

Benefits Insights



5 Strategies for Reducing Health Benefits Costs in 2022

For the past two decades, health costs have increased each year. This happens for a variety of reasons, such as inflation or, say, a global pandemic. With that in mind, employers can bank on prices going up in 2022.

According to a PricewaterhouseCoopers (PwC) report, medical costs are projected to increase 6.5% in 2022. This is about average for the past decade; although, it is slightly lower than the 7% increase projected this year (as more spending goes toward the COVID-19 pandemic).

Yet, 6.5% is still a considerable increase, especially when so many budgets have been reallocated or slashed due to the pandemic. That's why employers must think both strategically and creatively about how they can lower their health benefits expenses in 2022.

This article includes five ways to help reduce spending without compromising benefits quality.

1. Control Drug Spending

Drug prices are rising faster than any other medical service or commodity. Prices are now 33% higher than they were in 2014, according to GoodRx. This is a significant problem during inpatient procedures, where individuals aren't usually given an option to select a generic medication—patients rarely know what drugs they're given until after the fact. Even in routine prescription scenarios, employees may be prescribed name-brand medications simply due to physician preference.

Employers can educate employees on the price differences between name-brand and generic medications. Doing so can help employees understand that they can save money while still receiving the same quality treatment.

Additionally, employers may consider introducing varying levels of prescription drug coverage. For instance, fully covering generic prescriptions or drugs used for chronic conditions. For higher levels (e.g., specialty drugs), employers may cover less of the costs. Ultimately, employers will need to determine the appropriate coverage levels for their unique workplaces.

2. Encourage Active Benefits Participation

Beyond drug spending, employers can help limit overall health costs by making employees active participants in their health care. This means encouraging employees to improve their health literacy, research treatments and price shop.

Price shopping, in particular, should be easier in 2022, given the new [hospital price transparency rule](#) that takes effect Jan. 1, 2022. Employees will now be able to see specific prices for procedures and other services. This incentivizes employees to educate themselves before making costly health decisions.

3. Offer Savings Accounts with Carryovers

Health plans with savings components are becoming more popular each year. That's because these tax-advantaged savings accounts empower employees to control their own spending and improve their health literacy. The accounts include health savings accounts (HSAs), flexible spending accounts (FSAs) and others.

Many accounts allow for fund carryover year to year, or allow employers to add that option onto their plan designs. Allowing carryover encourages employees to contribute more funds, since they're no longer "use it or lose it." Since many employers match contributions up to a limit, more money added to these accounts means greater tax savings for everyone.

4. Embrace Virtual Health Options

One major takeaway from the COVID-19 pandemic has been that virtual solutions can offer high-quality outcomes. This is so true that many companies are allowing employees to work remotely permanently. Virtual health options are no exception to this trend.

There are countless telehealth services available these days. Individuals can connect with health professionals in just a few clicks—no waiting times or driving to a clinic. Additionally, individuals will not need to take large chunks of time off work, allowing for greater productivity. As such, telehealth solutions are often much less expensive than a typical in-person doctor visit. Even the Centers for Medicare and Medicaid Services (CMS) acknowledges the [usefulness of telehealth services](#), seeking to expand access.

Employers can consider adding telehealth services into their plan designs. In some cases, it may be cost-efficient for employees to schedule a virtual health visit before an in-person appointment, under certain circumstances. In any case, having a telehealth option expands access to care and lowers expenses for everyone.

5. Consider Plan Funding Alternatives

A more drastic option for reducing health costs is restructuring how plans are funded. For instance, a self-funded plan may be more cost-effective than paying a monthly premium for a fully insured plan. Other options include level-funding or reference-based pricing models, each of which carries its own set of administrative rules and legal constraints.

Funding decisions should not be taken lightly and should be based on several factors, such as the size of an organization, risk tolerance, and financial stability. Employee financial stability should also be considered, especially while the effects of the COVID-19 pandemic can still be felt. Employees may not be able to burden large premium increases, constraining some plan funding flexibility options.

Historically, employers have shifted costs onto their employees (usually through higher premiums) as a way to reduce spending. However, that trend is not expected to be widespread in 2022. Considering the tight labor market and how many individuals are struggling financially due to the pandemic, employers will likely be hesitant to shift too much of the burden. Doing so may cause employees to seek other jobs or simply forego preventive care, which can lead to chronic conditions and higher future health care costs.

Conclusion

Employers have a variety of ways in which they can help contain health care expenses. Choosing the right method will depend on unique employee populations and budgets.

Reach out today for help strategizing your best options.

This Benefits Insights is not intended to be exhaustive nor should any discussion or opinions be construed as professional advice. © 2021 Zywave, Inc. All rights reserved.

This Benefits Insights is not intended to be exhaustive nor should any discussion or opinions be construed as professional advice. © 2021 Zywave, Inc. All rights reserved.