

Managing Rising Health Insurance Costs In 2024



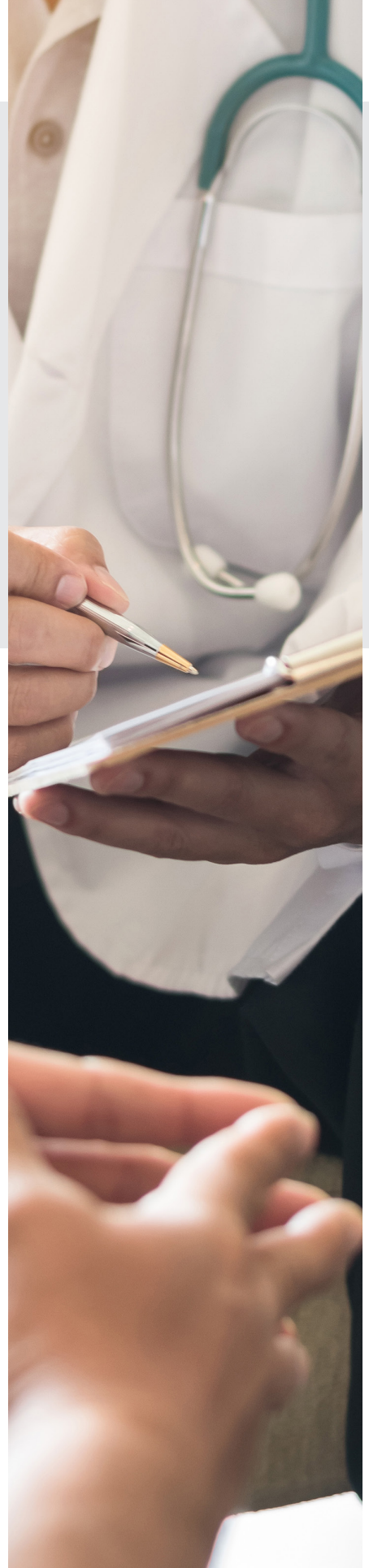
As we progress through the calendar year 2024, employers are facing the perennial challenge of managing rising health care costs. Providing comprehensive health benefits is crucial for attracting and retaining top talent, but the soaring costs of medical care pose a significant financial burden for businesses of all sizes. To strike a balance between employee satisfaction and fiscal responsibility, benefit consultants must work with their clients exploring innovative strategies to control health care expenses while continuing to support the health and well-being of their workforce.



Understanding the Factors Behind Rising Health Care Costs

The escalating cost of health care has been a pervasive issue for employers across the country. As business owners strive to provide comprehensive health benefits to their employees, the rising expenses have become a significant financial burden. For their brokers and benefit consultants, understanding the factors behind the ever-increasing health care costs is essential if they are to help employers implement effective strategies to manage these costs without compromising the well-being of their workforce. Before delving into potential solutions, let's look at some of the factors contributing to the escalating health care costs. Some key elements include:

- **Medical Inflation** - One of the primary drivers of rising health care costs is medical inflation. The cost of medical services, treatments, and prescription drugs consistently outpaces general inflation rates. Factors such as the increased demand for health care services, rising wages for medical professionals, and the expense of advanced medical technologies all contribute to medical inflation. Employers must grapple with these inflated costs when designing their health benefit packages for employees.
- **Advancement in Medical Technologies** - While advancements in medical technology have significantly improved patient outcomes and treatment options, they often come with a hefty price tag. Cutting-edge medical devices, diagnostic tools, and innovative treatment methods can be costly to implement, increasing the overall cost of health care for employers.
- **Aging Workforce and Chronic Diseases** - As the workforce ages, the prevalence of chronic health conditions increases. Chronic diseases, such as diabetes, heart disease, and obesity, require ongoing medical management and treatment, resulting in higher health care utilization and expenses. The need for long-term care and specialized medical services for an aging workforce adds to the financial burden on employers and abuse.
- **Prescription Drug Costs** - Pharmaceutical expenses constitute a significant portion of overall health care costs. The prices of prescription drugs continue to rise, especially for specialized medications and brand-name drugs. Employers face the challenge of providing adequate coverage for necessary medications while managing these escalating drug costs.





