2021 Healthcare Cost Containment Survey Summary

The 2021 Healthcare Cost Containment Survey results are in - a very special thank you to all the brokers, consultants, advisors, CFOs, VPs of HR, Directors of Benefits, and other professionals that contributed. While Covid-19 remains front and center, employers continue to seek out cost-effective cost containment solutions.

This white paper highlights the survey responses. A few things you should know about the survey. Each geographic region was equally represented. While 50% of the responses came from groups with less than 250 employees, the other 50% of survey responders was represented equally across all employer size bands.

> ***"Controlling healthcare costs is a high priority for most employers"***
>
> ***First Stop Health Cost Containment Survey***

Survey topics covered a wide range of content including

- Cost Containment Programs – 2020
- Cost Containment Programs – 2021
- Communications
- Benefit Portals
- HR Contact Centers
- Working Spouse Provisions
- Dependent Verification
- Medical and Pharmacy Claim Payment Integrity
- Non-benefit Eligible Employees
- Analytics

HR Best Practices

Before jumping into the details, here's food for thought. 2020 was a tough year for many. Some organizations such as Tesla and Zoom had extraordinary increases in their stock prices in 2020. The stock price for Tesla was up about 700% and Zoom was up about 425%. While healthcare cost containment and stock performance are not in the least related, readers take note. Employers can enjoy the same if not higher returns in healthcare cost containment. As our survey summary shows 2021 can be the year of building healthcare cost containment excitement!

About half of employees are not even aware of the cost containment tools available to them - even fewer of these employees use these tools!

HR Best Practices Cost Containment Survey

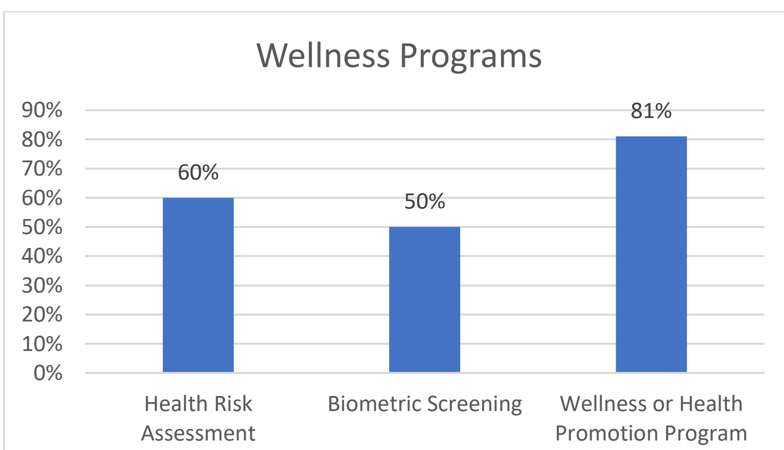
We are hopeful our survey summary helps provide you and your team with practical ideas for a cost-effective 2021 plan year. Highlights follow in the ensuing pages.

Cost Containment Programs 2020

Survey responders were provided with a list of popular cost containment programs. While most of the programs have a clear connection to cost containment, a few of the programs offer indirect savings. The top 12 cost containment list follows.

1. Mail Order Pharmacy – 67%
2. Generics – 58%
3. EAP – 58%
4. Wellness – 54%
5. Specialty Rx – 40%
6. Prior Authorization – 37%
7. Chronic Care Management – 29%
8. Dependent Verification – 21%
9. Pricing Transparency – 19%
10. Plan Design – 17%
11. Point-in-time Employee Eligibility Audit – 15%
12. Claim Audit – 15%

According to a recent Kaiser Family Foundation survey Wellness is comprised of different programs as illustrated in the chart below.



While neither on-site/near-site clinics nor Medicaid conversions did not make the top 12, we expect these to dramatically rise in the future particularly among larger employers. On-site/near-site clinics likely have low rankings since about half of the responders represent the low end of the middle market which by default are too small for on-site clinics.

Medicaid conversions are low simply because the health insurance industry is not familiar with the concept of "nudging" (through targeted communications and education) Medicaid eligible employees off the plan.   It's important to note Medicaid conversions offer material savings for the employer and tremendous savings for the employee as these programs are basically free for eligible participants (eligibility varies by state and is often determined by family composition and income).

