Castlight

The State of Digital Health

2018 Annual Report

Table of Contents

Digital health's prime time moment

Digital health is exploding, to the tune of $5+ billion of new venture investment per year. Today there is an app for every conceivable health need, ranging from activity tracking, pregnancy management, telemedicine, diabetes management, and much, much more—all of which are sold to consumers, enterprises, or both.

Without a doubt, the consumer market is flourishing. There are over 300,000 health-related apps in the Apple App Store, and 98% of individuals report using a technology to meet a health goal. The user experience of digital health apps and devices now meet consumers' lofty expectations for ease-of-use and simplicity that they see in other mobile services like Uber, Google, and Amazon.

And finally, it seems the enterprise market is catching up. Whereas a few years ago many employers were content to sit on the sidelines and wait, more and more companies now are making strategic investments in digital health solutions in order to increase the health of their population, reduce medical costs, and promote a culture of health. In fact, the average employer today now has 14 distinct solutions, 5 of which they contract with independently outside of their health plan.

The question for today's benefits leader is not whether, but where, to invest in digital health. What specific solutions, and what categories of solutions will drive the most impact?

And that brings us to the motivation for this report. At Castlight, we believe employers should use facts, data, and best-practices to inform their digital health investments. We've already supported some of the largest employers in the world—Fortune 500 companies in aerospace, telecom, manufacturing, and more—to make similar decisions that are essential to their benefits strategy. This report aims to highlight some of the key facts and insights we believe will further support benefits leaders as they navigate the ever-changing landscape of digital health.

Millions of lives are in the hands of a few benefits leaders

Benefits leaders have an enormous responsibility. At large enterprises, tens of thousands of people rely on their benefits team for access to services that are essential to their physical, financial, and mental health. Collectively, benefits leaders in the US supervise the administration of health benefits to over half the country—over 150 million Americans.

Beyond responsibility, this is a huge opportunity for benefits leaders to impact many lives for the better. However, until recently, they haven't had the tools to support the growing needs of their employees, each of whom has unique health needs. Many companies have started to invest in digital health solutions to meet the diverse needs of their population.

Another opportunity is to reign in spiraling healthcare costs. Large enterprises have grown accustomed to seeing relentless medical spend increases year after year. Through cost-saving solutions such as telemedicine, price transparency, or digital therapeutics, many hope to slow down these costs to make health costs more sustainable, and provide their business with a competitive human capital advantage.

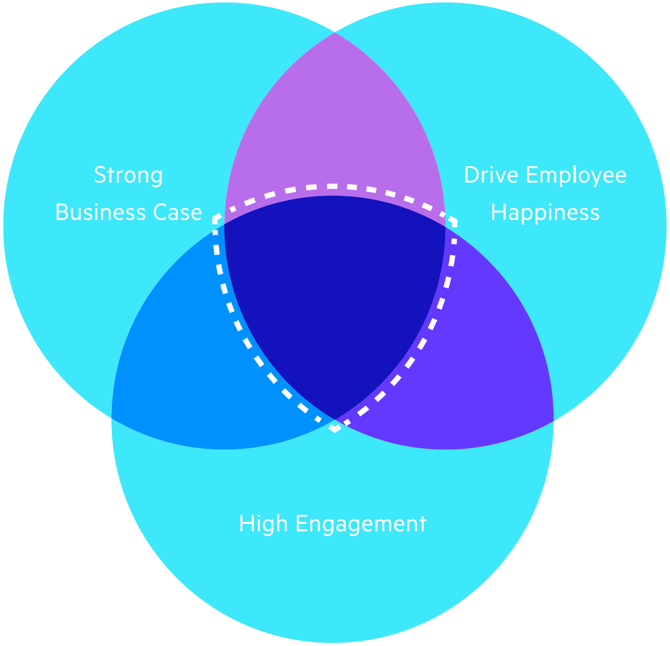
A final opportunity is to build a culture of health. By engaging their employees in both individual and team-oriented wellness activities, such as nutrition and activity tracking, employers believe they can promote positive cultural values that drive employee satisfaction.


A FEW
THOUSAND
BENEFIT
LEADERS
IMPACTING OVER
150+
MILLION
EMPLOYEES

Research Objectives

We conducted this study to understand how, why, and where employers are investing in digital health. But investigating employers' perceptions alone would not tell the whole story. For digital health to be effective in the enterprise, employees must want, and use, the solutions offered. That is why we also surveyed employees to understand how they perceive digital health, what solutions they currently use, their health goals, priorities, and opinions of employer-offered digital health solutions. For a digital health solution to be successful, we believe it must: have a strong business case, drive employee happiness, and sustain high engagement.

Overall, the goal of this research is to help employers make the right decision when it comes to digital health, and locate what we call the "sweet spot"—where a strong business case, high engagement, and drivers of employee happiness converge.



Data Analysis Summary

In late 2017, Castlight partnered with *Employee Benefit News* to poll employers and employees for trends in the digital health ecosystem. This study surveyed over 300 benefits leaders and 1000 employees, both from large companies (defined as more than 1000 employees). This report details how employers and employees perceive digital health and benefits, how their perspectives align, differ, and the key opportunities for employers implementing digital health.

Employers' Perspective

To quantify the employer perspective, benefits leaders were surveyed on current and planned digital health solutions and how each of the 23 categories of solutions score on strength of: business case, health and wellness impact, and employee satisfaction.

Employees' Perspective

To quantify the employee perspective, employees were surveyed on their current utilization, and desired utilization, of digital health across 23 categories of solutions, how they currently access solutions and their willingness to contribute to the cost.

Employer-Employee Gap

To quantify how employer-employee perspectives align and mis-align, the results of the two surveys were compared. Identifying the gaps reveal key opportunities for employers to strengthen their digital health strategy.

Our research focused on 23 solution categories

For this study, employers and employees were surveyed on 23 discrete categories of digital health, which collectively addressed the full spectrum of care. The categories are grouped into 3 areas: staying healthy, managing conditions, and accessing care.

