

Health Insurance Rx: 5 Remedies to Slow Escalating Costs Now for School, City, and County Employers



As health insurance costs rapidly rise, schools, cities, and counties are looking for solutions to rein them in. The pressure is on to provide the best, lower-cost plans that, in turn, encourage employees to become more consumer-minded about the cost of services. While it can seem difficult to turn down the dial on escalating premiums, you can certainly ease the rate at which they escalate. This guide will show you five tested ways schools, cities, and counties have had success with this, and how they did it.

Most employers' first instinct is to shop carriers and reduce benefits when they are looking to lower costs. While competition is crucial and some carriers have better network discounts than others, the savings produced by this approach are generally insignificant in the midst of rising premiums. Reducing benefits by increasing deductibles and co-pays, adjusting employee contributions, or offering multiple plan choices are inevitable but they are not addressing the very real problem of rising costs.

Employers need to start shifting their thinking away from tactical, short-term fixes and begin focusing on making changes inside their organization that will actually slow down premium growth. Creative, strategic solutions have the potential to actually control the escalation.

To solve the problem, organizations that come together with employees, consultants, committees/

unions, and boards will be the most successful at slowing down the escalating costs. School, city, and county employers with high-cost health coverage who choose to get creative with managing costs, will be able to continue to provide a valuable benefit to their employees, rather than face losing employees via layoffs, or by unhappy employees who leave due to benefit reduction.



#1

Implement a Wellness Program

One of the most popular steps in controlling healthcare costs, is to implement a wellness program as a way to control healthcare costs.

So what makes a school, city, or county wellness plan a success? It comes down to planning, strategy and execution. Programs that neglect strategic planning and communication, as well as those that lack hard metrics and relevant incentives can be unsuccessful. A study at the University of Illinois showed that many wellness programs are ineffective and suffer from low participation rates.¹ However, well thought out wellness programs work.

The return on investment for spending employee wellness is 6 to 1.² As healthcare costs continue to rise, studies such as this demonstrate the value of a successfully run wellness program on your bottom line.

A great example of a successful wellness program is the U.S. Government's anti-tobacco campaign (essentially a governmentally run wellness plan). They didn't employ only one tactic. They encouraged smoking bans and restrictions, increased the cost of tobacco products, made use of mass media campaigns, provided telephone counseling and support to help tobacco users quit and reduced patient out-of-pocket costs for effective cessation treatment.





1. Utilize Health Assessments

An organization-wide health assessment and biometric screening is a great way to help employees be healthier, as well as a good tool for you to benchmark the health status of the organization as a whole.

- Health assessments are especially helpful for employees that would normally tune out and not pay attention to their health. Employees receive a confidential report, which may highlight areas that need improvement or issues they may need to address with their doctor.
- The employer receives an aggregate report about the general state of health in the organization and any issues that are common to their employees as a group. This report does not encroach upon any health privacy laws because it does not provide individual results. Plans can then be tailored to the specific trouble spots – BMI, blood pressure, smoking cessation, etc. The report also provides a benchmark that you can use to measure the performance of your wellness plan.



2. Communicate Effectively

Wellness plans are often inadequately understood. Do your employees have a good understanding of your organization's wellness program offerings? Do they know how to get involved? If an employee is not aware of what is offered, they won't participate. To increase awareness, it is recommended that you:

- Provide a variety of communication materials such as posters, newsletters, emails, etc. There are many pre-packaged, low-cost wellness promotion packages in the marketplace. You may be able to acquire them free of charge through your broker or carrier.
- Communicate well and often. Make sure that materials are relatable to your employees and up-to-date. Health and wellness trends change fast – new studies are released, the definition of healthy eating is modified, and exercise trends come and go. There is no better way to hurt your wellness program's credibility than to publish out-of-date information. Your materials need to be sound and vetted, as well as up-to-the-minute.

When a wellness program is thoughtfully organized – it can help control those rising health costs.

The most successful ones that show the greatest return on investment...



3. Offer Programs

Empower employees to take charge of improving their health. This can be done on both the group level and the individual level.

