

# Health Care Costs & Solutions

## OVERVIEW

With health care costs rising rapidly and employers facing an average 6% increase in health care costs this year, organizations are constantly on the look-out for more cost-effective approaches to providing health care benefits to their employees. Not only have consumer driven health care plans evolved to the second most popular option for health care, surpassing HMOs and traditional plans, but organizations are also developing wellness oriented approaches to solving the problems related to rising health care costs. More organizations are turning to wellness programs as a long term strategy in decreasing health care costs. Despite the long-term nature of these programs, over 40% of organizations have seen decreases in health care costs.

This study seeks to explore the general trends in health care plans, the factors most important to employers when considering health care options for their employees, factors contributing to rising costs in health care, and organizational approaches to curbing these costs - particularly through the use of wellness programs. The study found:

- Twenty-three percent of respondents have a consumer driven health care plan.
- Network access and average premium increases are the two most important factors cited by employers when choosing a health care plan.
- The most common method of coping with rising health care costs is implementing a wellness program.
- Most organizations facilitate wellness programs via external carriers.
- Forty-three percent of organizations have seen decreases in health care costs as a result of utilizing wellness programs.

## HEALTH CARE PLANS

The majority of organizations have a PPO plan, provided by 77% of organizations. Consumer driven health plans have become more popular than HMOs and are the second most common health plan. Only 9.1% of respondents utilize an HMO.

Exhibit 1: Type of Health Plan

| Type of Health Plan         |         |
|-----------------------------|---------|
|                             | Percent |
| PPO                         | 77.3%   |
| Consumer Driven Health Plan | 22.7%   |
| HMO                         | 9.1%    |
| Traditional/Indemnity       | 3.0%    |
| POS                         | 1.6%    |

Among the most important factors considered when choosing a health plan are network access, average premium increases, employee satisfaction, and administrative quality. Among the least important factors when choosing a health care plan are enrollee's experiences in the plan, clinical care quality, and number of physicians. Costs of care were also an important factor when choosing a plan. Employee satisfaction (often related to network access) and cost can be linked to selection criteria by which employers choose health care plans.

Exhibit 2: Factors Considered Most Important When Choosing a Health Care Plan

| Factors Considered Most Important When Choosing a Health Care Plan |         |
|--|---------|
|  | Percent |
| Network access   | 66.7%   |
| Average premium increases  | 65.2%   |
| Employee satisfaction  | 56.1%   |
| Administrative quality (accessibility, services, responsiveness)   | 48.5%   |
| Costs of care  | 43.9%   |
| Accuracy and speed of claims                                       | 27.3%   |
| Number of physicians   | 21.2%   |
| Clinical care quality  | 19.7%   |
| Enrollees' experience in the plan                                  | 16.7%   |

Organizations have also been using health savings and reimbursement accounts to a greater degree. Thirty-six percent of respondents have health reimbursement accounts while 28% have health savings plans. These are a popular option as organizations continue to find ways to offer their employees savings and reimbursement options.

Exhibit 3: Health Accounts/Plans

| Health Accounts/Plans        |         |
|------------------------------|---------|
|                              | Percent |
| Health Reimbursement Account | 35.9%   |
| Health Savings Plan          | 27.7%   |

## HEALTH CARE COSTS

Organizations say that the factors contributing most to health care costs are large claims, the aging workforce, and increased utilization. Retiree health benefits seem to have little contribution to rising health care costs.

Exhibit 4: Factors Contributing the Most to Health Care Costs

| Factors Contributing the Most to Health Care Costs |         |
|--|---------|
|  | Percent |
| Large claims                                       | 50.8%   |
| Aging workforce                                    | 49.2%   |
| Increased utilization                              | 40.0%   |
| External market                                    | 26.2%   |
| Rich plan design                                   | 18.5%   |
| Lack of chronic disease management                 | 15.4%   |
| Retiree health benefits                            | 1.5%    |

## HEALTH CARE SOLUTIONS

Organizations are coping with increased health care costs primarily in four ways: creating wellness programs, assisting employees in becoming better health care consumers, changing health care plan design, and encouraging employee lifestyle changes. Despite increased health care costs, organizations seem to not be resorting to reducing health care choices or switching to lower-cost health plans. In fact, raising employee contributions was not as popular as organizational support programs, in terms of ways of organizations cope with increased health care costs.

Exhibit 5: Ways Organizations are Coping with Increased Health Care Costs

| Ways Organizations are Coping with Increased Health Care Costs |         |
|--|---------|
|  | Percent |
| Creating wellness programs                                     | 59.4%   |
| Assisting employees to become better health care consumers     | 56.3%   |
| Changing health-care plan design                               | 54.7%   |
| Encouraging employee lifestyle changes                         | 53.1%   |
| Offering wellness incentives                                   | 43.8%   |
| Raising employee contributions                                 | 43.8%   |
| Facilitating employee health education                         | 40.6%   |
| Utilizing an EAP   | 28.1%   |
| Helping employees manage chronic diseases                      | 25.0%   |
| Shifting to health savings accounts                            | 18.8%   |
| Switching to lower-cost health plans                           | 18.8%   |
| Shifting to health-reimbursement accounts                      | 7.8%    |
| Reducing health care choices                                   | 6.3%    |

The most common activities provided in respondents' wellness programs are health fairs, health education programs, and diagnostic testing. Organizations were least likely to provide fitness subsidies/discounts or fitness programs/classes/activities, yet still over a third of a respondents utilized these approaches to wellness.

## Exhibit 6: Activities in Wellness Programs

| Activities in Wellness Programs           |         |
|---|---------|
|   | Percent |
| Health fairs                              | 71.4%   |
| Health education programs                 | 60.0%   |
| Diagnostic testing                        | 57.1%   |
| Weight loss programs                      | 51.4%   |
| Disease management                        | 48.6%   |
| Access to trainers/dietitians/consultants | 40.0%   |
| Nutrition                                 | 37.1%   |
| Fitness programs/classes/activities       | 34.3%   |
| Fitness subsidies/discounts               | 34.3%   |

The most popular ways of facilitating wellness programs is via external carriers or in-house experts. Common external carriers included WellPoint, Meritain Health, Healthy Roads, Assist Now, Be Well Solutions, and the Alpha Group.

## Exhibit 7: How Wellness Programs are Facilitated

| How Wellness Programs are Facilitated |         |
|---------------------------------------|---------|
|                                       | Percent |
| External carriers                     | 68.6%   |
| In-house expertise                    | 54.3%   |
| Video-based programs                  | 5.7%    |

As a result of utilizing wellness programs, 43% of organizations have seen decreases in health care costs. Organizations cited that health fairs, weight loss programs, health education, and disease management programs have been the most effective; however, many organizations stated that their plans were in early stages and could not accurately assess their effectiveness.

## CONCLUSION

In conclusion, as costs for health care continue to rise, employers continue to view cost of health care coverage as a primary factor in their choice of health care coverage, particularly average premium increases. Raising employee contributions, however, is not the primary mode by which employers are coping with rising costs. Other solutions that remain more popular include implementation of wellness initiatives and other programs that encourage employee lifestyle changes.

For more information, please contact ERC at 440/684-9700.

| <u>Participation</u> |     |
|----------------------|-----|
| 66 organizations     |     |
| <u>Size</u>          |     |
| 1-200 employees      | 68% |
| 201-500 employees    | 18% |
| 500+ employees       | 14% |
| <u>Industry</u>      |     |
| Manufacturing        | 56% |
| Services             | 27% |
| Other                | 17% |

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