Accessing Care

Cost transparency

EAP

Health concierge

Second opinion

Telemedicine

Managing Conditions

Cardiovascular health

Children’s health and obesity

Diabetes management

Disease management

Mental health coaching tools

Pregnancy program

Sleep improvement program

Smoking cessation

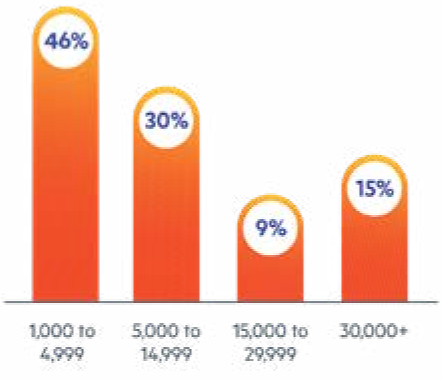
Weight loss

The Employer Perspective

Employer Respondent Profile

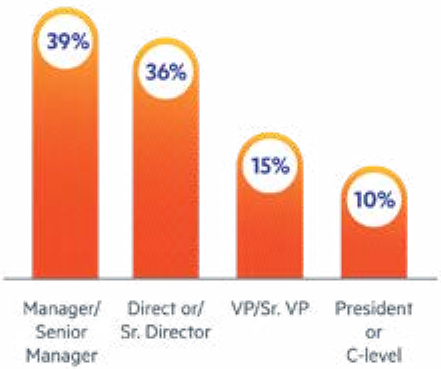
Benefits leaders from large employers (1,000+ employees) were surveyed on their current utilization and perspective of digital health and benefits.

Organization Size



Functional Role

Job Title



Example survey questions

Current and future digital health strategy

- What stage of implementation best represents health and wellness solutions in your organization?
- For each health and wellness solution your organization currently offers, please indicate whether you have procured it through your health plan or from a third-party vendor.

Registration, participation & satisfaction

- For each health and wellness solution your organization currently offers, what percentage of your eligible employees have registered for the program, and what percentage actively participate in them?
- How satisfied are you in general with each solution?

Measurement & engagement

- Consider the following four steps: awareness, enrollment, participation, behavior change. Which of these represents your organization's biggest challenge with health and wellness solution engagement?
- Which of the following health and wellness solution engagement metrics does your organization measure?

Impact

- How strong is the financial business case for each health/wellness solution?
- What is the expected impact on employee satisfaction for each health/wellness solution?
- What is the expected impact on employee health and wellbeing for each health/wellness solution?

Vendor Maturity Spectrum

The maturity spectrum of digital health solutions ranges from mature, to emerging, to untapped. We define "mature" solutions as those with highest install bases—such as EAPs, where over 60% of employers currently offer the solution. Next, "emerging" solutions have lower install bases, but high growth rates. These give us a peek into what's to come in digital health, for example, financial wellness and cost transparency.

Finally, the "untapped" category is defined as solutions with lower install bases and low growth rates. While many employers do see value in these solutions—like activity tracking, gym access, and second opinion—we do not expect to see as rapid growth here as in the emerging category. Across the following pages, we will review how employers evaluated all of these solutions across a variety of dimensions.

Mature
Highest Install Base

Biometrics Screening
Diabetes Management
Diabetes Prevention
Disease Management
EAP
Health Risk Assessment
Smoking Cessation
Telemedicine

Emerging
Low Install Base / Highest Growth

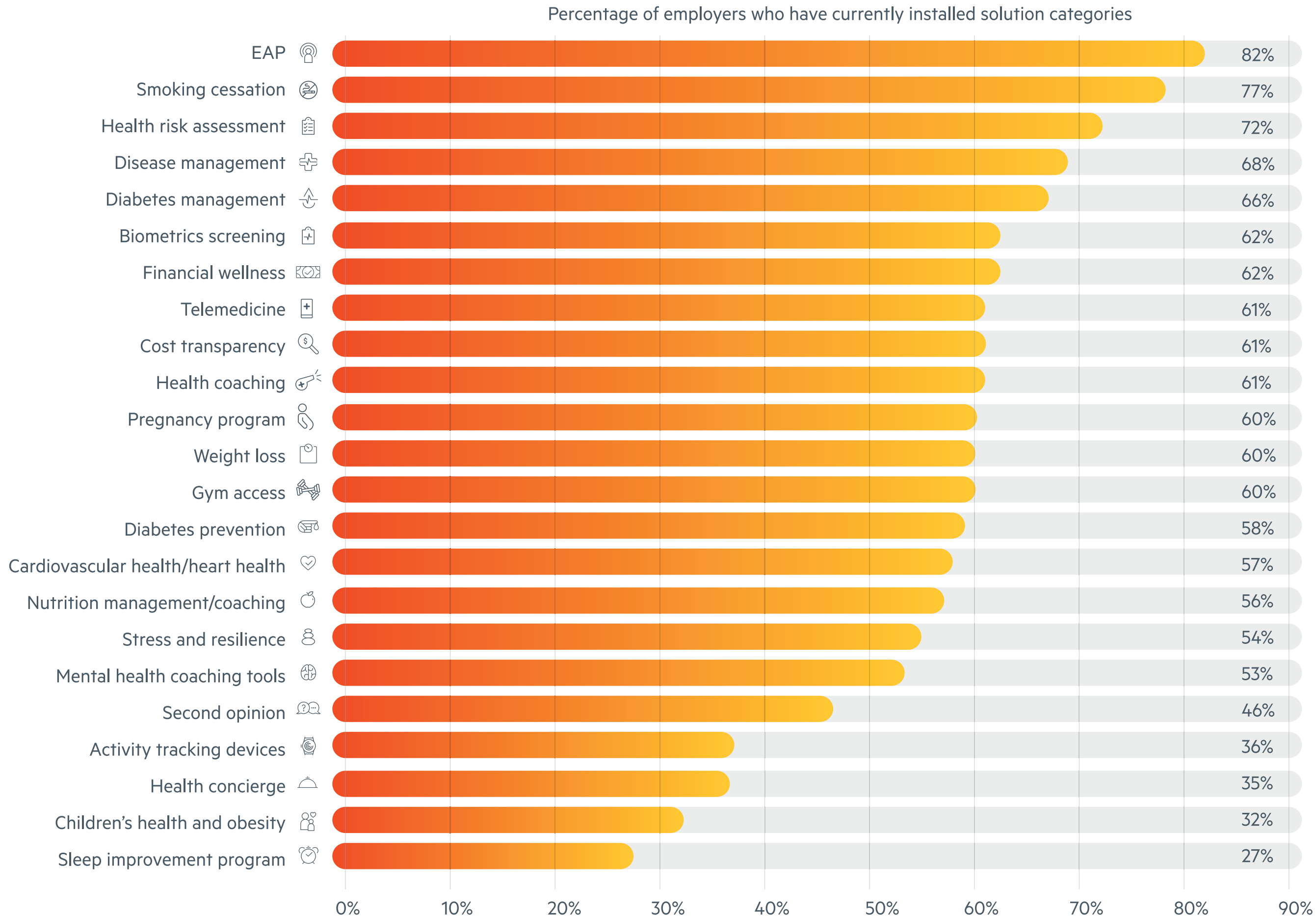
Cardiovascular Health
Cost Transparency
Financial Wellness
Health Coaching
Mental Health Coaching Tools
Nutrition Management / Coaching
Pregnancy Program
Weight Loss