- **Administrative Expenses** - Navigating the complex health care system involves significant administrative costs for employers. Managing health insurance plans, complying with various regulations, and administering employee benefits require additional resources, adding to the overall cost of providing health care benefits.
- **Unhealthy Lifestyles and Preventable Care** - Unhealthy lifestyle choices and the lack of preventive care can result in higher health care costs. When employees do not prioritize preventive measures, it often leads to the development of more severe health conditions, requiring more extensive and expensive treatments. Employers can combat this issue through promoting wellness programs and encouraging employees to take advantage of preventive care services.
- **Lack of Transparent Pricing** - In many health care systems, the lack of transparent pricing makes it challenging for employers to negotiate fair rates with health care providers. The opacity in pricing can lead to unexpected and inflated medical bills, further increasing the financial strain on employers and their employees.
- **Market Consolidation** - The consolidation of health care providers and insurance companies can lead to reduced competition, giving these entities greater leverage in negotiating higher prices for their services. This market consolidation can result in employers having fewer options and less bargaining power when selecting health care plans for their employees.

The factors behind rising health care costs for employers are multifaceted and interconnected, with all of them contributing in some way to the challenges employers face in managing health care expenses. To address these rising costs, benefit brokers can work with employers to adopt data-driven strategies, exploring cost-effective health care solutions, promoting wellness and preventive care, and advocating for transparent and fair pricing. By understanding these factors and implementing effective measures, brokers can enable employers to strike a balance between providing quality health benefits to their employees while still managing the financial implications of rising health care costs. Prioritizing employee health and well-being while ensuring sustainable business practices will lead to a more engaged and productive workforce and contribute to long-term organizational success.

On the following pages, we have chosen a few examples of effective strategies that brokers may want to consider when working with their clients to control employee health care costs heading into open enrollment at the end of this year. Specific strategies should be chosen based on individual group size, demographics, and unique company characteristics.



Empowering Employees to Make Better Health Care Decisions

Employees have traditionally enjoyed utilizing health care benefits without regard to cost nor any incentive to negotiate for the services provided. In effect, the lack of an employee's health care literacy has allowed them to make poor choices (not knowing when their medical issue requires use of an emergency room, for instance) or the impact that poor lifestyle choices have on their overall health. Lower health care literacy impacts both the employee and employer as it increases the risk of unnecessary claim costs and more substantial expenses because of poor health outcomes.

Employers are finding that by empowering individuals to make their own health care choices and providing incentives to do so, they can more effectively maintain quality health care for their employees at a lower overall cost.

Empowering employees to make better health care decisions is a strategic approach that has the potential to significantly reduce health care costs for both employees and employers. By providing employees with the information, tools, and resources they need to become active participants in their own health care choices, employers can help employees foster a sense of ownership over their health. By doing so, organizations can assist in driving positive outcomes that extend beyond the realm of wellness and impact their bottom line.

When employees are educated about preventive care and wellness practices, they are more likely to adopt healthier behaviors. This emphasis on prevention can lead to early detection of health issues and the implementation of timely interventions. By catching potential problems in their early stages, the need for expensive treatments, hospitalizations and invasive procedures can be reduced. This not only improves health outcomes for employees but also prevents the escalation of medical expenses for both the individual and the employer.



The benefits of informed decision-making extend into areas beyond preventive care. By providing access to information about treatments, procedures, and providers, employees can evaluate different choices based on their efficacy and cost-effectiveness. This can lead to a reduction in unnecessary medical tests, treatments, and consultations, which in turn lowers overall health care expenditures. Additionally, employees who understand their insurance coverage and benefits are better positioned to utilize in-network providers, avoiding the higher out-of-pocket costs associated with out-of-network care.

Additional benefits coming from employee empowerment can be obtained in other areas as well. For instance, with pharmaceuticals, educating employees about the benefits of generic medications and providing resources to compare drug prices can lead to smarter decisions at the pharmacy counter. Telemedicine and digital health platforms can help employees gain access to medical advice and consultations remotely, reducing the need for more costly in-person visits.

