



How Employers Can Support Healthcare Affordability

Insights from Mastercard Healthcare Solutions

Spring 2023

Setting the Stage for Today's Discussion



Healthcare is expensive... but so was everything else last year!

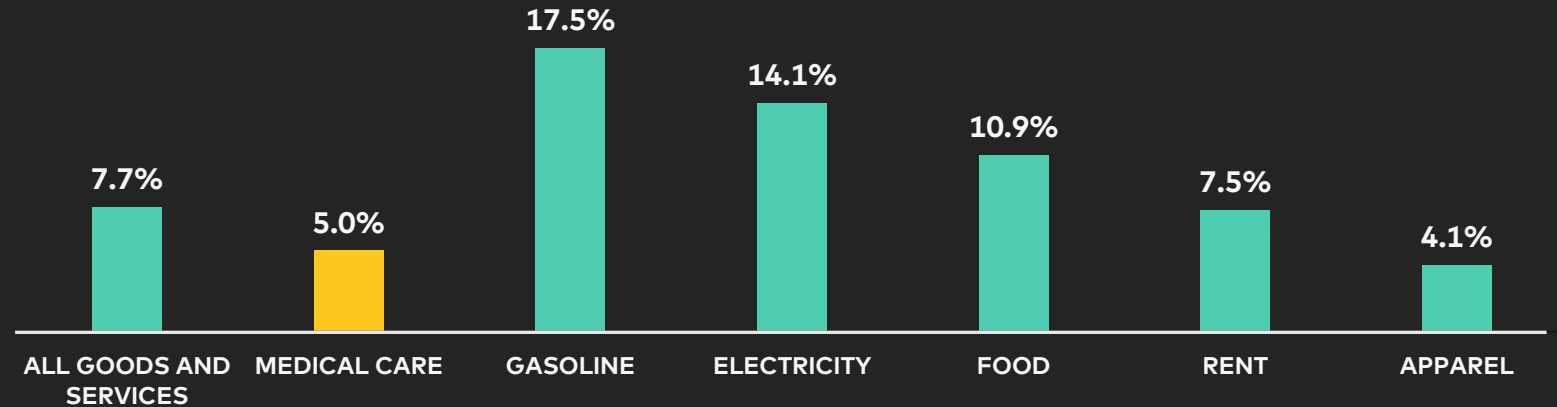
+24.8% (2021) , **+4.8%** (2022)

YoY changes in healthcare spending (\$) observed over Mastercard's network¹

\$12,914

Per person share of total healthcare spending in the United States²

Change in Consumer Price Index, October 2021 – October 2022³



Topics for today's discussion:

1 Economic Trends Facing Consumers in 2023

2 How Patients are Navigating Healthcare Affordability

3 How Employers can Support Healthcare Affordability



SECTION 1

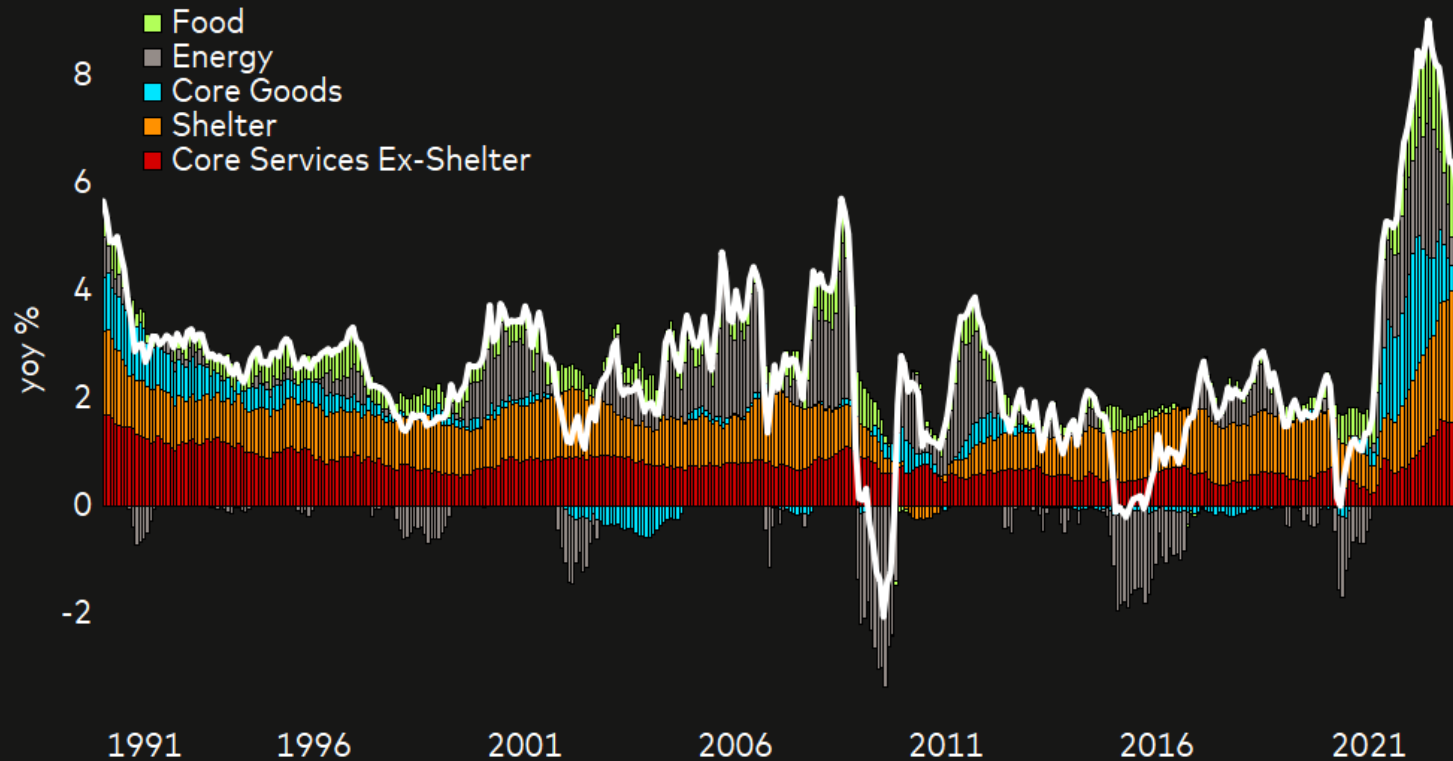


Economic Trends Facing Consumers in 2023

When will inflationary pressures ease?

Inflation is past last summer's peak, but still above the desired rate

Inflation | contribution to yoy % change



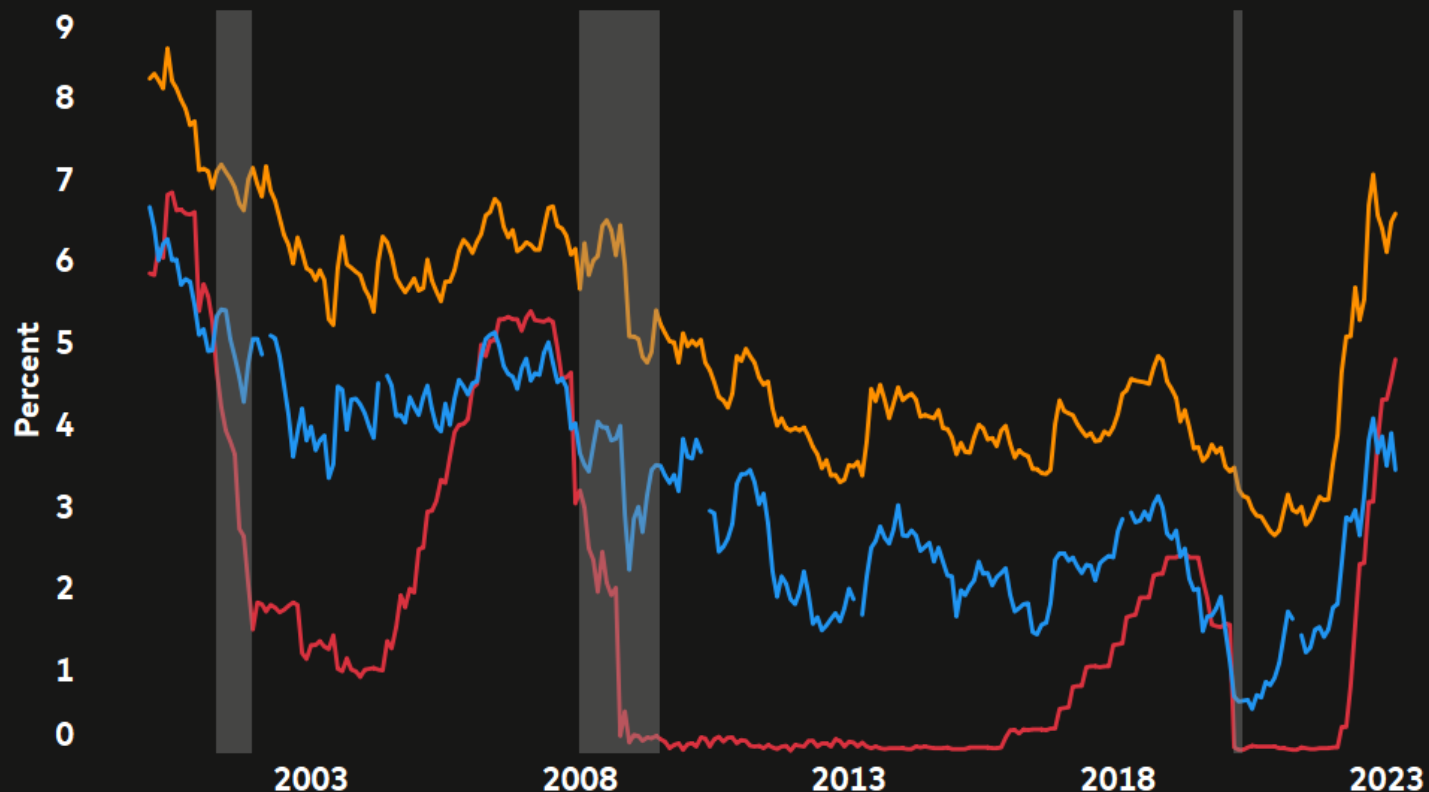
- Inflation is now close to 6% yoy (Feb 2023) but still far from the 2-3% desired pace
- Inflation for goods is declining amid supply chain repair and shifting demand
- Prices of services are much stickier and more tied to the health of the labor market



