Benefit Trends

Benefits and insurance issues important to you - brought to you by the insurance specialists at Tailor Made Benefit Solutions.

According to the following research, most companies are looking to lower their rising health care costs and improve their employees' overall health. When human resources professionals look toward the future, most major plan changes surround the health care reform legislation. The main objective of most HR professionals is to temper costs by getting employees more involved in their medical care decisions, expenses and overall health. This may be at least partially attributed to the fact that many experts expect health care costs to increase in 2011.

Health Care Cost Projections for 2011

Cost trends are now available for 2011 from various research organizations. The following health insurance cost predictions are based on recent employer surveys.

Hewitt Associates reports that health care cost increases will be the highest levels in the last five years due to rising medical claim costs, the aging population and the changing health care reform landscape. The organization projects an 8.8 percent average premium increase for employers in 2011, up from 6.9 percent in 2010 and 6.0 in 2009. Also, the average health care premium for an employee at a large organization is expected to be $9,821 in 2011, up from $9,028 in 2010. Employees will be asked to contribute $2,209 (22.5 percent) of their total health care premium, which is up 12.4 percent from 2010, when employees contributed $1,966. Employee out-of-pocket costs are also projected to increase to $2,177 in 2011 from $1,934 in 2010.

Hewitt also reports that employers were able to mitigate costs in this difficult economy by cost shifting, negotiating costs with health plans and increasing their efforts to promote preventive care. Of respondents, 95 percent indicate that managing costs is a top business concern. They will reduce these costs by increasing employee cost sharing, conducting dependent eligibility audits, encouraging spouses to enroll in their own employer's plans when available, consolidating vendors and taking measures to improve their employees' health.

Kaiser Family Foundation and Health Research & Educational Trust report that while premiums for employer-sponsored health insurance only moderately increased in 2010, employees contributed a significantly greater share of this premium than in previous years. In 2010, premiums rose about 5 percent for single coverage and 3 percent for family coverage. Employees contributed an average of 19 percent of the premium for single coverage and 30 percent for family coverage, up from 17 percent and 27 percent respectively in 2009. Between 2000 and 2010, average total premiums for small firms have increased 103 percent and 120 percent for larger firms (200 or more employees). Kaiser projects that the persisting unemployment rates and slow economic recovery will contribute to the continuing trend of increasing out-of-pocket costs.

Mercer finds that overall costs will rise by 6.4 percent in 2011; however, if employers do not take steps to mitigate plan costs, they would see a cost increase of nearly 10 percent. Their survey also indicates that while much of the cost growth is due to increased utilization of health care services, it is partially attributed to the passage of the health care reform legislation (Patient Protection and Affordable Care Act, PPACA), which added between 1 and 2 percent to the cost increase in 2011.

Milliman, Inc. reports that premium rate increases for 2011 are projected to average 10.2 percent for HMOs and 11.7 percent for PPOs. Similar to Mercer's findings, Milliman reports that the rate increases can be attributed to increased health care utilization as well as employers starting to implement the requirements of PPACA. This year's survey asked insurers what cost-reducing initiatives and provider contracting changes they are considering in 2011. Typically, respondents are planning to cut broker commissions, tier provider networks and employ more incentive-based programs. However, Milliman reports that almost all respondents are preparing to participate in the PPACA insurance exchanges in 2014.

PriceWaterhouseCoopers expects growth in medical costs for 2011 to be 9 percent, down 0.5 percent from 2010. The three major factors that contribute to this deflation include employers increasing employees' out-of-pocket contributions, increased use of generic drugs and COBRA costs returning to normal levels in 2011 due to declining unemployment and expiring government subsidies. Much like other survey findings, PriceWaterhouseCoopers reports that employers will push costs on to their employees in attempt to encourage better management of their health care expenses.

The Segal Group, Inc.'s projections for 2011 remain relatively unchanged from 2010, but are still increasing much faster than average weekly earnings and general inflation. To relieve some of their costs, employers are requiring employees to handle more of their health care costs, tying wellness incentives to patient outcomes and participation rates, advancing value-based plan designs, promoting disease management programs,; using actual plan cost data to negotiate pricing and prepare for rules and requirements under PPACA that will take effect in the coming years.

Cost-Shifting Initiatives

In an effort to reduce benefit costs, many employers are implementing the some of the following cost-containment strategies:

- Rewards For Good Health
    - Offer financial incentives to employees who have healthy habits and lifestyles or those who participate in wellness programs at work. Penalize workers with higher premiums for engaging in unhealthy activities, such as smoking.
    - Offer discounted rates for those who participate in wellness programs and maintain good health.
- Preventive Care Benefits
    - Offer full coverage for employees who seek preventive medical care and preventative drugs without a deductible, including vaccinations, exams and screenings for diseases such as breast, colon and cervical cancer, blood pressure and cholesterol. Starting on the first plan year on or after Sept. 23, 2010, certain plans are required to cover preventive care services at no cost-sharing to the employee under PPACA.
- On-site Health Centers
    - Offer on-site health centers and staff health coaches to provide advice on personal health needs.
- Catering to Individualized Needs
    - Offer voluntary benefit options that meet personal and family needs such as homeowners, automobile and group life insurance. Also, offer discounts on vision, dental, massage therapy, chiropractic care, health club memberships and weight-control programs.
- Communication Tools
    - Provide online tools for employees on health education and estimation on their health care expenses.
- Health Care Savings Accounts (HSAs)
    - Offer HSAs with an HDHP as a way to promote consumerism and reduce costs.
- Analyze Dependent Coverage
    - Pay close attention to the spouses and dependents that employees enroll for benefits. Some companies require employees to pay higher premiums if their spouse can obtain health coverage through his/her employer. Conduct an eligibility audit to prove that

dependents are considered legal dependents and remove ineligible dependents from the plan.

- Align Your Goals
  - Weave business goals with health goals and devise a way for individuals or departments to lose weight, start exercising and/or stop engaging in unhealthy habits.
  - Use marketing techniques that will motivate employees to take action.
- Co-insurance
  - Instead of having employees pay a copayment of $10 or $15, require them to pay a percentage of their health care expenses (known as coinsurance). This may make your employees more aware of their health care expenses.
- Encourage the Use of Generic Drugs
  - Suggest that employees use the generic form of their prescriptions (if available) to save both your organization and the employee money.

Take time this year to ensure that your company is making the right choices in plan design and benefits offerings. Implementing these new health options can help reduce costs and promote a healthier workforce. For help with these initiatives, contact Tailor Made Benefit Solutions.