BLOG

Controlling benefits costs in 2020 and beyond

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On June 24th of this year, PwC's Health Research Institute released its Medical Cost Trend: Behind the numbers 2021 report. While typically producing a single projection based on current trends, for the first time in the 13 years the report presented three unique possible scenarios. Why? The closing of hospital systems to all but COVID patients introduced huge uncertainties into cost trend projections as employee population claims experiences became skewed by both COVID cases and delayed treatments for non-COVID issues.

More than ever, employers need to be aware of the ways they can control costs to be better prepared for an uncertain future.

Think of your medical plan cost as a balloon that continually inflates year-over-year. As the balloon grows its cost applies pressure. On one side is the cost to you, the employer, on the other are employee costs(payroll contributions, deductibles, co-pays). Simply pushing your side of the balloon more vigorously onto your employees lowers your cost burden. Examples of this are increasing deductibles, raising co-payments and contribution amounts; all of which tend to happen in retroactive response to increasing costs. But it doesn't address the cost inflation problem. It simply pushes it from one side to another. At a certain point, pushing cost onto employees isn't viable. At some point the balloon has to shrink. How? Here are some ideas that will get you started.

How will COVID affect your organization?

Larger employers can get ahead of unexpected cost increases by first understanding areas of specific potential COVID19 impact. Start with your demographics. If they mirror those tending to suffer more severe COVID-19 symptoms, those claims could hammer your bottom line. With elective health care almost entirely halted, most plans have thus far seen greatly reduced claim cost. As local health systems work through the backlog of elective services your claims, and the local insurance market as a whole, will be affected. Looking ahead, the possibility of a "second wave" of COVID-19 infections, emerging therapies, and eventually, the cost and availability of a vaccine will all affect your claims costs.

As the economy recovers, any unexpected increase in cost could be detrimental to your business recovery efforts. Partnering with a broker with robust actuarial capabilities can more accurately map your road ahead in the coming 12-24 months; setting the stage for proper planning and expectations.

Identify available cost containment levers

The number of cost containment levers available to you will depend largely on your size and whether you are fully-insured or partially self-insured. Simply put, claims are a product of unit cost and the number of units received. Accordingly, most levers available to businesses impact the number of units (utilization) or the unit cost (cost per service).

Transparency tools

An employee needing health care services, in most markets, has multiple providers to choose from. In some instances there can be a 200% cost differential for the same procedure, whether it's done in a hospital setting, at a stand-alone facility, or in an office setting. Empower employees to reduce their costs, and those of the business, by giving them a tool to research and utilize a lower cost facility. These tools can be provided via web or smartphone app, or through a call center that, in some cases, can facilitate the setting and reminding of appointments so employees don't have to manage that themselves.

Detailed Prescription Analysis

The employee benefits pharmacy "game" is complex, not easily defined or understood. Working with a third party software platform that can analyze your specific prescription claim data and provide a detailed summary of the pharmacy benefit manager most appropriate for you to maximize your rebate potential, lower your average wholesale and retail price, and provide the strongest medical management. Your third-party administrator (TPA) is often unable to coordinate a search like an independent specialist can and it's worth seeking such an advisor.

Smaller Networks

Most employees prefer to stay close to home when receiving their care, as long as those close-to-home providers are of suitable quality. Lower-cost networks that restrict locations employees can receive care while still offering high-quality care take many forms and names - ACO, Limited Network, Centers of Excellence, Restricted Network. Effective for all sized employers and accessible to both large business and fully insured small businesses, its an approach worth exploring as an option.

Referenced Based Pricing

Compared to Medicare, private insurance can pay as much as 7-10 times more for the same service. A reference based pricing model uses Medicare reimbursement rates to set prices, typically above what Medicare pays but well under where private insurance usually pays, saving the employer greatly. Beware, however, balance billing by providers can leave employees fighting surprise costs. Work only with a referenced based pricing provider with multiple years of experience, and a specific, standard strategy, and a track record of success in supporting employees stuck in balance billing situations.

Improved Disease and Condition Management

Study after study shows preventive medicine can help keep total cost down in the long term, and that failure to take routine medication can sharply increase costs. Diabetes is a classic example. A strong diabetes management program can provide clear dividends to employers looking to contain costs. For self-insured businesses, there are specialized vendors that partnering to monitor, encourage, and incentivize employees to stick with preventive measures based on their diagnosis. This doesn't work only for self-insured groups. For fully-insured, but credible cases, where current claims affect future premium, incorporate available tools provided by your insurance carrier as a data point in your decision making process.

The impacts of COVID19 on your business are broad. Revenue is a front-and-center concern, but the affect on your medical claims can also be substantial. Work through your benefits advisor and focus on the outlined areas to assess your current position, analyze expected COVID effects, and determine the levers you can pull to deflate the balloon. We are, of course, available if you aren't having these type of conversations with your current advisor.

Want to learn more?

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