



The Future of Health Benefits: Top Three Messages for Different Stakeholders

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With all the campaign pledges of health care reform still fresh from the November election and a new administration taking the reins in Washington, D.C., in January, it is tempting for human resources professionals to offer their corporate leaders an optimistic vision of finally putting the lid on benefit costs.

Tempting, but not realistic.

Instead, this is the perfect time for HR professionals to emerge as health benefits educators, both for their bosses and for their company's employees. In that role, you can provide solid information to both audiences, an informed perspective about likely trends, and helpful guidance to make the best health care decisions within today's constraints. To avoid the eyes-glazing-over tutorial that you could deliver as an expert on health care benefits, hold their attention by boiling it all down to three specific messages each.

What Your Bosses Need to Hear

One thing corporate leaders are already aware of is the rising cost of health care benefits. The Kaiser Family Foundation's annual employer survey found that premiums were up 5 percent in 2008 and have more than doubled since 1999. Hewitt Associates are expecting them to rise a further 7.8 percent in 2009. Today, the average cost to cover a single worker is \$4,704, of which the employee typically pays \$721, according to Kaiser. Coverage for families averages \$12,680, with the employee footing the bill for \$3,354.

With rising benefit costs suppressing wage increases and making it difficult to compete globally, what your bosses want to know is if there's an end in sight. Here are three things you can tell them:

1. There are two trillion reasons why they should not expect a whole new playing field. That's the size, in dollars, of the current health industry, most of which is heavily vested in keeping the system exactly the way it is. While politicians may push for the adoption of incremental changes around the

edges, most have very little passion for fighting entrenched interests to create a whole new system. Note that neither presidential candidate proposed eliminating job-based health care, only ways of increasing access to health insurance.

2. The types of change focused on during the presidential campaign will not fix rising health care costs. That's because the talk about reform typically focuses on the affordability of and access to insurance, not the cost of health care. Since 80 percent of the dollars in the health insurance system go to pay for actual care, real reform and savings will not occur until health care pricing itself is the target.

3. What can help? Anything that brings more competition into a field that too often divorces the authority to make health care choices from the responsibility to pay for them. Corporations should be at the forefront of arguing for:

a. Transparency in pricing to assist consumers in making wise choices. Few hospitals would get away with charging a patient \$7 for a single aspirin if their costs were revealed before admission.

b. Electronic recordkeeping to promote efficiency. The accuracy and productivity improvements that come with computerized recordkeeping are well worth the investment.

c. Elimination of barriers that prevent people from shopping for the best coverage for their needs. Allowing purchasing pools for people with common interests and opening insurance markets across state lines will benefit consumers by increasing competition.

What Your Employees Need to Learn

Just like employers, employees have watched their health care costs rise during the past decade. Hewitt Associates notes that out-of-pocket costs such as deductibles, co-payments and other fees rose 10.1 percent for 2008. In addition, the Kaiser Family Foundation's survey found that 14 percent of firms are "very likely" to increase the share of premiums paid by employees next year and 12 percent are "very likely" to raise deductibles.

With household expenses already under pressure – think rising prices at the pump and in the grocery stores – employees are becoming increasingly agitated about the impact of health care costs on their paychecks. Here's what they need to understand:

1. Benefits aren't "free." They are part of the mix that makes up an employee's total compensation – and money spent on benefits cannot be allocated to increase wages. In a globally competitive marketplace where the majority of the world's companies do not pay for their workers' health insurance, U.S. companies are increasingly at a disadvantage. That's important to workers because it impacts job availability.

2. The "good old days" of job-related health insurance are not all that old, and often weren't that good. In fact, the jobs-health link is a World War II-era development that companies created to attract workers during a time of

wage controls. In addition, those early policies were nothing like today's policies. For decades, insurance was exactly that: insurance against the costly risks of major illness. People talked about their "major medical" benefits, not their coverage for doctor office visits and prescriptions. Today instead of insurance, we have a health care financing system that people expect to pay for all costs, including the small and the anticipated.

We don't expect our homeowner's and auto insurance to pay for oil changes and gutter cleaning – all of the day to day maintenance, minor repairs and preventive action. We use our insurance for major accidents and losses due to fire, wind or flood. Yet in health insurance we cover the routine repairs and known maintenance at a grossly inflated rate. A rate that is inflated in terms of the pure cost of care, and inflated because we pay an insurance company 25 cents on every dollar to pay our known costs on our behalf. That is not the way car insurance or homeowner's insurance works, but for some reason it is what we have come to expect for health insurance, a major driver of high costs.

3. The trend toward consumer-oriented health benefits will only increase, so they need to learn to manage their much-more-active role effectively. This includes becoming knowledgeable consumers and wellness enthusiasts.

Using Your Expertise

HR professionals can help their companies by pushing for a better understanding of the challenges that face both their bosses and their employees. But they can also take steps to have a direct impact on the rising costs. So in addition to delivering the three messages each to corporate leaders and employees, you should be working on your own top-three to-do list:

1. Seek out effective partners who can help you get the most for your company's health care dollars. Look beyond the "deep discounts" promoted by major insurers, since these often are simply phantom markdowns from inflated prices. Instead, seek out third party administrators who can customize their offerings and services to meet your needs. Look for ones who offer not only cost transparency, but also sophisticated tracking of loss records that can be used to fine tune your strategies.

2. Take proactive measures that curb medical costs rather than focusing on ways to cut premiums. These include incentives that target employees (behavior management, wellness services, and educational outreach, for example) and direct action to monitor expenses (such as pharmaceutical and medical audits that identify medical mistakes and flawed contract enforcement). Lower premiums will follow.

3. Continue to track progress on holding down costs and report your successes to corporate leaders. Rather than being viewed as a cost center, you want to reinforce the concept of HR as a service provider and expert consultant that can play a strong role in your company's success.

Competing politicians and soaring rhetoric can raise expectations that are not likely to be met across a wide range of issues. This is particularly true in

the health care arena, where companies are seeking a way out from under ever-increasing health premiums. By keeping advice and strategies grounded in the real world, HR professionals can serve both their company and its employees well, guiding them through whatever lies ahead.

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