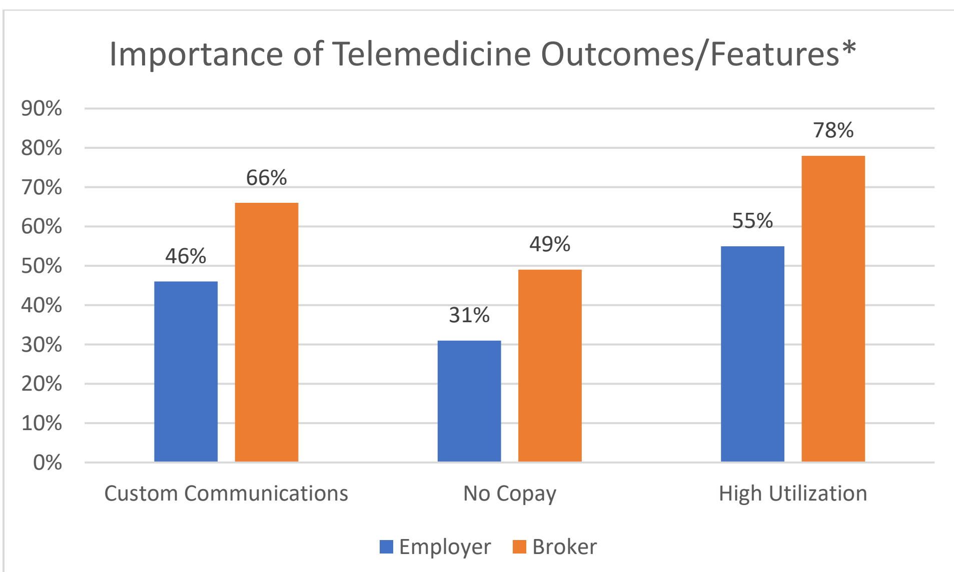
Cost Containment Programs 2021

Again, survey responders were provided with a long list of cost containment programs. The top 12 list of programs slated to be improved or newly implemented are:

1. Pricing Transparency – 28%
2. Wellness – 22%
3. Dependent Verification – 18%
4. Chronic Care Management – 18%
5. Plan Design – 17%
6. EAP – 15%
7. Generics – 15%
8. Mail Order Rx – 15%
9. Claim Auditing – 13%
10. Prior Authorization – 13%
11. Specialty Rx – 11%
12. Point-in-time Employee Eligibility Auditing – 9%

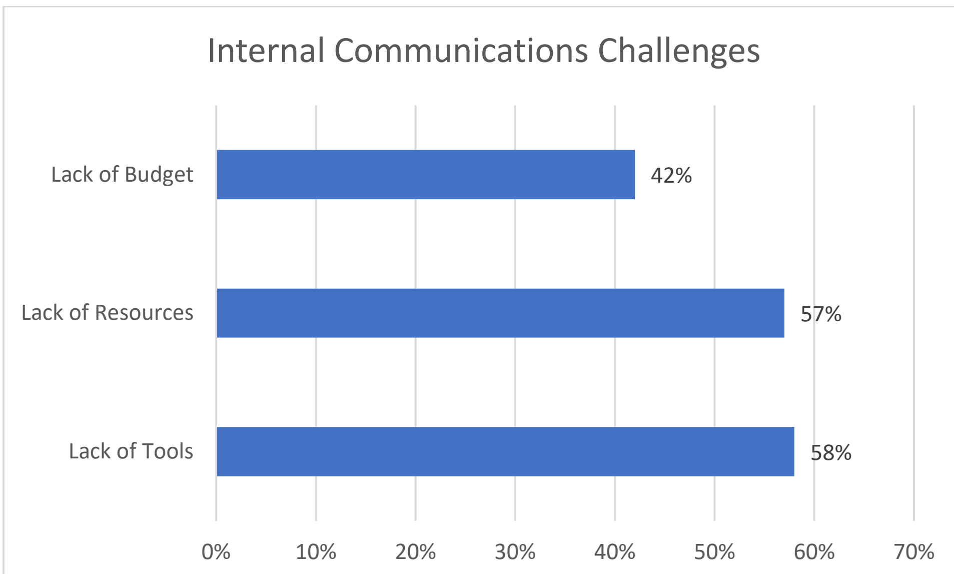
Here's an interesting point (and it's also somewhat embarrassing since we unintentionally omitted it). The list of cost containment enablers provided in the survey excluded Telehealth. Even though survey responders were given the opportunity to provide additional cost containment solutions, none of the responders added telehealth. This is troublesome since telehealth has historically been embraced by employers because of its expected high ROI as well as member convenience. One could possible attribute this to "out-of-site, out-of-mind." More about this later.

