7 Secrets to Lower Your Employee Benefits Cost This Year

As organizations look at budgets each year, one area that will undoubtedly undergo intense scrutiny is the cost of employee benefits. It is a particularly difficult item to manage due to the increasing cost and utilization of health care, not to mention compliance burdens. HR and finance managers need to take a long-term view and commit to developing a multi-year strategy instead of relying on short-term tactics to contain employee benefits costs.

A multi-year plan incorporates plan design, administration, funding, contribution, and health management strategies to deliver savings on the cost of employee benefits of up to 30 percent.

It begins with the three "C" words

Depending on your organization's goals, you may focus on a specific aspect of cost management when re-aligning your benefits plan. An easy way to think about it is to use the three C's of cost savings:

- Consumerism - Do you want your employees to be smarter health care consumers and make better decisions that bring down the total cost of the benefits?
- Choice - Do you want to offer more options in order to attract and retain employees without increasing your total benefits costs?
- Control - Do you want to reduce financial risk and create long-term, sustainable cost savings

Building a cost-effective benefits plan

Once you have determined your overall cost savings goal, there are a number of ways to re-define the structure of your employee benefits plan to better manage costs. Consider these seven strategies:

High deductible – Potential savings: two percent through lower annual premium increases. The high deductible health plan allows employers to reduce costs while motivating them to carefully consider how and when to access health care services.

Self-Funding – Potential savings: eight to ten percent in annual premium increases. Growing increasingly popular even with smaller organizations, self-funding allows businesses to create more cost-efficient employee benefit programs.

Telehealth - Potential savings: 5-to-1 return on investment. Telemedicine enables the delivery of care at a lower cost than the traditional health care model and reduces unnecessary emergency room visits and urgent care services.

Reference based pricing – Potential savings: Up to 20 percent of total medical claims. Reference-based pricing promotes comparison shopping by establishing caps for selected services that have a wide-range of prices from providers.

Voluntary benefits – Potential savings: reduction of the annual eight to ten percent premium increases down to zero percent. Voluntary benefits supplement fixed plan options and can include hospital-stay expense coverage, dental, vision, disability, life insurance and more.

Pharmacy benefits management – Potential savings: 20 percent for an expense that typically comprises 20 percent of overall health care costs. To curb the steep rise in pharmacy costs in recent years, a pharmacy contract management company can renegotiate new terms, including better contract provisions, discounts and rebates.

Narrow networks – Potential savings: 5-15 percent annually versus a total network of providers. Under narrow network plans, 99 percent of health care costs are covered when in-network providers are utilized. These providers have track records for the highest quality of care and have proven over time to deliver it at a lower cost.

While each of these strategies holds the promise of lowering the cost of your benefits plan, the key is finding the ones that best suit your organization's culture and employee needs.