

Five ways plan sponsors can manage their health benefit spend

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Managing health benefit spend in today's complex marketplace requires consistency, resourcefulness, and knowledge. Given the rising costs of employer-based health benefits, this already difficult task can start to feel overwhelming.

According to the 2019 Milliman Medical Index (MMI), employer contributions to health plans increased by 5.1% from 2017 to 2018, and those contributions were expected to rise an additional 3.6% in 2019. The MMI predicted that, from 2017 to 2019, employers should expect an 8.9% increase in their portion of employee benefit costs.¹ Outpatient hospital, professional, and pharmacy spending are the most significant sources of the increases. For these reasons, many plan sponsors will likely be looking to save money as they consider their planning for 2021 benefits and costs.

The financial risks associated with offering a health benefit plan can't be entirely eradicated, of course. Yet there are many proactive steps plan sponsors can take to optimize their approaches to health benefits. By taking advantage of available expertise, research-based insights, analytics, and communications, plan sponsors of all sizes can keep costs low and get the most out of their plans.

Here are five ways plan sponsors can manage their health benefit spend.

1. Evaluate and optimize the value of health benefit plans

To maintain a competitive benefits package, plan sponsors need to focus on how to contain health benefit costs. A key part of addressing any company's health benefits strategy is to analyze the program's design and effectiveness. By keeping a close eye on delivery and flexibility, employers can ensure that their health benefit strategies are working to their advantage.

So how does this process start? It involves gaining feedback from two primary sources:

- **The plan sponsor focus:** This involves an evaluation of whether the plans are meeting cost and utilization targets that are set by the plan sponsor.
- **The participant focus:** This involves looking at metrics that monitor satisfaction of employees and their families along with administrative efficiency and effectiveness.

Plan sponsors should also consider turning to experts who can provide consistent evaluations of health costs. Many plan sponsors monitor cost trends, provider discounts, pharmacy benefit manager (PBM) performance, and important administrative metrics. Surveys are also beneficial for exploring health cost trends on both national and regional scales. For instance, the results of Milliman's 2019 "spot" survey on [employer-sponsored prescription drug strategies](#) can help plan sponsors manage their drug benefit offerings more effectively.² Regularly surveying certain groups—as demonstrated in Milliman's [comprehensive survey on employee benefits data](#) in the Northwest region of the United States—is another useful method for helping employers improve future benefits.³

2. Review provider and vendor contracts

The U.S. healthcare delivery system and the employee benefits landscape are each complicated and continually changing. We all know there is no "silver bullet" solution or strategy out there to address rising costs effectively across the full spectrum of a comprehensive plan. However, plan sponsors have a fiduciary responsibility to ensure they are purchasing health benefits effectively on behalf of their participants and their business, and that benefits are being administered accurately and efficiently. So how do plan sponsors deliver on these responsibilities?

When evaluating their contracts, plan sponsors may put forth the following inquiries:

- Do employees have access to new cost-saving technologies?
- Are services delivered and communicated effectively?
- Is the plan flexible and able to adjust to the specific needs of participants?
- Is it time for a claims audit to ensure that the pharmacy and medical benefits are being paid according to the contract?

If there are issues with any of these considerations, it is possible another provider or vendor could offer a better option based on what a particular plan sponsor is looking for.

When reviewing provider and vendor contracts, it's also advisable to consider a wide array of provisions, including provider discounts, use of high-performing networks or value-based provider contracting, utilization management and care coordination, shared savings arrangements for out-of-network claims, contract termination provisions, and more. PBM contracts should be closely analyzed because contractual provisions such as discounts and rebates can lag behind the market after just one to three years.⁴ In fact, due to such [quick jumps in costs](#), it may be advisable to renegotiate PBM contracts regularly.⁵ Employers should consistently evaluate the cost-effectiveness and spending patterns of drug benefits.

3. Respond to varied participant needs

There are three important questions plan sponsors should consider asking themselves when evaluating the responsiveness of a benefit package:

- Do we fully understand the benefits and plan features our participants most value?
- Can benefits be targeted to specific participant needs?
- Can participants dial up or down their offerings to match their needs?

