Employer's Balancing Act: Part 2

Solutions and Strategies to Help Equalize Cost While Offering In-Demand Benefits

In Part One of this Employee Benefits series, we examined the latest factors and trends that are driving up healthcare benefits costs for employers. Now, in Part Two, we take an in-depth look at an innovative yet practical four-step process that can help employers manage increased expenses so they can continue to provide the benefits employees want most.

The series provides curated insights, research, and data collected in our exhaustive **2023 Employee Benefits Mid-Year State of the Market.**

Finding the right balance between containing healthcare benefits costs and providing employees with the benefits they need can seem like a never-ending effort.

Yet, forward-thinking business leaders realize that providing comprehensive and competitive employee benefits is crucial not only to attract and retain top talent, but also to endure current challenges in the market and thrive over the long term.

Here are the common themes and steps for how sophisticated employers put that realization into action:

STEP 1

Discovery

Look at employee data to spot trends.

- How do utilization, procedures, and Rx costs stack up?
- Do you have an age-diverse workforce?
- What diversity, equity & inclusion (DE&I) needs exist?

Look at data to uncover issues in employee populations that may be contributing to higher costs.

Monitor specific numbers for data points like more numerous utilization, procedures, and prescriptions and determine if these services can be expected to continue over the foreseeable future.

> For example, let's say the data shows activity for diagnostic tests only given when someone has cancer. Just having that bit of insight can let you know that expensive treatment may be on the horizon and will likely be incurred by the health plan.

Spot sharp spikes in data, like recurring charges for expensive care options when more cost-effective options are available.

> If, for instance, data shows rising use of the ER versus telemedicine, hospital visits for x-rays versus going to imaging centers, or out-of-network providers versus in-network providers, employers can work toward turning the curve, particularly with communications that can remind employees of the options available and when to access each one.

See trends in workforce demographics that may help position data trends for insurers in a more favorable light at renewal.

> For example, if overall claims increased or decreased year-over-year, consider if downsizing or recruiting efforts resulted in an older or younger average age for the workforce. Or if the organization has plans to add staff, that can increase the employee population and make it a more attractive risk to insurers.

STEP 2

Planning

Identify required, expected, flexible, and extra benefits.

- **Assess workforce data results from surveys and feedback.**
- **Calculate benefits costs vs. ROI.**
- **Leverage benchmarking to inform the contribution model.**
- **Tailor benefits to employee lifestyle needs.**
- **Perform a tech check to integrate with existing systems.**

Examine ways to offer an expanded array of benefits together with the flexibility that employees want.

Consider four different categories of benefits so you and your team can make sure the package you put together not only covers required and expected benefits, but also includes a robust mix of flexible and extra benefits options that today's employees need and desire.

Perform a cost-benefit analysis. Assess the cost implications of each benefits option against the potential return on investment. While some benefits might be more expensive initially, they could yield long-term returns by reducing turnover, increasing productivity, or boosting employee morale.

Analyze workforce data to gain insights. Conducting surveys and seeking feedback from employees, for example, can gauge their priorities and help you understand which benefits they value the most. (More about this in Step 4: Evaluation.) Employers can also research industry standards and regional norms to remain competitive. Benchmarking against similar companies in your sector and location can help identify which benefits are commonly expected and appreciated by prospective employees. Also, look at participation rates for benefits you offer to determine which have high or low uptake.

Determine the right contribution model or dollar amount to cover along with the premium amount for which employees will be responsible. If an employer covers 80% of the cost of a health plan, for example, an employee would be responsible for the remaining 20%.

Leverage benchmarking to help inform which contribution model might be right for the organization. Knowing how similar-size companies in the same industry and location are sharing the cost for health insurance premiums with employees may provide a valuable baseline for thinking about the type of model to consider and help to pave the way for developing an effective long-term strategy.

