HEALTHCARE REBUILD

3 Strategies to Optimize Your Healthcare Investment During the Great Resignation

GIBSON

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Workers are resigning and searching for new employment at unsustainable rates.

GALLOP

ACTIVELY SEARCHING

48%

RESIGNATION

54% GEN Z

CONSIDERING QUITTING

MICROSOFT

65%

looking for a new job, up from 36% in May 2021

PWC PULSE

81%

of CFOs are concerned that high turnover and labor shortages will impact their company's revenue growth

PWC PULSE

19%

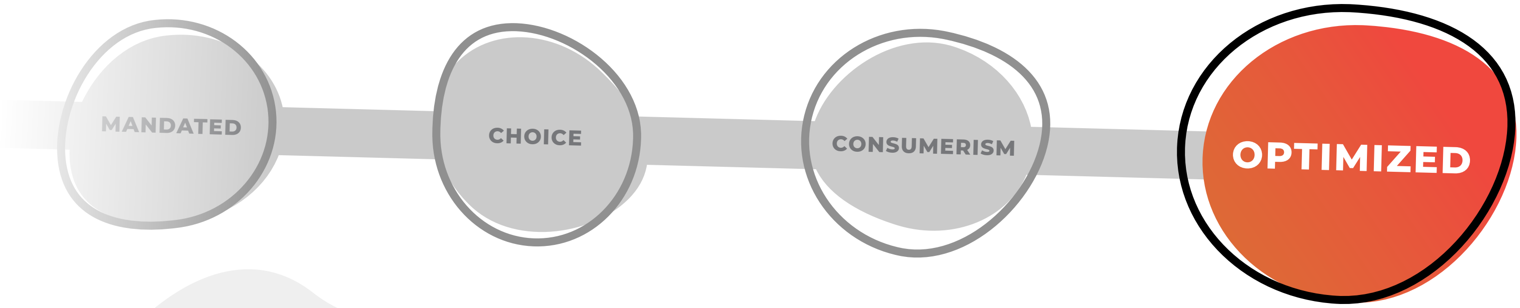
Insufficient benefits cited as a top 5 reason for quitting

HARVARD BUSINESS REVIEW

“A re-imagined benefits package can be very attractive and a way to sweeten an offer.”

PWC PULSE

benefits EVOLUTION



Health plan structures have evolved over the past few decades from mandated HMO structures to free choice PPO plans to consumer-driven HSA plans. The first three structures are optimized for the insurance carrier, not the plan sponsor and certainly not the covered member. While they worked for a previous generation and in a different time, they are no longer acceptable for the Millennial and Gen Z workforce in the post-pandemic labor market we’re in today.

The Healthcare ReBuild optimizes the structure of the health plan for the employer and leverages proven, best-in-class strategies to deliver world-class healthcare at a fraction of the cost. The strategy is built on a foundation of aligned solution partners, designed with the proper use of insurance, and powered by member-centric navigation tools to effectively guide members to high-quality, affordable points of care.

This guide discusses three strategies to optimize your healthcare investment by leveraging a re-designed and re-built health plan structure.

3 STRATEGIES

to OPTIMIZE YOUR HEALTHCARE INVESTMENT *during* THE GREAT RESIGNATION

1

STABILIZE.

Healthcare costs are rising at unsustainable rates. These three action steps will stabilize the health plan budget and reverse the trend of annual value erosion.

2

DIFFERENTIATE.

By delivering world-class healthcare, both in quality and experience, plan sponsors can truly differentiate their health benefits from the traditional, status-quo models.

3

LEVERAGE.

The labor force in this post-pandemic market demands more than simple health insurance and legacy compensation packages. Leverage healthcare savings to meet the demands of today's labor force.

"A common thread that runs through virtually every motivation for the Great Resignation departures we are seeing is a decision to no longer accept the unacceptable." INC

1

STABILIZE. For plan sponsors to fully optimize their healthcare investment, it's critical to curb the trend of increased costs and lower value. By prioritizing this significant business expense and stabilizing the health plan budget, plan sponsors can maximize their people investments to navigate the Great Resignation more successfully.