- **Group:** A group program can be successful especially when your assessments show that many people are tackling the same issue. An instructor may come into a worksite to do things such as “lunch and learns”, an on-site weight loss group, a company race... anything where employees interact. The downfall of a group program is the commitment to a specific amount of time for a specific number of weeks. Make attendance as convenient as possible.
- **Individual:** Some people like to go to the gym, while others prefer the comfort and privacy of their own home at their own pace. Make your program inclusive. Individual programs may include phone apps, videos, brochures, or audio books. Some employees may like to call a toll-free number for counseling and questions as they tackle their weight loss, smoking cessation, or stress issues. Your insurance carrier may provide some of these counseling programs.



4. Employ Continuous Evaluation

Part of a successful wellness program is surveying your employees. Beyond the biometric screening, consider sending out a simple survey that can assess what interests your employees. How do they like to receive the information? What are they drawn to, is it physical activity, nutrition, group activities, do you have any experts amongst your employees? When you reach out, you can find out what is working and what is not. This can also help the employees become invested in the program itself. Employees like to know that their voices are being heard plus they can be a valuable source of information.

Legal Restrictions

The Americans with Disabilities Act states that employees cannot be discriminated against based upon physical limitations. It's okay to charge a smoker a higher premium vs. a non-smoker. But it's not okay to have a surcharge if an employee is overweight or has high blood pressure if an employee has a genetic predisposition.

The ACA clarified the discrimination rules to ensure that all employees, regardless of health status, have the opportunity to participate in and be rewarded by a wellness program. It also increased the maximum permissible health-contingent award amount and provides financial assistance to employers to help you implement a workplace wellness initiative. To learn more about this, see <https://blog.nisbenefits.com/workplace-wellness-programs-and-aca-reforms>



**Ramp it up!
Once you have
a wellness
program in
place, it's time
to take it to the
next level...**

✓ **Reach Out to High-Risk Employees**

High-risk employees may be the most reluctant group to engage in wellness programs but they may need it the most. Their healthcare costs are 100-500 times greater than the average.³ Find ways to slowly reach out to them and make it safe for them to participate. Tap into their personal motivation to improve. Make sure your program is all-inclusive so they don't feel singled out. After the biometric screening results are returned, consider providing your employees an opportunity to take part in an on-site confidential consultation with medical personal to address their concerns.

✓ **Provide Incentives and Surcharges**

Using incentives and surcharges – whether large or small – can give employees a concrete, immediate reason to improve their own health. This will help to boost morale and keep employees motivated to participate. Some examples of incentives include a subsidized gym membership; a small gift (water bottle, t-shirt) if an employee participates in a wellness program (exercise class, weight loss program, etc.), recognition for other healthy activities, etc. A premium surcharge for tobacco is also designed as an incentive to encourage employees to lead a tobacco-free lifestyle.

✓ **Focus on Short-Term Benefit Programs**

Although it's important to tackle issues such as losing weight and smoking cessation, the financial savings of those programs are realized long-term. Wellness can also focus on programs that will have more immediate (6-12 month) benefits like disease management, disability return-to-work plans, greater seat belt usage, or improved prenatal care.



✓ Offer Appropriate Level of Care Options

Unnecessary physician visits and inappropriate level of care (i.e. emergency room visits when urgent care is more appropriate) can wreak havoc on your claims experience, thus driving up premiums. One of the most consistent return on investment happens when employers offer alternative options for minor, acute issues. Nurse online programs, medical concierge, over-the-counter tests, and self-help guides are just a few of these options. The growing fields of telemedicine (where patients can call a physician and get treated without physically being present) or online symptom profiles (patients enter their symptoms and the system diagnoses common ailments, or refers them to a physician) are also promising self-care options.

✓ Involve Family

What about the employee's family members that are also covered by your health plan? They may account for up to 70 percent of your claims. By including the rest of the family in health screenings, contests, incentives, and acute care options, healthcare costs can reduce even more. Sending communication materials, self-help guides, etc. to the employee's home is another way to involve the entire family.