Finally, a review of utilization data or at the very least, demographic information, can be used to target care-oriented communications more effectively. By identifying high-risk populations, employers can provide supportive resources and provide insight into areas where incentive programs can provide motivation for employees and their families to live a healthier lifestyle. These initiatives will not only help to promote wellness and longevity for the employee, but also return benefits to the employer through increased productivity and lower premiums over the long-term. Through just a small reduction in the hospital admissions rate, for instance, employers can save a significant amount of money in premiums.

Benefit consultants can work with their clients to assure them that by empowering individuals to make their own health care choices and providing incentives to do so, they can more effectively maintain quality health care for their employees at a lower overall cost.

Implementation or Expansion of Wellness Programs

Building on the benefits of employee empowerment, an effective wellness program can also have a positive impact on managing employee benefit costs by promoting healthier lifestyles, reducing the incidence of chronic illnesses, and improving overall employee well-being. Many chronic illnesses such as diabetes, heart disease, and obesity are major contributors to health care costs. To combat this, most wellness programs emphasize healthy habits, good nutrition, physical activity, and stress management. By encouraging employees to avoid risky behaviors and instead make positive behavioral changes such as quitting smoking, reducing alcohol consumption, and adopting healthier eating habits, these programs can significantly reduce the risk of chronic illnesses, leading to fewer medical expenses related to their treatment.

A properly designed program will also boost employee engagement which has been proven to improve individual health outcomes. And by providing health screenings

and assessments that can detect health issues at an early stage, wellness programs can provide a means for timely intervention and treatment, which can prevent more serious health problems down the line and result in lower health care costs. And employees who engage in wellness activities are likely to experience improved physical and mental health. This leads to fewer sick days, reduced absenteeism, and increased productivity, ultimately lowering the costs associated with lost workdays.

Stress is also a common contributor to health problems and absenteeism. Wellness programs that offer stress reduction techniques and resources can help employees manage their stress levels, leading to better mental health and lower health care utilization.

Additionally, properly tailored wellness programs will often include the following features, all designed to maximize program effectiveness:



Health Education

Wellness programs often provide educational resources on various health topics. Educated employees are more likely to make informed health decisions, seek appropriate care, and engage in preventive measures, leading to better health outcomes and cost savings.



Incentive Programs

Offering incentives for participation in wellness activities can motivate employees to take proactive steps toward healthier living. These incentives can include discounts on health insurance premiums, gift cards, or other rewards, and they encourage sustained engagement.



Data-Driven Insights

Wellness programs generate valuable health data that employers can analyze to identify health trends and risks within their workforce. This data-driven approach allows employers to tailor wellness initiatives to address specific needs and concerns, optimizing the program's impact.

A wellness-focused work culture promotes employee well-being and job satisfaction. Employees who feel supported in their wellness efforts are more likely to be loyal to the organization, reducing turnover and associated costs. By investing in an effective wellness program that addresses both physical and mental health, employers can create a healthier workforce that experiences fewer medical issues, reduced absenteeism, and improved overall well-being. As a result, the organization can realize significant savings in employee benefit costs over the long term.



Specialty Drug Management (For Larger Groups)

Managing specialty drug programs requires a detailed and specific approach due to the unique challenges and high costs associated with these medications. Specialty drugs are often used to treat complex, rare, or chronic conditions, and they can significantly impact an employer's health care expenses.

An effective solution requires a comprehensive and proactive approach that prioritizes patient care, cost-effectiveness, and employee support. By working closely with specialty pharmacy providers, implementing clinical management strategies, providing education and support to employees, and staying informed about industry trends, employers can navigate the complexities of specialty drug management and achieve better outcomes for both their employees and their organization's bottom line.

Here are some key elements to consider when formulating a specialty drug management strategy:

Partner with Specialty Pharmacy Providers

Collaborate with specialty pharmacy providers that have expertise in managing these complex medications. Specialty pharmacies offer personalized support, medication counseling, and coordination of care, which can lead to better patient outcomes and cost management.

Clinical Care Management

Employ case managers or clinical pharmacists who specialize in specialty medications. These professionals can work closely with employees, health care providers, and specialty pharmacies to ensure proper medication management, adherence, and monitoring.

