

4 Strategies for Reducing Health Benefits Costs in 2022



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Health care costs continue to rise each year, and 2022 will likely be no exception. In the new year, experts predict a 6.5% increase in medical expenses alone, according to PricewaterhouseCoopers.

With these increases in mind, employers will want to strategize methods to rein in benefits spending. Below, we highlight four methods to consider but it is always recommended you consult with your broker about the best solutions for your company's needs.

1 ALTERNATIVE PLAN MODELING

Instead of a traditional health plan, employers can offer other plan designs that benefit employees without excessive costs, such as the following:

-  **CONSUMER DRIVEN HEALTH PLAN MODELS**
High-deductible health plans with HSA and HRA options to offset reduced benefits under medical and prescription plans
-  **SELF-FUNDING MODELS**
Convert to self-insurance with a carrier or TPA, obtain stop-loss coverage, etc.
-  **REFERENCE-BASED PRICING MODELS**
Self-funded health plans where members can visit any provider and payments are based on established benchmark pricing and negotiated with the providers, if necessary, rather than traditional contracted rates
-  **LEVEL-FUNDING MODELS**
Self-funded health plans where an employer pays a set amount to a carrier each month for claims and administration, and if annual claims are lower than expected, the employer is refunded

Each of these alternatives has advantages and disadvantages. [Talk to us to learn more about these and other plan models.](#)

2

HEALTH CARE LITERACY

If employees better understand their health care options, they can save money and improve their overall well-being. Arming employees with questions, such as “How much will this cost?” and “Can I be treated in an equally effective but less costly way?” can help them take better control over their health choices and make wiser decisions. Further, employees should also be taught basic concepts, such as when to visit an emergency room versus urgent care, the difference between coinsurance and deductibles, and how to price shop for services.

Ultimately, the more educated employees are about health care, the more money they can save themselves and their employer.

3

TELEMEDICINE SOLUTIONS

Telemedicine allows consumers to visit their doctor over the internet. To nobody’s surprise, that made it extremely popular during the height of the COVID-19 pandemic.

And that popularity isn’t likely to go away in 2022. According to McKinsey & Company, only 11% of US consumers utilized telemedicine in 2019 pre-pandemic whereas, as of mid-2021, 46% of consumers were using telemedicine to replace the in-person health visits they had originally planned.

4

PRESCRIPTION DRUG POLICY REVISIONS

Prescription drug costs are increasing at a faster pace than medical costs. Employers can utilize employee education initiatives and some policy revisions to help control costs. For instance, without adequate knowledge and reminders, an employee might opt for name-brand prescriptions each time they need one, while generic alternatives are equally effective and significantly more affordable. This can raise prices for everyone. Also, many people are not aware that consumers may be eligible for significant discounts directly from the manufacturers for specialty medications.

Beyond education, employers can control prescription drug costs by revising their policies. This may include requiring employees to request generic medications first before covering more costly alternatives.

IN SUMMARY

There are many approaches for controlling benefits spending but not all will work for each organization. That's why it's important for employers to closely analyze their health plan data, assess where they spend the most, and consult with a qualified broker.



Consult with us about the best solutions for your company's needs.

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