In nearly every health plan, 80% of the overall costs are spent on claims, so the best opportunity to curb the rising price trend and bring stability to the health plan budget is to reduce the frequency and severity of your claims.

Consider these three action steps:

1. Eliminate misaligned incentives. The employer-sponsored health plan is a series of contracts, and because those contracts are typically between the carrier and the vendor, there are misaligned incentives that adversely impact claims spend. Examples include pharmacy benefit manager (PBM) contracts, broker/agent compensation agreements, and provider or facility contracts. All these contracts and vendor relationships are optimized for the carrier first and foremost.

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This structure results in increased claims utilization and higher per claim prices. For plan sponsors to optimize these contracts and services, they need to begin unbundling away from the traditional carrier and going direct to these vendors with contracts that are designed for optimal health plan performance.

2. Transfer claims risk. The highest performing plan sponsors strategically leverage risk transfer strategies that most align with their culture and overall business objectives.

While the most used strategy to transfer risk is insurance, plan sponsors should consider strategies that move claims liability off their group health plan, especially self-insured health plans. It's important to be careful not to create adverse selection, which occurs when your eligibility terms, plan design, and/or contribution strategy attracts a higher risk population to remain on the plan while moving lower risk members off the plan. Most spousal surcharge or opt-out strategies do just that, yet there are far better ways to transfer the risk of high-cost claimants.

Insurance strategies are also evolving so plan sponsors need to carefully evaluate all their options in the market and have independent analysis to ensure that they are purchasing the right insurance coverage in the most beneficial structure, taking advantage of group buying coalitions, captives, etc. to spread risk amongst a larger pool of employers.

3. Address high-cost claimants. Underwriters and actuaries state that only 20% of population accounts for 80% of claims, meaning that most of a group's claims experience is driven by a small portion of the covered population. Major drivers of claims include muscular-skeletal (orthopedic, joint, etc.), cardiovascular (heart, lungs), and cancer. These are the cases that often drive chronic conditions, high-cost specialty drugs, and large surgical claims.

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Plan sponsors should consider strategies that help to not only avoid these claims but also mitigate them when they do happen. Specialty drug carve-outs and advocacy programs, bundled surgical networks, centers of excellence, and second opinion programs are all highly effective at reducing the frequency and severity of these cost drivers.

DIFFERENTIATE.

While plans vary from employer to employer, for all intents and purposes, nearly all employers are offering the same fundamental benefit...traditional coverage through a carrier network with premiums partially off-set by the employer.

Except for outlier plans on either end of the value spectrum, employees generally don't see meaningful distinction from one plan to another, making it difficult for the health plan to really stand-out as a unique value proposition in the mind of an employee (or potential employee).

A few ideas to differentiate the health plan:

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1. Structure the health plan to deliver world-class healthcare. Within every network, there is significant variance in provider and facility quality, and in most cases, revenue is based on volume. As a result, traditional health benefits produce inconsistent quality outcomes, overtreatment and unnecessary care, and misdiagnosis.

Plan sponsors should avoid providers and facilities that are built on fee-for-service revenue models. World-class quality is available to plan sponsor of all sizes at all stages of healthcare including, primary care, pharmacy, outpatient testing and procedures, inpatient care, and complex care, such as cancer, chronic disease management, and organ transplants. As a bonus, this level of healthcare delivers savings to the member and the health plan!

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2. Design the employee experience to properly support the member.

Navigating a complicated healthcare system on top of an even more complicated third-party payor model is quite difficult for most people. Plan sponsors need to be intentional about designing the healthcare experience for their people by providing proactive, personal support when they need it most: at the time of a claim.

Care navigation, concierge and advocacy programs can be highly effective at guiding a member through their care journey, helping them choose providers and facilities, clarifying complex clinical terms, explaining medical bills and much more. Prioritize solution partners that proactively engage members vs. passive models that rely upon members reaching out.

