5 WAYS TO OFFSET THE RAISES YOUR EMPLOYEES EXPECT THIS YEAR

According to a recent Gartner survey, 57% of CFOs say they'll increase funding for compensation, the second-highest spend category in corporate budgets.

In fact, many employers plan to raise salaries by more than 4%. Some are even looking at awarding incentives and one-time bonuses to retain employees.

THE BIG QUESTION – CAN EMPLOYERS AFFORD IT?

The truth is, employers can't afford not to. Particularly in industries where it's been more difficult to keep existing workers and hire new ones, like retail, manufacturing, education, and healthcare. In these sectors, there are now more job openings than qualified candidates, according to the U.S. Chamber of Commerce.

In recent blogs, we've featured insights from our experts about how employers can lower benefits costs within their organizations. Here's a recap of just five ways you may want to consider to capture savings and offset the cost of pay hikes at this time.

1 USE DATA TO TRIM BENEFITS

Not only can you poll employees to learn which benefits are valued most, you can also learn which ones are seldom used... and consider removing them from your offerings. You can also analyze your health plan claims data to see which employee trends may be inflating overall costs. For example, you can spot recurring charges for expensive care when more economical options are available then take action to reverse the trend and pocket the savings.

2 CONSIDER A HIGH-DEDUCTIBLE HEALTH PLAN (HDHP)

If your workforce is young and healthy, high-deductible health plans can provide an option to lower your monthly premiums. The catch is, employees pay more out-of-pocket at the time they need services (until they reach a certain amount or deductible). Higher deductibles mean lower premiums for businesses. For example, in 2021, the average annual premium for an employer-sponsored family coverage plan was $22,221. However, average annual cost for family coverage with an HDHP was almost 10% less at $20,802.

3 OPTIMIZE LOWER COST SITES OF CARE

To help further rein in costs associated with health insurance benefits, make sure employees understand which options can deliver the most appropriate care at the most cost-efficient sites. For example, telehealth, urgent care facilities, imaging centers, infusion clinics and ambulatory surgery centers (instead of in-patient hospitals or ERs) can all help to cut costs.

4 REVIEW CONTRIBUTION MODELS

Given today's war for talent, finding an optimal premium cost-share arrangement is key. Striking the right balance between reining in costs and offering valued health insurance can make a difference for successful talent acquisition and retention. Last year, employers contributed an average of 80% of the premium cost for individual health insurance coverage.

5 LEVERAGE ALTERNATE FUNDING OPTIONS

Although they may be expensive and complicated to set up, alternative funding options can offer some employers a choice over fully insured models of healthcare (i.e., where employers pay health insurers for coverage) and a way to manage healthcare costs over the long term. **These include:**

- **SELF-FUNDING |** allows more control over health insurance budgets, can improve cash flow because premiums aren't prepaid to a separate insurer, and may subject employers to less regulation and taxes than other types of plans.
- **LEVEL-FUNDING |** lets employers pay a fixed amount into its own fund to cover claims, TPA fees, and other expenses, offering the potential for a refund if actual claims, costs, and expenses are lower than estimated. It can also help employers better predict monthly costs and improve cash flow.
- **REFERENCE-BASED PRICING (RBP) |** which lets an employer pay healthcare providers a set price (based on standard CMS charges) for health services instead of negotiating prices with them. Since it caps how much an employer will pay for services and avoids network contracts, which tend to increase every year, RBP offers potential to lower costs. (Typically adopted by self-insured plans.)
- **CAPTIVE |** lets a firm take financial control of costs by acting as their own insurance company, instead of paying premiums to a separate a health insurer. It can lower the risk of escalating renewals every year to provide more stable pricing.

Of course, every employer's situation is different. For guidance about which benefit strategies may help lower costs for your organization, contact a member of our Employee Benefits team today.

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