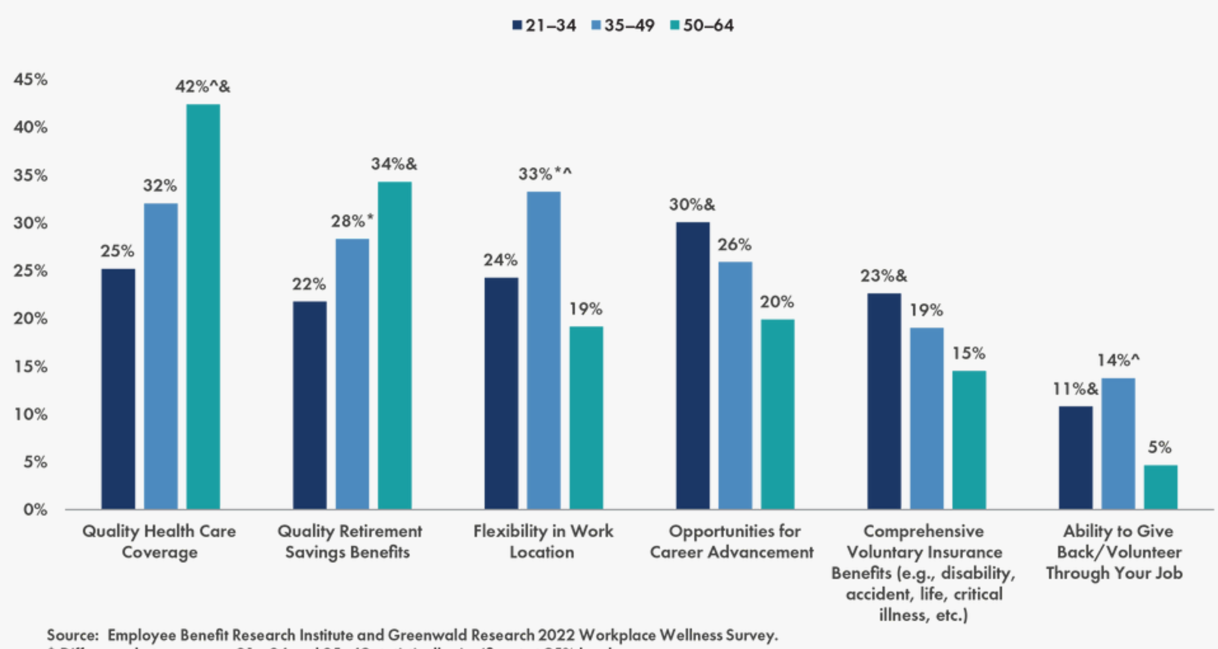
> Last year, employers picked up 80% of the cost for individual health plan coverage and 67% of family coverage.[1]

Make decisions based on resources. It may sound obvious, but it's important to consider internal factors, like HR bandwidth and available cash flow. This helps ensure that a chosen plan or funding arrangement matches the available resources required to implement and manage the benefits plan so it's sustainable over the long term.

Consider how to tailor benefits to be more inclusive, particularly in response to current trends in the workplace, including:

- **The most age diverse workforce ever.** With five generations counted in the U.S. workforce today, it's important to realize that each one has lived different experiences, which are shaping their lifestyles, beliefs, and preferences for benefits. For instance, older employees may be focused on those that can help them build assets for and generate income when they reach retirement, while younger workers may seek flexible work arrangements to manage personal responsibilities and career advancement to nurture professional goals.

Benefits Workers Value Most Beyond Income and Compensation



Source: Employee Benefit Research Institute and Greenwald Research 2022 Workplace Wellness Survey.
* Difference between ages 21 –34 and 35–49 statistically significant at 95% level.
^ Difference between ages 35 –49 and 50–64 statistically significant at 95% level.
& Difference between ages 21 –34 and 50–64 statistically significant at 95% level.

- **Greater strides in diversity, equity, and inclusion (DE&I).** Over the past few years, employers have taken meaningful action to adopt policies and practices that create safe, inclusive work environments to embrace people of different races, religions, ethnicities, genders, abilities, and backgrounds.

VOLUNTARY BENEFITS CAN HELP MAKE OFFERINGS MORE INCLUSIVE

Voluntary benefits can help employers cover gaps in group health insurance and supplement traditional offerings at a discount. However, they can be paid for (either in part or in full) by employees, typically through payroll deduction. Even better, employers can choose providers that offer the extras that today's diverse workforces often want, like:

- **Life Insurance**
- **Pet Insurance**
- **Vision and Dental Coverage**

As a result, there's now a growing need to offer different lifestyle benefits across employee populations. So, even as more budget spend is allocated to provide health insurance to employees, employers must also reevaluate other offerings and rethink how to deliver an ever-expanding range of lifestyle benefits employees want to keep them engaged.