3. Leverage plan design to restructure costs in a more employee-friendly manner. Instead of having traditional in-network and out-of-network tiers, consider a third, 'preferred' tier that steers members to high-quality, affordable points of care by waiving the member cost share. Another example is structuring your deductible as a monthly deductible instead of an annual deductible; this model aligns with how most members cash-flow their out-of-pocket expenses and keeps them engaged in making wise choices throughout the year.

These types of structures are priced comparably in the market to traditional structures, yet they improve the member's cost share experience and improve the overall performance of the health plan, creating long-term cost stability.

LEVERAGE.

Inside most health plans, there is hidden capital waiting to be found and put to work. Health Rosetta, a national non-profit accelerating the adoption of simple, practical, non-partisan fixes to our healthcare system, projects that employers can reduce health benefits spending by 20-40%.

They state, "It's estimated by organizations such as PwC and the Institute of Medicine that 30-50% of all health care spending is waste, fraud, or abuse. If health care is 20% of your payroll expenses, this is like a 6-10% perpetual payroll tax on your competitiveness."

3 ways to leverage savings from eliminating health plan waste:

1. Enhance the value of the health plan. Very simply, reinvest the savings from the health plan to improve value. This may take the form of reducing premium contributions or out-of-pocket costs for employees, but it could also mean implementing new programs that enhance access, quality, and/or experience.

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Strategies such as direct primary care and enhanced behavioral health services are highly relevant following the pandemic. "About 41% of workers say they feel burned out and nearly a quarter say they are feeling symptoms of depression as a result of the pandemic" (SHRM). Onsite / near site clinics and mental health services, corporate chaplaincy support, and enhanced, stand-alone EAP services are all excellent enhancements to create more value.

2. Re-allocate savings outside the health plan to wages, enhanced benefits, or new benefit offerings.

The benefits market continues to evolve as employee needs change and the post-pandemic labor market has workers reprioritizing what they want the most.

According to Forbes, here are five workplace benefits that are on the rise:

1. Childcare and family services
2. Home office expenses
3. Mental health support
4. Remote work and flexible schedules
5. Employee resource groups

Plan sponsors need to consider their workforce and labor needs to design an overall compensation package that fits their culture and overall business strategy. Competitive wages and basic benefits are table-stakes, so consideration should be given to strategies that help make the organization unique and special.

3. Engage in deeper communication with employees.

Research shows a strong correlation between the effectiveness of communication and an employee's value-perception of their benefits. Employers should invest into communication strategies that deliver data-driven insights into employee preferences, that enhance employee financial and health literacy, and that engage employees in decision-making about their benefits.

- Statistical preference surveys force employees to choose what's most important to them by phrasing the questions as 'trade-offs,' providing a more accurate and quantifiable picture of priorities.
- Employee benefits communication should leverage storytelling, execute basic marketing principles, and be highly consumable for employees and their dependents. Video, gamification, and short-form content is effective with today's workforce. Consider building benefits education content into the learning management system.
- Decision support tools, care navigation, and other forms of support at the time of a benefits decision are critical to create the highest employee engagement. Invest into technology-based decision support tools or one-on-one enrollers to help the plan selection decision during open enrollment. Invest into care navigation solutions to engage members at the time of a claim and assist them through the process.

Looking for more information on these and other strategies to optimize your healthcare investment?

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"Absent dramatic change, millennials stand to pay half their earnings to health care if current trajectories hold. They face a bleak future. Having fueled disruption in the retail, travel and financial services industries, millennials appear ready to demand and lead health care reform. They are questioning the system and demanding change so their future isn't jeopardized. Millennials are more insistent than previous generations about convenience, access to their personal medical records and mobile access to physicians."

DAVE CHASE, CEO HEALTH ROSETTA

IS YOUR HEALTHCARE OPTIMIZED?

Status-quo health plans are optimized for the insurance carrier, not the plan sponsor and certainly not the covered member. While they worked for a previous generation and in a different time, they are no longer acceptable for the Millennial and Gen Z workforce in the post-pandemic labor market we're in today.

SIGHTLINE

A guided approach to finding and owning your edge.

Sightline is our proactive, guided approach to broaden your view and set your sights on the obstacles and opportunities that really matter, so you can own every outcome.

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