



*Recalibrating Employee Benefits and Compensation Strategies*

A HUB International Series

# Enhancing Health Plan Financial Stability and Employee Engagement

## RECALIBRATING YOUR EMPLOYEE HEALTH BENEFITS

# Enhancing Health Plan Financial Viability and Employee Engagement

The global pandemic, along with the changing economic and social landscape impacts employee benefits programs in many ways. The pressure to manage costs while supporting employees has never been greater.

In this eBook, HUB International explores how the pandemic is changing and, in some ways, transforming employer-sponsored health care. It covers three key strategies that plan sponsors need to consider in order to ensure a financially viable health plan that supports their employee population. These strategies, commonly used by Fortune 500 companies, are now available to mid-sized organizations who want to get ahead of the curve.

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Explore our entire eBook series on ***Recalibrating Employee Benefits and Compensation Strategies*** so you can be well-positioned to meet tomorrow's challenges:

1. [Enhancing Health Plan Financial Stability and Employee Engagement](#)
2. [Responding to Employee Retirement Plan Liability Risks](#)
3. [Building a Meaningful Compensation Strategy for Today's Workforce](#)

# Health Plan Financial Viability and COVID-19

When the coronavirus first spread across the U.S., employee benefit plan sponsors experienced a high degree of variability in claims, based in large part on their industry, type of business and employee population. As a result of stay-at-home orders, many employers experienced a decline in medical, Rx, dental, and vision claims while telehealth visits surged.

Employers are now uncertain where they stand. According to a July 2020 survey by HUB International, 57% of plan sponsors do not fully understand the impact of COVID-19 on their health plan costs and utilization.

## Immediate Concerns and Implications of COVID-19

Employee	Employer
<ul style="list-style-type: none"><li>○ Forced reduction in healthcare utilization from lockdown</li><li>○ Skipped Rx and chronic care visits due to wage stress</li><li>○ Delays in rescheduling appointments</li><li>○ Increased risk of advanced health care issues</li></ul>	<ul style="list-style-type: none"><li>○ Short-term “savings” from deferred care</li><li>○ Budgeting for the return of deferred care</li><li>○ Less healthy/productive employees</li><li>○ Direct communication to high risk members</li></ul>

**Strategic Tip:** Plan sponsors must be careful not to react to a short-term “savings” outlook by reducing their claims reserves or giving their employees a premium holiday. The surplus you have today may be needed to cover the increased cost of health services tomorrow. Work with your benefits broker and use data analytics to project the following costs: COVID-19 claims, cost of deferred healthcare services into 2021, and the longer-term risk of untreated chronic conditions.

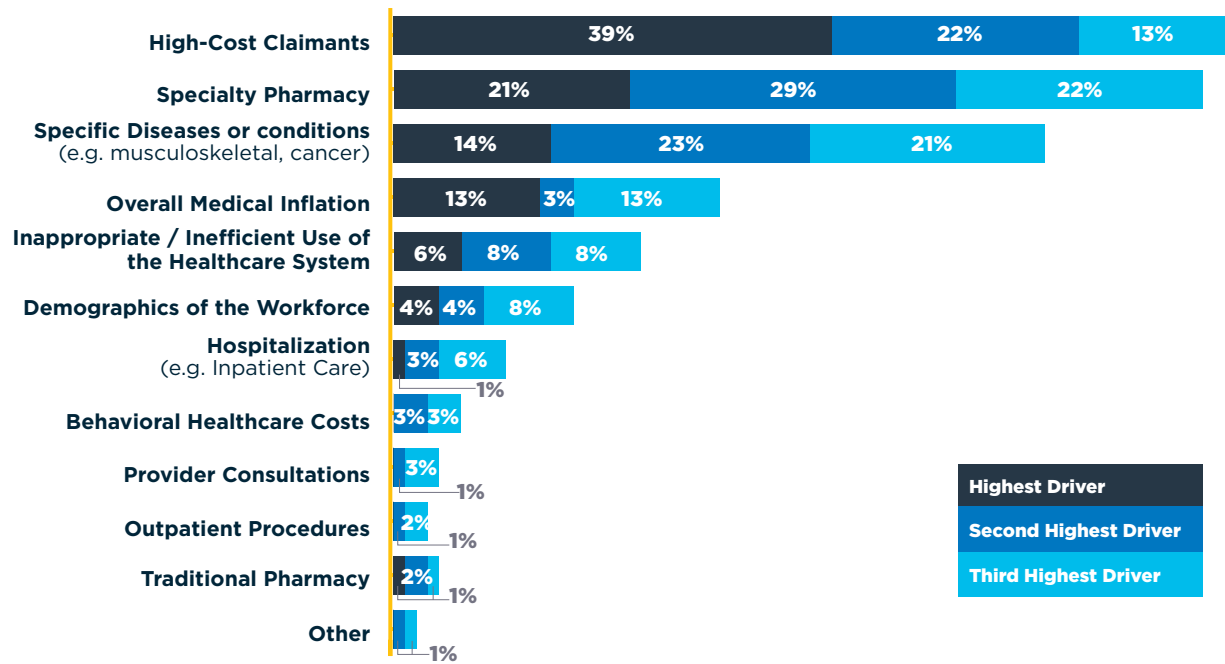
**Let’s Talk.** Our **COVID-19 Financial Impact Model** from HUB provides risk and budgetary projections. Your HUB consulting team will help you project the cost of deferred healthcare services (pent-up demand) into 2021, chronic conditions and COVID-19 claims on your reserves. Our model also considers the potential impact of another lockdown and the availability of a vaccine in the near future. **Contact us** to get started.



