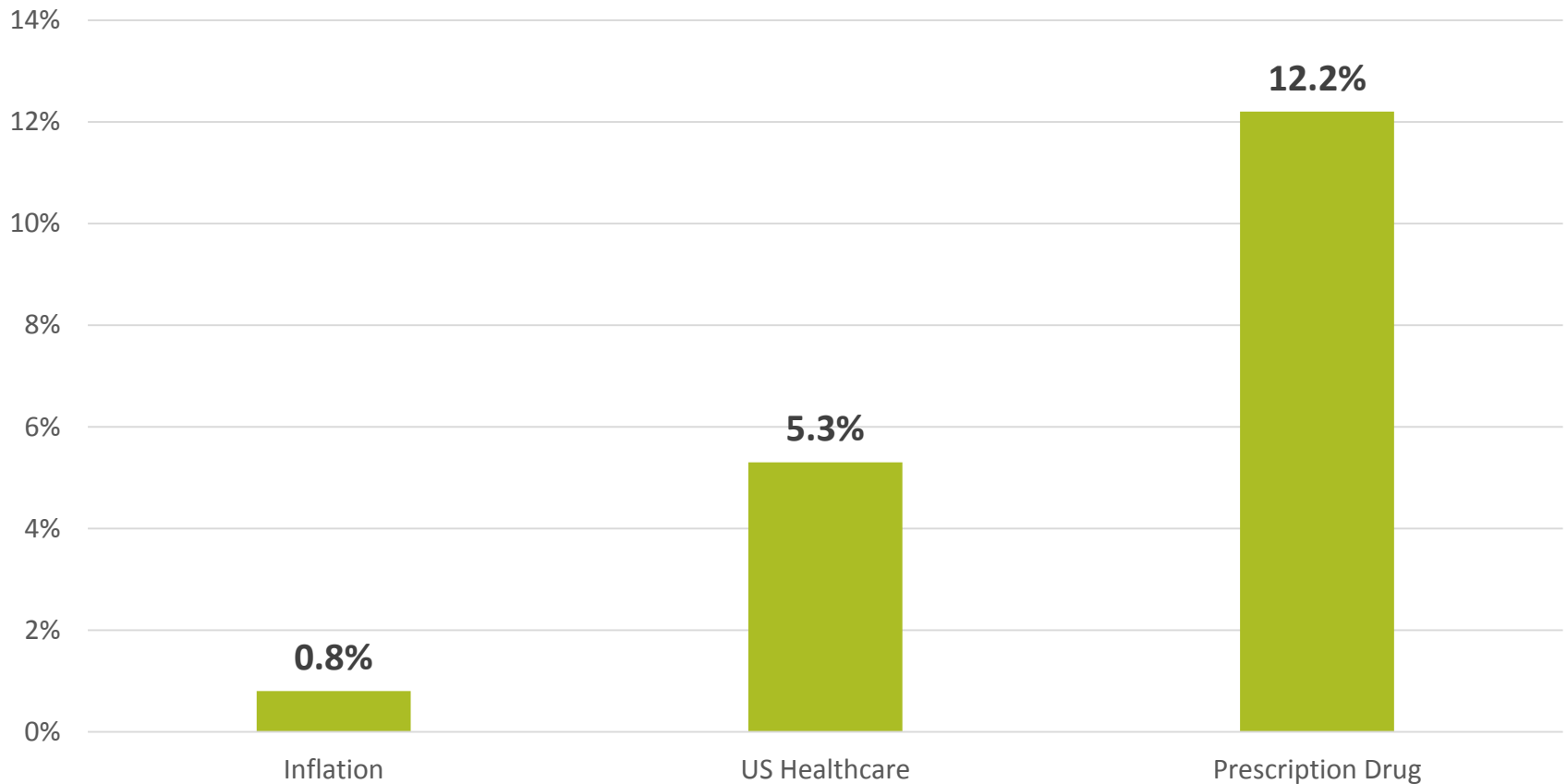
**Control unnecessary or  
ineffective spending to reduce  
plan spending**