Patient Education and Support

Provide comprehensive education to employees about their specialty medications, including proper administration, potential side effects, and the importance of adherence. Specialty pharmacy providers often offer patient support programs addressing concerns and adherence rates.

Implement Prior Authorization and Utilization Review

Put in place rigorous prior authorization processes to ensure that specialty drugs are prescribed only when medically necessary and appropriate. Regularly review utilization data to identify any cases of overuse or inappropriate use.

Step Therapy

Utilize step therapy protocols, where patients start with lower-cost treatments before progressing to more expensive specialty drugs if necessary. This approach ensures that high-cost medications are reserved for cases where alternatives have proven ineffective.

Formulary Management

Work with specialty pharmacy providers and pharmacy benefit managers to establish a formulary for specialty drugs. This formulary should include preferred drugs with proven efficacy and cost-effectiveness.

Clinical Guidelines

Develop clear clinical guidelines for the use of specialty drugs. These guidelines can help ensure that medications are prescribed based on evidence-based criteria and best practices.

Cost-Sharing Strategies

Determine appropriate cost-sharing arrangements for specialty medications. These could include tiered co-pays, coinsurance, or even employer-sponsored assistance programs for employees facing high out-of-pocket costs.

Data Analytics

Leverage data analytics to track the utilization, cost trends, and outcomes of specialty drugs. This data can provide insights into areas of concern and help guide decision-making.

Benchmarking and Market Research

Regularly benchmark your specialty drug program against industry standards to identify opportunities for improvement and stay informed about the latest developments in specialty drug management.

Financial Assistance Programs

Connect employees with available financial assistance programs offered by pharmaceutical manufacturers, foundations, and nonprofit organizations. These programs can help mitigate the financial burden of specialty medications.

Value-Based Contracts

Explore value-based agreements with manufacturers of specialty drugs. These contracts link medication pricing to patient outcomes, ensuring that the organization pays based on the drug's effectiveness.



Studying Analytics for Risk Control (For Larger Groups)

Studying analytics for risk control in employee benefit programs involves the careful analysis of data related to employee health, utilization of benefits, and associated costs. By harnessing the power of data analytics, employers can gain insights that inform strategic decisions, drive targeted interventions, and ultimately help reduce costs in their employee benefits programs. Here's how this process works:



Identification of High-Risk Areas

Analytics allow employers to identify specific health risks and trends within their employee population. By analyzing health data, including medical claims, prescription drug usage, and health assessment results, employers can pinpoint areas where employees are at a higher risk for certain health conditions. For instance, by analyzing prescription drug utilization and trends, employers can identify opportunities for managing pharmacy costs. This might involve promoting the use of generic medications, negotiating better pricing with pharmacy benefit managers, or exploring value-based contracts with pharmaceutical manufacturers.

Tailored Interventions

Armed with information about high-risk areas, employers can design targeted interventions to address these issues. For example, if analytics reveal a high prevalence of diabetes risk factors, a wellness program can be developed that focuses on diabetes prevention and management, including educational resources, screenings, and support for lifestyle changes. Furthermore, by identifying individuals who might be on the path to developing chronic health conditions, employers can intervene early and promote preventive care, helping to prevent the progression of these conditions, leading to lower health care costs over time.

Plan Optimization and Personalized Wellness Programs

Data analytics can reveal which benefit plans are being underutilized or overutilized, allowing employers to adjust plan designs, such as shifting coverage levels or introducing more cost-effective plan options, to better meet employees' needs while controlling costs. Data analytics also enable employers to offer personalized wellness programs that address the unique health needs of individual employees. By tailoring wellness initiatives to match employees' specific health risks and preferences, employers can foster greater engagement and better health outcomes, ultimately reducing the need for costly medical interventions. Then, by tracking key performance indicators, such as changes in health metrics and reduced health care utilization, employers can assess whether their efforts are delivering the desired results.

In essence, studying analytics for risk control in employee benefits equips employers with data-driven insights that guide their decision-making processes. By studying analytics, employers and benefit consultants can provide insights into historical spending patterns and predict future health care costs. This information can then be utilized to allocate resources more effectively, budget for upcoming expenses, and implement cost-saving strategies proactively. All in all, analytics can be a valuable tool in effectively reducing costs associated with employee benefits while promoting a healthier and more engaged workforce.

