

# BENEFITS INSIGHTS

Brought to you by the insurance professionals at  
Baldwin Krystyn Sherman Partners

## Benefits Trends

According to recent research, most companies are looking to lower their rising health care costs and improve their employees' overall health. When human resources professionals look toward the future, they are evaluating strategies to help manage both short- and long-term costs. In order to evaluate these costs, it is important that employers understand what their employees think about their benefits.

Health care costs tend to fluctuate on an annual basis—sometimes substantially and sometimes minimally. Regardless, these costs are still burdensome to most employers, leading companies to adopt a variety of strategies to try and mitigate and manage health care expenses.

### 2015 Health Care Cost Trends

2015 cost trends are now available from various research organizations. The following health insurance cost trends are based on recent employer surveys:

- Aon Hewitt reported the lowest health care cost increase in nearly 20 years. Although the company initially expected costs to increase by 5.5 percent by the end of 2015—after negotiations with vendors are completed and plan designs were changed—the actual rate increase was found to be only 3.2 percent. Aon's projection for 2016 is an increase of 4.1 percent.

Aon also found that the average health care cost per employee for large companies was \$11,032 in 2015, up from \$11,176 in 2014 and \$10,471 in 2013. Employees were asked to contribute \$2,490 of their total health care premiums in 2015, which increased from \$2,361 in 2014, and \$2,237 in 2013. Employee out-of-pocket costs increased from \$1,955 in 2014 to \$2,208 in 2015.

- In its 2015 Employer Health Benefits Survey, the Kaiser Family Foundation and Health Research & Educational Trust reports that average annual premiums rose by 4 percent for both single and family coverage in 2015, which is higher than the 2 percent (single) and 3 percent (family) rate increases in 2014. It is important to note, however, that employees' wages increased by 1.9 percent while inflation declined by 0.2 percent during this same period.

*Most companies are looking to improve their employees' overall health and implement other cost-cutting strategies to manage continually increasing costs.*

This Benefits Insights is not intended to be exhaustive nor should any discussion or opinions be construed as professional adv  
© 2008-2011, 2015 Zywave, Inc. All rights reserved.



**BALDWIN**  
KRISTYN SHERMAN

According to Mercer's 2015 National Survey of Employer-Sponsored Health Plans, overall costs per employee were expected to increase 4.6 percent in 2015, compared to 3.9 percent in 2014. This increase reflects employers' anticipated cost-reducing changes; without these changes, employers' estimated costs would have risen by 7.1 percent.

- PriceWaterhouseCoopers expected growth in medical costs for 2015 to be 6.8 percent, slightly higher than the 6.5 percent of 2014, according to the survey *Behind the Numbers: Medical Cost Trends for 2015*. However, this rate is expected to dip back down to 6.5 percent for 2016. The major factors expected to influence lower costs are market influences, specialty drugs and more investment into IT.
- The Segal Group, Inc.'s 2015 Health Plan Cost Trend Survey predicted that health plan costs would decline by a mere 1 percent for most types of coverage in 2015. In contrast, prescription drug coverage was predicted to jump by 9 percent for active employees and retirees under age 65. This jump is primarily due to price inflation for brand-name medications.
- Met Life's 13th Annual Employee Benefit Trends Study indicates that cost is no longer the most important factor in employee satisfaction; instead, it is the number of benefits offered. A company that offers 11 or more benefits is likely to have a higher employee satisfaction rate than a company that offers fewer than eleven.

## Cost-shifting Initiatives

In an effort to reduce benefit costs, employers can implement some of the following cost-containment strategies:

- Consider offering financial incentives to your employees in the form of an employer-sponsored wellness program. According to *Corporate Wellness Magazine*, every \$1 invested in employee wellness programs yields roughly \$4 in savings through reduced sick days, higher productivity and decreased overall health costs. For the employees who choose to participate in the program, their employers may offer them various perks such as discounted insurance premiums, smoking cessation programs, and/or discounted health club memberships. By allowing your employees to lead by example, you are indirectly promoting healthy behavior without directly penalizing unhealthy habits that may lead to higher costs.
- Encourage employees to use their preventive care benefits, including getting their appropriate screenings and vaccinations. Emphasize that these services are available at no cost to employees.
- Consider offering an on-site health center staffed with health coaches who can provide advice on personal health needs—this can help make seeking care more cost-effective and convenient.
- Offer voluntary benefits options that meet personal and family needs, such as homeowners, automobile and group life insurance. Also, consider offering discounts on vision and dental care, massage therapy, chiropractic care, health club memberships and weight-control programs.
- Provide online tools for employees, including health education and other resources, to help them become smarter health care consumers.
- Consider offering an HDHP with a health savings account or health reimbursement arrangement to promote consumerism and reduce costs.
- Align your business goals with your employee health goals and devise a way for individuals or departments to maintain healthy lifestyles, start exercising and/or stop engaging in unhealthy habits. Consider making it fun, engaging and supportive—such as having contests and other group events where employees are encouraged to help each other make good choices.
- Use marketing techniques that will motivate employees to take action. Consider posters in the break room, occasional emails and wellness-related articles on your company intranet if you have one.
- Instead of having employees pay a copayment of \$10 or \$15, require them to pay a percentage of their health care expenses (known as coinsurance). This may help your employees make more cost-conscious decisions such as going to an Urgent Care Clinic as opposed to the doctor's office or emergency room.
- Suggest that employees use the generic form of their prescriptions (if available) to save money.

- 
- Join or create a tiered or high-performance network, which encourages patients to visit more cost-effective providers either through network restrictions or tiered copay and coinsurance amounts.
  - Many businesses are choosing to re-evaluate their overall benefits strategy in light of the Affordable Care Act and other developments.

Take time this year to ensure that is making the right choices in plan design and benefits offerings. Contact your Baldwin Krystyn Sherman Partners representative for help implementing any of these strategies, which can help reduce costs and promote a healthier workforce.