

# BENEFITS insights

## Benefit Trends

According to the research presented in this article, 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, they are evaluating strategies to help manage both short- and long-term costs.

Although most industry experts expect health care costs to increase in 2014, many project the increase to be minimal. Regardless, these costs are still burdensome to most employers, leading companies to adopt a variety of strategies to mitigate and manage health care expenses.

### 2014 Health Care Cost Projections

Cost trends are now available for 2014 from various research organizations. The following health insurance cost predictions are based on recent employer surveys.

**Aon Hewitt** reports that health care costs increased only 3.3 percent in 2013 compared to 4.9 percent in 2012, but increases in 2014 are projected to be between 6 and 7 percent. The low increase rates from the last two years are not likely to continue, and Aon Hewitt suggests the reasons may include the lagged effect from the economic recession on health care spending.

The average health care cost per employee for large companies is expected to reach \$11,176 in 2014, up from \$10,471 in 2013 and \$10,131 in

2012. Employees will be asked to contribute \$2,499 (22.4 percent) of their total health care premium in 2014, which is up from 2013, when employees contributed \$2,303. Employee out-of-pocket costs are also projected to increase to \$2,470 in 2014 from \$2,239 in 2013.

In its 2013 Employer Health Benefits Survey, **Kaiser Family Foundation and Health Research & Educational Trust** reports that average annual premiums increased 5 percent for single coverage and 4 percent for family coverage in

**PriceWaterhouseCoopers** expects growth in medical costs for 2014 to be 6.5 percent, lower than 2013, according to the survey *Behind the Numbers: Medical Cost Trends for 2014*. However, these lower growth rates will result from aggressive measures to reduce costs. Changes in benefit plan designs, such as higher deductibles, could keep health plan cost increases to an average of 4.5 percent.

The major factors expected to influence lower costs are care moving to less costly settings such as retail clinics; major

## Most companies are looking to improve their employees' overall health and implement other cost-cutting strategies to manage continually increasing costs.

2013, similar to the 3 percent (single) and 4 percent (family) rate increases in 2012. However, the survey found that 2013 average worker contributions increased by 5 percent for single coverage and 4 percent for family from 2012.

**Mercer** finds that overall costs will rise by 5.2 percent in 2014, which is higher than the 2.1 percent increase in 2013, according to its 2013 National Survey of Employer-Sponsored Health Plans. This increase reflects employers' anticipated changes; without cost-reducing changes, employers' estimated costs would rise an average of 8 percent.

employers contracting directly with health systems for costlier procedures; the federal government's implementation of readmission penalties; and increased use of high deductible health plans (HDHPs).

**The Segal Group, Inc.'s** 2014 Health Plan Cost Trend Survey finds that medical and prescription drug plan cost increase rates remain relatively consistent with last year's trend rate projections, which are the lowest they have been in more than a decade. Similar to previous years, price inflation continues to be the primary factor in cost increases. Employers should continue to employ strategies to both mitigate cost increases

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and improve the overall health of their employees.

## **Cost-shifting Initiatives**

In an effort to reduce benefit costs, many employers are implementing 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**

Encourage employee use of preventive care benefits, including appropriate screenings and vaccinations. Emphasize that these services are available at no cost to employees.

### **On-site Health Centers**

Offer on-site health centers and staff health coaches to provide advice on personal health needs and make seeking care more cost-effective and convenient.

### **Catering to Individual Needs**

Offer voluntary benefit options that meet personal and family needs, such as homeowners, automobile and group life insurance. Also, offer discounts on vision and dental care, massage therapy, chiropractic care, health club memberships and weight-control programs.

### **Communication Tools**

Provide online tools for employees, including health education and other resources, to help them become smarter health care consumers.

### **Consumer-driven Health Plans**

Offer a HDHP with a health savings account or health reimbursement arrangement 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 spouses can obtain health coverage through their employers.

Conduct an eligibility audit to verify that dependents are legal dependents and to remove ineligible dependents from the plan. Some plans are also starting to charge more for dependent coverage.

### **Align Your Goals**

Align 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.

### **Coinsurance**

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 money.

### **Network Changes**

Join or create a tiered or high-performance network, which encourages patients to visit more cost-effective providers either through network restrictions or tiered copay and coinsurance amounts.

### **Re-evaluate**

Many businesses are choosing to re-evaluate their overall benefits strategy in light of health care reform and other developments.

Take time this year to ensure that is making the right choices in plan design and benefits offerings. Implementing these health strategies can help reduce costs and promote a healthier workforce.