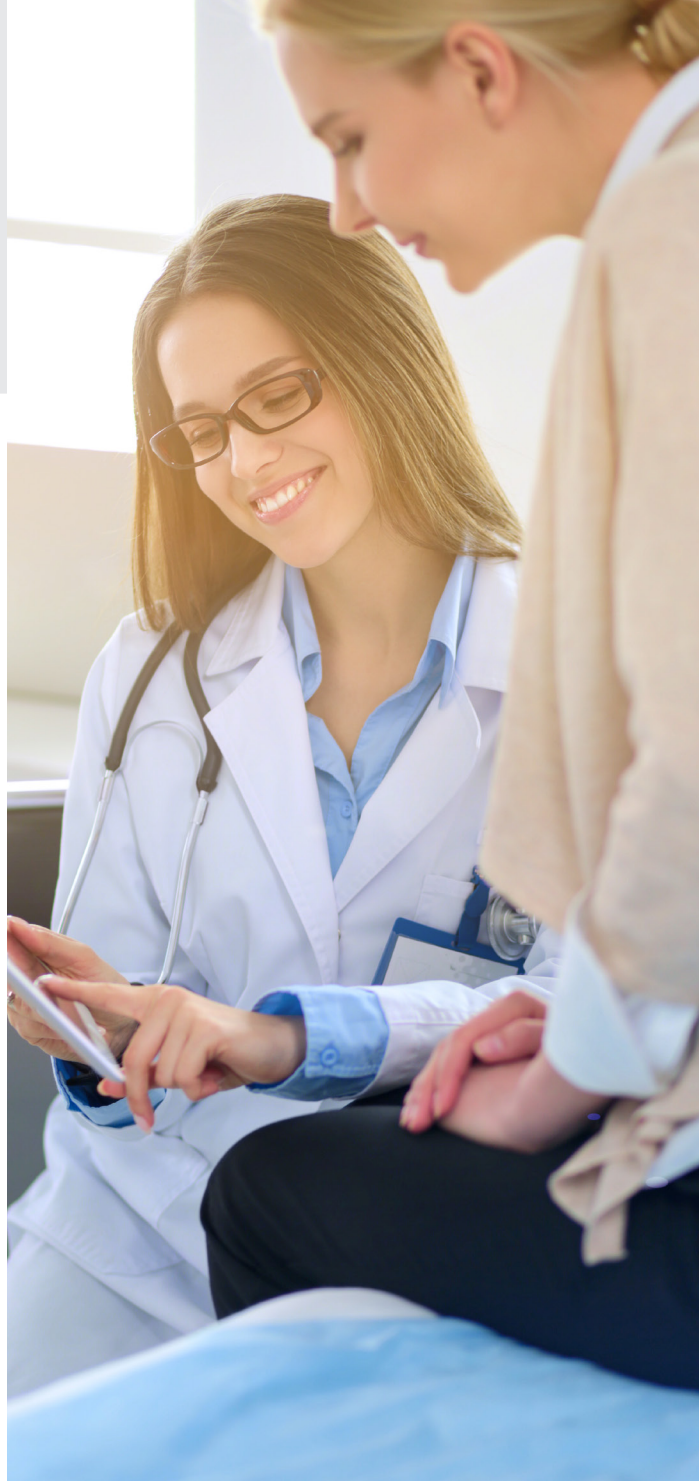
Enhancing Employee Health Care Navigation


For many employees and their family members, obtaining proper medical care can be complex and confusing, akin to maneuvering through a maze. Even the more health care literate can be overwhelmed by the process, especially with the increased stress levels that come when they or a loved one are faced with the need for critical health care.

Most individuals can't be expected to know all the terminology and procedure descriptions that physicians and their staff may speak about when describing an illness or treatment options. And if patients don't understand their options, there's a possibility that they receive less than optimum care and fail to achieve successful outcomes. Technology too has become engrained in health care, visible with the rise of health care apps, telemedicine, and AI-powered devices. It can be a little intimidating and challenging to navigate, especially for parts of the population who are less used to new technologies.

