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# **MANAGING THE SKYROCKETING COSTS OF GROUP HEALTH INSURANCE**

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# AGENDA

- 
- Introductions
  - Overview of Healthcare Cost
  - Affordable Care Act
  - Tax Advantage Opportunities
  - Managing an Effective Group Health Plan

# OVERVIEW OF HEALTHCARE COST TRADITIONAL PLANS

## National Average

### 2021 Annual Premium

- Individual: \$8,092.00
- Family: \$23,312.00

### 2021 Average Deductible

- Individual: \$1,245.00
- Family: \$3,000.00

## Bushue HR Survey

### 2021 Annual Premium

- Individual: \$9,042.12
- Family: \$23,306.76

### 2021 Average Deductible

- Individual: \$1,242.00
- Family: \$3,261.00

\*National Survey data is taken from the 2021 Kaiser Family Foundation Health Insurance Survey

# OVERVIEW OF HEALTHCARE COST HIGH DEDUCTIBLE HEALTH PLANS

## National Average

### 2021 Annual Premium

- Individual: \$7,016.00
- Family: \$20,802.00

### 2021 Average Deductible

- Individual: \$2,424.00
- Family: \$4,705.00

## Bushue HR Survey

### 2021 Annual Premium

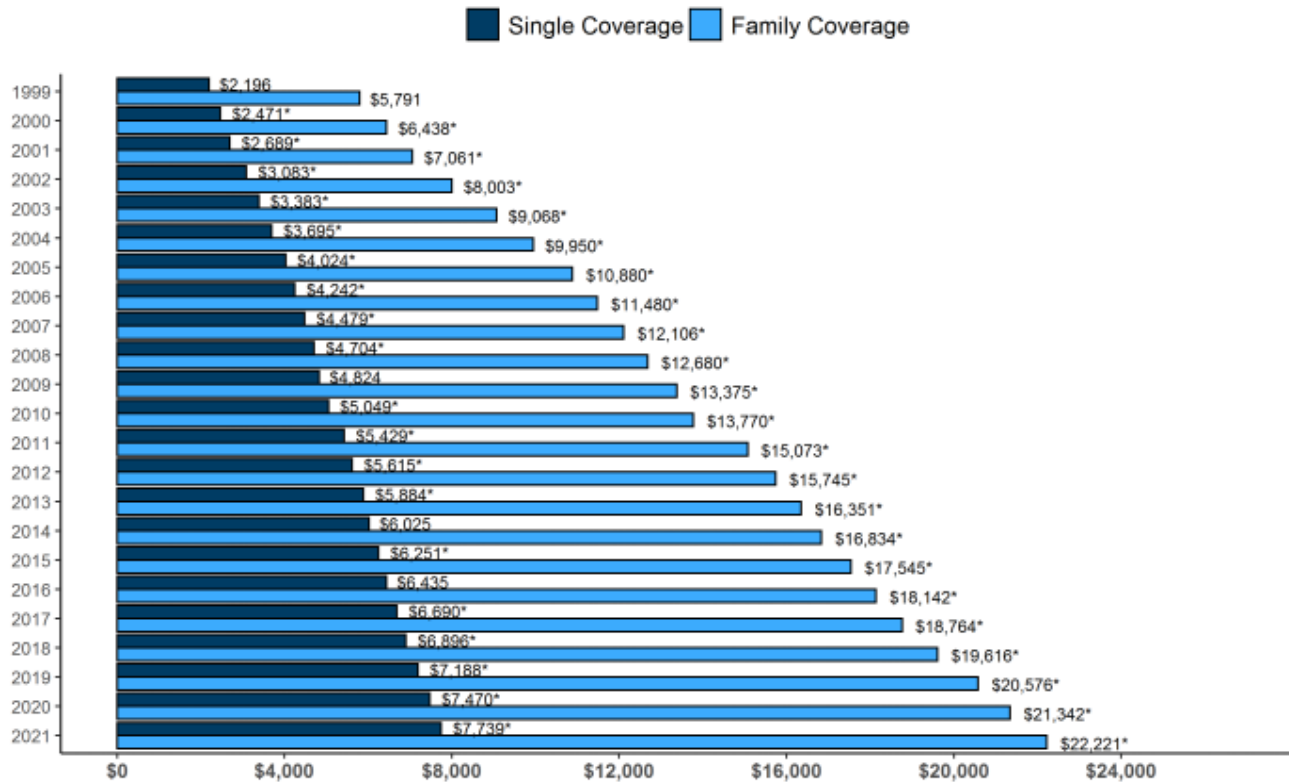
- Individual: \$7,493.16
- Family: \$20,264.28

### 2021 Average Deductible

- Individual: \$2,617.00
- Family: \$5,192.00

\*National Survey data is taken from the 2021 Kaiser Family Foundation Health Insurance Survey

**Figure 1.12**  
**Average Annual Premiums for Single and Family Coverage, 1999-2021**



\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

# OVERVIEW OF HEALTHCARE COST CONTINUED

# AFFORDABLE CARE ACT

- The Patient Protection and Affordable Care Act was signed into law on March 23, 2010. Most of the implementation of this act occurred between 2012-2016.