**Pharmaceutical  
Spending**



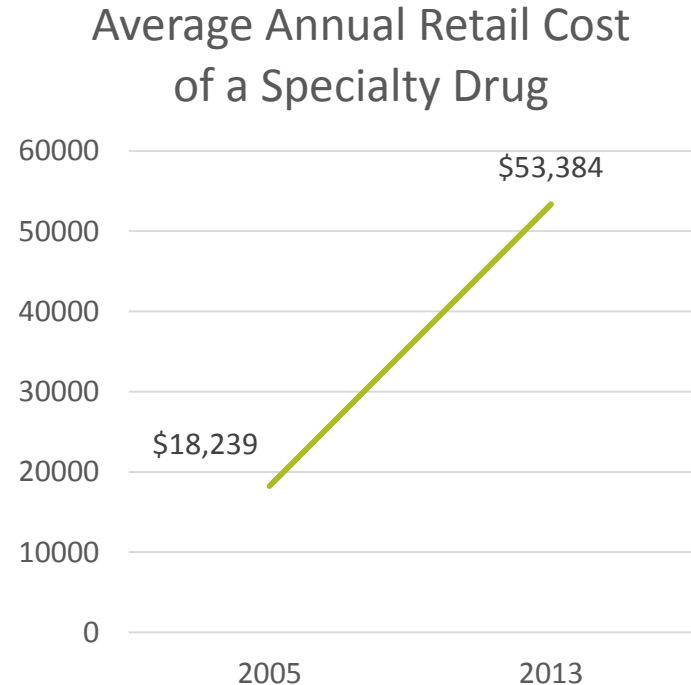
# National Health Expenditures 2014



Source: Kaiser Family Foundation

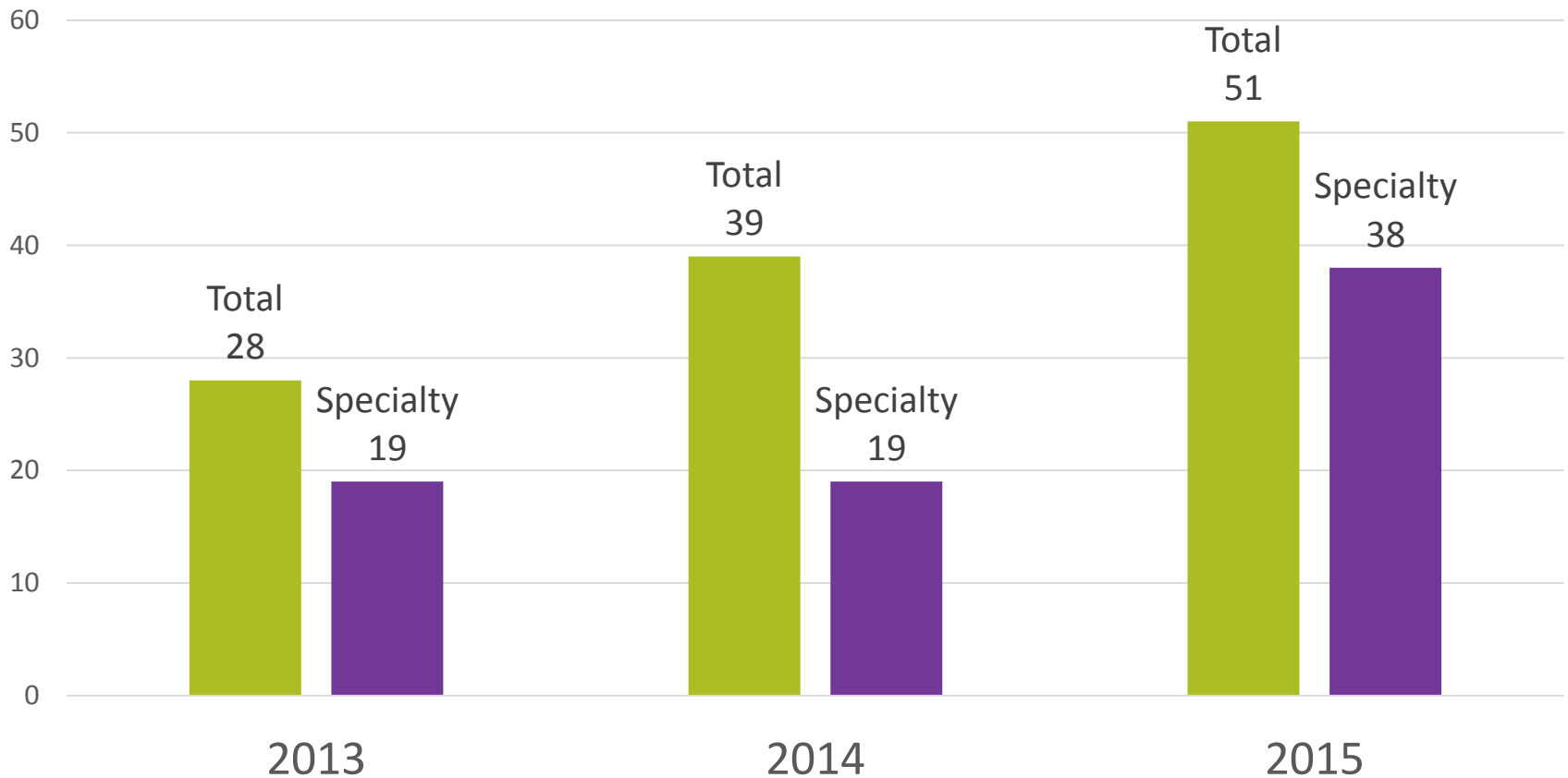
# What's a specialty drug?