# Managing Disruption and Change: Three Keys to Health Plan Cost Management

The need to find sustainable solutions to rising healthcare costs has only increased in urgency as million dollar-plus medical claims and prohibitively priced drug treatment protocols become more common.

Top Cost Drivers of Rising Employer Health Care Costs



**Takeaway:** Employees who account for the highest percentage of claims costs are the key driver of rising spend, followed by costs of specialty pharmacy and specific disease states.

Plan sponsors need to develop a new arsenal of tools that go beyond the short-term fix of increasing plan deductibles and copayments. A new and sustainable strategy for managing health plan costs and supporting employee health requires a three-pronged approach: leverage data analytics to make better business decisions, enhance purchasing power, leverage technology to support employee health and wellbeing.

# 1 Leverage data analytics to make better business decisions

The barriers to accessing health plan data are coming down for small to mid-sized companies. By leveraging data analytics to drive smarter decisions, health plan sponsors can ensure a financially strong plan that is tailored to meet the unique needs of their employee population.

Analytics brings more rigor to benefit program design by enabling employers to understand what is driving their costs and illuminate levers to change it. It also creates opportunities to transition from one-size-fits-all benefit programs that are costly and less attractive to employees.

When company data is combined with big data and benchmarking data, employers can move beyond knowing what happened in the past to predicting scenarios on how to anticipate changing workforce demographics and your business needs.

## Real Results: How to Build a Better Plan with Analytics

### Rx Cost Management

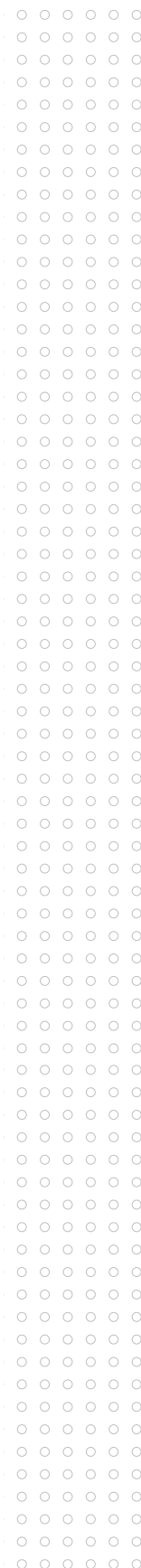
Mid-sized client enlisted HUB to mine their prescription claims data and identify savings opportunities.

- 117 plan members incurred \$8.92 per member per month for low clinical value medications in one year
- Formulary coverage was changed so low clinical value medications were excluded
- Annual savings: \$333,558 annualized (based on 9 months of data)

### Chronic Care Management

Municipality in Colorado with on-site health clinic asked HUB to help them address high cost claims by referring employees to specialists who deliver better health outcomes at lower costs.

- Provided their TPA and clinic staff with access to quality providers for a wide range of conditions from diabetes management to orthopedic surgery.
- Analytics platform tracks utilization and re-admission rates so they can continually improve outcomes and reduce costs.