What is the path ahead for interest rates?

Fastest pace of rate hikes since the 1980s

Interest rates ● 10-yr treasury yield ● 30-yr mortgage ● federal funds rate



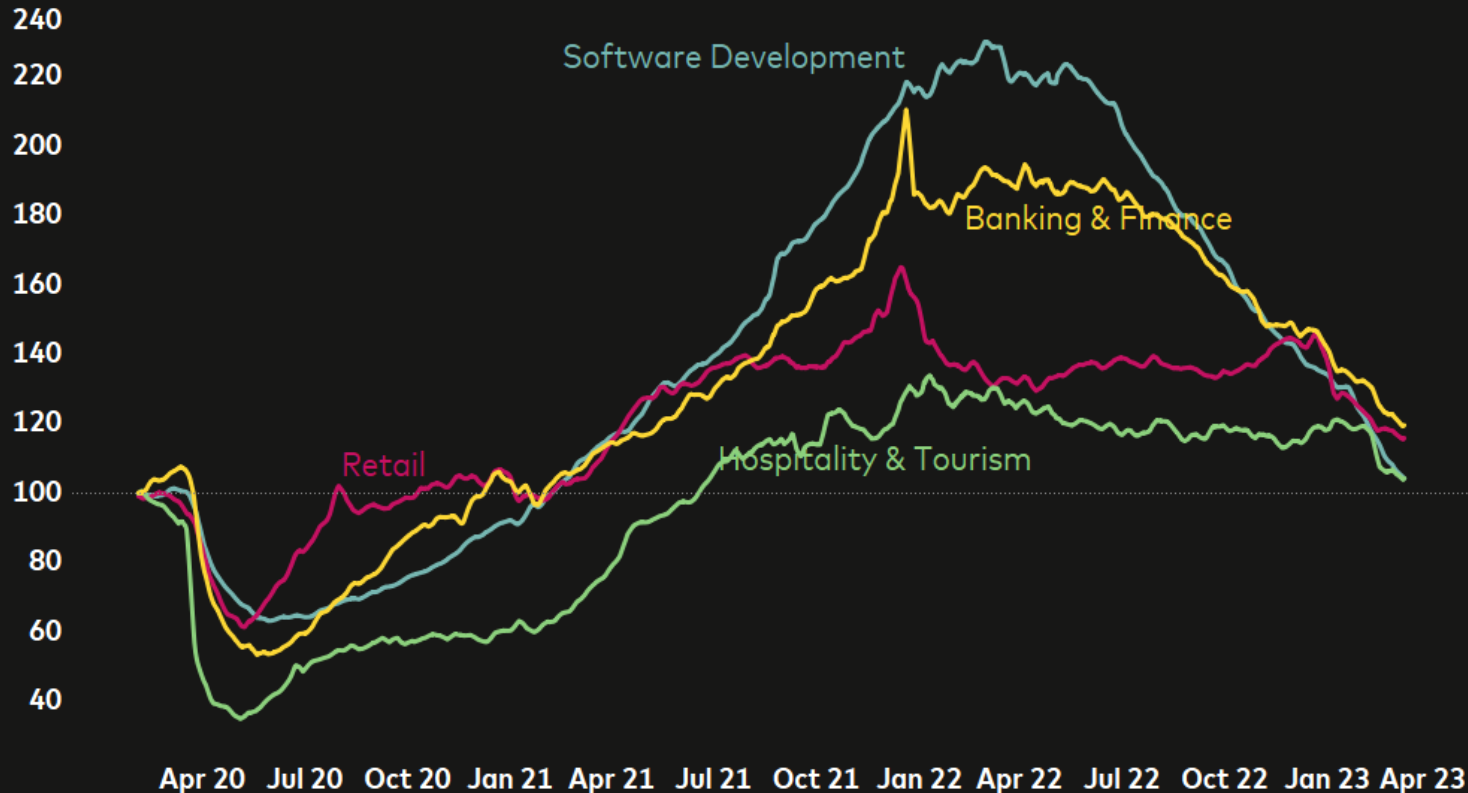
- The Fed has hiked the policy rate rapidly to nearly 5%, sending rates higher across the curve.
- The recent tightening of financial conditions could mean we are close to peak rates
- High rates have increased the cost of capital, impacting the interest sensitive sectors of the economy



When will it be easier to hire?...

The pandemic upswing in job postings is starting to normalize

Total job postings by industry (Feb 2020 = 100)