Practically speaking, Claims Auditing and Point-in-time Employee Eligibility Auditing are particularly noteworthy. First, in prior years neither of these cost containment solutions ever made the top 20 list. Now, both are in the top 12. The big question here is - Has the healthcare benefits community finally woken up to the fact that material overpayments are ubiquitous? Can Claim Audits help employers reduce costs by 2% - 8% plus? We don't think so - we know so (we've been performing audits for about 20 years and can back this claim up – for additional details please refer to Dependent Verification and Medical and Pharmacy Claim Payment Integrity sections on pages 12 and 13).



First Stop Health Cost Containment Survey

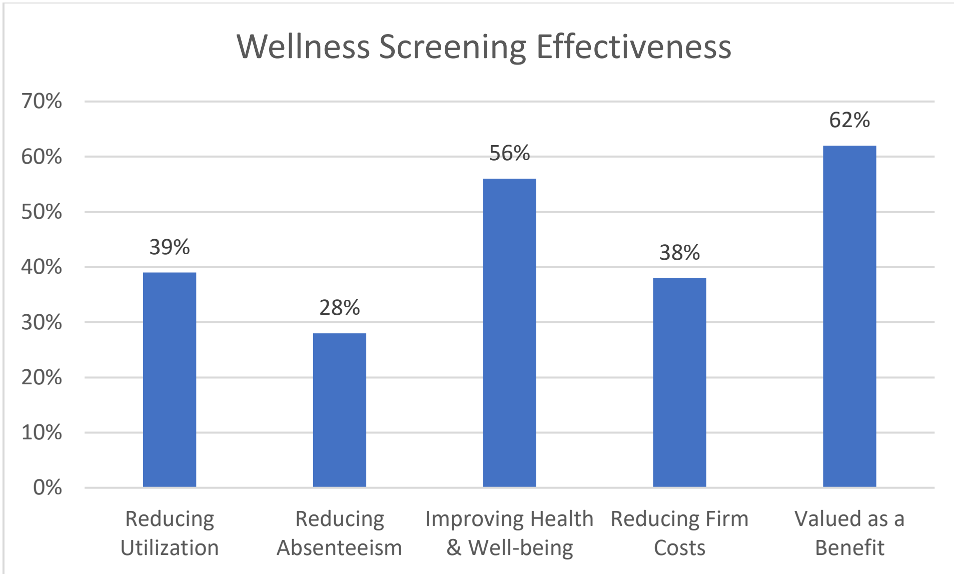
Also, we speculate Pricing Transparency, when implemented correctly, will play a vital role controlling costs particularly when elective surgeries become more commonplace again. Readers take note. Like any cost containment program, the program must be effectively communicated for it to work. Said another way, a one-size fits all communication approach won't work. To be effective, 1) the data must be segmented so the right person gets the right message at the right time, and 2) the content must be appealing and relevant to the recipient (please refer to Analytics Example 2 – Pricing Transparency on page 14).



Regan Communications and PoliteMail

2019 Internal Communications Measurement Survey Results

Moving along, the chart on the next page illustrates the power of benefit tools and programs (in this case wellness screening) that can be harnessed only when the program is communicated effectively.



Kaiser Family Foundation Employer Health Benefits Survey

Clearly, wellness programs have many benefits. Despite these compelling advantages employers still face many challenges driving engagement. Again, targeted and relevant communications can help drive the process.

The next section highlights the importance of benefit tools.

The Importance of Benefit Tools

First, the good news – employers and members can benefit from so many different types of benefit tools such as telehealth, pricing transparency, and second opinions. And now, the other news. According to our survey responders, only about 40% of employees understand the power of these tools. How can it be that only 40% of employees are aware of these tools?

The simple answer is these tools are out-of-sight and out-of-mind. Here in lies the rub. Employers have gone to great lengths to get these tools approved and implemented. Sadly, they have not gone to great lengths to promote how these tools can help save time, reduce costs, and improve health. A closer look unveils which benefit programs need communication improvement.