## Persona Analysis

Major university in Florida engaged HUB to help them develop a voluntary benefits strategy for their 5,000+ employees. Using its proprietary Persona Analysis, HUB gave their CHRO a new perspective:

- Provided a multi-dimensional view of employee population that incorporated social determinants of health.
- Uncovered gaps and unmet needs in the client's robust benefits program
- Enabled client to introduce additional voluntary benefits and also offer those benefits to their 2,000+ adjunct staff members.

**Let's Talk:** Start with an in-depth analysis of your employee population. Whether your plan is fully insured or self-funded, a **HUB Persona Analysis** will identify key segments within your workforce, benefits gaps that put your employees at risk, and recommendations on how to align benefits, communication and wellness strategies to make the most meaningful impact. This analysis goes beyond just generational segments to give you a multi-dimensional understanding of your employees, what's driving your costs and your turnover. **Contact us** to get started.



## 2 Enhance your purchasing power

HR leaders, along with their CEO and CFO, need to understand the business of health care and work with their benefits broker or consultant to understand how and why their costs differ from benchmarks. In doing so, they can identify opportunities to improve the cost and quality of health care for their employees.

### Healthcare Price Variations are Significant

Procedure	Low Price	High Price	Variance
Screening Colonoscopy	\$869	\$2,041	235%
Sleep Study	\$740	\$4,900	662%
Shoulder MRI	\$410	\$2,890	705%
Knee Arthroscopy	\$3,612	\$12,767	353%
Ear Tube Placement	\$2,562	\$6,667	260%
Chest CT	\$229	\$1,937	846%
Abdominal Ultrasound	\$103	\$1,579	1533%
Equivalent Variance in a Gallon of Gas	\$2.50	\$16.40	656%

Average Market Variance 656%

Source: Healthcare Bluebook, 2015, Market San Diego, CA

Following are a few examples of tactics that employers are using successfully to enhance their purchasing power. To understand if these strategies are right for your business, talk to a HUB benefits advisor.

### Direct care to high performing providers and centers of excellence

Narrow networks, high performance networks, and centers of excellence are available to both fully-funded and self-insured benefits plans.

- Traditional narrow networks function primarily to deliver deep discounts.
- High-performance networks and accountable care organizations (ACO) aim to provide value while improving health outcomes.
- Centers of excellence provide specialized services for orthopedics, cardiology and oncology.

Premiums for narrow networks average 16% less than those for plans with broad networks. 14% of employers with 50 or more workers include a high-performance or tiered provider network in their plan.

**Strategic Tip:** This strategy is ideal for employers who want to maximize their investment and provide better care for their people. Employees who are accustomed to HMOs typically find it easier to transition to a narrow network.

**Let's Talk:** We'll help you determine if this strategy is right for your organization, starting with an analysis of your local healthcare market for available network choices. A narrow network strategy combined with other cost management strategies must meet your business goals and your employees' needs. Your HUB advisor can help you strike that balance. **Contact us** to get started.

### Reference-Based Pricing can Cap your Costs

When you cap costs on healthcare services that have a wide price range, you're able to determine the maximum price you'll pay for any given procedure. This "reference price" is typically based on some percentage of Medicare pricing.

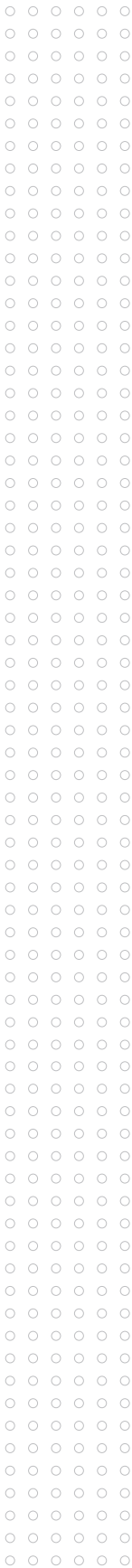
Providers who agree to your reference price are considered "in network." Plan members may have lower out of pocket costs when using providers that accept reference based pricing. Consequently, this strategy promotes comparison shopping, and helps employees become smarter healthcare consumers.

**Strategic Tip:** Companies with as few as 50 employees can take advantage of cost capping to drive down benefits costs. However, it can be disruptive, so you should have a communication plan ready before launch and be prepared to assume the potential administrative burden of assisting employees with balance billing negotiation and collection.