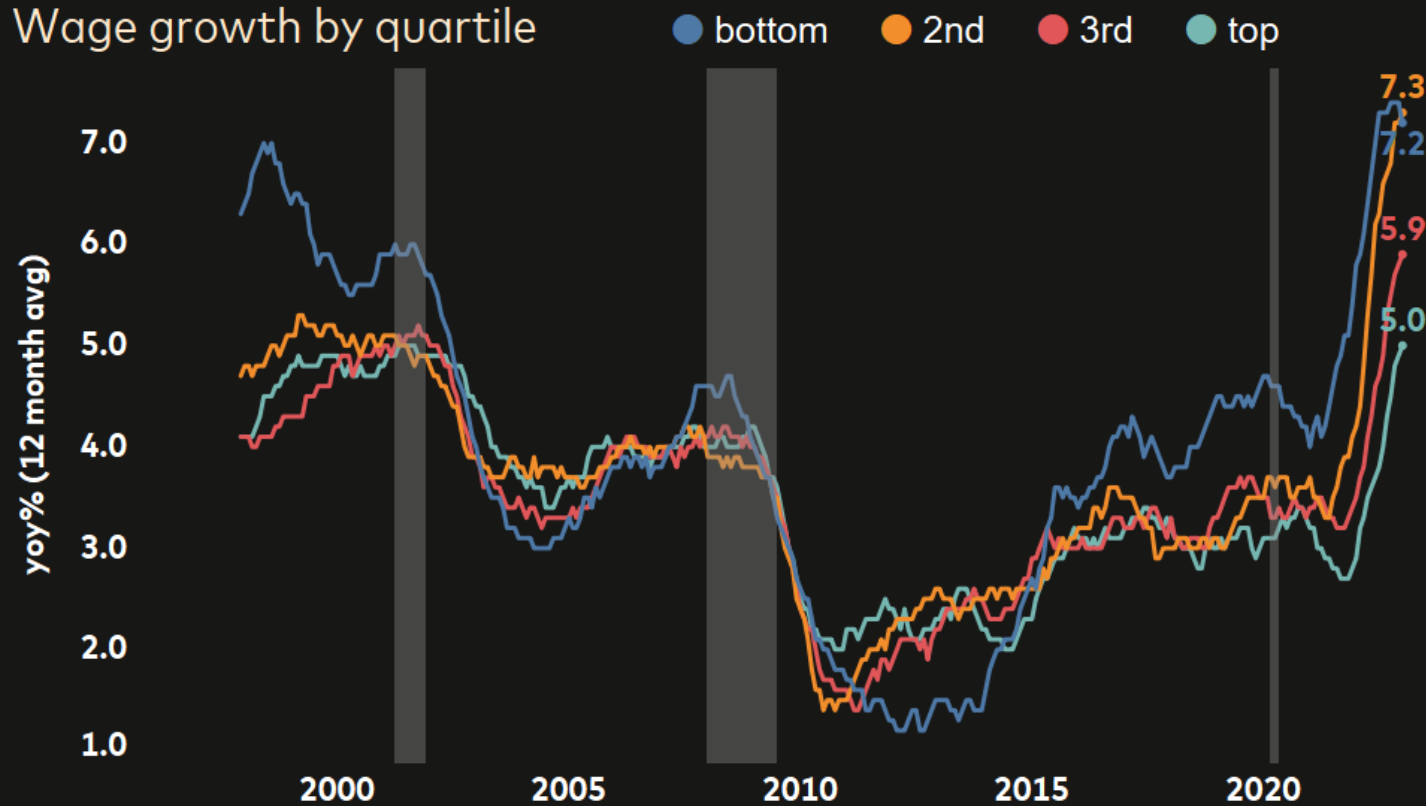


- The labor market has been very strong, adding over 350K jobs each month for the last 6 months
- Based on data from Indeed, job openings have been declining, suggesting a slower pace of job creation ahead
- Differences by sector: biggest drop in tech and finance. Trend openings in retail and hospitality



...and when will it be less expensive to hire?

Wages have been increasing at a rapid clip, with highest growth in bottom quartile



*Shaded areas are recessions

- Strong job growth has been coupled with high wage growth
- Wage growth has been particularly strong for the bottom quartile of wage earners, where wages have outpaced inflation
- While wage growth has been strong, it has struggling to keep up with overall inflation

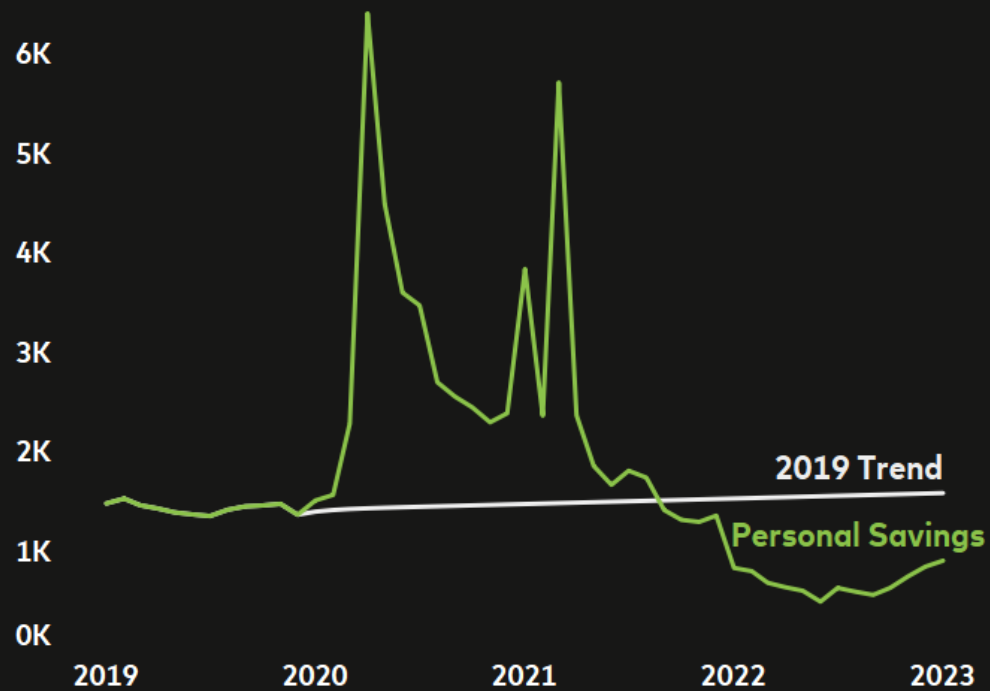


Do consumers still have excess savings?

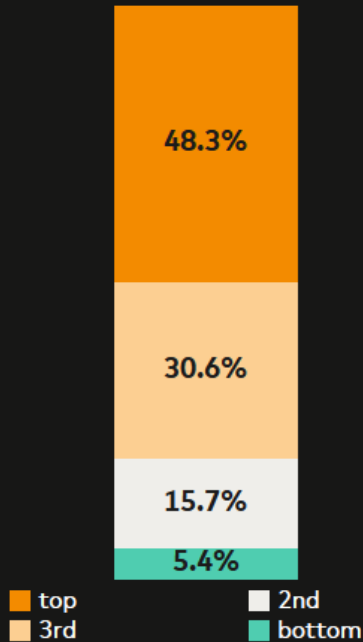
Cumulative excess savings peaked at \$2.5 trillion, with \$1.7 trillion remaining

Excess savings

Personal Savings (\$ bn, annual rate)



Savings by Income Quartile: Dec 2022

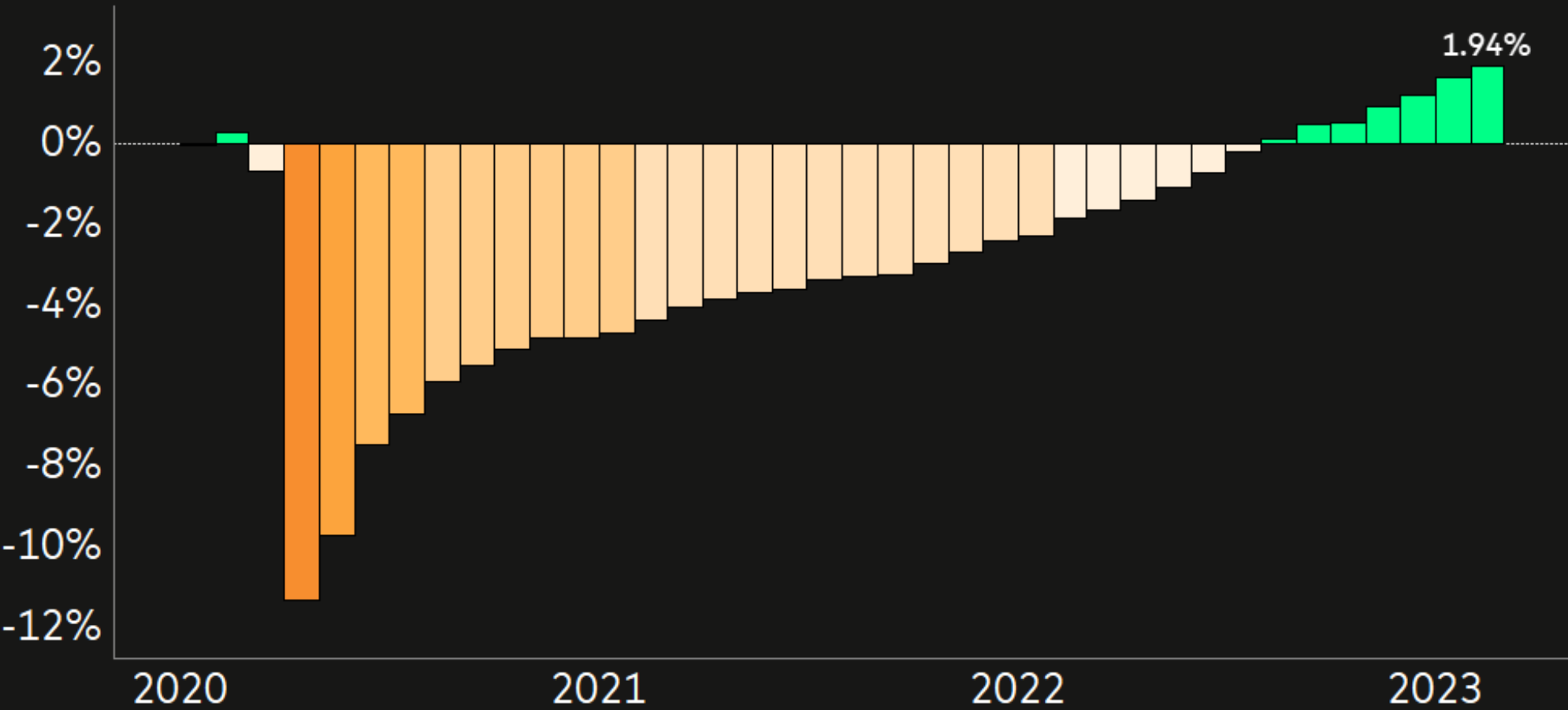


- High income growth and pandemic stimulus meant that households gained savings in excess of pre-pandemic trend
- These savings are now being drawn down but still provide a cushion to consumers
- The excess savings are now mostly concentrated within the top 2 income quartiles



