STRATEGIES FOR ADDRESSING HEALTHCARE COSTS

Scott McCarty
Scott.mccarty@queencreek.org
480-392-1711
Healthcare Costs are Growing Faster than Wages and Inflation
Employees are Being Asked to Pay More
Benefits are Being Reduced
There Is No Silver Bullet But...

We Can (and Should) Do More
A STRATEGIC APPROACH TO HEALTHCARE

- Funding Options
- Plan Type
- Plan Design
- Plan Management
- Cost Sharing
Funding Options
FUNDING OPTIONS

- Fully Insured Plan
  - Premiums + Out-of-Pockets = Expenses + Profit

- Self Insured Plan (Recommended)
  - Premiums + Out-of-Pockets = Expenses
BE SELF INSURED

- Claims are Claims
  - Fully Insured Plan: Employer is Paying for the Risk the Insurance Company is Taking
    - How Long will You Stay?
    - Insurance companies will ALWAYS make a PROFIT
  - What are You Buying?
    - Sharing Information is Rare in Fully Insured Plans
Proven to be Less Expensive
- 5% to 15% Depending Upon Cost Structure
- No Taxes, No Profit
Your Not Too Small...Risk Management
Aggregate Usage Data is Valuable
- IDs Employee Out-of-Pocket Costs
Plan Design Flexibility / Control
A STRATEGIC APPROACH TO HEALTHCARE

Plan Type
PLAN TYPES

PPO
(Preferred Plan Organization)
VS.
HDHP with HSA
(High Deductible Health Plan with Health Savings Account)
HDHP WITH HSA

- Lower Premiums in Exchange for Higher Deductibles and Out-of-Pocket Costs paid for by a Health Savings Account (HSA)
- Patient Evolves to Consumer
- Catastrophic Coverage
- 70% of Insured Use Less Than $1,000 in Benefits Annually
HSA

- Tax-Free Savings Account that can be used to pay for Qualified Medical Expenses
- Employee’s Account Forever
Growing in Popularity
- 15% of Market
- Think “Low Premiums” Instead of “High Deductible”
- Traditional Plans “Over-Insure”
- ER / EE Natural Tendency for Risk Aversion
Flexible Design
- Allows Employers to Determine Balance Between Premiums and Out-of-Pocket Amounts
- Helps with ACA
- Members with More Claims will Pay More
A STRATEGIC APPROACH TO HEALTHCARE

Cost Sharing
COST SHARING GOALS

- Defined and Sustainable for Employer and Employee
- Create Employee Accountability
  - Get the Right Care, at the Right Time, in the Right Place
  - Improve Understanding of Health Care Costs
Merely Shifting Costs to Employees is Not Sustainable

Consider an Employee’s Financial Exposure – It’s More than Premiums
ANNUAL FAMILY COVERAGE:
$18,000 FINANCIAL EXPOSURE

$7,000 Out-of-Pocket
(Co-Pays, Co-Insurance, Deductibles)

$11,000 Premiums
1. Employer: Known Costs
   - Premiums

2. Employee: Known and Unknown
   - Premiums: Known
   - Out-of-Pocket: Unknown (to a Maximum)
FINANCIAL EXPOSURE
$18,000 FOR FAMILY COVERAGE

$7,000 Premium
$7,000 Out-of-Pocket
Co-Pays
Co-Insurance
Deductibles

$4,000 Premium

$0

$2,000

$4,000

$6,000

$8,000

$10,000

$12,000
EMPLOYER PERSPECTIVE

- Percent of Operating Budget
- Relative to “Hot Buttons”
  - Pension Costs
  - Street Preservation
- Include Lost Time & Productivity
TOTAL EMPLOYER IMPACT - ALMOST DOUBLE CLAIMS

- Medical Claims: 55%
- Lost Time & Productivity: 45%
Premiums + Out-of-Pocket = EE Financial Exposure
EMPLOYEE PERSPECTIVE  (CONCLUDED)

- Percent of Salary
  1. Premiums
    - ACA Limits Exist
  2. Out-of-Pocket Cost Maximum
$18,000 FINANCIAL EXPOSURE
40% EMPLOYER VS. 60% EMPLOYEE

- Employer Premium $7,000
- Employee Premium $4,000
- Employee Out-of-Pocket Maximum $7,000
A STRATEGIC APPROACH TO HEALTHCARE

Plan

Design
Make Incremental Changes

Reducing the Value of the Benefits Is Not Strategic

Education and Wellness are the Best Ways to Manage Costs – We Have More Control Than We Think
WE HAVE MORE CONTROL OVER OUR HEALTH THAN WE THINK

- Behavioral Habits: 40%
- Genetic Disposition: 30%
- Social Circumstances: 15%
- Health Care: 10%
- Environmental Exposure: 5%

Total 100%
1. Wellness Incentives
   - Carrot, Stick, or a Combination?
2. Specialty Rx
3. Increase Out-of-Network Maximums
4. Increase Use of Generic Rx
5. Increase Use of Mail Order Rx
6. Spouse Ineligible if they have access to other coverage
1. Limit Number of Plans
2. Medical Case Management
   - RN used to Increase Patient Engagement
3. Disease Management Incentives
   - Decrease if In Program
   - Increase if Out of Program
4. Consumer Navigator
   - Vendor Shares in Savings if “Top Quality” Provider is Used for Procedure
Plan Management
CONSIDER THE FOLLOWING

- Employee Committee Members with Different Backgrounds and Opinions
- Challenge Actuary Projections
  - At Year-End, Actual vs. Recommended
  - Don’t Accept the Medical Trend Increase
- Intense Data Analysis
Employee Information
- Sick Leave Usage
- Age
- Tenure

Audits
- Contract Performance
- Dependent Coverage
Relationship to Workers Compensation

Claims Analysis
- Chronic Disease
- Utilization vs. Per Unit Cost Changes
- Large Claim Impact
- Out-of-Network Impact
- Specialty Rx
There Is No Silver Bullet But...

We Can (and Should) Do More
THANK YOU!

Questions,
Comments,
Final Thoughts,
or Stories