

Healthy Investments

Employers Strategize to Control Health Care Costs

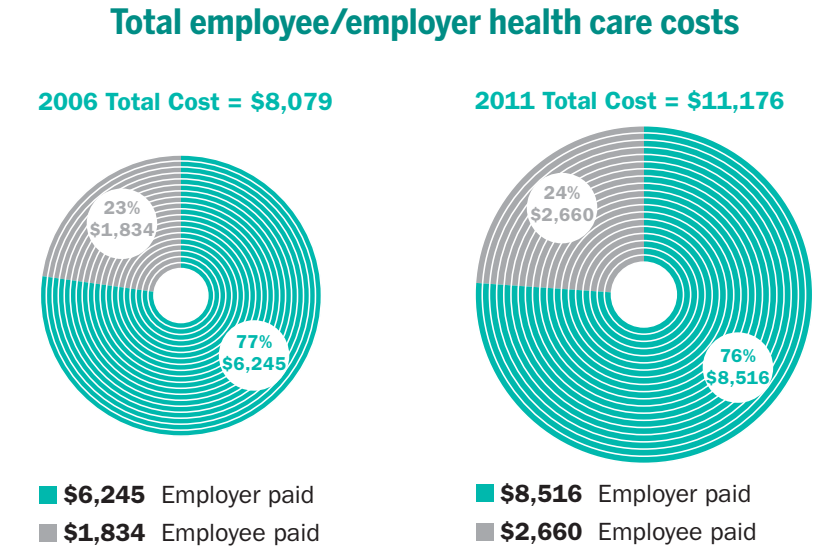
With various lawsuits challenging health care reform now making their way through the court system, Florida companies are uncertain how the health care reform saga will end. Regardless of the outcome, many employers are more concerned about a continuing reality: ever-increasing health care costs.

The 2011 Towers Watson/National Business Group on Health Employer Survey found that total health care costs are expected to reach \$11,176 per active employee in 2011, compared to \$10,387 in 2010 – a 7.6 percent increase. What's more, most employers don't see anything in health care reform to mitigate the trend.

"While not rising at the double-digit rates we saw earlier in the decade, health care cost increases are still trending significantly above the level of inflation," said Bill Sharon, senior benefits consultant at Towers Watson in Tampa, Fla. The global professional services company offers solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.

"Slowing the rate of health care cost increases is a high priority for employers," Sharon says. "The good news is there are a number of very effective health care strategies to slow the rate of cost increases." In fact, companies with the most effective health care programs spend \$2,000 less in health care costs per employee per year, according to the 2011 Towers Watson/NBGH Employer Survey.

Traditional strategies that simply pass the cost increase to employees may decrease companies' ability to attract and retain talent. Towers Watson consultants are finding that employers are increasingly more interested in finding ways to bend the health care cost curve without reducing benefits and without increasing employee contributions. One way employers are accomplishing this goal is by expanding their use of plan design incentives that encourage plan members to become more engaged consumers of health care services. Many employers are looking to account-based health plans (ABHPs). Today, 53 percent of companies have an ABHP in place, and another 13



percent of respondents plan to offer one in 2012 – a 27 percent increase, according to the same survey.

"This approach encourages employees to select the appropriate health care service based on cost and quality," Sharon says.

Growing recognition of the connection among lifestyle choices, preventable chronic conditions and high health care costs are resulting in more employer-sponsored wellness programs. Employers are finding that if they can help improve the health of their employees, they can improve their quality of life and reduce health care costs at the same time. Wellness initiatives may include weight management programs, smoking cessation support, online health assessments and biometric screenings (including checks for blood pressure, cholesterol and body mass index).

Not only are more employers offering more comprehensive wellness programs, but they're moving aggressively to encourage participation in these programs through targeted employee communication campaigns and more aggressive use of financial incentives such as employee premium reductions and contributions to health reimbursement accounts and health savings accounts.

"A number of studies over the last 20 years have shown that, if done comprehensively and aggressively, wellness programs can generate high member participation and a return on investment in excess of three to one," Sharon says. "A well-designed wellness program can save the employer direct costs through reduced medical claims, as well as decreased absenteeism and improved productivity."

A third key area involves taking a closer look at health plan discount arrangements with participating physicians, hospitals and pharmaceutical vendors. Network discounts vary from one plan vendor to another, and Towers Watson helps employers identify whether they are getting the best discounts available.

The administrative fees charged by health plans and pharmacy benefit managers (PBMs) offer a fourth area of opportunity for controlling costs. Towers Watson consultants help clients find competitive rates for administrative services for both PBMs and medical plan vendors.

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