Untapped
Low Install Base / Low Growth

Activity Tracking Devices
Children's Health and Obesity
Gym Access
Health Concierge
Second Opinion
Sleep Improvement Program
Stress and Resilience

Mature: Currently offered by 60%+ of employers Emerging: <60% currently offer technology and >70% of employers: "currently offering" + "considering offering" + "committed to offering " in 2018 Untapped: <60% currently offer technology and <70% of employers: "currently offering" + "considering offering" + "committed to offering " in 2018

Today's Digital Health Footprint

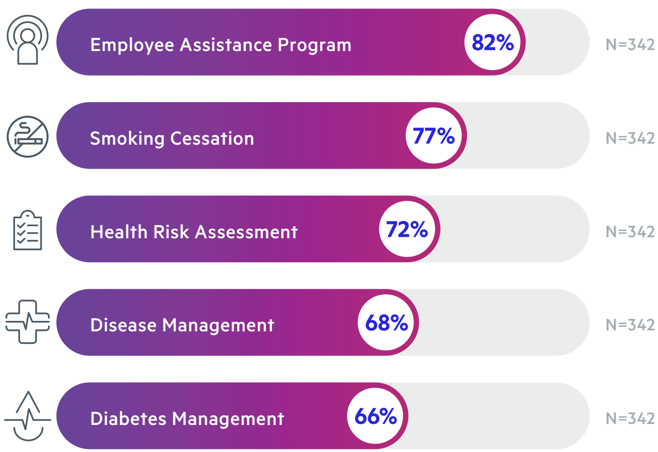


Employers' Perspective of Digital Health Categories

- Most Popular Technology
- Fastest Growing Technology
- Strongest Business Case
- Strongest Health Impact
- Highest Employee Satisfaction
- Most Likely to Get from Health Plan
- Most Likely to Get from a Third-Party Vendor
- Most Utilized Technology

Most Popular Technology

Percent of employers currently offering technology

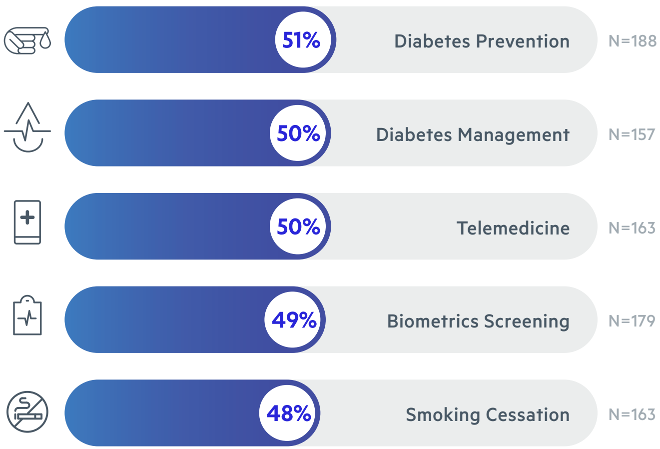


Fastest Growing Technology

Percent of employers committed to offering or considering offering technology in 2018

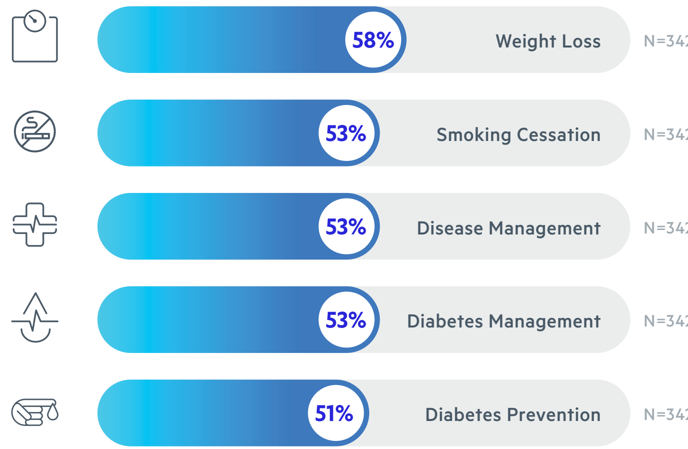
Strongest Business Case

Percent of employers who identified technology as having “strong” or ”very strong” financial business case



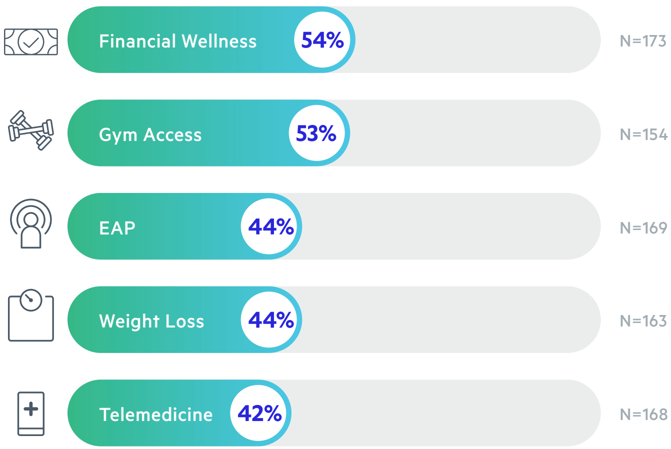
Strongest Health Impact

Percent of employers who identified technology as having “strong” or ”very strong” impact on employee health and wellbeing



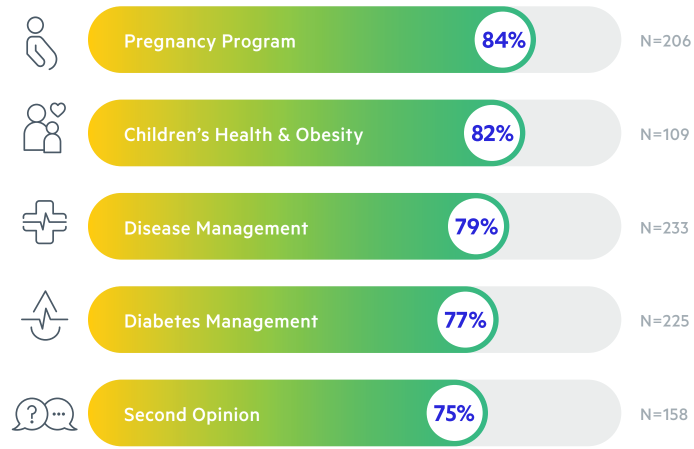
Highest Employee Satisfaction

Percent of employers who identified technology as having “strong” or ”very strong” expected impact on employee satisfaction