- Cost Saving Tools, such as Telehealth and Pricing Transparency – 48%
- Cost Sharing, such as deductibles, copayments, coinsurances, and out-of-pocket maximums – 43%
- Health Plans – 39%
- Voluntary Plans, such as Accident, Critical Illness, and Hospital Indemnity – 37%

Many decision makers see the inherent value of these tools, plans, and programs. As a result, about 35% of the responders indicated it's not critical to evaluate the ROI because the business case was ostensibly reviewed as a prerequisite to get the tool implemented in the first place. As for the other responders, about 25% of responders indicate only a 100% ROI is needed to approve communications while a smaller percentage of responders indicated a 200% ROI is required to approve communications.

Now that we've established the importance of communications and the reasonable ROI requirement to get approval, let's explore a creative alternative – the HR Contact Center.

The HR Contact Center

HR Contact Centers provide answers to employee questions. The scope of an HR Contact Center ranges from everything HR to discrete areas, such as healthcare benefits. One of the biggest selling points of an HR Contact Center is providing accurate answers to employees in a timely manner. When designed correctly, it eliminates the need to continuously train both HR generalists as well as benefit specialists.

Naturally, there's widespread adoption of HR Contact Centers among large employers. Making the math work for employers with under 500 employees has been challenging. Regardless about 20% of our survey responders think outsourcing the HR Contact Center to help employees navigate healthcare and control healthcare costs is viable. Another 20% of responders are unsure.

> ***"Employees are suffering from information overload."***
>
> ***Ragan Communications and PoliteMail***

Here are the top outsourcing topics that should be outsourced according to our survey responders.

- Total Health Plan Navigation – 30%
- Benefit Tools – 27%

Here's food for thought.

Imagine a world where employees only have one place to call when they have a question about their health benefits or their benefit tools. Imagine a world where there was only one benefits message to communicate. Imagine if that one message was "Have a question about your healthcare benefits? Call the HR Contact Center."

The HR Contact Center can be created to be as wide and as deep as needed. Given the mantra "employees are our number 1 asset", it makes sense for employers to outsource healthcare benefit questions (as well as other HR content) to the experts.

You may be asking how does outsourcing benefits questions reduce cost? It's simple. Here's a scenario illustrating how this could work.

Imagine, an employee calls and has a question about the copay/coinsurance for ER visits. At that time, the HR Contact Agent radar goes off and informs the caller about the telehealth program – no long waits, no high payments, etc. The caller thanks the agent and agrees to go to the ER since it's not a true emergency – everybody wins. By the way, since this ER visit was redirected to the telehealth program, the plan likely saved about $1,000. Unless an HR generalist was well trained in benefits this would be a miss. It's even more possible the employee would never have even asked HR in the first place. Many other compelling use cases exist the HR Contact Center.

Moving on, two surprising items caught the attention of our survey responders. First, over 30% of our responders think the HR Contact Center should handle anti-sexual harassment training. Second, about 15% think an outsourced HR Contact Center should handle whistle blower calls. Obviously whistle blower calls won't reduce healthcare costs, but they could ultimately mitigate risk and reduce the likelihood of future lawsuits. Millions of dollars in legal fees, penalties, and settlements could be saved.

Value of Benefits Portal Technology

Considering it's 2021 it's mindboggling to learn 10% of our survey responders still use paper for enrollment. It's also a little surprising to learn about 40% of our responders have "basic" portals.

While Benefits Portal Technology (BPT) is not generally associated with benefits cost containment one could make the case BPT can reduce healthcare costs. How so?

1) Employees can be nudged into selecting plans that typically cost less for the employer.
2) Content related to benefit tools, such as telehealth and pricing transparency as well as provisions, including dependent eligibility can be easily presented, much like a banner ad.
3) Portals can answer employee questions which ostensibly requires less staff or enables the staff to focus on more strategic HR functions.

Four Examples of Cost Containment Enablers

The following cost containment enablers offer relatively quick savings and are moderately easy to implement.

Working Spouse Provision

About 20% of responders indicated their plan(s) have a working spouse provision. About 65% of the 20% of responders have a surcharge. Surcharges generally range from $100 per month to several hundred dollars per month. The plans for the other 35% of responders have a mandatory carve-out. Mandatory carve-outs naturally offer the greatest savings since the spouse or domestic partner's employer bears the entire financial burden. Said another way, mandatory carve-outs can save employers a lot of money.