Employment in healthcare services now exceeds pre-pandemic period

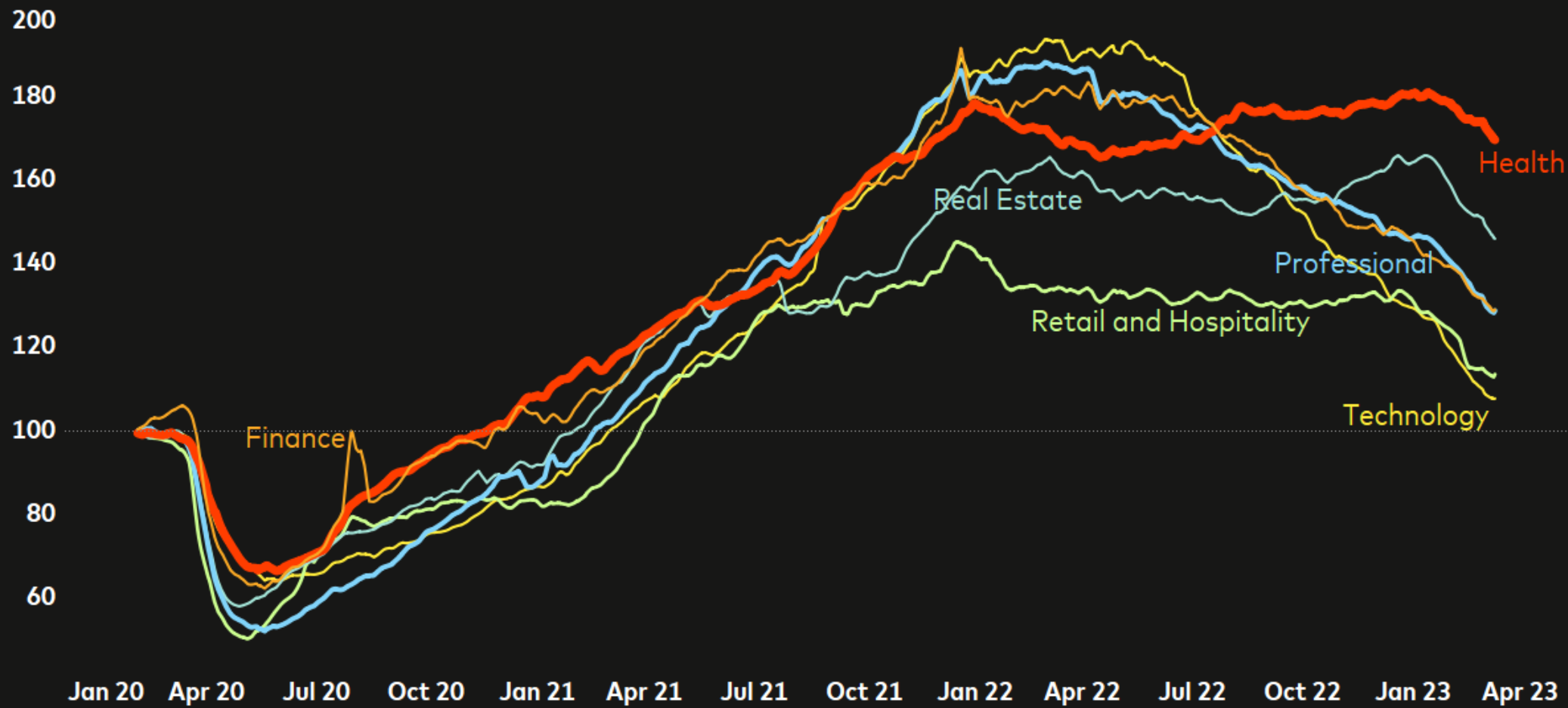
Health & Education Services | Employment vs Jan 2020, SA



and job openings in healthcare are highest amongst other sectors

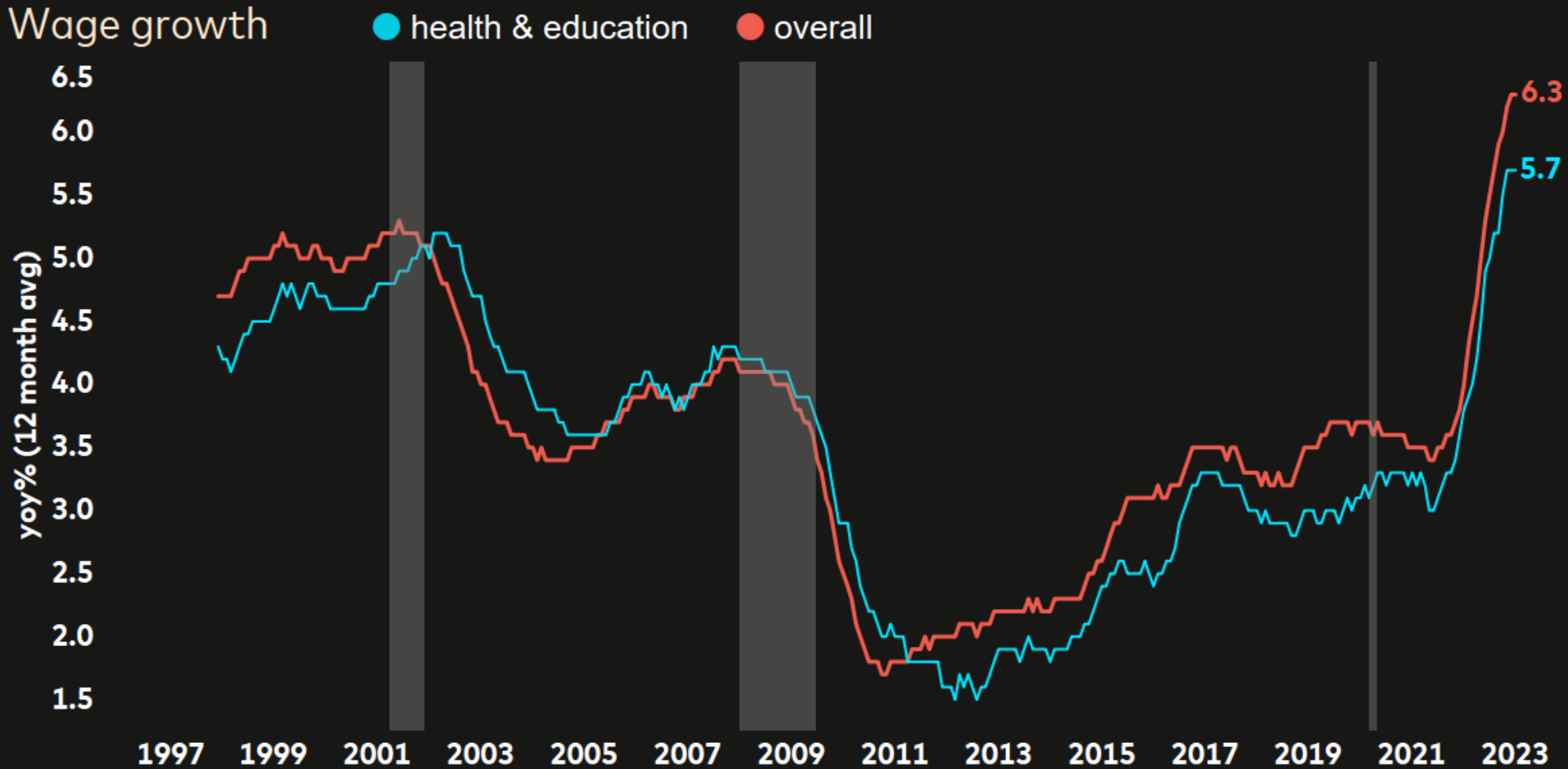
...signaling likelihood of continued strong job growth in coming months

Total job postings by industry (Feb 2020 = 100)