Health care navigation can resolve many of these issues by supporting a better member experience, leading to more intelligent health care decisions, and helping employers curb rising health care costs.

Navigators are often nurses or other health care workers who are well-suited for health care navigation, familiar with the ins and outs of treatments, diagnoses, and other care plan details. They ensure patients can locate and access the right treatments, understand the details of their illness, and fully comprehend their care plans. Patient navigators help their clients get a diagnosis and treatment plan sooner too. Early diagnosis increases the likelihood of positive health outcomes for all conditions.





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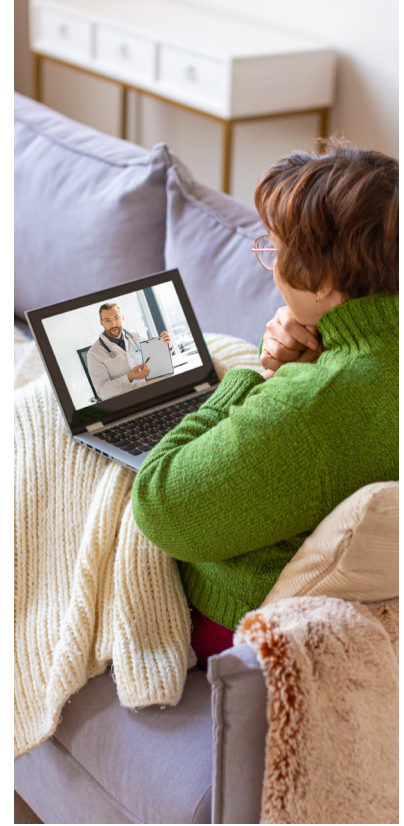
Successful health care navigation not only addresses patients' financial needs, but also alleviates their emotional, spiritual, familial, and physical struggles. Navigators utilize a patient-centered approach, which allows them to interact with patients on an emotional level. They can also improve the quality of life for the patient and loved ones by assisting them with paperwork, scheduling appointments, transportation, and travel assistance. Navigators can also provide community service connections, regular check-ins, and culturally relevant education.

The utilization of this model clearly presents an opportunity for employers to help increase an employee's quality of care and achieve potential reductions in out-of-pocket health care expenses. But employers too are likely to realize benefits. Improved health outcomes lead to lower claim utilization costs, positive worker morale and increased productivity. Additionally, a higher return on investment for the employer is made possible when navigators add a focus on high-risk and high-cost patients, as the navigators can then work to preemptively mitigate a host of health care issues and the related expenses. Finally, a program like this shows the company truly cares about their employees, the benefits of which can be expansive.

Using Digital Health Technology to Transform Employee Benefits

Today's employee benefit landscape is embedded in a workplace seeing dynamic and substantial shifts, causing employee well-being to take on significant importance. Organizations are increasingly recognizing the interplay between a healthy workforce and overall business success. As a result, many forward-thinking employers are turning to digital health technology to enhance their employee benefits programs.

Digital health technology encompasses a broad range of tools and applications that leverage electronic devices and digital platforms to improve health and wellness outcomes. This technology is revolutionizing the way employers approach employee benefits by offering personalized solutions, increasing engagement, and driving positive behavioral changes. Here are just a few ways in which employers can effectively utilize digital health technology to provide comprehensive and innovative employee benefits.



1 Personalized Health Monitoring

Digital health technology enables employees to monitor their health in real-time using wearable devices, smartphone apps, and other digital tools. Employers can provide these tools as part of their benefits package, allowing employees to track vital signs, physical activity, sleep patterns, and more. By offering personalized health monitoring, employers empower employees to take ownership of their well-being, leading to proactive health management and reduced health care costs.

2 Telehealth Services

Telehealth services utilize digital platforms to connect employees with health care professionals remotely. This benefits both employees and employers by providing easy access to medical consultations, reducing the need for time-consuming office visits, and minimizing absenteeism due to health concerns. Employers can integrate telehealth services into their benefits packages, ensuring that employees have access to medical expertise regardless of their location.