About 15% of the responders without working spouse provisions are considering the implementation of a working spouse provision in 2021. Sad but not a surprising reality, not all employees accurately report their spouse/domestic partner as working and eligible for health benefits. Furthermore, employees whose spouses/domestic partners become newly employed do not always remember to inform their employer of their spouse's/domestic partner's new job (i.e., unless this is periodically reviewed the plan is leaking money).

Hence, auditing employees with enrolled spouses/domestic partners always identifies new surchargers/removals. For a plan with a mandatory carve-out the expected savings translates to about $6,000 per year. For every 10 additional spouses/domestic partners carve-outs the plan can enjoy about $60,000 in gross savings. From a P&L perspective a business operating on a 5% profit margin would have to generate about $1,200,000 in revenue. Sound compelling?

Dependent Verification

About 20% of survey responders currently confirm eligibility for enrolled dependents. An additional 18% of survey responders will be verifying dependents in 2021. Dependent Verification continues to be popular because it's a well-known savings area. Since its "birth" circa 2005 employers routinely remove about 5% of the enrolled dependents annually (depends on turnover, premiums and other variables).

> ***"When employing an audit where it makes sense approach 90% of employees can pass the audit in 5 minutes without providing supporting proof"***
>
> ***HR Best Practices***

Let's look at the math. A plan with 500 dependents could expect to remove about 25 ineligible dependents. Assuming half are spouses/domestic partners and half are children gross savings could be about $4,000 per removal (again, actual savings impacted by many variables, such as employee contribution). Removing 25 dependents translates to $100,000 in annual recurring savings. For a business operating on a 5% profit margin this translates to $2,000,000 in revenue equivalents. Food for thought. Have you ever heard the VP of Sales, CFO, or President say "let's not win that deal, it's only $2,000,000."

It's important to point out savings will materially vary for insured and self-funded plans. How so? The savings derived from a self-funded plan are primarily driven by the claims for the removed member. Note – over the years HR Best Practices has removed many dependents including dependents costing the plan over $500,000 each! To add insult to injury, some ineligible spouses stay on the plan for over 10 years. One last comment. Imagine a scenario where "shock" claims corresponded to an ineligible dependent. Now imagine the CFO's or President's comments when he/she hears the stop loss claim was rejected.

In reference to fully insured plans the savings can only be derived when subscribers shift tiers (i.e., when a subscriber's coverage tier shifts from one tier, such as Employee Plus One, to Employee Only). It's also possible to enjoy savings from an improved experience rating, but the claims associated with the removals would have to be extremely high. If the plan is community-rated, these additional savings would not be available to the plan.

Medical and Pharmacy Claim Payment Integrity

About 15% of the survey responders believe medical and prescription drug claim audits are effective tools for reducing healthcare costs. Another 13% of survey responders plan on auditing their claims in 2021. Please note claims auditing is only available for self-insured plans since these funding arrangements bear the financial risk and the respective plans have access to their claims data.

For those unfamiliar with claim audits the primary goal of a claim audit is to confirm payment accuracy. Note - claim audits do not review the underlying medical condition for any specific member. Claim audits do, however, confirm claims are paid out in a manner that accurately mirrors the plan design as well as ASO contractual provisions.

The following examples show what a claim audit can uncover and what it cannot. Example 1 pertains to a member that went out-of-network for procedure X where the coinsurance is 20%. The claim audit confirms the 20% coinsurance was accurately collected. Example 2 pertains to the same member except this member has had numerous procedures in the past year. Naturally, plan management would want to better understand the reason for the procedures and would also want to know how many more procedures (i.e., cost) are expected. This is outside the scope of a claim audit. This is more along the lines of a care management and/or disease management audit.

Regardless of the root cause, claim audits can uncover 2% to 8% in savings.

Analytics

Underlying demographic, enrollment, wellness, utilization, and claims data collectively provides the foundation for actionable analytics. For employers truly seeking to materially reduce healthcare costs the data holds many of the answers to elusive questions.

> ***"52% of employers and 60% of brokers believe claims analysis is effective"***
>
> ***First Stop Health Cost Containment Survey***

A few practical examples follow.

