Employers Control Three Healthcare Levers

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Business owners who offer healthcare coverage to their employees have a lot to consider when making decisions about health insurance, including cost, quality of coverage, and access to healthcare providers. Here is some guidance on three basic "levers" employers can pull to help ensure quality coverage for their employees.

As a family physician, economist, and healthcare executive for over 25 years, I have met with hundreds of employer groups – ranging from local family businesses to global corporations – to review their medical and prescription drug costs and utilization data. My goal has always been to analyze and explain in understandable terms what is happening to a group's healthcare costs, why it's happening, and perhaps more importantly, what can be done to better control costs for the employer and the covered employees.

As the healthcare system evolves, employers continually face challenges related to cost, quality, and access. At the same time, they want to provide a competitive benefits package to attract and retain a talented, skilled workforce. Added to this are challenges related to keeping an existing workforce healthy, avoiding high-cost claims, and preventing or reducing worksite injuries that can hurt productivity and lead to costly workers compensation claims.

My role is to look at each employer's healthcare claims and costs in light of all these factors, so they can make informed decisions about the coverage their employees need and want, customized programs they might use to keep employees healthy, and the products and tools on the market that will best serve their needs.

Generally, I find there are three basic "levers" employers can pull to address healthcare costs:

Carrier: Health insurance is a competitive marketplace, and the choices can seem overwhelming. If you're running a business, your insurer should be able to explain why they are the best choice among the competition. An insurer's programs, resources, and tools – along with their performance related to operational and financial issues – need to be a comfortable fit for your company culture and goals. One size doesn't fit all, so employers understandably want to ensure their chosen carrier has processes in place that fit with the employer's goals of controlling costs and boosting performance.

Administration: How an employer sets up healthcare coverage can be as impactful as the coverage itself. What types of prescription drugs should your plan cover? What about dental or vision plans? Should you provide coverage for spouses who have coverage available through another employer? If so, should there be a surcharge for those spouses? What out-of-pocket costs will your employees face? These and other factors can impact cost and extent of coverage. Employers need to find the right balance for their workforce.

Investments: Companies need to consider investing in their employees' health and wellness just as they invest in things like equipment, infrastructure, and training. Investments such as employee wellness programs, on-site clinics, or incentives for engaging in care management can help reduce costs and improve wellness in the long run. Of course, when these investments are made, metrics are needed to determine the return on the investments, the overall value to employees, and the overall savings.

The impact of any of these levers will differ based on a variety of factors, such as the type of industry, size of the company, collective bargaining agreements, company culture, and the unique healthcare needs of your workforce. But being aware of these levers – and knowing how and when to pull them – can greatly benefit a company's bottom line.