✓ Low-Cost Wellness Opportunities

There are many wellness opportunities that don't cost employers much or anything to implement. For example, offering healthy snacks in the cafeteria or vending machines, implementing a no smoking policy at work, installing a shower to encourage lunch hour exercise, implementing a no sweets policies, or providing a quiet room to de-stress.

✓ Remember Mental Health

A mentally healthy workforce is strongly associated with lower overall medical claims, reduced absenteeism, increased productivity, and decreased disability costs. Depression, alcohol, and substance abuse cost calculators can be found online and can help you see how much these problems are costing you. But what can you do? Implementing and promoting your Employee Assistance Program (EAP) program is only one step. Other steps you may take include:

- Conduct an employee awareness and education program about depression, anxiety, and substance abuse
- Educate supervisors to watch for signs of mental illness
- Offer mental health screenings



#2

Consider Self-Funding

In a self-funding environment, the benefits of wellness can be fully realized because of the flexibility and control you have over the plan design.

An overall improvement in employee health can lead to an immediate reduction in claims, which feeds back into the organization's reserve fund. If those trends continue, there may be a reduction in the contributions made by both employers and participants.

Moving to a self-funded healthcare plan is becoming an increasingly viable option for all employers - large and small. When using a self-funded plan, employers assume the liability and risk associated with uncertain healthcare costs in exchange for a number of significant financial benefits. You can set the premium rates based on your claims history and adjust the plan in other ways to cut costs. If claims are lower than anticipated, you can invest any savings and earn interest. In the event that claims are higher than usual, stop-loss insurance coverage can pay for excess costs.

While some large organizations might be able to handle the plan internally, most use a third-party administrator (TPA) to oversee the plan. How much responsibility the employer and administrator each bear will vary.





Advantages of Self-Funded Health Insurance Plans...

Plan Design Freedom

The self-funded plan can be customized, adjusted or changed in endless ways – even in bargained environments. The employer receives utilization reports so trends can be detected that in-turn affect plan design decisions. This allows them to create a multi-year benefits strategy. Every year, the plan is managed to better achieve the stated goals.

Tax Savings

In certain states there are no state premium taxes on self-funded plans. Employers can also save on ACA (Affordable Care Act) taxes and fees (i.e. medical loss ratio rules, annual insurance fees) thus lowering the health insurance plan financial exposure.

Lower Administrative Costs

Self-funded insurance plans administered through a TPA are, in general, substantially less expensive than the costs charged by an insurance carrier.

Narrow Networks

Some public sector employers may choose to use a narrow network. Today's narrow networks are different and are growing in popularity. Along with more sophisticated data and analytics, networks can now be based on quality of care as well as cost. For schools, cities, and counties who often cannot change co-payment structures or deductibles, sometimes the only way to keep costs down is to keep the networks as affordable as possible.

Cost Containment Providers

If you are overpaying hospital bills or relying on the network to provide the best discount, you

may want to consider hiring a cost containment provider. Some of the ways they can provide assistance are: healthcare concierge services to help employees navigate their healthcare, reference-based reimbursement, medical bill review/audit, or negotiating out-of-network bill reductions.

Better Cash Flow

Since the employer does not have to pre-pay for coverage (other than a monthly administration fee), funds are only required when claims are paid. This allows the organization – instead of the insurance company – to earn interest on the reserve, improving cash flow. In addition, the effective use of utilization reports will help forecast claims and insurance costs for the next year.

When assessing if a self-funded plan is a wise choice for your organization, review your past coverage utilization, cash flow, and the status of the employees being covered. Different employee populations will have their own health characteristics and patterns of care usage. Generally, most employers can benefit from self-funding as long as they make an accurate assessment of the costs they are likely to face, set rates accordingly and are prepared to delegate the administrative responsibilities.

Over 50 percent of workers in the U.S. are already covered under a self-funded plan, even though they may not be aware of it.⁴ However, self-funding is not a quick fix, and employers should not automatically assume that they will save money immediately. For this reason, schools, cities, and counties should approach the potential shift patiently and get advice from those who specialize in public sector employers.



