

TOP COST CONTAINMENT STRATEGIES FOR MANAGING HEALTH CARE COSTS

Scope: This article reviews top cost containment strategies that employers can use to manage the cost of health care benefits they offer their employees. Included are examples of such strategies used by best in class companies who can offer robust benefit packages while complying with government regulations and compliance requirements.

Overview: The largest check most business owners sign each month, right behind payroll, is for employee benefits – specifically for health care. According to the [Bureau for Labor Statistics \(BLS\)](#), private industry employer costs for insurance benefits averaged \$2.59 per hour worked or 8% of total compensation. With no end in sight to rising costs, employers are struggling to attract top talent by offering robust benefit plans without destroying their bottom line profits. With the fate of the Affordable Care Act in flux, the balancing act between insurance carrier, broker, and end user is fragile to say the least, as no one knows what the future really holds. Single payer system, revert to pre-ACA, or a hybrid thereof? Only time will tell. In the interim, business owners need to deal with the present situation and make budget decisions based on the now.

CONTROLLING COSTS

How are best in class companies managing their health care costs? Creative cost containment strategies/programs and fostering an open communication culture with their management and employees. The process isn't a quick fix, nor is it meant to be – instead it's a long-term strategy that is meant to weather any fluctuations in the market place. The key factor is getting the entire company on board with the overall vision and implementation.

TOP TRENDS INCLUDE:

1. Telemedicine

Virtual doctor visits or Telemedicine is a trending health care option. In fact, according to the [Society for Human Resource Management \(SHRM\)](#), Telemedicine was offered by nearly one quarter of employers in 2016 and that percentage is anticipated to rise. Why? Cost and convenience. Telemedicine is far less expensive than a traditional doctor visit – low overhead. It also allows patients to access health care after hours or for individuals who struggle to get to a physical location. Telemedicine can be any type of communication between doctor and patient that isn't in person, the most popular being video conferencing.

Success, as with any new process, is depending on getting buy-in from employees as to the benefits of Telemedicine. It's no surprise that working parents and employees with heavy travel schedules seem to have the highest rate of engagement although patients with chronic illnesses such as diabetes find the use of on demand telemedicine extremely beneficial.

Health care providers have realized that a positive patient experience is directly related to patient engagement resulting in better outcomes for the patient. If done correctly, Telemedicine, in conjunction with traditional care, can greatly elevate patient engagement. On the flip side, if done incorrectly a patient can feel isolated and become less engaged.

2. Self-Funded Insurance Plans

With a self-funded insurance plan, a business takes the funds it would otherwise pay to an insurance carrier and establishes a fund at a bank to pay for claims. A Third-Party Administrator or TPA is hired to receive and manage the claims and a broker or benefits consultant is brought in to develop the customized medical plan for group.

COST CONTAINMENT STRATEGIES:

- Telemedicine
- Self-funded Insurance Plans
- High Deductible Health Plans
- Health Risk Assessments - Wellness Programs
- Audits

From the outside, employees find the process seamless. A claim is presented to the TPA, the company authorizes a draw from the bank account and the TPA then pays the claim to the employee. The TPA works with the Broker to have preferred networks, wellness programs and other traditional elements in place. Typically, the TPA handles the issuance of ID cards and any other paperwork required.

Self-funded plans are governed by ERISA – The Employee Retirement Income Security Act and offer broad flexibility and cost savings to well-run companies. Businesses that opt for a self-funded plan do take on the risk and could be faced with significant large claims but can mitigate risk via a Stop-loss insurance policy. A stop-loss policy is a form of excess insurance that provides protection for the self-insured employer against catastrophic or high claims.

There are two forms of Stop-Loss Coverage: Specific Stop-Loss, or Individual Stop-Loss, that covers a high claim on any one individual.

Aggregate Stop-Loss, provides a ceiling on the dollar amount of eligible expenses that an employer would pay in total during the contract period. The policy will reimburse the employer for the aggregate of claims per the policy terms.