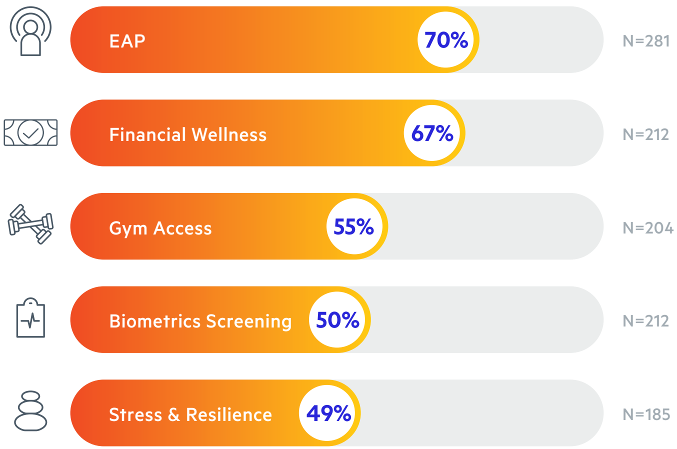
Most Likely to Get from Health Plan

Percent of employers who procured technology through a health plan



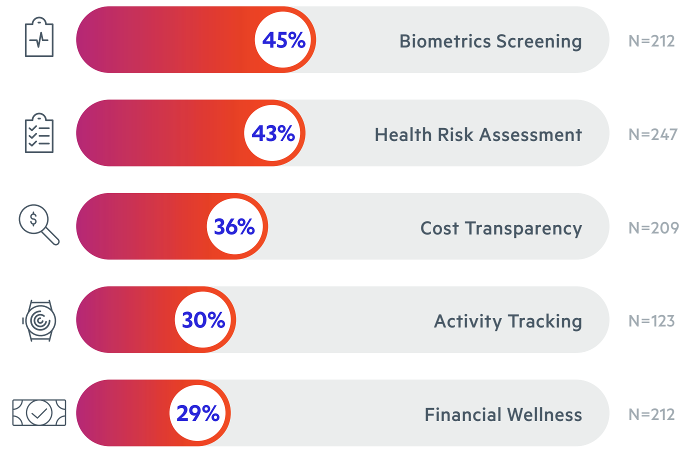
Most Likely to Get from Third-Party Vendor

Percent of employers who procured technology through a third-party vendor



Most Utilized Technology

Average percentage of actively participating employees



2018 Employer Choice Winners

Most Popular Technology	Employee Assistance Program Smoking Cessation Health Risk Assessment
Highest Employee Satisfaction	Financial Wellness Gym Access Employee Assistance Program
Fastest Growing Technology	Financial Wellness Activity Tracking Sleep Improvement Program
Most Likely to Get from Health Plan	Pregnancy Program Children's Health / Obesity Disease Management
Strongest Business Case	Diabetes Prevention Diabetes Management Telemedicine
Most Likely to Get from Third-Party Vendor	Employee Assistance Program Financial Wellness Gym Access
Strongest Health Impact	Weight Loss Smoking Cessation Disease Management
Most Utilized Technology	Biometrics Screening Health Risk Assessment Cost Transparency

Summary: The Employer Perspective

Our analysis found that employers continue to invest in mature categories of digital health. This trend is unsurprising as there is natural familiarity with legacy categories and hesitation with novelty. What's more surprising, however, is that employers' investment priorities do not fully align with their own perceptions of which solutions are the most cost-effective. For example, the solution employers expected to make the biggest impact on employee satisfaction, financial wellness, did not fall in the top 5 most implemented solutions. A few other surprises follow.

1

Some mature categories may soon face a reckoning

Investment continues to be strong in solution categories that employers admit have the weakest business case. EAPs, Smoking Cessation Programs, and Health Risk Assessments continue to be widely implemented, even though they rank low for having a strong business case. Will employers continue to pour money into solutions with questionable ROIs?

Technology	Currently Offered Technology Rank	Strength of Business Case Rank
EAP	1	11
Smoking Cessation	2	5
Health Risk Assessment	3	8
Disease Management	4	10

2

2018 will be a breakout year for financial wellness

Today's benefits leaders often speak about total wellbeing as encompassing mind, body, and wallet. But it's the wallet that employers are driving home this year. With 23% of employers surveyed committed to offering or considering offering a financial wellness solution in 2018, financial wellness is the fastestv growing solution in our survey. And when mature solutions are removed from our analysis, financial wellness stands out—ranking in the top three for all but one category.

3 Employers will soon reach their capacity to manage vendors

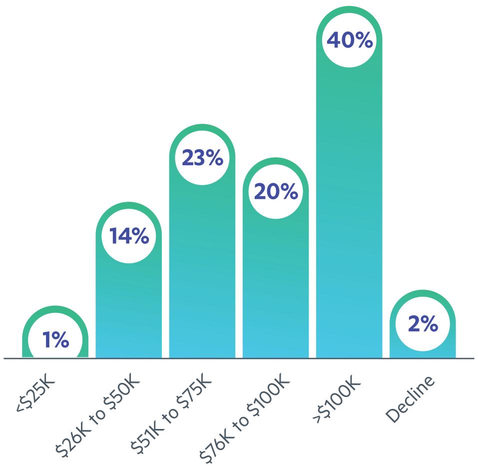
Employers are juggling more and more point solutions, putting increasing pressure to find ways to manage them in a scalable manner. As employers pile on more solutions each year they take on the administrative burden, from procurement, implementation, account management and reporting. The average employer offers 14 solutions, 9 coming from a health plan, and 5 from a third-party vendor. Jumbo size employers—employers with 15k or more employees—are even more likely to offer additional solutions with 30% of jumbo employers offering 20 or more solutions.

The Employee Perspective

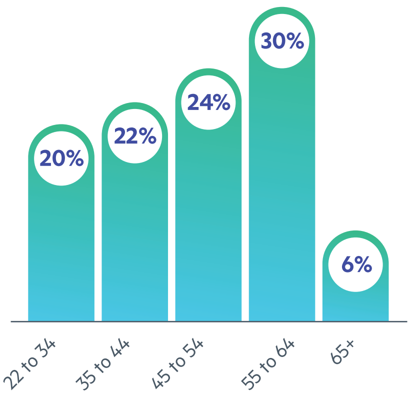
Employee Respondent Profile

Employees were surveyed on their perspective of digital health, how they currently use it, how they would like to use it, and how their employer fits into the equation. All respondents were current employees of companies with 1,000 or more employees.