3 Wellness Challenges and Incentives

Digital health technology facilitates the creation of wellness challenges and incentive programs. Employers can leverage apps and platforms to design engaging challenges that promote physical activity, healthy eating, stress reduction, and more. Through gamification and rewards, employees are motivated to participate actively in their well-being journey, fostering a culture of health within the organization.

4 Mental Health Support

The integration of digital health technology extends to mental health support as well. Employers can provide access to mindfulness and meditation apps, cognitive behavioral therapy platforms, and virtual support groups. These resources offer employees tools to manage stress, anxiety, and other mental health challenges, ultimately contributing to improved overall well-being and productivity.

5 Data-Driven Insight

Digital health technology generates a wealth of data that can provide valuable insights for employers. Analyzing aggregated and anonymized health data can help organizations identify trends, assess the effectiveness of benefits programs, and tailor offerings to specific employee needs. This data-driven approach ensures that benefits programs remain relevant and impactful.

6 Preventive Care and Chronic Disease Management

Employers can collaborate with health care providers to implement digital tools that focus on preventive care and chronic disease management. For instance, employees with chronic conditions can use apps to track medication adherence, receive health reminders, and access educational resources. This proactive approach not only improves employees' health outcomes but also reduces health care costs for both employees and employers.

The integration of digital health technology into employee benefits programs represents a paradigm shift in how organizations prioritize employee well-being. By offering these services, employers can create a comprehensive benefits package that aligns with the modern workforce's health and wellness needs. Embracing digital health technology not only enhances employee engagement and satisfaction but also leads to a healthier, more productive, and ultimately more successful workplace. As technology continues to evolve, the possibilities for leveraging digital health in employee benefits are limitless, promising a brighter future for both employers and employees alike.



Consideration of a Professional Employer Organization (PEO)

A Professional Employer Organization (PEO) can play a significant role in helping employers control costs and streamline various aspects of their business operations. Comprised of a large pool of employees from various client companies, PEOs offer their client firms comprehensive HR and employee management services, professional guidance in a variety of areas, including employee relations, employee labor laws, and performance management, allowing businesses to focus on their core functions while leveraging the expertise of the PEO.

The pooling of employees to large numbers also allows a PEO to negotiate better rates for employee benefits, including health insurance, retirement plans, and other perks. By leveraging their collective purchasing power, PEOs can help employers access more cost-effective benefits packages. And as businesses grow, PEOs can adjust their services to accommodate changes in workforce size and needs. This scalability can prevent the need for rapid and potentially costly internal expansion for individual business owners.

Here are some additional ways in which a PEO can assist employers in controlling employee benefit expenses:

Risk Management and Workers' Compensation

By providing safety training, implementing loss prevention measures, and assisting with workers' compensation claims, PEOs assist in managing risk. This can lead to reduced workplace injuries and subsequent costs.

Payroll and Benefits Administration

Because they handle payroll processing, benefits enrollment, time and attendance tracking and administration tasks, PEOs reduce the administrative overhead for employers and ensures accurate and timely payroll, which can lead to better employee satisfaction and decreased compliance-related costs.

Employee Recruitment and Retention

PEOs assist with recruitment, onboarding, and employee retention strategies. Attracting and retaining talented employees reduces turnover costs and maintains workforce stability.

Employee Training and Development

PEOs often offer training and development programs that can improve employee skills and performance. This, in turn, can lead to higher productivity, better customer service, and reduced turnover.

Compliance Management

By taking on various administrative functions and by providing clients with legal resources and professional guidance, PEOs help employers stay compliant with federal, state, and local employment laws and regulations. By avoiding legal issues and penalties, employers can prevent costly legal battles.

Technology Integration

Technology platforms that streamline HR processes, such as payroll, benefits administration, and time tracking are often provided by PEOs. These systems can reduce administrative errors and save time and effort.

Centralized Administration

By consolidating administrative functions, PEOs allow employers to focus on core business activities. This centralization can lead to increased efficiency and reduced administrative costs.

Health and Safety Programs

Most PEOs offer workplace safety programs that can lower the risk of accidents and injuries, reducing workers' compensation costs.

Employee Benefits Communication

PEOs help in effectively communicating employee benefits to the workforce, increasing employee understanding and appreciation of their benefits package.



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