The best candidates for self-funded programs are ones who foster a wellness culture and have great open communication with their team regarding health and wellness. In the end, these companies often see significant savings on their P&L.

3. High Deductible Health Plans (HDHP) - Consumer Directed Health Plans

Although not new to the health care scene, HDHPs such as HSA and HRA plans continue to be a strong contender for companies looking to reduce expenses. These models do shift cost to the consumer, but the reduced premiums allow employers to assist with some of the up-front burden by funding their HSA/HRA accounts.

An HSA is a tax-exempt account set up to pay or reimburse employees for eligible out of pocket expenses. They must be linked to a high deductible health plan – the amounts are federally regulated and adjusted yearly by the government. HSA's are owned by the employee and unspent funds can be carried over from year to year. Contributions are made with pre-tax dollars.

HRAs are different in that they are employer owned and funded solely by the employer to help offset out of pocket expenses. HRAs don't have to be linked to a HDHP but for obvious reasons – often are. There are no government mandated minimums or maximums. Employers decide if funds can roll over from year to year and there is NO tax benefit for the employee as they are not funding it with their dollars.

Some fear this cost containment strategy has a downside – [employee overall health](#). According to BenefitsPro.com, a survey of more than 2000 US employees by Guardian Life found that a large percentage avoided routine or recommended medical procedures because of costs. Up front deductible plans often have a price tag of \$3000 per individual for in network services – out of network is significantly higher. When employers cannot support that upfront cost with an HRA and the burden falls on an employee who can't afford it – that's when things can go downhill quickly. The downside doesn't stop with employee health, but also employee morale and turnover especially in lower salaried/ hourly businesses or industries.

4. Health Risk Assessments – Wellness Programs

Wellness programs have gained increased popularity as business owners try to have healthier teams, increased morale, and reduced health care costs. To determine the best approach and the type of program to institute, employers can ask employees to complete a Health Risk Assessment. The assessment's data helps identify potential health issues and generally includes questions about medical history, current health status and lifestyle.

Health Risk Assessments don't have a set in stone format, in fact the exact type of assessments varies from company to company.

For some companies, a health professional can offer simple screenings such as:

- Blood pressure
- Cholesterol
- BMI – Body Mass Index
- Blood sugar levels
- Resting heart rate
- Weight and body measurements

While some companies might be more in-depth and offer

- Complete physicals
- Overall blood work
- Smoking related tests

As Health Risk Assessments deal with private health information, there are restrictions. What a company can do with the information is highly regulated by [HIPAA](#) and furthermore the disclosure and use of any genetic information is strictly monitored and controlled by [GINA – Genetic Information Nondiscrimination Act](#).

Assessments CAN be a requirement of an employee to participate in a corporate wellness program, but the incentive to participate must be within the Equal Employment Opportunity Commission - [EEOC](#) limits for wellness programs. It CANNOT be a requirement to participate in a company's health benefits program – regardless of the findings.

In the end, Health Risk Assessments can be a win-win for both employer and employee by identifying the exact health problems of the team and creating a program to support the employees around the findings. Healthier employees mean less lost work days, better morale, and of course lower costs on insurance costs. Success of the program requires transparency on the part of the employer as to the assessments purpose.

5. Audit

Auditing family member eligibility, especially on larger group plans can offer significant savings when ineligible enrollees are identified and removed. When employers provide health care coverage to non-qualified participants they are not only spending unnecessary dollars but they could be violating federal requirements and face possible IRS issues.

[Audits](#) have produced findings of up to 20% ineligibility, with one of the biggest offenders being spouses who are no longer a spouse due to divorce.

CONCLUSION

With so much uncertainty in the health care markets, employers are becoming more vigilant about controlling health care costs and monitoring fraud. The best defense is consistency and open communication between carrier-broker-employer-employee. Employees who are better informed about their health care options and how their health care insurance is structured are often more open to change and adaptation of cost savings measures such as wellness programs, audits and tiered options.

Best in class organizations understand the value of bringing in experts to oversee their cost containments protocols including HR support, insurance brokers, wellness professionals and business coaches.

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