- High-cost
- Treats a complex and/or rare disease
- Requires special handling and administration
- Includes additional patient education or monitoring



Source: AARP Public Policy Institute

# FDA Drug Approvals



# Impact to Benefit Cost

Per Member Per Year (PMPY) spending for specialty drugs is growing at a rapid rate

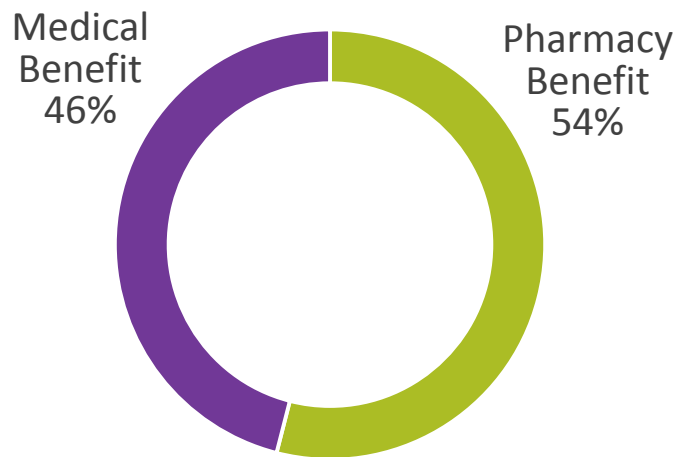
	PMPY Spend	Trend Total
Traditional	\$708.09	-0.1%
Specialty	\$352.66	17.8%

Source: Express Scripts 2015 Drug Trend Report



# Medical Versus Pharmacy Benefit

Percentage of Spending  
by Benefit Type



Source: EMD Serono Special Digest, 12<sup>th</sup> Edition

- Nearly half of benefit spending is within the medical benefit
- Traditional PBM utilization management strategies are no longer enough to manage spend

HR leaders must consider proactive strategies to manage pharmacy spend across both the pharmacy and medical benefits.

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## HR Strategies

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# Leverage Your Clinical Assets

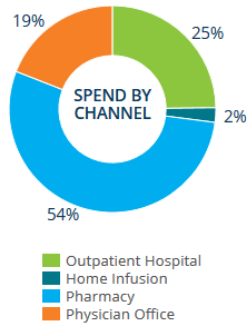
Leverage clinical expertise to improve formulary and clinical management

Utilize hospital-owned pharmacies to reduce drug spend for employees

Drive employee engagement and wellness through dedicated clinical staff



# Track Spending Across Benefits



<b>TOTALS</b>	1,227	6,828
	Unique Members	Claims
Claim Count Trend <b>4%</b>	Cost/Claim Trend <b>22%</b>	PMPY Cost Trend <b>27%</b>

Plan Drug Cost .....	\$15,349,635	<b>\$418</b>
Member Drug Cost .....	\$519,445	
Admin Drug Cost .....	\$580,627	
<b>TOTAL COST</b>	\$16,449,707	PMPY

<b>OUTPATIENT HOSPITAL</b>			
Claim Count Trend <b>0%</b>	Cost/Claim Trend <b>36%</b>	PMPY Cost Trend <b>36%</b>	
Plan Drug Cost .....	\$3,650,645	<b>195%</b>	
Member Drug Cost .....	\$70,094		
Admin Drug Cost .....	\$358,351		
<b>TOTAL COST</b>	\$4,079,090	OF ASP*	

<b>PHYSICIAN OFFICE</b>			
Claim Count Trend <b>10%</b>	Cost/Claim Trend <b>-8%</b>	PMPY Cost Trend <b>1%</b>	
Plan Drug Cost .....	\$2,787,364	<b>134%</b>	
Member Drug Cost .....	\$136,744		
Admin Drug Cost .....	\$209,776		
<b>TOTAL COST</b>	\$3,133,884	OF ASP*	

<b>HOME INFUSION</b>			
Claim Count Trend <b>-38%</b>	Cost/Claim Trend <b>249%</b>	PMPY Cost Trend <b>115%</b>	
Plan Drug Cost .....	\$345,543	<b>118%</b>	
Member Drug Cost .....	\$14,708		
Admin Drug Cost .....	\$12,500		
<b>TOTAL COST</b>	\$372,751	OF ASP*	

<b>PHARMACY</b>			
Claim Count Trend <b>5%</b>	Cost/Claim Trend <b>27%</b>	PMPY Cost Trend <b>33%</b>	
Plan Drug Cost .....	\$8,566,083	<b>N/A</b>	
Member Drug Cost .....	\$297,899		
Admin Drug Cost .....	N/A		
<b>TOTAL COST</b>	\$8,863,982		

\*Average Sales Price

# artemetrX

## Case Study

### OVERVIEW

- Large employer was experiencing higher than expected spend on certain specialty drugs identified
- ArtemetrX developed custom prior authorization criteria to offset the cost increases

### OUTCOME

- \$5 Per Member Per Month savings
- Totaled **\$1.6 million** in annual savings



# artemetrX

## Case Study

### OVERVIEW

- Large public sector employer group
- 30% increase in specialty pharmacy spend Q1 '15 over Q1 '14
- ArtemetrX analyzed drug spend and identified savings opportunities by combining pharmacy and medical claims data

### OUTCOME

- Realized **\$12 million** in savings within **120 days**
  - Formulary exclusion: \$9 million
  - Prior authorizations: \$2 million
  - Copay assistance: \$1 million



THE HUMAN SIDE OF HEALTHCARE

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A personal membership group of the  
**American Hospital Association**

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