Healthcare wages have been growing at a fast pace

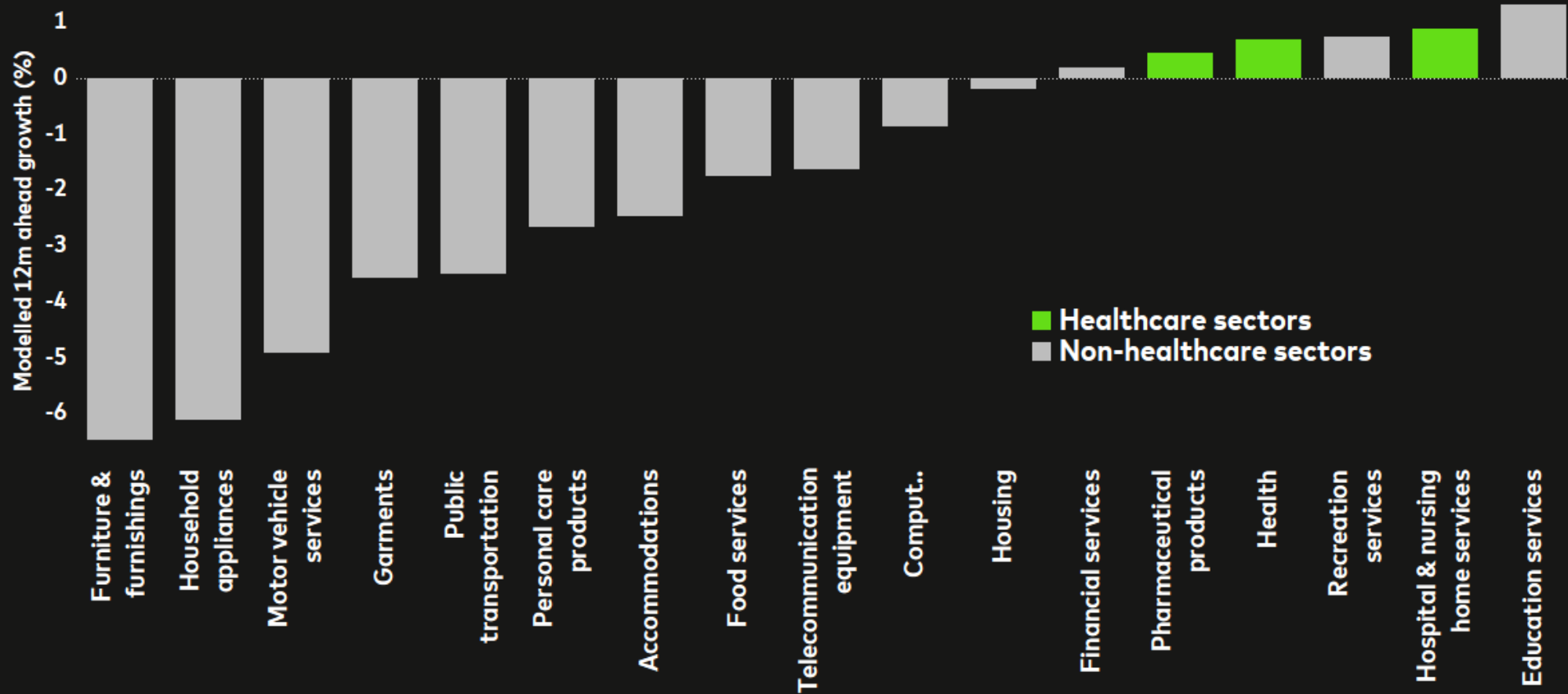
... but trail the growth seen across other sectors of the economy



History suggests healthcare spending is resilient in high-interest environment

...in inflation-adjusted terms, relative to other sectors

Historical growth impact of 3 percent point increase in interest rates





How Patients are Navigating Healthcare Affordability



NATION OF BENEFITS
THIS IS NOT A BILL

Date: 06/20/17
Policy: 06/20/17

Billed Charges	Not Covered	Deductible	Copay
91.00 20.76	4.32 301.208 4.32 20.76	0.00 0.00	0.00 0.00

Mastercard annually surveys patients and healthcare professionals to pulse check attitudes regarding the healthcare industry, care delivery, and spending

Methodology

- This poll was conducted by Mastercard between October 11-13, 2022, **among a national sample of 1,000 patients and 450 healthcare professionals.**
- The interviews were conducted online. Patient data was weighted to approximate a target sample based on age, gender, educational attainment, race/ethnicity, and region.
- Results among the patient audience have a margin of error of +/- 3 percentage points.
- Results among the healthcare professional audience have a margin of error of +/- 6 percentage points.

Populations Surveyed



Patients (n=1,000)

- Visits a healthcare provider or goes to the hospital at least once annually



Providers (n=150)

- Physicians, PAs, and NPs



Administrators (n=150)

- Employed at a hospital or health system
- Job function is administration/management



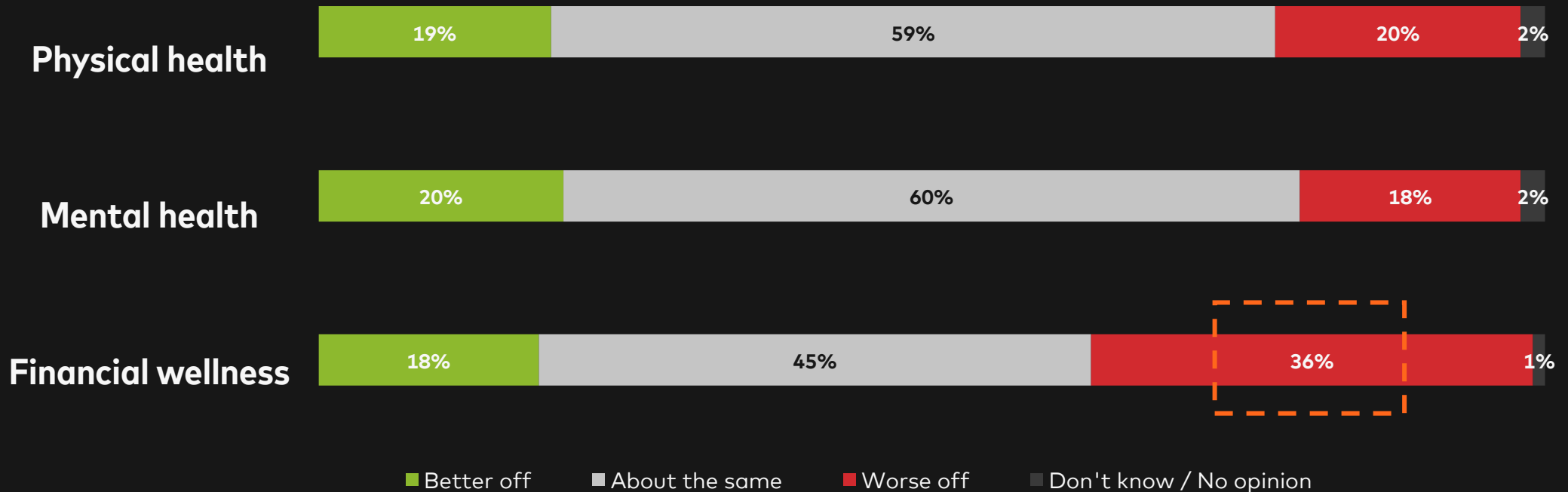
Payers (n=150)

- Employed at a health insurance company
- Responsible for at least one of the following in current role: collecting payments, processing claims, paying provider claims



More than 1 in 3 patients report their overall financial wellness is worse off today than it was a year ago

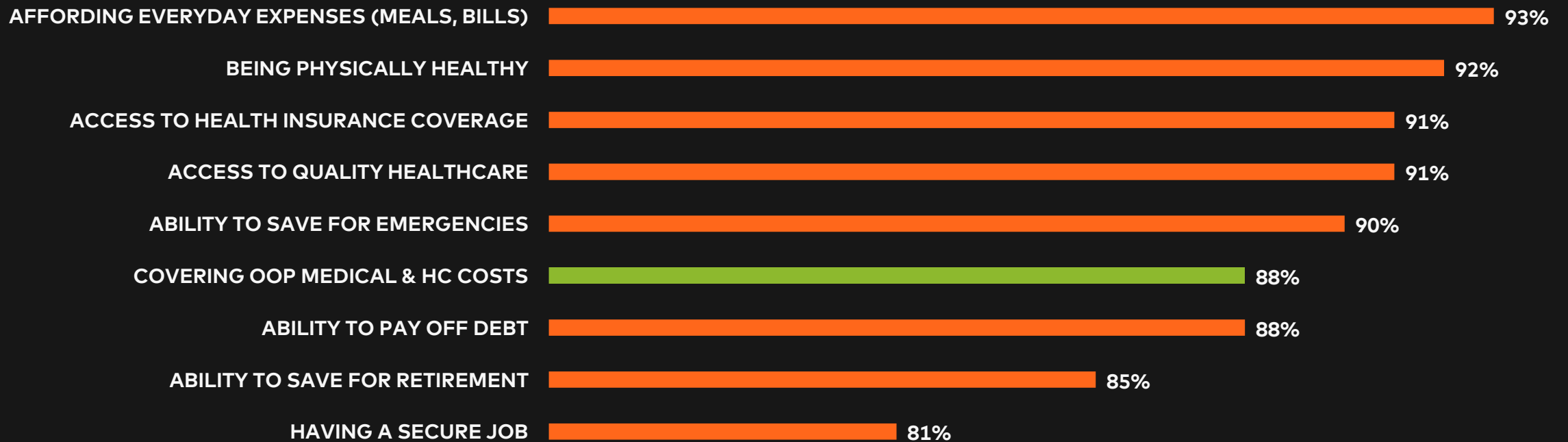
Thinking about yourself a year ago compared to today, would you say you are better off, worse off, or about the same in...?