> Employees who are satisfied with their firm's DE&I policies are 1.6x more likely to still be with that organization 12 months later.[2]

Invest in behavioral incentives.

Issuing credits toward a lower premium or giving gift cards are just two examples of incentives that can be used to motivate employees to engage in healthier habits, such as regular exercise, nutrition, quitting smoking, taking a health assessment, or even choosing a primary care physician. And as they get healthier, employees may avoid conditions that can be expensive to treat, as well as lead to tangible and positive results for employers, like reduced absenteeism, increased productivity, and improved overall morale – all of which can positively impact overall healthcare costs.

> When an incentive program works, the relatively low cost of the provided incentive can pay dividends in lower healthcare costs.[3]

Leverage technology.

Look at your benefits administration platform, for instance, and other tech tools to make sure they can:

- **Handle a wide range of benefits,** streamline activities, support more choice, and enhance efficiency for managing employer-sponsored, as well as voluntary benefits, from insurance and financial wellness offerings to work/life balance perks and childcare services.
- **Provide mobile access** since remote work arrangements have become a norm for many workforces. Mobile access can be one way to strengthen ties and engagement with employees who no longer work together in a single office. So confirm that employees can use a platform or tool from just about anywhere to help them get information about their benefits, make changes, track activity, get answers to questions, etc.
- **Integrate with existing systems**. To maximize investments made in other systems used throughout the enterprise, including payroll, employers should ensure their benefits platform can:
  - Interface with automation tools employees use to facilitate workflows.
  - Coordinate with insurance companies and other benefits providers.
  - Handle electronic data transfers for any number of employees.
  - Address other HR functions, like recruitment, compensation, and performance, track time/attendance, and comply with ACA, HIPAA, ERISA, and other employment regulations.
  - Provide services to employees, like company policy updates, onboarding, training and development, and separation/retirement, just to name a few.

TECH CHECK

Cure8 Mobile Health

New platforms that leverage the power of innovative technology are currently disrupting traditional delivery and utilization of health services. Cure8, from Baldwin Risk Partners, is one example. From the convenience of a smartphone or desktop, Cure8 can help employees get the most out of the benefits their employer offers at any stage of their healthcare journey.

A set of curated digital-first health management solutions, financial tools, and partner integrations, Cure8 provides a continuously innovating subscription designed to refine member experience, halt failing models, return patients to better health, and reduce overall healthcare spend. It allows access to health plans, virtual primary care appointments, referrals, health rewards, and wellness challenges, as well as integrates mobile health applications and prescription services. For more information, contact your BRP advisor.

STEP 3

Implementation

Achieve greater cost containment using different plan options.

- Examine the types of employee-driven health plans, like High Deductible Health Plans (HDHPs).
- Weigh the benefits of using a self-funded health plan.
- Improve healthcare cost transparency with a bundled payment approach.
- Offer greater flexibility in coverage with level-funded plans.
- Gain enhanced cash flow by participating in a captive insurance vehicle.
- Emphasize healthcare literacy and empower employees.
- Leverage virtual care to decrease expenses and improve access.
- Manage prescription drug costs.
- Encourage healthy habits using wellness programs.

Adopt different strategies that can help contain costs and manage expectations when care is needed.

Weigh the benefits of alternate plan models as a possible long-term solution:

- **Consumer-driven health plans** – include high-deductible health plans with Health Savings Account (HSA) and Health Reimbursement Arrangement (HRA) options to offset reduced benefits and higher expenses under medical and prescription plans and effectively transfer more of the accountability for higher healthcare expenses to employees.
- **Self-funding options** – allow employers to pay employee healthcare claims from their own funds instead of buying insurance from a health insurer (and paying a premium upfront). Employer and employee contributions are usually set aside to pay the claims, and a third-party administrator (TPA) provides claims administrative services. Typically, self-funded models:
  - Allow more control over health insurance costs and budgets.
  - Improve cash flow because premiums aren't prepaid to a separate insurer.
  - Provide access to claims data, which can be monitored for more informed risk management.
  - Can limit liability with stop-loss coverage that can pay claims above a certain amount.