**Go Deeper:** Read our case study [How HUB Clients Scored Healthcare Savings with Reference Based Pricing.](#)

HUB clients who implemented reference-based pricing:

- Achieved median savings 27% better than in the traditional self-insured medical marketplace
- Experienced individual savings of 16% to 46%





**Let's Talk:** Reference-based pricing delivers greater savings than traditional network-discounted pricing, but implementation can be complex. Your HUB advisor can support you and ensure a streamlined process that meets your organizational goals and protects your employees. [Contact us](#) to get started

## Join a Stop Loss Captive to Reduce your Risk

Employee benefit group captives have become increasingly popular among small-to-mid-sized employers, specifically those with 50-300 employees looking for a risk-sharing arrangement to stabilize healthcare costs. Plan sponsors who are frustrated with the lack of transparency offered by their fully insured benefits plans may find a stop-loss captive an appealing alternative. Owned by the insureds, they provide members better control and oversight over their employee benefits costs as they share the risks of expensive claims.

The stop-loss captive solution involves less risk and volatility and requires less decision-making than a traditional self-funding arrangement. It also limits flexibility but can be a good first step into the world of self-funding.

## Read our case study: [How an Employee Benefits Group Captive Helps Clients Manage Healthcare Costs](#)

HUB Clients experienced the following results:

- Average premium increases of just 3.8% in 2018 and 2.7% in 2019 versus 9% to 10% for fully insured plans over the same time period
- Pharmaceutical plan savings averaged 25% to 30% compared to traditional plans
- Healthcare stop loss trend of 6% versus 26% outside of a captive.
- Average declines in healthcare expenses of 24% in 2018 and 32% in 2019.

**Let's Talk:** Joining a captive requires a strong partnership between human resources and finance. HUB advisors will help you gauge your readiness, and also walk you through membership requirements. An industry affiliation may be one option. Others prescribe ground rules covering pricing, plan design and selection of third-party vendors. The growing number of captives have important differences in size, experience, participation requirements and overall effectiveness. HUB advisors have the expertise to identify the most successful captives and which would be the best match for your organization.



## Tackle your Fastest Growing Cost

Pharmacy costs are growing faster than any other component of healthcare, with considerable pressure coming from the growth in high-cost specialty drugs. Employers with self-funded health plans have considerable ability to tackle these costs by designing a pharmacy program that maximizes contract terms and manages specialty drugs.

### Fast Facts about Rx Costs

Average price tag for 300+ specialty drugs is <b>\$79,000</b> per year. <sup>1</sup>	<b>Almost half</b> of the dollars that Americans pay for medications are spent on specialty drugs. <sup>2</sup>
<b>30%</b> of employers don't know how much they spend on specialty drugs overall.	

#### 4 Ways to optimize your pharmacy strategy and reduce costs

HUB recommends an annual review of the following:

1. Negotiate competitive contracts to optimize rebates
2. Review clinical/utilization management programs
3. Refresh plan design to reward desired behavior
4. Access alternate funding programs: co-pay cards, coupons and patient assistance programs

Sources: 1. IQVIA Institute 2. MEDCO 3. MBGH Employer Survey on Specialty Pharmacy

**Go Deeper:** Read our eBook **Pharmacy Benefits Management: Balancing Compassion and Compliance in Managing High-Cost Drug Claims**

**Strategic Tip:** Start with a Pharmacy Program Contract Review. Employers with self-funded benefits programs should re-evaluate their pharmacy programs annually. Applying this strategy year over year, reduces annual prescription cost trends from an average of 12% to just 5%. Longer-term strategic planning should incorporate data analytics to track progress and include discussion of alternative funding and carve out options, and clinical program reviews.

**Let's Talk:** One of the simplest, least disruptive ways to bring prescription drug costs under control is to negotiate a new contract. HUB can arrange a complimentary contract review that will provide a detailed analysis of your potential short- and long-term savings — plus, we can negotiate a new contract on your behalf. **Contact us** to get started.

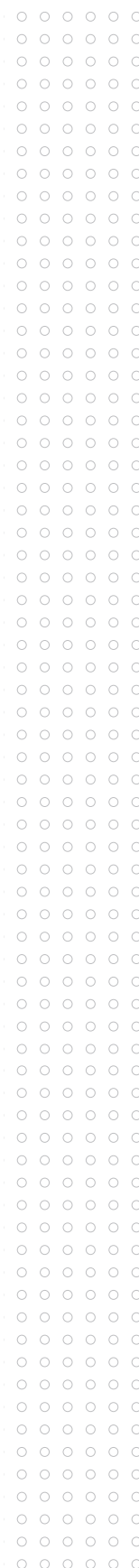
### 3 Leverage technology to support employee health and wellbeing

COVID-19 has caused a massive acceleration in the use of telehealth and growing interest in digital health and wellness offerings to engage a remote workforce. Technology has also been a big facilitator in making mass personalization possible in benefit plans and wellness programs.