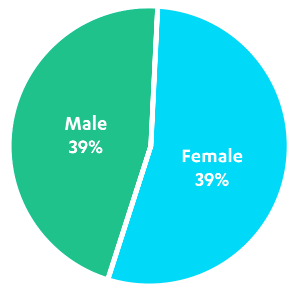
Household Income



Age



Gender



Example survey questions

Health goals & technology usage

- Select three most important goals to your personal health.
- Do you currently use any health and wellness technology?

Access & interest in receiving from employer

- For every solution or service you use, how do you access it?
- How interested would you be in receiving free access to health and wellness technology solutions if offered by your employer?

Employer benefits

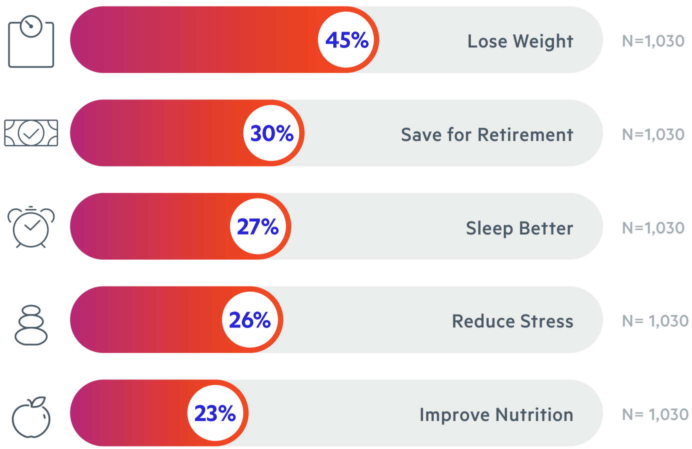
- Overall, how satisfied are you with your employer’s health benefits?
- How satisfied are you with each of the following healthcare benefit processes managed by your employer?

Employees' Perspective of Digital Health Categories

- Top Health Goals
- Most Likely to be Tech-Enabled
- Least Likely to be Tech-Enabled
- Freebie's choice
- Highest Willingness to Pay
- Digital Health Access Methods
- Top Goals by Generation

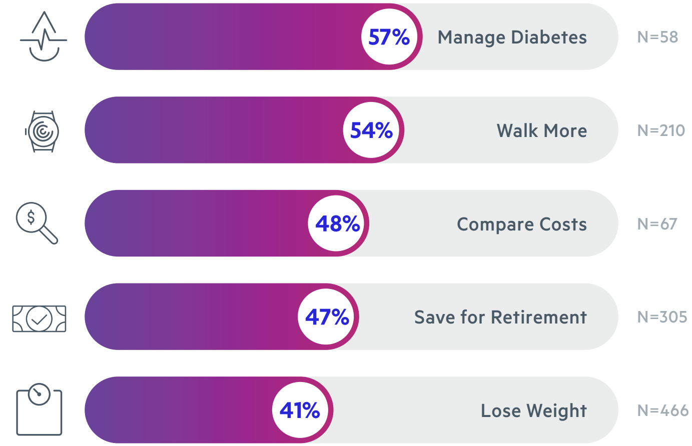
Top Health Goals

Percent of employees that identify category as a top health goal



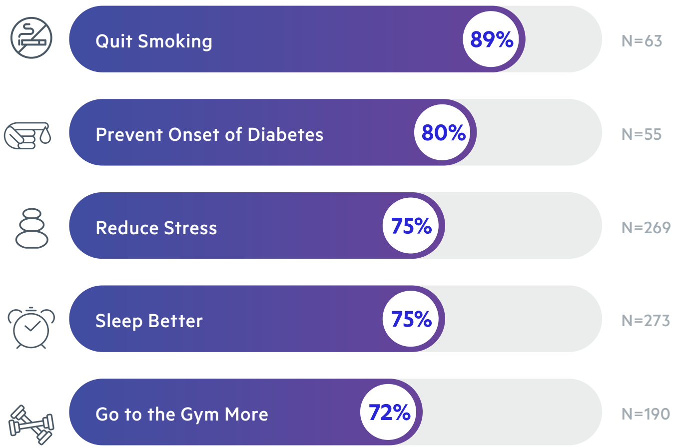
Most Likely to be Tech-Enabled

Percent of employees currently utilizing technology to meet a top health goal



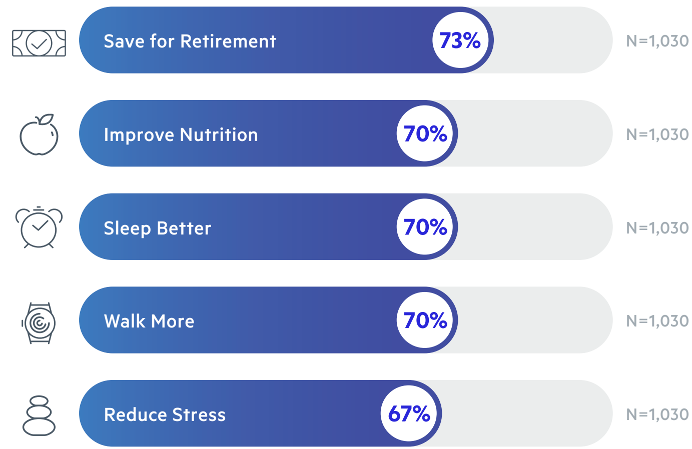
Least Likely to be Tech-Enabled

Percent of employees not currently utilizing technology to meet a top health goal