- **Bundled payment pricing** – is a self-funded health plan allowing members to visit any provider, and payments are based on established benchmark pricing and negotiated with the providers, if necessary, rather than traditional contracted rates. By avoiding insurance and network contracts, employers can lower their overall healthcare expenses, usually by up to 30%. Other benefits include:
  - Improved transparency into healthcare pricing because it gives plan sponsors more visibility into how much is being billed.
  - Greater employee ownership over healthcare decisions because they can choose their healthcare providers by cost and quality due to the fact there are no networks.

- **Level-funded plans** – are risk bearing health plans where an employer pays a set amount to a carrier each month for claims and administration. If annual claims are lower than expected, the employer is refunded. Among the benefits:
  - Provides ability to better predict monthly costs and improve cash flow.
  - Offers flexibility to tailor coverage to workforce and provide access to optimal health networks.
  - Can offer less financial risk than self-funded plans

- **Captives** – a form of self-insurance that lets employers take financial control of insurance costs by acting as their own insurance company, instead of paying premiums to a separate health insurer. Key cost-lowering benefits include, but are not limited to:
  - Lower chances for escalating renewals every year and more stable pricing.
  - Tailored coverage based on organization's needs and claims experience.
  - Opportunity to cover a variety of product lines beyond employee benefits, including general liability, property, professional liability, workers' compensation, etc.
  - Ability to exert greater control over claims by instituting more risk management.
  - Greater potential for enhanced cash flow because premiums are paid and retained within the arrangement, not paid out to a separate insurer.

Emphasize healthcare literacy. Help employees better understand their healthcare options so they can take more control over their health, make wiser decisions, save money, and improve their overall well-being. No matter what type of health plan employees choose, employers can emphasize important cost management techniques by reviewing practical concepts like:

- When to visit an emergency room versus urgent care
- The difference between coinsurance and deductibles
- How to price shop for services

Ultimately, the more educated employees are about healthcare, the more money they can save on their own healthcare bills and, in turn, employers can save costs.

Leverage virtual healthcare. By leveraging telemedicine, employers can decrease healthcare utilization while ensuring employees receive timely medical attention for non-emergency conditions. Employees also gain the convenience of receiving care from the comfort of home or work virtually on-demand while employers gain more control to manage the costs of health visits. Virtual healthcare also provides a greater potential of decreasing absenteeism, and increasing access to data. That's why a recent report projects telemedicine to grow at a compound annual growth rate (CAGR) of 24.13% until 2032.[4]

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Manage prescriptions. Because prescription drug costs are increasing at a faster pace than medical costs, progressive employers can control costs by adopting some or all of the following:

- **Separating or unbundling pharmacy benefits,** particularly with self-insured health plans, may often eliminate unnecessary fees and make it easier for employees to get their medications. Although it is sometimes overlooked, this strategy can help self-funded employers gain wider optics into prescription drug utilization.
- **Demanding coverage for biosimilars**, which can be less expensive than their biologic brand name counterparts and effective for curbing the burden of rising drug costs.
- **Excluding expensive, nonessential, or "lifestyle" medications from drug formularies.** Express Scripts, for example, reports savings from exclusions saved clients about $14.5 billion in recent years.[5]
- **Communicating with employees about prescriptions** to educate them about the cost savings associated with opting for generic alternatives instead of brand name prescriptions to help lower prices for everyone or informing them that they may be eligible for significant discounts directly from the manufacturers for specialty medications.

Take advantage of wellness programs. Chronic conditions, such as heart disease, diabetes, and musculoskeletal pain, are the biggest contributors to employer healthcare spending. Fortunately, wellness programs can encourage and reinforce healthy habits that can enhance overall well-being, reduce instances of chronic illnesses, alleviate stress, lower absenteeism, and increase engagement and job satisfaction, all of which can lead to lower healthcare costs and a happier, more productive workforce.

