

## Rising Cost of Health Care

### *There is Still Hope*

As health care costs continue to rise at rates two-to-four times that of payroll, many employers are struggling to get and keep costs under control. These kinds of increases cannot be sustained without adversely affecting business results.

Over the last four years, costs of employer-sponsored health plans have increased an average of 12% per year<sup>1</sup>, resulting in an average annual plan cost in 2005 to cover a family of three at \$12,396.<sup>2</sup>

Cost increases are difficult for employers to absorb and hard on employees' paychecks when employers choose to "control costs" by shifting them to employees – either in the form of benefit reductions or per-pay-period cost increases. Cost-shifting turns a benefit that was supposed to attract and retain into one that has employees wondering "what else is out there?"

### What's Causing the Increase?

Experts agree that our health care system is riddled with many out-of-control drivers such as...

- High administrative expenses
- Expensive technology
- Over-utilization
- Ineffective negotiations with insurers
- Inflated prices
- Poor management
- Inappropriate care
- Excessive broker commissions

It's these kinds of inefficiencies that affect an organization's ability to cost-effectively deliver basic health care benefits to employees.

### What Can Be Done to Control It?

This is where it gets tricky. Clearly there is plenty of room for improvement in our health care system, but few with the knowledge of how to successfully identify the specific inefficiencies plaguing an organization's health care plan and how to fix them.

Many organizations suppose a broker is the right choice for help in the purchase and administration of their health care benefit packages. But, unfortunately brokers, usually lacking the necessary education and expertise to deal directly with health care providers resort to "off the shelf" products that are often not the right fit for the organization.

Additionally, it is often difficult to maintain confidence in the objectivity of brokers-- being that they are driven by sales commissions and directly profit from cost increases to the plan.

While health care costs continue to rise by a current national average of 12% per year, for the past four years, MCG clients have, on average, seen their health care costs increase by only 7% per year.

<sup>1</sup> "2005 Health Care Cost Survey," Medical Benefits, Volume 22, Number 5, March 15, 2005, p.1.

<sup>2</sup> Ibid., p. 2.

However, there is hope. More and more organizations are turning to consulting firms, and in particular, actuaries (those who develop the pricing models for insurance companies), for creative and effective methods of managing and significantly reducing health care cost.

## Unique Concepts

Marsh Consulting Group (MCG) is a benefits consulting firm, specializing in strategy development, design, implementation, and ongoing management of health and welfare benefit programs.

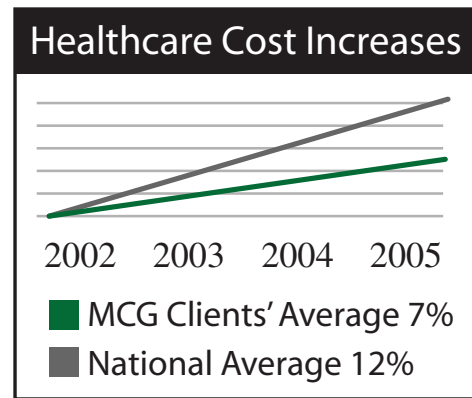
We use our risk management experience and actuarial expertise to provide our clients with detailed cost control strategies -- that strike a balance between financial and employee relations (often competing) objectives, while pinpointing the optimal design, pricing, funding arrangements, and structuring of benefit products and services.

Using its actuarial know-how, MCG analyzes the multitude of variables within and outside of our clients' companies that affect them as well as insurance and benefits. From this, we are able to determine the feasibility of various benefits programs, provide strong descriptions and pricing structures for the packages they choose, as well as determine their communications, systems, and administrations needs.

## Proven Success

MCG has worked closely with large and small employers throughout the United States to tailor, implement, communicate, and measure successful employee health care benefit cost control strategies.

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It doesn't take an actuary to see the potential savings may be significant. Clearly, there is still hope.

Our industry experience shows us we are able to provide the best rate of return on our full scale of services. Our fee-for-service approach (carving commissions out of premiums) and reasonable rates saves our clients thousands of dollars per year.

Broker commissions may increase as organizations grow in size; but consultant fees do not rise in direct proportion to the size of the organization. Thus, consultant fees are comparatively low as the size of the group increases.

## How MCG Can Help

Through a preliminary cost control study of your company's current health benefits plan, we can help in designing a more cost effective and efficient program designed to fit your specific needs.

If you believe you're ready for a fresh approach and desire to join the growing list of MCG clients that have their health and welfare benefit costs under control, please call us for a free consultation.

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