#3 Encourage Medical Consumerism

Americans tend to be savvy consumers of most products and services... except when it comes to medical services. Traditional health insurance plans do little to encourage a consumer-focused approach in healthcare spending – participants have no incentive for choosing low-cost providers or shopping for the lowest price prescription drug. This lack of consumerism can create runaway claims that drive premium increases.

Experts agree that to reduce costs, organizations must encourage prudent medical spending. The goal of consumerism is to help empower employees to make daily healthy choices and improve their decision-making skills when making healthcare decisions.

One way to encourage smarter healthcare spending is to implement a *High-Deductible Health Plan*. Because the employee is responsible for meeting the high deductible amount before the plan kicks in, this encourages them to shop around when searching for the best pharmacy price, choosing a low-cost provider, eliminating duplicate tests, and considering alternative treatment.

By providing an HSA (Health Savings Account) or an HRA (Health Reimbursement Arrangement) in an amount equal to the deductible, a win-win scenario unfolds: participants have a better plan at less out-of-pocket costs and employers gain lower net cost and have better control over future premium increases.

For a plan like this to succeed, employees need to feel empowered, engaged, and supported when choosing what to do. There is a balance between providing a consumer-directed plan and supporting employees to make decisions they may not be used to. The employer’s role in consumerism is to encourage employees to be better consumers by providing them with the tools, resources, and incentives they need to make cost-conscious decisions. Services such as a Medical Concierge and cost transparency tools are cost-efficient ways to help employees be confident in selecting a doctor, communicating with medical providers, and managing medications, as well as understanding the importance of preventative exams and assessing treatment options based on cost, risk, and benefits.

#4

Provide Retirees with Viable Health Insurance Alternatives

Are your early retirees (under 65) choosing to stay on the employer-sponsored health insurance plan? If so, both the retiree and taxpayer-funded organizations significantly benefit by exploring the options available.

Implicit Rate Subsidy

Most employers are aware of the cost of paying premiums on behalf of retirees but there's more to it than that. Just by being on the plan, retirees can be a significant cost driver on premiums. It's called Implicit Rate Subsidy. The true age-related cost for a typical early retiree's health coverage is almost always higher than the average, so the younger employees end up paying a little more to subsidize these costs.

The thought of leaving the perceived safety of employer-provided coverage to pursue a different plan may make employees feel apprehensive. But encouraging them to review all their options is actually empowering them to make better, more informed health insurance purchasing decisions. Education is key. Ask your broker about educational services they can provide for your retirees to educate them on their choices.

By providing viable – and often more suitable – choices for health insurance for retirees, they may choose to leave the employer plan. When retirees are off the group plan, the claims reduce and there may be a significant bend in the upward premium trend. This also reduces the cost of active employee coverage due to implicit rate subsidy.

Using a Tax-Free Retiree-Only HRA to Help Retirees Pay for Other Coverage

Another option is taking advantage of a tax-free Retiree-Only HRA. The way this works is that as the employer, you deposit the dollar equivalent of the annual employer contribution for retiree health insurance premiums (and dental insurance premiums, if applicable) into a Retiree-Only, Premium-Only HRA. These deposits are made into individual accounts on behalf of and controlled by the retiree. Please note that when taking this approach, it's important to seek advice from experienced advisors who know all the ins and outs of the Retiree-Only HRA plans. Administering it incorrectly can be costly.



#5

Switch to Employer-Managed Care with On-Site Clinics and Wellness Centers

More than half of larger employers are proving that they can manage health and benefits at a lower cost and with better outcomes than traditional healthcare delivery by turning toward employer-managed care options.

By implementing clinic centers right on their worksite location and partnering with employees to improve health, employers have demonstrated that cost control and employee health are attainable goals worthy of pursuit.