For respondents under 65, being able to cover OOP healthcare expenses is more important than saving for retirement or having a secure job

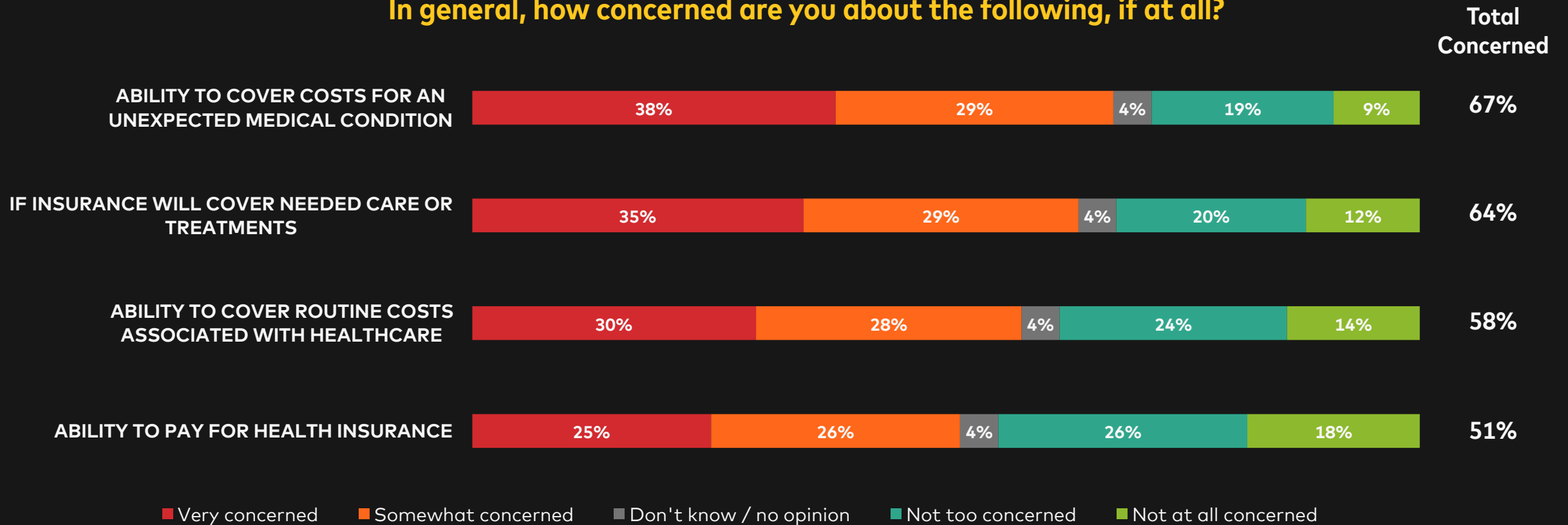
How important would you say each of the following are to your overall financial wellness?

Total % Stating "Very Important" or "Somewhat Important"



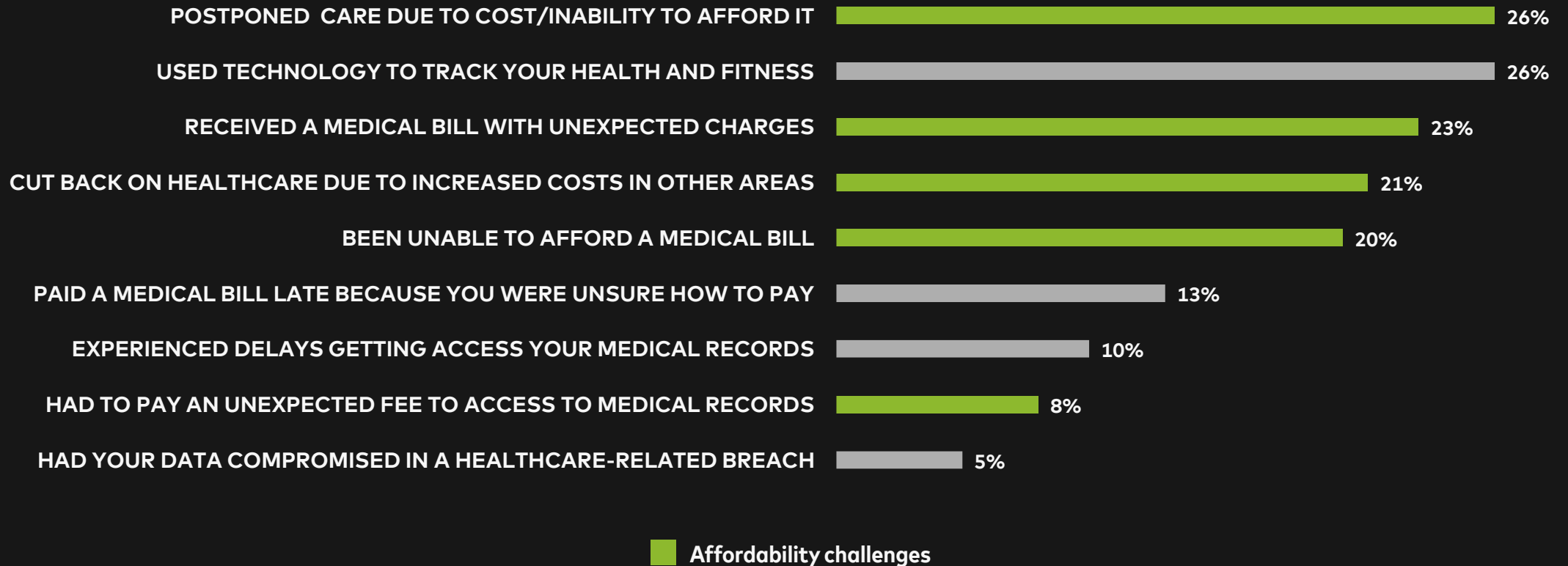
2 in 3 patients say they are concerned about their ability to cover costs in the event of an unexpected illness or medical condition

In general, how concerned are you about the following, if at all?



Medical billing surprises are frequent for patients, with 1 in 4 postponing health or medical care due to cost or inability to afford

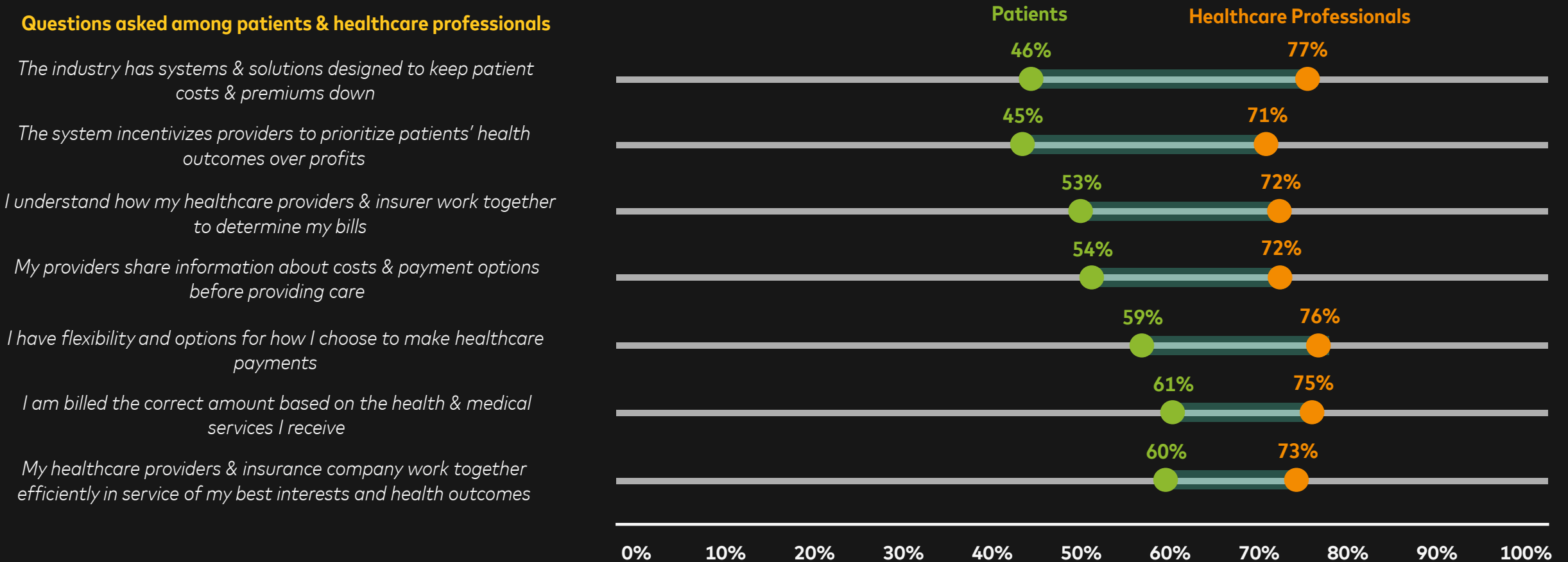
In the past year, have you...