## Average Annual Premium for Traditional Plans

2011-2012

Individual: \$6,656.40  
Family: \$15,875.40

2016-2017

Individual: \$8,028.96  
Family: \$19,941.84

2021-2022

Individual: \$9,042.12  
Family: \$23,306.76

## Average Annual Employer Contribution

2011-2012

Individual: \$5,337.10  
Family: \$6,118.38

2016-2017

Individual: \$6,106.83  
Family: \$6,871.96

2021-2022

Individual: \$7,322.31  
Family: \$8,339.16

\*Data is taken from Bushue HR Survey

# AFFORDABLE CARE ACT

## Average Annual Premium for High Deductible Health Plans

2011-2012

Individual: \$5,049.12

Family: \$11,826.84

2016-2017

Individual: \$6,289.20

Family: \$16,554.36

2021-2022

Individual: \$7,493.16

Family: \$20,264.28

## Average Annual Employer Contribution

2011-2012

Individual: \$4,585.61

Family: \$5,708.82

2016-2017

Individual: \$5,489.21

Family: \$6,830.33

2021-2022

Individual: \$6,644.18

Family: \$8,219.19

\*Data is taken from Bushue HR Survey

# MANAGING HEALTH CARE COST FOR YOUR GROUP PLAN

**HEALTHCARE IS NOT FREE!**





# PLAN DESIGNS

## FULLY INSURED VS. SELF INSURED

### Fully Insured

- Sold by agent/broker
- Once rates are provided, they are set and that is the maximum cost the employer will pay for the 12-month period, regardless of claims incurred.
- Initial rates are not always firm, so additional underwriting may be required.
- Plan designs, compliance, etc. are controlled by the insurance carrier.
- The rates include all fees that the college may pay, such as:
  - Commissions to agent
  - Claims Processing
  - Insurance Carriers Fees
  - Profit

### Self Insured

- Typically, a direct contract with TPA/Carrier. You can have an agent/broker, but not required.
- This can be bundles or unbundled.
  - Bundled- same company owns/controls all the parts (TPA, Network, Re-Insurance, etc.)
  - Unbundled- contract with TPA and either the TPA or the employer contracts all the other parts (Re-insurance, Prescriptions, Network)
- Plan design is established by the employer not the carrier.
- Two Cost Components:
  - Fixed Cost- TPA Fees, Network Fees, Re-Insurance, Premiums
  - Variable Costs- Claims

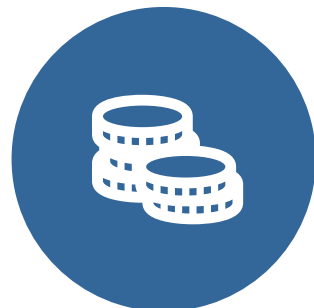
# PLAN DESIGNS COOPERATIVES

- Group of employers that form a cooperative together to purchase services as a group.
  - These are typically set up similar to self-insured plans but can also be fully insured.
  - All of the groups in the cooperative could have the same plan designs to choose from, or each group could have their own plan design.
  - There is typically a buyout/walk away provision. This helps hold the Cooperative together by preventing good risk from leaving.
- Benefits:
    - Group Purchasing Power
    - Leveraging Risk
  - Risks:
    - Must have a good TPA, broker, and consultants/advisors for the Cooperative.

# KEYS TO MANAGING COST AND ENGAGING EMPLOYEES



PLAN DESIGN



NETWORK  
DISCOUNTS



PREMIUM COST  
SHARING



TAX ADVANTAGE  
OPPORTUNITIES

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## PLAN DESIGN

- Must be designed to engage employees to take personal responsibility for their health cost.
  - Deductibles
  - Co-Insurance
  - Co-Pays
    - Dr. Office
    - Prescriptions
  - Out of Pocket Maximums



If a group increases any of the plan design items, it will decrease the amount the college pays. However, if any of these items are decreased, it will increase the amount the college will pay.