An on-site clinic provides care for employees right at their worksite location. Smaller employers may join together and establish a near-site clinic. Depending upon the choice of clinic provider, free or reduced cost services may include:

- Acute (short-term treatment for minor injuries or illnesses)
- Occupational (occupation-related health issues)
- Primary care (improving health)
- Routine laboratory work
- Pharmacy
- Dental
- Vision services

Study after study shows that providing these services on-site reduces cost for BOTH employers and employees. Employees view the services as a tremendous benefit which helps recruitment and retention efforts, as well as productivity due to not having to take time off for routine or acute care. Employers report that implementation of clinics is a relatively straightforward process when partnering with an experienced on-site clinic provider. Build-outs are quick: designs are simple with few requirements and the clinic is up and running in a few months. And most importantly, the immediate containment of direct medical costs is typically realized in the first year.



Because the care provided in these clinics is not saddled with established old technology or cumbersome decision-making processes of traditional healthcare, the streamlined process that emerges allows for more personalized, quality care delivered efficiently and effectively.

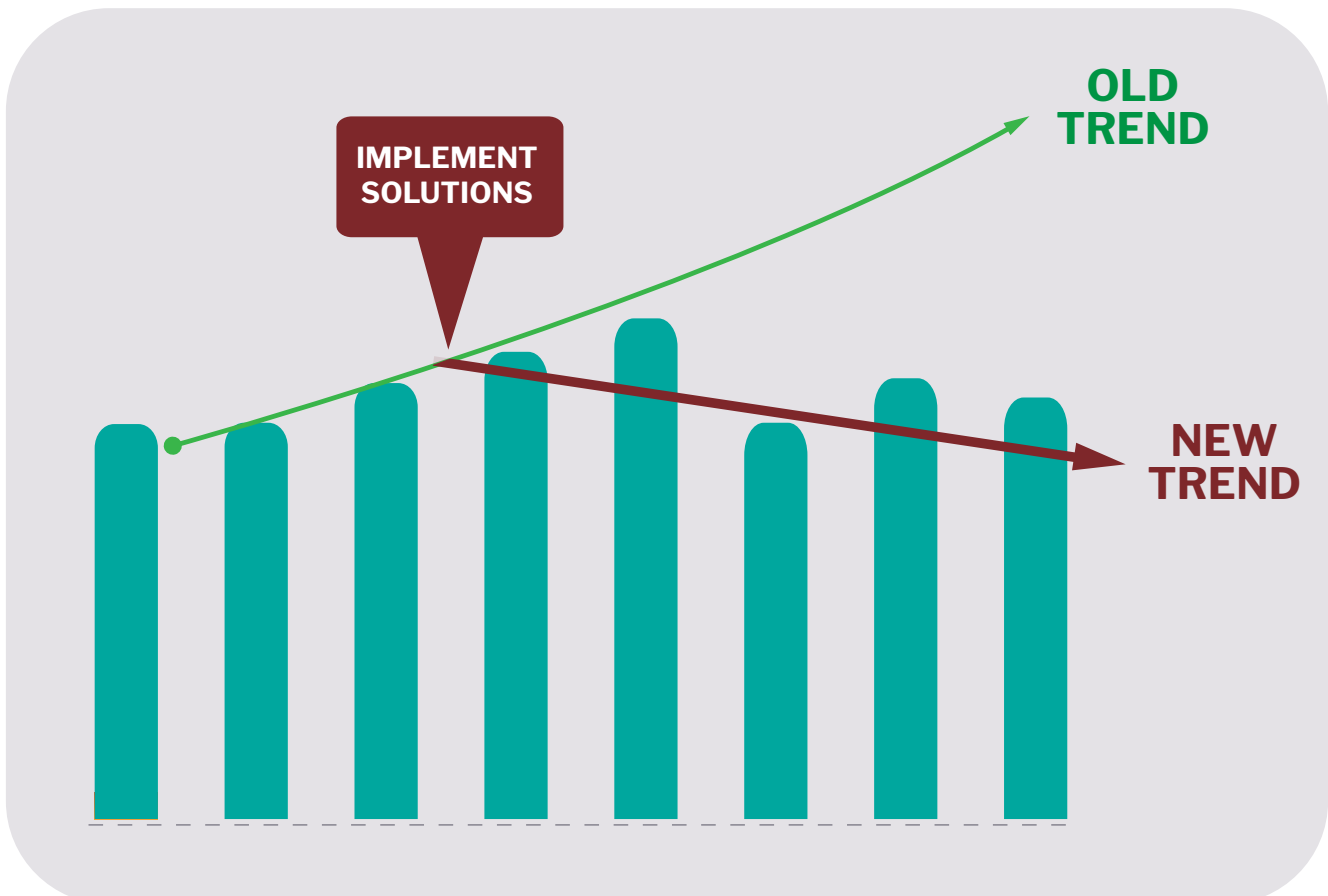
Employers who are ready to embrace this concept must realize, however, that providing acute care is only the beginning of what is possible with employer-managed care. In the long run, the goal must be to improve employee health by preventing and managing chronic illness. Only then, will employers begin to realize true return on investment -- instead of achieving only short-term saving, they begin to see premiums and costs actually decline.