When it comes to healthcare costs, patients are far less likely than healthcare professionals to agree that the healthcare industry has systems designed to keep costs down

To what extent do you agree/disagree with these statements? (% agree/strongly agree)

Questions asked among patients & healthcare professionals



Furthermore, patients' state of trust in the healthcare system has declined YoY, with notable declines in payment flexibility and security of payments

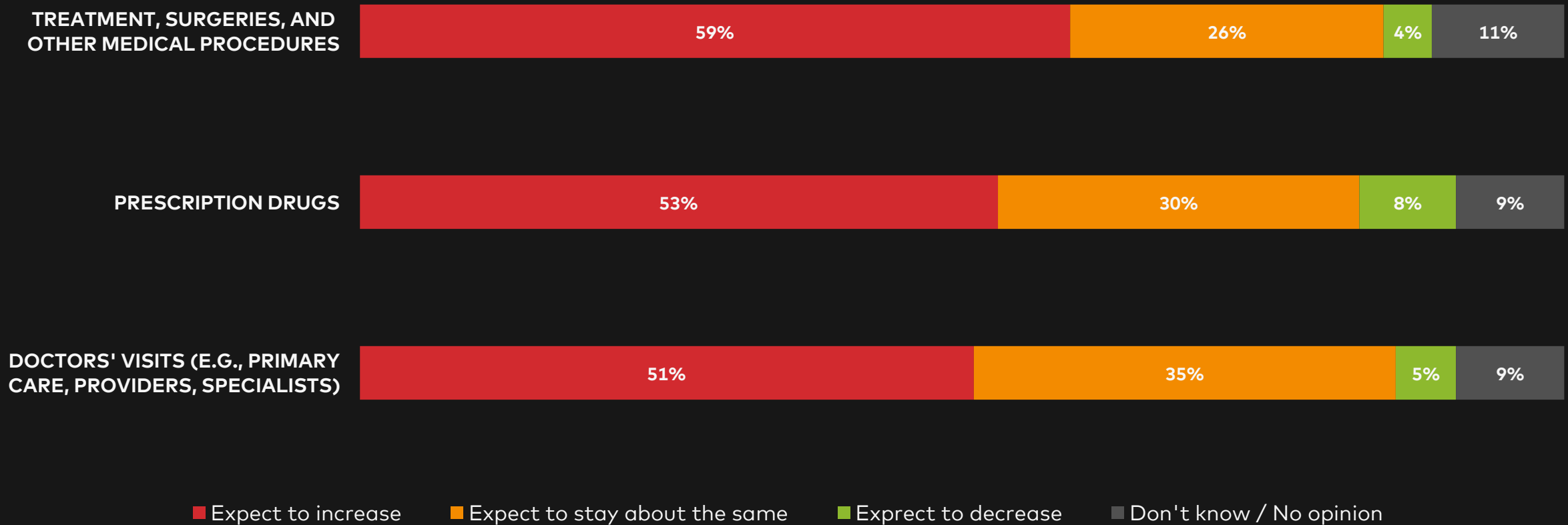
Based on your experiences, to what extent do you agree or disagree with the following statements? (% strongly/somewhat agree) (n=1,000)	2021	2022	Statistically Significant Change
<i>I have flexibility and options for how I choose to make healthcare payments</i>	71%	59%	-12pp
<i>My healthcare providers provide treatment with my best interests and outcomes in mind</i>	78%	68%	-10pp
<i>I am confident in the security of my healthcare payments and transactions</i>	75%	66%	-9pp
<i>I am billed the correct amount based on the medical services I receive</i>	69%	61%	-8pp
<i>The healthcare system incentivizes providers to prioritize patients' health outcomes over profits</i>	52%	45%	-7pp
<i>I understand how my healthcare providers and insurance company work together to determine my medical bills</i>	59%	53%	-6pp
<i>I am confident that my digital health and medical records are secure</i>	68%	63%	-5pp
<i>The cybersecurity protections in place across the system have kept pace with new cybersecurity threats</i>	58%	53%	-5pp

■ Payment-related statements



Most patients expect the cost of healthcare to increase in the next year

For which healthcare categories do you expect costs to increase, decrease, or stay the same?



COST



SECTION 3



How Employers
Can Support
Healthcare
Affordability

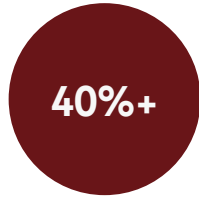
#1

TACTICS

Combatting fraud, waste, and abuse in healthcare

Self-insured employers face big exposure to healthcare fraud, waste, and abuse - which leads to overpayment of employee healthcare expenses.

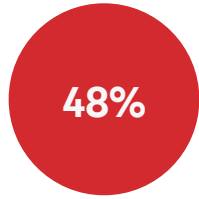
Fraud, Waste, and Abuse is Rampant in the Healthcare Industry



Over **40%** of medical bills **contain errors**¹



Fraudulent and non-fraudulent **overcharges** cost Americans **~\$300 billion annually**²



Complexity in healthcare billing and low healthcare literacy in consumers leads to **\$4.8bn in additional administrative costs in US**³

Coming June 2023: Mastercard's New Cardholder Benefit

Helping employees achieve privacy, control, and savings



1 Privacy

24/7 monitoring HIPAA Privacy breaches and provides alerts

2 Control

Audits your medical, dental, vision claims to identify overcharges and billing errors

3 Savings

Negotiate with providers and insurance companies to reduce bills and reverse claim rejections

\$559 average employee savings through 24-month retroactive audit⁴

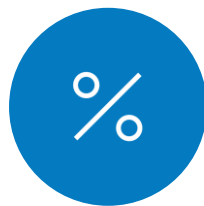
1%-15% average reduction in healthcare costs for an employer⁴

#2

TACTICS

Communicating everyday spend benefits to employees

Instead of messaging the triple tax advantages of HSAs and FSAs, consider adopting messaging that these programs provide “discounts” or “sales” on everyday healthcare spend.



Promote the “discount” or “sale” nature of using your HSA / FSA to save on everyday healthcare expenses:

- Examples include:
 - “You save up to 30% on everyday healthcare items like copays, prescriptions, sunscreen, cold medicine, and more.”
 - Did you know you have a 30% off coupon for your next Walgreens trip?”

Example Collateral:



It's like a 30% off sale on eligible healthcare expenses.¹

- Save up to 30% on things like glasses, braces and other necessities.¹
- Access the full amount of your annual election on day one of your plan year.
- Pick from several convenient, no-hassle payment and reimbursement options.

You're paying enough for healthcare.
Don't pay taxes on it, too.