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# UTILIZATION REVIEW

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1. Channeling to PPO providers.
  2. Discharge planning.
  3. Pre-screening for case management opportunities.
  4. Early identification of catastrophic cases.
  5. Opportunities to answer questions.
  6. Directed second surgical opinion.
  7. Outpatient testing review to avoid over utilization.

# DISEASE AND CASE MANAGEMENT

- The process of assisting employees or dependents of your health plan in controlling their chronic or extended condition through a partnership consisting of the employee, their physician, and your health plan provider.
- This is vital to reduce healthcare costs by helping beneficiaries control their disease and prevent excessive utilization.

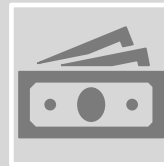


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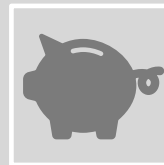
# INCORPORATE TAX ADVANTAGE OPPORTUNITIES



Section 125 Plan



Health Reimbursement  
Arrangement (HRA)



Health Savings Account  
(HSA)

# SECTION 125 PLAN

- Section 125 Plan is also known as a cafeteria plan or flexible spending account.
- It allows employees to deduct a certain amount from each paycheck pre-tax and put into an account to be used for:
  - Health Insurance Premiums
  - Medical Reimbursement for expenses covered by insurance, such as deductibles, co-pays, prescription drugs, dental services, vision services, chiropractic services, etc.
  - Dependent or Child Care Expenses.



# HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

- An agreement which allows employers, as agreed upon in the plan document, to reimburse for medical expenses paid by participating employees.
- HRA's reimburse only those items (co-pays, coinsurance, deductibles, and services) agreed to by the employer, which are not covered by the employer's current selected standard insurance plan.
- The employer is not required to prepay into a fund for reimbursements, instead, the employer reimburses employees claims as they occur.

# HEALTH SAVINGS ACCOUNT (HSA)

- A Health Savings Account (HSA) is a tax-advantaged personal savings or investment account that an individual can use to save or pay for qualified health expenses. It must be used in conjunction with a qualified “High Deductible Health Plan” (HDHP).
- What is a Qualified HDHP?
  - A health plan that meets the requirements (adjusted annually for inflation) regarding deductibles and out-of-pocket expenses). The deductible must apply to all covered benefits, which means there are no doctor office co-pays or prescription co-pays, except for preventive care.

	Individual	Family
<b>HDHP Minimum Deductible 2023</b>	<b>\$1,500</b>	<b>\$3,000</b>
<b>HDHP Out of Pocket Maximum 2023</b>	<b>\$7,500</b>	<b>\$15,000</b>

# HEALTH SAVINGS ACCOUNT (HSA) CONTINUED

- Contributions
  - Maximum amounts that can be contributed to an HSA for 2023:
    - Individual: \$3,850
    - Family: \$7,750
    - \$1,000 catch up contributions if age 55 or older
- Distributions
  - Distributions are tax-free if taken for “qualified medical expenses.” They can also be used to pay for qualified medical expenses incurred by your spouse or dependents, even if not covered by the qualified HDHP.

# HEALTH SAVINGS ACCOUNT (HSA) CONTINUED

## Advantages

- Encourage savings for future medical expenses.
- Accounts are owned by the individual not the employer.
- Accounts are completely portable, meaning it does not matter where you live, work, etc.
- No “use it or lose it rules” like Flexible Spending Arrangements (FSAs).
- Accounts can grow through investment earnings.
- HDHP should be less expensive than traditional health insurance plans.

## Disadvantages

- Employee knowledge and changing habits.
- Cash flow and money management. It takes employees a while to build up the account and must learn to manage money.
- Recordkeeping.
- Fees on Accounts.
- Changes Every Year.

# KEYS TO MANAGING HEALTHCARE



- Create the mindset that **Healthcare is not Free.**
- 70% of participants on average in any plan do not incur enough expenses to hit the deductible in a year.
- Only 10% or less on the average plan meet large claims.

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# THE VALUE OF \$1.00

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- Compensation
  - Health Insurance Premiums/Benefits
  - Health Savings Account (HSA)

# MANAGING AN EFFECTIVE GROUP PLAN

- Review plan designs on an annual basis, including co-pays, coinsurance, deductibles, and prescription plans.
- Negotiate all costs, including commissions, direct medical services, and claim management services.
- Analyze network discounts.
- Educate employees through a committee comprised of management and employees.
- Incorporate tax advantage opportunities.
- Establish appropriate cost sharing that encourages both the employer and employee to control costs.
- Locate providers who offer the best service in a cost-effective manner.
- Incorporate on-site health assessments, case management, disease management, and preventative care programs.
- Manage plans to be comparable with the market in order to be competitive on compensation and benefits.



QUESTIONS?