The gold standard in clinics is the primary care and wellness center, a patient-centric approach focused on reducing costs while improving health. This concept is based on overwhelming evidence that improved primary care = healthier population = lower healthcare cost.

A primary care physician proactively forms a partnership with both the employer and employee to create a prevention and wellness approach. Employees may participate in health assessments or educational programs designed to specifically address the group's health needs. The physician would reach out to those employees who have signs of current or preventable illness and work with them to take steps toward a healthier lifestyle.

This game-changing, yet realistic solution:

- Clears away mountains of healthcare system waste
- Controls costs by making referrals based on fees and patient outcomes
- Focuses on patient-centered care
- Actively promotes a culture of wellness and prevention





While it's imperative to ease the escalation and stabilize premiums, it is also important to think strategically and not just tactically. Short-term measures such as carrier shopping, lowering deductibles, and adjusting employee contributions may help but do not address the very real epidemic of rising costs. Introducing concepts of wellness and consumerism, along with reducing retiree participation can go a long way. Depending on your organization's size, self-funding may be a viable option. And if you are seeking a long-term change, the addition of an on-site wellness clinic is the optimal choice.

If you haven't yet implemented any Health Insurance Rx, start now. Research what would work best with your culture. Reach out to industry experts who can help pinpoint a system that should be your starting point. If you have already started implementing tactics, what is working? What is not? Maybe it's time to ramp up your wellness program or add in another measure.

One thing is certain, health insurance premiums will continue to rise. But you can implement programs that have potential to slow the escalating costs while supporting your employees as they become more invested in their own healthcare.

¹ <https://www.nber.org/papers/w24229>, ² <https://insights.yourplacecentral.com/wp-content/uploads/2019/07/2019-National-Health-Benefits-Statistics-Trends-Report.pdf>, ³ <http://www.healthylife.com/template.asp?pageID=41>, ⁴ <https://www.statista.com/statistics/985324/self-funded-health-insurance-covered-workers/#:-:text=This%20statistic%20depicts%20the%20percentage,of%2067%20percent%20in%202020>.

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Since 1969, National Insurance Services (NIS) has worked with public sector organizations such as schools, cities, counties, municipalities, libraries, and community mental health organizations providing employee benefit consulting services, as well as brokerage services for medical, dental, life, disability, and vision insurance benefits. NIS also specializes in early retiree benefit restructuring services, tax-free options for retiree payouts, as well as, on-site and near-site medical clinics.

NIS is trusted by over 2,500 public sector organizations and 500,000 insured individuals in 29 states. We are headquartered in Brookfield, Wisconsin with regional offices in Indiana, Iowa, Michigan, Minnesota, Nebraska, and Pennsylvania.

To learn more about NIS, visit our website NISBenefits.com.

You may also be interested in the following resources:

- [Guide to Insurance Committees](#)
- [Why Integrated HRAs may work better than HSAs for Schools, Cities, and Counties](#)



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