Can You Limit Rising Healthcare Costs?

The price of health insurance continues to climb. Though the rate of increase has slowed, manufacturers and distributors can still face double-digit annual hikes.

Legislation and market forces may rein in these costs, but it won't happen soon. The increases have raced far ahead of inflation, making healthcare one of the top five operating costs for most companies.

Not every company is suffering equally, though. Some have held increases to seven and even five percent. How do they do it?

1. **They test the market**

   The health insurance business, dominated by a handful of giants, isn't known for sharp price competition. But a company that shops carefully can find price differentials of 20 percent and more for the same levels of service.

   Although manufacturers and distributors can cobble together insurance from different vendors, a single vendor can usually offer better pricing. That's because large insurance carriers can spread their margin requirements across a broader line of products.

   A comparison of health insurance plans must take many variables into account — differences in deductibles, coinsurance, copays and benefits, as well as quality and breadth of service. Does a vendor offer a wellness program? Does it provide mail order pharmacy service?

2. **They support consumer-driven healthcare**

   This trend is consistent with a widely-reported observation: Hospital patients who are interested and engaged in their own care have better recovery rates.

   Consumer-driven healthcare assigns employees greater responsibility for health choices — and reduces costs significantly. The insurance industry and the IRS promote it with tax-free and tax-deferred savings options (see box).

   Most require employees to maintain high-deductible health-insurance policies, which bring lower premiums, but can cause concern in a workplace accustomed to low deductibles.

3. **They promote wellness**

   Wellness programs can have dramatic effects. By helping employees change destructive habits, employers can help them stay healthy — a proven path to fewer insurance claims.

   Plus, wellness is attractive to employees and can offset some of the pain caused by rising healthcare expenses. For example, no one wants to draw benefits for heart disease, even generous ones — they'd much rather be healthy.

   Disease management programs, meanwhile, provide proactive contact, incentives and assistance with medical and pharmacy routines. These programs help afflicted individuals avoid progressing to an acute state.

4. **They educate their employees**

   Communication is critical in times of change, and nowhere is this more true than in a discussion of health benefits.

   The companies that have been most successful in reducing healthcare costs don't try to shelter employees. "Our insurance costs have risen 35 percent in three years," they say. "Something has to give."

Then these companies explain their choices. Higher deductibles may chafe, but lower costs make a stronger company, which means job security. And since workers share in healthcare costs, they also benefit from savings directly — and wellness programs sweeten the deal. Insurance carriers and brokers provide multimedia materials to get these messages across.

Facing unpredictable prices for raw materials and transportation, manufacturers and distributors are looking far and wide for ways to control their costs in other areas. Healthcare hasn't been one of those areas, to put it mildly.

But companies that take the right steps are showing that it's possible, at least, to hold down healthcare cost increases.

If you'd like to learn about these and other ways to rein in costs, our firm can help.