Consumer adoption of telemedicine has skyrocketed, from 11 percent of US consumers using telehealth in 2019 to 46 percent now using it to access care when the pandemic severely restricted office visits.

*(Source: McKinsey COVID-19 Consumer Survey, April 27, 2020).*

While telemedicine has long been used to provide easier access to healthcare for the treatment of common ailments such as the flu, bronchitis, and sinus or ear infections – thereby reducing emergency room visits -- it can also play a far more important role in chronic care management and mental health treatment. Diabetes management through telemedicine is just one example of how this landscape is changing and adapting to patient needs.



#### Telemedicine can reduce:

**20%** of all emergency room visits

**24%** of healthcare office visits

**35%** of regular home health attendant services

**2%** of all outpatient volume with tech-enabled medication administration.

**= \$250 billion** in healthcare spend across Medicare, Medicaid, and commercially insured populations.

*(Source: McKinsey)*

**Strategic Tip:** Make telemedicine a core component of your health plan.


Employers of all sizes can offer this benefit on an employer- or employee-paid basis. We recommend that employers pay for this benefit to maximize return on investment which is typically 5:1.

**Let's Talk:** Telemedicine is available from health insurance carriers or via direct contracts with third-party vendors. HUB can help you understand your options. **Contact us** to get started.

# Digital Wellness Tools Empower Employees to Take Charge of Their Health

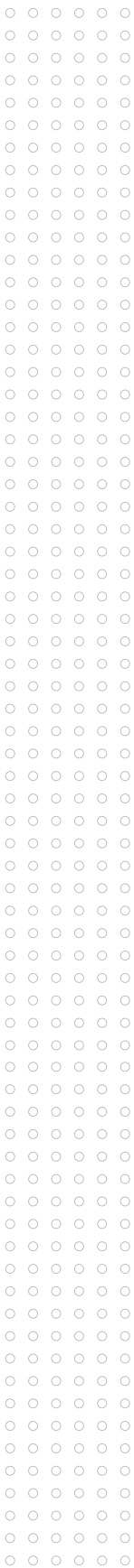
Digital wellness tools give people greater control over their health. Employees can easily monitor their health and wellness through wearables and mobile health apps and employers can use artificial intelligence to translate data into individualized, actionable resources that reshape their wellness programs.

It opens the door to “predictive personalization.” Technology can now predict health issues before they happen and offer ways to adjust, all on a one-to-one basis. Predictive personalization goes beyond just tracking a user’s biometrics to offering personalized coaching, whether to manage chronic conditions or to better manage issues like stress, sleep, fitness or nutrition.

	<b>165,000</b> mHealth apps are available on the market <i>(Source: Research2guidance, 2020)</i>
	<b>52%</b> of smartphone users collect health-associated information on their devices <i>(Source: HealthWorks Collective, 2019)</i>
	<b>93%</b> of doctors say mobile apps can enhance the quality of patient health <i>(Source: HealthWorks Collective, 2019)</i>

**Strategic Tip:** If you want to reposition and personalize your wellness programs to better reflect employee needs, consider how you will support technology with people, programs and communication to ensure successful adoption. Despite the control that digital wellness tools give your members, think about how their healthcare providers can leverage the data collected to improve quality of care.

**Let’s Talk:** The expanding possibilities presented by the digital health evolution are leading many employers to rethink their wellness programs and how they’re structured. And vendors are stepping up. Adopting technology that fits your population is key. Work with your benefits broker or consultant to carefully review vendors and determine best fit for your employee population. **Contact us** to get started.





# Ready to Recalibrate your Employee Retirement Plan?

Is it time to evaluate your pharmacy program to fit with your organization, employee culture and budget? Your HUB advisor can support you with this or other solutions to help you better manage your employee benefits costs. Let's build a plan that meets your strategic goals, protects your employees and positions you for tomorrow's challenges.

[hubemployeebenefits.com](https://hubemployeebenefits.com)

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