Empower employees. The last thing any employer wants is for a carefully designed package of benefits to go unused. So, it's important to empower employees to take full advantage of the benefits available to them by encouraging them to:

- **Talk to coworkers and HR teams** about how to use benefits and experiences with accessing them.
- **Be proactive about preventive care services,** which can help foster good overall health and keep healthcare expenses low.
- **Maximize the power of Flexible Spending Accounts (FSAs) and HSAs,** important financial tools that can help employees cover out-of-pocket healthcare bills funded with pretax dollars and employer matches, if available.
- **Promote PTO** to encourage employees to take time off from work to rest, refresh, and recharge to avoid burnout and alleviate stress.

STEP 4

Evaluation

Get feedback from employees to stay the course or course correct.

- Send anonymous surveys after open enrollment.
- Examine relevant, quantitative data to track progress towards achieving your established goals.
- Evaluate mental health offerings to reinforce low turnover and increased employee wellbeing.
- Communicate, communicate, communicate to your workforce.

Assess benefits to see what's working, what's not, and how to make adjustments to improve results and move forward.

Get feedback from employees. Suggested guidelines include:

- **Choose the right survey tool** to gather feedback from employees. Tools that offer a variety of survey templates, as well as easy export and analysis, are best.
- **Time surveys and ask for feedback after open enrollment** when benefits are top of mind, the pressure to sign up for benefits has passed, and employees are more apt to share.
- **Give employees a heads-up** that the survey will be coming. Emphasizing the importance and purpose of the survey is key with a specially crafted message, such as: "We want to improve the benefits available to you and make enrolling easier in the future. So please complete our short survey when you receive it."
- **Make the survey anonymous** to ensure getting honest responses.
- **Limit survey to a few short questions** to keep employees focused and get as much information as possible.

Examine relevant, quantitative data to track progress towards achieving your established goals and metrics. Examples include:

- **Analyze employee health utilization data** to identify patterns and trends in utilization rates for different types of health services, such as primary care, specialist visits, or emergency services. This analysis can help employers design benefit packages that meet the specific health needs of their employees, resulting in lower healthcare costs.
- **Review absenteeism and turnover rates** to see if there is a correlation between benefits usage and these measures. For example, if there is higher absenteeism or turnover among employees who are not participating in certain benefits programs, the employer may want to evaluate offering more support or incentives to encourage greater participation.
- **Analyze demographic data,** such as age, gender, or job level to see if certain employee groups are underutilizing certain benefits programs. For example, if younger employees are not participating in retirement plans, employers may want to develop educational opportunities to increase participation and help younger employees save for their futures.

Evaluate mental health offerings. In a recent Paychex survey, business leaders said the growing trend of mental health issues is having negative effects on their operations, including:

- Lower revenues and profits
- Loss of customers and employees
- Lower productivity
- Damage to their brand

To make sure mental health offerings and employee assistance programs (EAP) are indeed providing access to the services and support employees may need, smart employers can evaluate them for the following:

- Free counseling sessions for both employees and their families
- Unlimited phone or virtual access to telehealth services, like mental health screenings
- Education and training sessions provided both in-person and online
- Counselors and specialists to treat substance use disorder - with referrals to rehab centers
- Personal financial coaches
- Educational workshops or webinars about prevalent mental health issues, like stress management, parenting, managing difficult relationships, budgeting, and crisis support.
- Virtual access to meditation exercises or mobile apps that can help employees relax and manage stress throughout the workday
- Medication prescribing and monitoring
- Suicide risk assessment and treatment - support for long-term recovery
- 24/7 crisis counseling
- Communications beyond open enrollment that can encourage engagement, facilitate access, and stop the stigma of seeking help

Partner with a benefits expert who not only has the knowledge and experience to evaluate the status of your benefits package but can also meet on a regular basis to provide insights, guidance, and actionable steps about how to best structure and deliver health-related benefits to employees – and help you find increased effectiveness and cost savings.

By following a disciplined process of discovery, planning, implementation, and evaluation, you can demonstrate a commitment to your employees' well-being and still offer cost-effective healthcare benefits.

Next in our series

In the next part of our Employee Benefits series, we'll delve into the important role experienced benefits advisors play in this process. The upcoming article will cover how they can be a strong advocate in helping employers contain the rising cost of providing healthcare benefits to employees.

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