

NEWS & VIEWS

An Insider's Perspective on HOT Health & Welfare Benefit Topics

CONTROLLING RISING HEALTH CARE COSTS – THERE IS STILL HOPE!

Do you feel like you're in a no-win situation when it comes to managing your organization's health care costs? Costs continue to increase. Shifting costs to employees by increasing contributions or reducing benefits is prevalent, but negatively received.

How would you like to control costs AND improve benefits? It can be done and MCG has a history of making it happen for our clients. The most popular approaches – as indicated in the graph – of increasing contributions, reducing benefits, or changing insurance carriers typically do little to control costs over the long-term – and generate unnecessary disruption and dissatisfaction. These “stopgap” measures fail to remedy what is really fueling the cost increases. You just end-up dealing with the same problem next year!

Especially considering the economic pressures, it's time to look beyond the customary approaches to health care cost control.

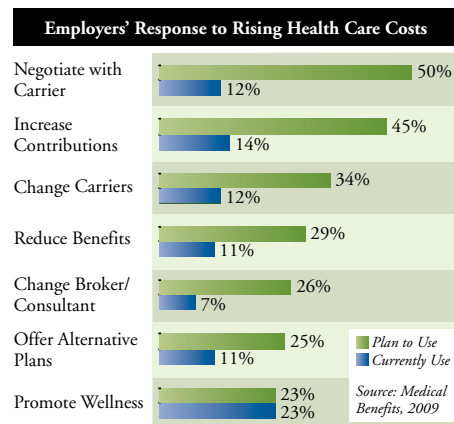
MCG'S APPROACH

MCG's approach is different. We first look at the feasibility of:

Risk Pool Consolidation: Offering multiple health care options – competing health plans – is often counterproductive. Costs are controlled and stabilized by consolidating risk pools.

Risk Management Alternatives: This goes well beyond determining whether to self-fund or to adopting a minimum premium funding arrangement (a type of fully insured arrangement that improves cash flow).

A bigger-picture view of the risk tolerance of an organization (i.e., the utility of Stop Loss insurance) could open the door to considerable long-term insurance savings.



A “Defined Contribution” Approach:

There has been much discussion about the move toward Consumer-Directed Health Plans (CDHPs). The core of the CDHP philosophy is to put more decision-making authority in the hands of the consumer. Embracing this philosophy opens the door for employers to move toward a “Defined Contribution” approach of subsidizing health care costs. The utility and growing popularity of Health Savings Accounts (HSAs; allowing rollover of excess contributions), current tax law (i.e., allowing for cafeteria plans), and our “freedom of choice” culture make moving from a “defined benefit” subsidy model toward “defined contribution” a potential avenue for cost control.

Reducing or Completely Eliminating Broker Commissions: Broker commissions

are negotiable and can amount to as much as 5% of your premium. Commissions rise in proportion to premium increases. Alternatives to a straight commission compensation arrangement include moving to a fee-for-service structure or negotiating a reduced level of commission that is commensurate with the services being delivered and the value of those services – both defined by you, the employer.

SO WHAT SHOULD I DO?

The best strategy for your organization will be one that controls costs next year and beyond and will likely incorporate some combination of these four approaches.

In addition to looking into risk pool consolidation, etc., here are some other, rather non-traditional, approaches that might supplement your cost control strategy:

- Promote wellness through measurables and rewards, making use of Health Risk Assessments.
- Consider replacing co-payments for prescription drugs with co-insurance arrangements to help participants get a better feel for true cost.
- Allow greater access to retail clinics and health information sources.
- Take advantage of technology to communicate and educate.

MCG's clients have had average annual health care cost increases of 5.9% since 2000 – about ½ the national average.

We work with employers throughout the U.S. to develop, implement, and manage health and welfare benefit cost control strategies.

Please contact us if you would like information on how MCG might serve you.

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