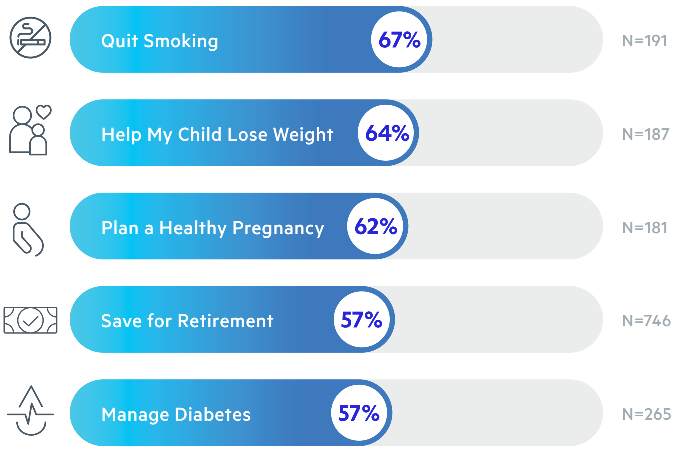
Freebie's Choice

Percent of employees likely to use if provided by employer for free



Highest Willingness to Pay

Percent of employees willing
to financially contribute monthly
for technology

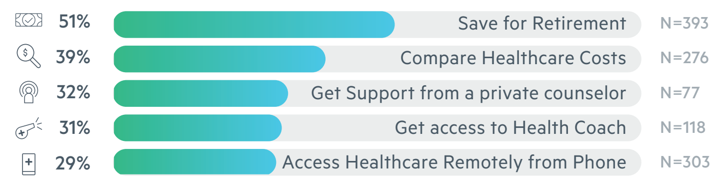


Most Likely to be Consumer-driven

Percent of employees currently using the solution
who have accessed the solution directly

Most Likely to be Employer-driven

Percent of employees currently using the solution
who have accessed the solution through their employer



Top Goals by Generation

	1	2	3	4	5	
Boomers Ages 55+	46% Lose Weight	38% Save for Retirement	27% Sleep Better	23% Reduce Stress	22% Walk More	N=356
Gen Xers Ages 35-54	49% Lose Weight	28% Reduce Stress	26% Sleep Better	26% Save for Retirement	24% Improve Nutrition	N=471
Millennials Ages 25-34	36% Lose Weight	29% Improve Nutrition	28% Reduce Stress	27% Sleep Better	26% Go to the Gym More	N=202

*** Percentages do not add up to 100% since respondents were allowed to pick up to three top health goals.**

2018 Employee Choice Winners

Most popular	Lose Weight Save for Retirement Sleep Better
Most Likely to be Tech-Enabled	Walk More Save for Retirement Improve Nutrition
Least Likely to be Tech-Enabled	Quit Smoking Plan a Healthy Pregnancy Help my Child Lose Weight
Freebie's Choice	Save for Retirement Improve Nutrition Sleep Better
Willingness to Pay	Quit Smoking Help my Child Lose Weight Plan a Healthy Pregnancy
Digital Health Access Methods	**Directly Accessed by Employee** Lose Weight **Direclty Accessed through Employer** Save For Retirement
By Generation: Boomers	Lose Weight
By Generation: Gen X	Lose Weight
By Generation: Millennial	Lose Weight

Summary: The Employee Perspective

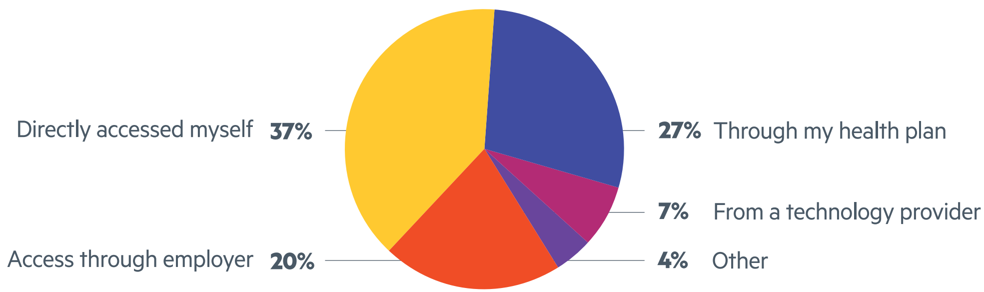
Employee digital health demand is thriving. Employees of all generations want to utilize digital health to meet their health goals from losing weight, to becoming less stressed, to saving for retirement. They are accessing solutions most often directly, rather than through their employer or health plan. While employees would prefer solutions to be free of cost from their employer, for many solutions, employees are willing to financially contribute to the cost.

1

Employees have no shortage of digital health enthusiasm

Employees are fully committed to their own health and wellness. They are actively utilizing the thousands of health solutions available to them, with our without their employer's support. Employees' direct consumption of digital health continues to thrive with 37% of accessing solutions directly on the consumer market. That said, employees do access digital health solutions from multiple channels, for example, through their health plan (27%), through their employer (20%) or from a technology provider (7%).

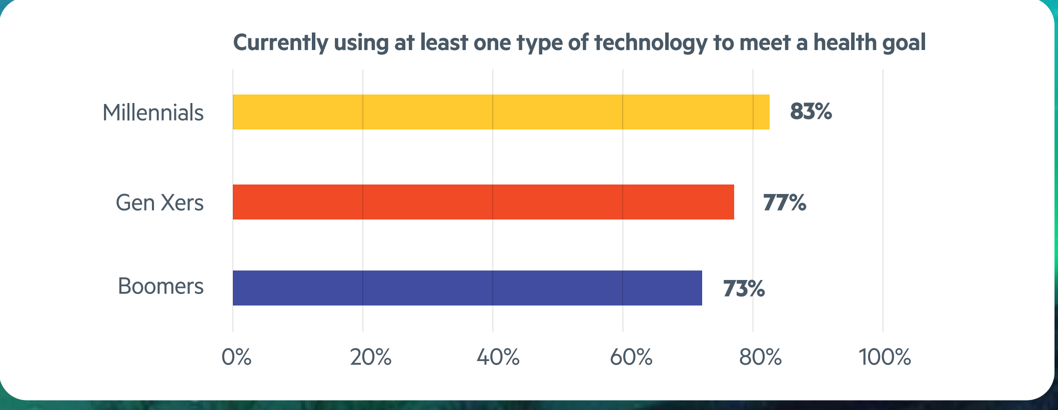
If you currently use a technology, how do you access it?



2

No matter the generation, all demand digital health

Nearly all employees (98%) reported having utilized at least one form of health technology to meet a health goal. This demand penetrates all generations. Despite the array of solutions and life stages, Boomers, Gen Xers, and Millennials have similar health goals and desires to use digital health.



3

Employees are open to more skin in the game

Cost is often a perceived barrier for technology adoption within organizations. Implementing new technology is (often) expensive and time-consuming. Generally, employers offer free health and wellness solutions. Employees embrace free access to technology from their employer. But what if employees contributed to the cost? Many employees are more willing to have skin in the game.

