Benefits Insights

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5 Strategies for Reducing Health Benefits Costs in 2021

Health benefits costs are almost certainly going to rise in 2021. They've been trending upward for years—over 50% in the last decade, according to the Kaiser Family Foundation—and the current state of economic uncertainty over COVID-19 won't slow things down. Realistically, after enduring months of business closures and managing exhausted workforces, many employers will be lucky to maintain uninterrupted operations.

That's why it's critical for employers to think about reducing health costs right now—figure out cost-effective benefits first so money can be shuffled as needed later. Having a solid plan going into 2021 will better position organizations facing limited budgets.

Here are five cost-reduction strategies employers should explore:

1. Dig Into Health Costs

Employers don't let themselves overpay for the materials they use during production, so why is health care any different? Employers should look into every health care figure they can, from overall premium costs to individual employee expenditures. Understanding where money goes can help focus cost-cutting efforts.

For instance, if employees are going to the emergency room for every health visit, employers know they must promote more health literacy among their workforce.

Speak with Employers Select Insurance Services for details about digging into your health plan cost data.

2. Embrace Technology

The health care landscape of today is starkly different than the one of even a few years ago. Now, the name of the game is virtual health care or "telemedicine." There are numerous ways for individuals to take charge of their health care without the hassle—and added cost—of in-person consultations.

For example, there is tech that can monitor glucose levels to help diabetic employees without test strips; there are virtual visits available for doctors, psychiatrists and other health professionals; and there are countless wellness apps that can help individuals make proactive health choices.

3. Consider Alternative Plan Options

Not every plan option will work for every organization. For years, PPOs were the standard, but now high deductible health plans with savings options are having their moment. These plans enable greater heath consumerism and put the decision-making power into employees' hands. Employers should consider offering mechanisms like HSAs, FSAs and HRAs to help shift costs without compromising health care quality.

4. Require Active Enrollment

Some organizations allow employees to passively enroll in their health benefits. This may seem like a nice timesaver, but it can actually hinder employee health literacy. Instead, employers should require active enrollment among employees. This approach would force employees to review all their benefits options each year before making selections. Not only does this make employees consider important life events, it also affords them an opportunity to reevaluate the

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benefits they're paying for and potentially not using. Ultimately, active enrollment can make employees wiser health care consumers, improve proactive health care and lower overall health expenditures.

5. Change the Funding Structure

Another, more drastic, cost-cutting strategy is changing how health plans are funded. Most organizations use a fully insured model, where employers pay a set premium to an insurance provider, but that's not the only option. For some employers, self-funding, level-funding or reference-based pricing models may be more attractive solutions.

Suffice it to say, there are a variety of ways that employers can structure their health plans—even if that means requiring employees to seek insurance in the individual health market.

Whatever your needs, know that Employers Select Insurance Services is here to help. Contact us today to discuss your 2021 benefits.