

THE FUTURE OF HEALTHCARE: SPECIALTY VENDOR MARKET

By 2025, employers will have access to dozens of specialty healthcare providers — substantially improving costs, efficiency, health outcomes, user experience, customer support, and more.

The group insurance market has changed substantially the past 25 years, gradually evolving from traditional, paternalistic healthcare models. By 2025, the industry will become completely transformed, and yes, disrupted, by specialty vendors and their innovations. For a detailed perspective of the impact on companies, group carriers and workers, Fatima Di Biase, a principal at Mercer Canada and a member of its Health & Innovation and LABS teams, participates in a Q&A.

Question: What is the state of group insurance in Canada?

Answer: In Canada, there are just over 10 significant group insurers that provide coverage for life insurance, long-term disability, health and dental. For much of the past 25 years, the industry has operated under a paternalistic health insurance model, in which companies offered limited (or no) plan options but paid most or all of the premiums. The market is changing, and employees are demanding choices and better service, and companies are looking to satisfy employees and maintain costs.

Question: What are specialty vendors, and how much impact do they have right now?

Answer: Specialty vendors in healthcare are companies that create niche products and services that help organizations achieve various aims — saving money, maximizing ROI, improving the quality of care and enhancing the patient/user experience. We estimate that today there are fewer than 100 specialty providers related

to healthcare benefits solutions or products. We see this could grow to 500 or more in eight years. These vendors offer various specialties that can make a huge impact on organizations, including more cost-efficient ways to support the management of chronic diseases; assess and treat mental health; engage users in ecommerce wellbeing services; deliver innovative communications; improve record keeping; provide access to voluntary benefits; and much more.

Question: Will the new start-ups squeeze out the traditional group insurance carriers?

Answer: As the specialty market grows, insurers' piece of the pie will increasingly be at risk due to disrupters in the marketplace. The big insurers will be driven to change their business models to become more agile and adaptable, including investing in, acquiring or partnering with these start-ups or creating their own internal incubators of innovation. In short, the carrier industry will likely change, and there is evidence that the large insurers are already trying to become nimble and embrace and invest in innovation.



Question: What demands are specialty vendors answering that large insurers did not?

Answer: The Canadian healthcare landscape is changing significantly, but hold on, there's a lot more to come. Companies are under pressure to manage rising healthcare and group benefit costs, and many are weighing the cost-benefit of how much to trim without affecting their employment brand. At the same time, there is increasing recognition of the value that wellbeing brings to the workplace. Specialty vendors are more agile and can offer new ways of engaging employees in their health management and create a positive end-user experience to do so, while still treating a costly disease, for example.

Question: Can you give an example of how a specialty vendor can make a difference for a company and its employees?

Answer: Let's consider the cost of chronic disease. Studies show that a very small percentage of healthcare plan members account for the vast majority of plan costs, mostly due to chronic diseases. In fact, an estimated 16 million Canadians live with chronic illness, which accounts for 87% of disability claims and 70% of all healthcare costs. There are vendors coming or already in the market offering the ability to provide automatic navigation of our health system to support an individual with getting the right diagnosis and most-appropriate treatment of their chronic illness. And, others are using technology to monitor, coach, offer social support and provide health education for the ongoing care of a chronic illness on-demand.

Other innovations we can expect will have even greater widespread use in healthcare in the future will be the use of artificial intelligence and machine learning for clinical decision support, patient engagement, disease management and more. Plus, virtual reality is finding a place in the ongoing improvement of clinical training and education and for therapy of certain mental illnesses and likely more so in the future.

Question: What does this mean for the future of human resources?

Answer: HR should be excited, but prepared. Some have been turning to external support to better manage vendors and understand the best-in-class providers and technology. It's all changing so fast. At the same time, the right specialty vendors could help the organization better manage costs, enhance their employees' health and engagement, and drastically improve healthcare navigation for both the employer and employee. Companies will need to use diagnostics and predictive modeling to identify exactly what help is needed, how much cost savings can be gained, how it might impact talent management, and much more. It will no doubt be an exciting and interesting time ahead.

WHAT YOU CAN DO

The healthcare system as we know it is changing. Organizations can simply go along with new developments as they arise, and perpetually ride behind the curve. Or, they can predict and create a flexible strategy that will keep them ahead of change and the competition. Innovation and technology will open the door to tremendous opportunities to reshape the delivery of healthcare.

So, knowing that you face a new world of incredible changes – and opportunities – what will you do to prepare for 2025? For those who wish to get started now, consider the following:

- Understand your [workforce](#) – today and tomorrow
- Immunization your benefits plan
- Proactively manage cost/risk
- Redefine the benefit promise
- Understand the evolving vendor market
- Leverage technology and [innovation](#)
- Partner well
- Embrace change

If you do all these things, you will not only manage your costs but will deliver a better value proposition to your employees. And, you don't have to go it alone; We are here to help. As a firm, we believe we have a unique perspective on the future of healthcare including a proprietary point of view on the emerging vendor market place. It's complicated, which is why we have a dedicated team working on making it simple. We can help you prepare for tomorrow, today.

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At Mercer, we make a difference in the lives of more than 110 million people every day by advancing their health, wealth, and careers. We're in the business of creating more secure and rewarding futures for our clients and their employees – whether we're designing affordable health plans, assuring income for retirement or aligning workers with workforce needs. Using analysis and insights as catalysts for change, we anticipate and understand the individual impact of business decisions, now and in the future. We see people's current and future needs through a lens of innovation, and our holistic view, specialized expertise, and deep analytical rigour underpin each and every idea and solution we offer. For more than 70 years, we've turned our insights into actions, enabling people around the globe to live, work, and retire well. At Mercer, we say we *Make Tomorrow, Today*.

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