$1 **Over 50% of employees currently using the solution were willing to contribute >$1 p/ month for:**

- Children's Health and Obesity
- Pregnancy Program
- Smoking Cessation
- Manage Diabetes

n=181-265

$6 **Over 20% of employees currently using the solution were willing to contribute >$6 p/ month for:**

- Children's Health and Obesity
- Pregnancy Program
- Smoking Cessation
- Manage Diabetes
- Manage a chronic condition
- Improve Mental Health
- Go to the Gym More
- Lose Weight
- Save for Retirement

n=181-748

The Employer-Employee Gap

Examining the Employer-Employee Disconnect

To create effective programs, employers must meet employees where they are in their health journey. But to what extent are employers actually doing this? To compare employer offerings and employee needs, we cross referenced the vendor maturity spectrum with the ranked order of employee health goals (see right).

Employers continue to offer mature solutions even though they clearly do not meet any employee top health goals. This is obviously a sub-optimal situation, and highlights significant misalignment. In the consumer world, and now in digital health, employees expect their technology to be personalized and tailored. It is difficult to imagine that employers can continue to exclusively offer solutions that do not meet their employees' top needs, wants, or expectations.

Digital health investment misaligned with employee health goals

Employer Priorities

High priority

Mature
- Biometrics screening
- Diabetes management
- Diabetes prevention
- Disease management
- EAP
- Health risk assessment
- Smoking cessation
- Telemedicine

Emerging
- Cardiovascular health
- Cost transparency
- Financial wellness
- Health coaching
- Mental health coaching tools
- Nutrition management/coaching
- Pregnancy program
- Weight loss

Untapped
- Activity tracking devices
- Children's health and obesity
- Gym access
- Health concierge
- Second opinion
- Sleep improvement program
- Stress and resilience

Low priority

Employee Priorities

Most common top health goals
- Lose weight
- Save for retirement/reduce debt
- Sleep better
- Reduce stress
- Improve nutrition
- Walk more/track my steps
- Go to the gym more
- Improve mental health (e.g., anxiety, depression)

Moderately common health goals
- Control my blood pressure
- Understand my biometric risk factors
- Understand my overall health risk
- Manage a chronic condition
- Compare costs for healthcare services
- Quit smoking
- Manage diabetes
- Prevent onset of diabetes

Rare top health goals
- Access healthcare remotely via my phone
- Get a second opinion on a healthcare decision
- Plan a healthy pregnancy
- Get access to a personal health advocate/concierge
- Get support from a private counselor
- Find a health coach
- Help my child lose weight

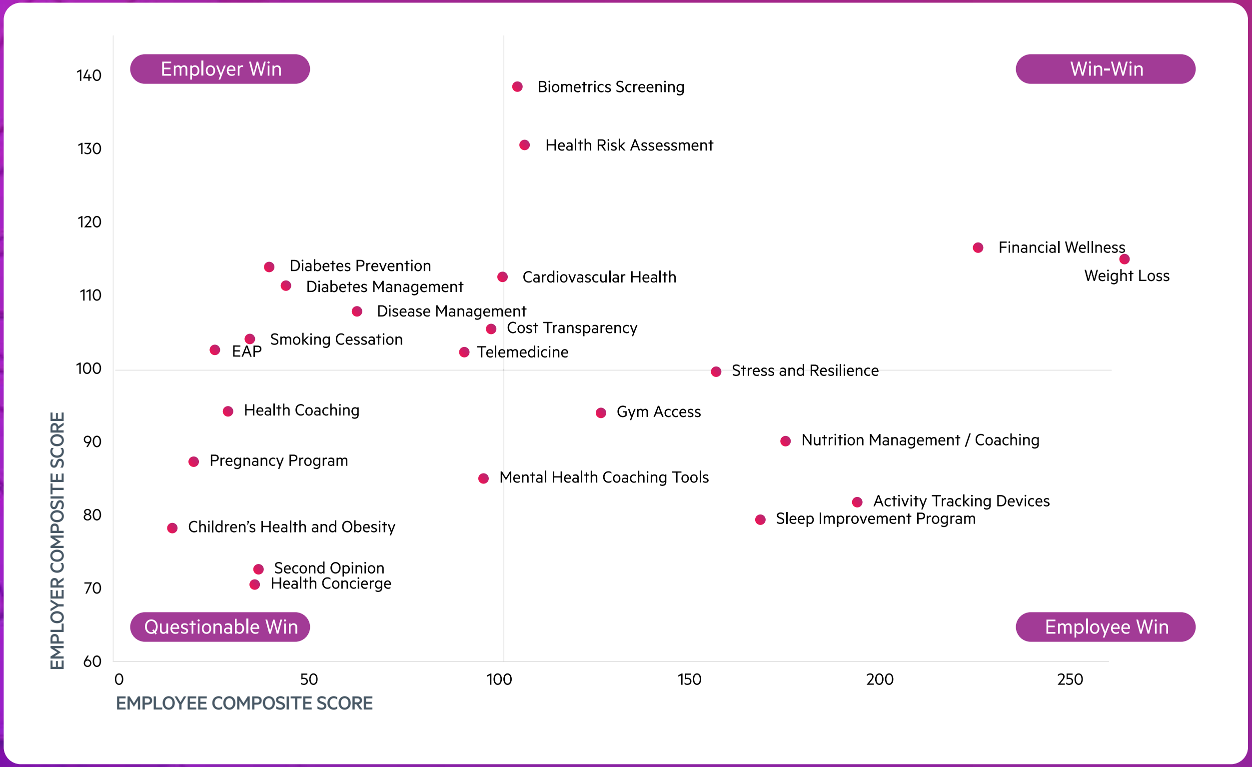
Bringing it all together with an aggregate score

To fully capture employee and employer perspectives, a composite score combining multiple data points was created. For employees, we defined the composite score based on two metrics: the percentage of employees currently using technology for each health goal and the percentage of employees who identified the solution as a top health goal. Both are compared against the averages for each category. For employers, we defined the composite score based on three metrics: the percentage of employers identifying a strong or very strong business case for each solution, percentage of employers identifing a high or very high health and wellness impact for each solution, percentage of employers identifying a high or very high impact on employee satisfaction for each solution.

High scores indicate effective, impactful, digital health solutions. The average for both employee and employer is 100.

Widely implemented solutions would ideally reveal high composite scores. However, on average, widely implemented solutions have low composite scores: EAP (26, 102), smoking cessation (36, 103). In contrast, weight loss (264, 115) and financial wellness (226, 116), stand out with high composite scores. These solutions have the potential to make significant impact on an employee population and are clearly a “Win-Win”, but are not currently widely implemented. Solutions in the “Questionable Win” quadrant are not to be discounted; many of these solutions are necessary and continue to make an impact on a smaller subset of employees.