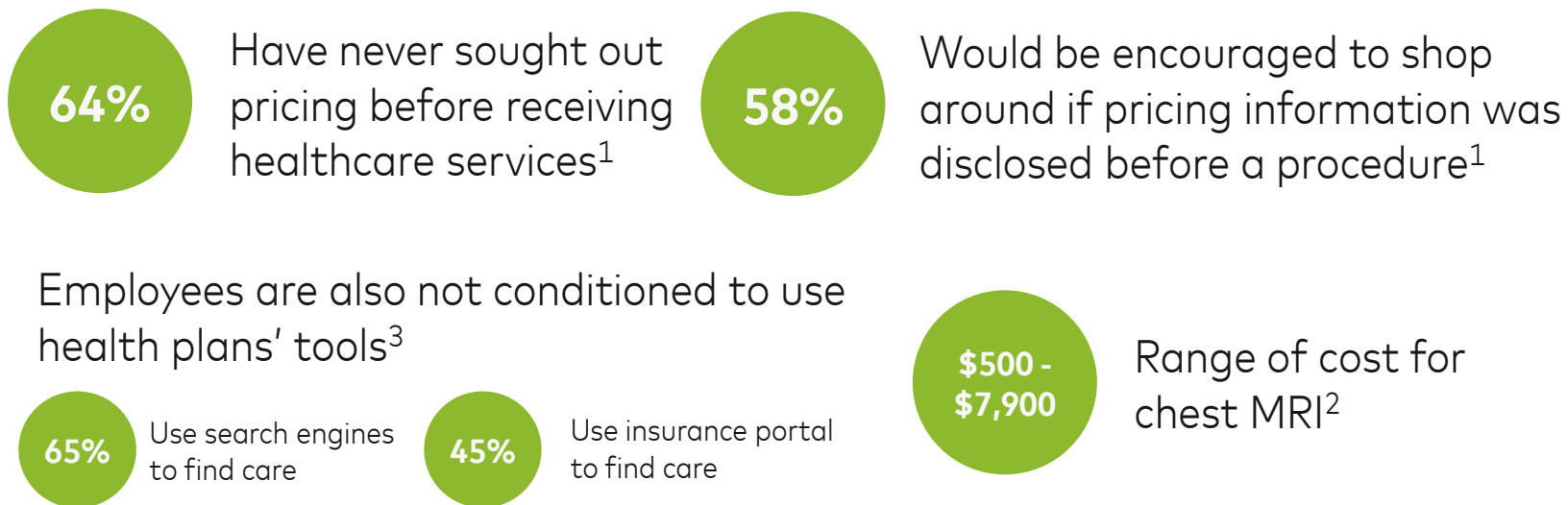
#3

TACTICS

Promoting price transparency tools to improve health search & selection

Encourage (or incentivize) employees to price shop for more commoditized healthcare procedures

Consumers are not conditioned to shop around for the best price:



Employers can potentially gain savings through increased awareness:

- 1 Educate employees about possible price variations in the healthcare marketplace and how to compare providers.
- 2 Encourage the use of (or provide) price transparency tools/apps to compare costs in their area.
- 3 Reward employees for use of price transparency tools and identify an internal champion to promote price shopping.



1. AKASA sponsored survey, n=2,000 Americans; 2. GoodRX Health; 3. Press Ganey

#4

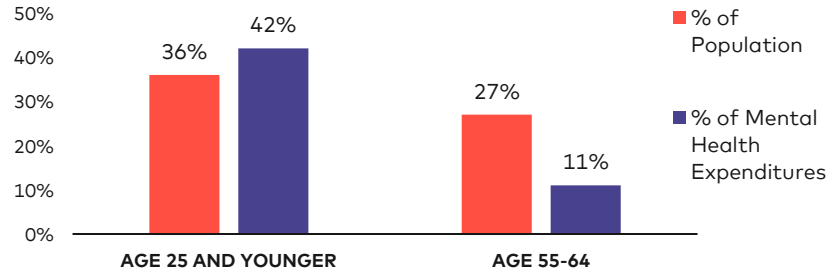
TACTICS

Prioritizing mental health programs for employees

Employers should make mental health and wellness benefits more accessible to candidates by proactively communicating their competitive offerings

As mental health consumption increases, employees are looking for employers that prioritize mental health and wellness when considering a place to work:

Mental Health Consumption and Population Distribution by Age¹



85%

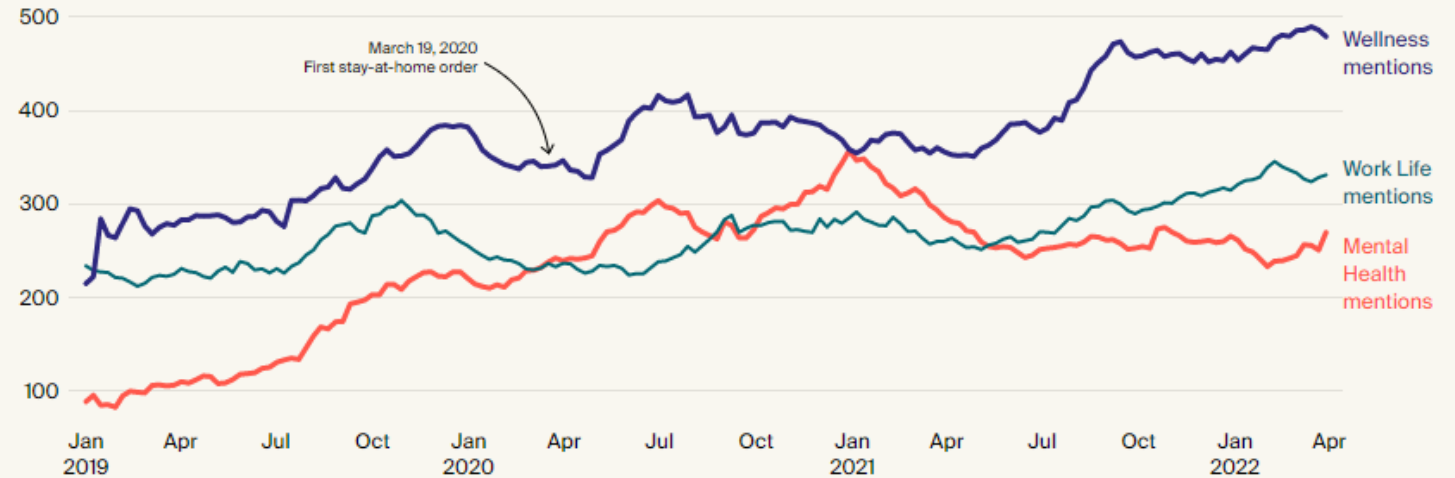
Of CEOs say they care about mental health of their employees, but lack certainty about what to do²

92%

Of college seniors agree employers should offer mental/emotional health benefits³

2x growth in share of wellness & mental health mentions in job descriptions

Share of job descriptions on the Handshake network mentioning **mental health** peaked during the beginning of 2021, while the share of jobs mentioning **work life** balance remained relatively consistent.



Full-time job descriptions available to applicants on the Handshake network mentioning key terms (per 10k jobs posted). Removes jobs for mental health practitioners.

Source: January 2019–April 2022 job descriptions from the Handshake network



1. EBRI Survey of employer-sponsored health plans; 2. Ginger 2021 Workforce Attitudes toward Mental Health (n=185 CEOs surveyed); 3. Timely care (n=1,000 students surveyed); 4. Handshake Analysis

#4

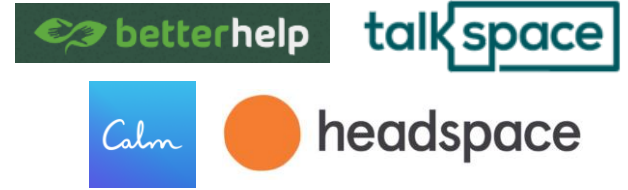
TACTICS

Prioritizing mental health programs for employees (cont.)

Employers should make mental health and wellness benefits more accessible to candidates by proactively communicating their competitive offerings

Mental health and wellness benefits gaining popularity:

- 1 Paid subscriptions to mental health apps
- 2 Access to wellness coaching or support groups
- 3 Flexible work schedules
- 4 Gym memberships
- 5 Unlimited paid time off / mental health days
- 6 Employee resource groups or affinity groups
- 7 Company-wide office closures to avoid burnout






#5

TACTICS

Enabling Employees with Choice and Personalization through Specialty Accounts

Specialty Accounts are tailored to meet not only employee’s physical and emotional wellness but also their financial ones

Key Components of Specialty Accounts:

- 
Of employers have an SA in place today¹
 - 
Of employers are considering an SA for their benefits package¹
 - 
Spend increase for Mastercard employer rewards programs, Q1 2023 vs. 2022²
- Funded by the employer. Employees do not contribute.
 - **Taxable to employees.**
 - SAs are account-based, like HSAs, FSAs, HRAs.
 - Employees pay federal payroll taxes on their used SA funds, unlike with an HSA, FSA, or HRA.
 - **The employer decides which expenses to cover.**
 - The IRS does not mandate eligible expenses for SAs, as it is a post-tax benefit.
 - Average contributions between **\$500-\$2,000.**

What Benefits Can Be Accessed With a Specialty Account:

- Physical:** weight loss programs, nutrition counseling, workout apps, gym membership
- Emotional:** mental wellness apps, meditation classes, pet care, personal development
- Financial:** Identity theft services, home purchase expenses, financial planning tools
- Other:** Return to office costs (e.g., Citi Bike LSA), WFH costs (e.g., internet bills)

Benefits for an Employer:

- ✓ **Personalizes** each employee’s health and wellness needs
- ✓ Satisfies desires for high compensation
- ✓ Addresses **social determinants of health** and contributes to lower healthcare costs
- ✓ Addresses benefit gaps for people of color, marginalized groups, and individuals with special lifestyle needs

1. BenefitsPro Employer Survey, 2023; 2. Mastercard Analysis