Example 1 – Telehealth

First the good news. Covid helped propel the virtues of telehealth into the minds of most Americans. As the virus wanes and doctor visits revert to the traditional person-to-person model, members will likely forget about the merits of telehealth. To keep telehealth front and center, employers will need to strategically target members likely to benefit from telehealth. To that end, analytics, data segmentation, and targeted communications will be the only way to help keep the power of telehealth alive.

Example 2 – Pricing Transparency

Pricing transparency is a great tool when used at the right time. And if you're asking what's the right time, that's a great question. Here's a hint. Increasingly healthcare cost containment experts are saying "you have to meet the patient where he/she is in their journey." Since it's highly unlikely the member will proactively contact their employer (or proxy) the only way to drive relevant member messaging is by using claims data.

Let's look at an example. If a member has a combination of knee related claims pertaining to physical therapy and steroid injections, then a knee replacement is likely. To help ensure the member understands cost and quality variability, targeted messages could be sent to the member. Again, this is only possible through analytics.

Example 3 – Medicaid Conversion

As previously cited converting eligible subscribers to Medicaid is a win for the employer's plan as well as the employee's wallet. Just like the previous analytics examples, data and analytics are required to drive member education. In this case family composition and household income are required pieces of information. Since most plans don't have household income this information could be acquired from third-party consumer data providers. Alternatively, a proxy for this information could also be derived from the enrollment information.

Example 4 – Voluntary Benefits Reminders

Employees are increasingly buying Accident, Critical Illness, and Hospital Indemnity insurance. Unfortunately, many insureds forget they have policies that are eligible for claim payouts. That's where analytics comes in. Imagine a world where medical claims data can be scrubbed monthly.

A big part of this scrubbing involves matching medical claims with CPT, ICD10, HCPCS, DRG, and Revenue Codes corresponding to the provisions included in Accident, Critical Illness, and Hospital Indemnity policies. When there's a match, insureds should be sent reminder notices to encourage them to contact their insurance carrier to see if they're eligible for a payout. This isn't just analytics, this is a "wow" for insurance.

If you're wondering how this translates to cost containment there's a case to be made for the fact that employees will have a higher likelihood of opting for less rich, more affordable plans, such as high deductible health plans if they have gap insurance.   Let's shift gears to a different category.

Non-benefits Eligible Employees

By default, healthcare cost containment and non-benefit eligible employees are mutually exclusive. That said, you may be asking why include it in this summary? Good question. First, employees routinely state employees are our number 1 asset." Second, there are many low to no cost benefit programs that can benefit this population. For example, free prescription drug discount cards and $0 copay telehealth (less than $15.00 per month) can be made available not only to non-benefit eligible employees, but they can also be made available to Covid-19 separated employees including laid-off and furloughed employees.

Ultimately, when America ramps back up employers will start hiring again. Who better to hire than part-time, laid-off, and/or furloughed employees? Former employees "know the ropes" and can "hit-the-ground-running" unlike true new hires. While not specifically healthcare cost containment, there's a broader reduced hiring cost savings opportunity here.

Summary

Employers and their health plan advisors hold the healthcare cost containment reigns. While HR and benefits departments will continue to have their plates full of Covid-related initiatives ranging from return-to-work to vaccine management HR is uniquely positioned to take advantage of these challenging times by introducing some of the important concepts addressed in this summary. Again, many thank you's to the survey participants that made this happen.

About the Author

Howard M. Gerver is the President of HR Best Practices (HRBP). HRBP is a data-driven healthcare cost containment firm specializing in eligibility auditing, claims auditing, human capital analytics, benefits administration, and ACA compliance. Since its inception in 2001 HRBP has helped numerous employers save millions of dollars. Prior to starting HRBP Mr. Gerver worked for leading consulting firms including PriceWaterhouseCoopers, Johnson & Higgins, and Marsh & McLennan.

In addition to helping hundreds of local employers HRBP has helped numerous household name brand employers including, but not limited to BMW, CapGemini, Commonwealth of Pennsylvania, Dressbarn, EmblemHealth, Evonik, Medco, MedStar Hospital, MetLife, NJ Transit, NYU School of Medicine/Hospital, Personnel Staffing Inc., Richmond University Medical Center, Rutland Regional Medical Center, ShopRite, Staples, State of Iowa, UMC Health System, Viacom, VOYA, Wakefern, and Zurich.

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