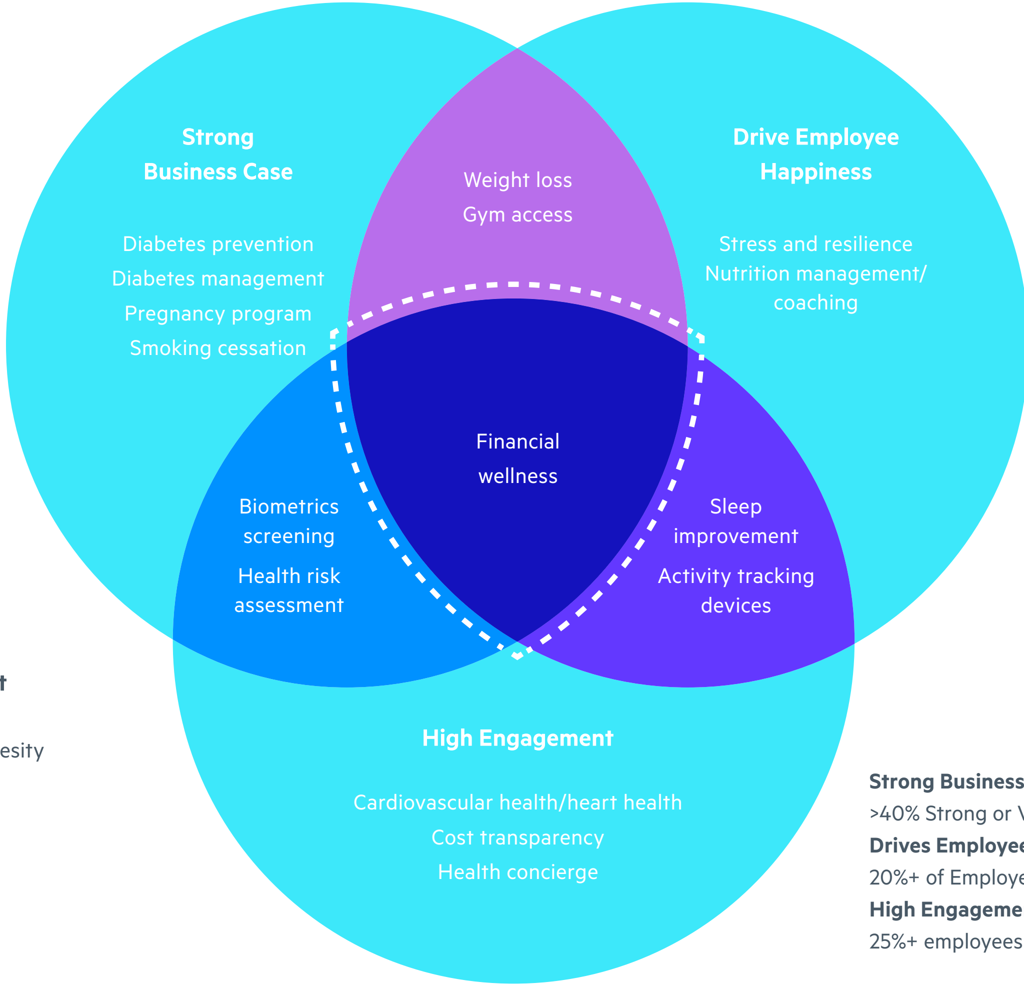
Mapping the Divide



Finding the sweet spot

We believe that whenever possible, employers should prioritize solutions that have a strong business case, drive employee happiness, and sustain high engagement. We analyzed our survey data to uncover which solutions achieve one, two, or all three of these objectives. Keep in mind, this is an aggregated view across the entire survey sample. Each employer will have its own "sweet spot" based on its unique population and business priorities.

But for the average employer, these findings should provide valuable guidance. For example, the opportunity offered by financial wellness appears strong across the board for all three objectives. Similarly, categories like weight loss, sleep improvement, and biometric screening have the opportunity to fulfill at least two out of three objectives. And finally, it's worth noting that solutions that failed to meet any objective should not necessarily be written off. We believe mental health, pregnancy, and disease management programs for instance, can still deliver significant value, albeit to smaller or niche subsets of the population.



Solutions that did not meet thresholds

Children's health and obesity
Disease management
EAP
Mental health
Health coaching
Pregnancy program
Second Opinion

Strong Business Case:
>40% Strong or Very Strong Business Case
Drives Employee Happiness :
20%+ of Employees reported as top health goal
High Engagement:
25%+ employees actively participating

Key takeaways for employers interested in investing effectively in digital health

It is still just the beginning for digital health in the workplace. Employers must offer consumer-grade, technology-driven, comprehensive benefits to employees and their dependents to remain competitive. Identifying the right solutions for an organization should not be so complicated. Currently, this process is burdensome and often takes an incredible amount of time and resources.

There is a way to make this easier. To successfully procure, launch and sustain digital health in the workplace, an employer should consider: using data to align investment with employer objectives, meeting employees where they are in their health journeys, and leveraging platform technology.

1

Use data to align investment with employer objectives

When determining where to prioritize their future investments, employers need to look both internally, to their population needs, as well as externally, to what solutions are available on the market. We believe employers can pursue this process in a data-driven manner, for example by applying some of the findings from this very research.

2

Meet employees where they are

Employees care a great deal about their wellbeing and are open to receiving employer support. They are even willing to financially contribute to the cost. Employers that recognize this can prioritize their digital health investments based on employee preferences. We believe this will lead to happier, healthier employees, and more cost-effective investments.

3

Leverage platform technology

A health navigation platform allows employers to fully harness the power of digital health. This technology simplifies vendor procurement, stitches together a variety of programs together into one seamless experience, and drives engagement through intelligent personalization.

About Castlight

Castlight is on a mission to make it as easy as humanly possible to navigate healthcare and live happier, healthier, more productive lives. Our health navigation platform connects with hundreds of health vendors, benefits resources, and plan designs, giving rise to the world's first comprehensive app for all health needs. We guide individuals—based on their unique profile—to the best resources available to them, whether they are healthy, chronically ill, or actively seeking medical care. In doing so, we help companies regain control over rising healthcare costs and get more value from their benefits investments. Castlight revolutionized the healthcare sector with the introduction of data-driven price transparency tools in 2008 and the first consumer-grade wellbeing platform in 2012. Today, Castlight serves as the health navigation platform for millions of people and is a trusted partner to many of the largest employers in the world.

To learn how Castlight can support your digital health journey, please contact:

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