Controlling Health Care Costs

How to take charge of your health plan to improve your bottom line

The cost of health care for employers is rising at an average annual rate of 12 percent, and for many businesses, health care is the No. 2 or No. 3 budgetary issue stressing their bottom line.

But there are steps employers can take to keep those costs in check, with annual increases of 4 percent or less, says Mark Haegele, director, sales and account management, at HealthLink.

“The average annual trend in overall costs, which includes administrative fees, fixed costs, plan costs and pharmacy costs, is about 12 percent,” says Haegele. “That clearly has an impact on a business’s bottom line, as anything more than 3 percent has a detrimental impact on a company’s ability to offer products and services. But there are a number of things an employer can do to get those costs in line.”

Why should employers be concerned about rising health care costs?

Unsustainable increases in health care cost, over time, will impede an employer’s ability to continue to offer services in its local market having a profound impact on communities and the country as a whole.

How can employers lessen the burden of health care costs?

Typically, employers can implement several initiatives around wellness, health improvement and risk management. And there are a number of pilot programs that are trying to redefine how to finance health care on behalf of employers.

You have to look at plan design, wellness strategies and a company’s financial structure in order to beat the street and do better than typical cost increases. Employers can structure programs specifically for their employees’ needs and design a plan that fits that particular group of employees better than a standard plan would and that also addresses aberrant cost increases.

There are a number of flaws in the system that need to be addressed and a number of challenges. There are underutilized cost containment strategies related to health care, and if an employer is just paying for a base plan, it is not incorporating these specific strategies.

What areas offer potential cost savings for employers?

Areas such as specialty pharmacy should be addressed. This is an area where there are 650 biometric drugs in the pipeline, and specialty drugs represent 20 percent of that pipeline, and although just 2 percent of the population, represent 18 percent of the prescription drug cost. That is certainly an area that can be managed.

Cancer drugs are another category that is not traditionally aggressively managed. There are programs available that employers can use to get the lowest cost out of their providers via aggressive case management. These programs work with members to get home health treatment with cancer drugs and look at different ways to procure those drugs outside of the traditional system that is so expensive.

The typical path with injectable drugs is that a patient goes to the doctor, who sends the member to the hospital and gets that person on a program, charging up to 800 percent above Medicare costs. If, instead, the patient goes through a specialty pharmacy and uses a home health nurse to inject those drugs at home, that can cut costs by up to 70 percent.

Too many employers simply pay the premium and don't think about these things, when doing so could have a significant impact on their business and their bottom line.

How can employers get started on cost savings?

Employers should sit down with their health care consultant to structure a plan that meets the specific needs of their members. They need to take a hard look at the demographics of their employees, what industry they are in, and the age and sex distribution of their population. They need to look at their 'historical tracks in the snow,' where people have sought care and the prevalence of chronic illnesses.

Employers can then decide where to place their benefit dollars. For example, an employer may want 100 percent coverage for diabetics, for test strips and other supplies, because it has a disproportionate prevalence of diabetes. But it may not need to offer as many benefits around other illnesses because the prevalence rate is very low. It can shift its plan design to accommodate its members' needs.

How can employers encourage employees to be healthier?

At a bare minimum, they can educate employees by sending informational pieces centered around health and wellness, preventive guidelines, key risk factors for illnesses and actions associated with a healthy lifestyle.

On the extreme end, they can design their plan with incentives that encourage people to perform wellness activities to be eligible for an enhanced benefit plan. For example, if members get a biometric screening once a year, they will qualify for the gold plan. If not, they will default to the basic plan.

An employer can also require other wellness activities to qualify for the gold plan, such as cholesterol checks, health risk appraisals or membership in a gym. The message is that if employees want enhanced benefits, they have to take an active role in being healthy.

To encourage employees further, employers can offer other incentives. For example, if employers encourage health risk appraisals, 3 to 5 percent of employees will participate. But if the employer offers something as small as a $10 gift card, that rate increases to 40 percent.

To achieve optimal results and truly bend the typical cost trend, employers really need to employ a hands-on, active approach and take control over what is happening with the plan. By understanding the risk factors of their population and addressing what is happening with its employee population, the employer can have a drastic impact on its bottom line.