Fortunately, many health benefit plans are now providing more flexible options for participants than in the past. Considering that participants value benefits in [different ways](#) over their lifetimes, analyzing and responding to these varying needs can help increase satisfaction and worker productivity.⁶ A person's needs differ according to region, industry, age, gender, health, and other factors. Yet certain populations tend to prioritize health benefits in measurable ways.

For instance, those who are young and healthy may prefer [high-deductible health plans](#) (HDHPs) due to their affordability.⁷ Those with spouses and young children may gravitate toward more generous coverage. And those who are older and less healthy may be interested in lower deductibles. However, preferences aren't just influenced by age, family status, and health. Participants with low utilization of health benefits or who live in areas primarily served by one hospital system may enjoy narrow networks. In addition, higher income earners may prefer HDHPs with health savings accounts for their tax benefits.

Flexibility in design may not always be a cost-saving strategy, but plan sponsors should endeavor to make a flexible design cost neutral. This may involve analysis to identify and address any subsidies. Plan sponsors may be able to shed benefits plan participants don't need or value, provide cost-saving programs that improve participants' well-being, and alter plans to better fit the needs and expectations of their employees.

4. Embrace technology

It may surprise many people to learn that the healthcare field has benefited from information technology for a long time. For example, the invention of the telegraph in the mid-1800s allowed physicians to order medical supplies. By the early 1900s, electrocardiograms (EKGs) were sent over telephone lines. By the early 1970s, visual links were established for consultations and treatment.⁸ Overall, from the founding of the [American Telemedicine Association](#) through the introduction of Skype and, later, hospital-based telehealth services, technology has become a major part of the delivery of healthcare.⁹

Today, technology services in health benefit packages aren't just nice to have—they're a must-have. Most major health plan sponsors now provide resources on the internet or through apps. These portals allow participants to easily connect to information about their benefits. They also give employees access to specialized tools and resources, including online systems that can easily locate care providers within their insurance networks.

Given that it's one of the [fastest-growing](#) healthcare cost-management tools in the world, employers may want to further explore their options with telemedicine.¹⁰ According to a 2018 study from the Journal of the American Medical Association about trends in telemedicine, annual telehealth visits among those with private insurance increased by 261% from 2015 to 2017.¹¹ Through this booming technological trend, employees have access to healthcare professionals who can evaluate, diagnose, and treat them online or over the phone.

Beyond the [24/7 conveniences](#) participants enjoy, employers will also likely see significant savings.¹² By incorporating telemedicine options into health benefit plans, employees may increasingly avoid costly trips to emergency rooms or urgent care clinics. Overall, by embracing new and modern ways to deliver health benefits, plan sponsors have yet another option for effectively managing health benefit spend, reducing costs, and helping their employees stay healthier and happier.

5. Communicate with participants about benefits

Navigating the world of healthcare isn't always easy, and good communication is necessary for all involved. Communication isn't just a helpful tool for evaluating the differing financial priorities and healthcare needs of participants. When seeking to manage health benefit spend, it's also vital to discuss the structure, details, and delivery of health benefit plans with participants. Through effective outreach and education, employees will better understand how and when to use their health benefits.

Without an effective communication strategy, plan participants may not fully appreciate or even understand the benefits offered by their employer. This means that the costs that employers sustain for health benefits may not be used to their fullest potential. For example, after surveying consumers across the country, the [2019 HSA Bank Health & Wealth Index](#) found that 30% of employees don't know the amount of their premium, deductible, copay, or coinsurance.¹³ This lack of knowledge about their health benefit plan can lead to confusion about the benefits that employers are paying for and can negatively affect the health and well-being of participants.

There are a number of reasons why employees may require more outreach. Depending on the individual, the structure of the benefits included in the health benefit plan package may feel inaccessible. Employees may be confused or intimidated by the terms and conditions or simply have a lack of experience with employer-based insurance. This is where communication consultants can serve as a great benefit to plan sponsors. By engaging participants and driving behavior, plan sponsors can get the most of their health benefit spend.

Conclusion

Plan sponsors can manage their health benefit spend by being aware of and responsive to a number of issues. They can focus on deeper assessments of current plans, better communication with employees, and greater understanding of healthcare needs across populations. Viewed holistically and managed effectively, health benefit spend can be more straightforward, more understandable, and ultimately more cost-effective for everyone.



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Endnotes

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