

# Employer health plan selection: What's important?



**BY DOUG FORRESTER**

**COMMENTARY**

Annual increases for public sector health plans have been in double-digits for years. Even the largest single plan in NJ—the State Health Benefits Plan—has suffered increases well in excess of 40 percent just in the last three years alone and is expecting another sizable rate hike to be announced shortly. Consequently, I’m often asked what employers should look for to manage this key piece of their budget. Unfortunately, the same problem faces most private sector employers as well. So, similar answers are appropriate for both groups.

Relatively small employers (less than 100 employees) are almost always at the mercy of whatever insurance carrier products are circulating in the marketplace. These are by definition off-the-shelf products which employers choose somewhat like different types of pre-prepared meals at the grocery store. There is some variety but it is basically a take-it-or-leave it proposition in terms of price and content.

Whether it is a good deal or not based on the quality and cost of the ingredients is almost impossible to determine. Unlike food products which now have to disclose ingredients, the insurance industry is not required to share much information about what is really in the package. Shopping around among different carriers has the appearance of choice but not the reality because key information about these plans is generally kept from the buyer.

Larger employers have more options because they can self-insure their plans if they choose. They don’t have to buy a traditionally insured plan which limits their access to important, decision-making information. They can obtain all the services — and more — associated with a traditionally insured plan and yet have access, by right, to nearly all relevant information. Yet, most employers don’t think in these terms either because they are unaware of the alternatives or because they think “self-insurance” necessarily comes with too much risk.

They don’t realize they can have the best of both worlds: they can know where their healthcare dollars are going and at the same time be protected with stop-loss insurance for budgetary purposes. This means that they can begin to shape their health plan to achieve its basic purpose, i.e., promote healthy employees for workplace productivity. Reduced absenteeism and employee turnover save real money.

But these objectives are less likely to be met if employers are ignorant of the health needs of their employees. Likewise, employees are less likely to secure the very best care if left to fend completely for themselves to discover

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merely by happenstance which doctors and hospitals can best meet their needs. I believe self-insured plans can do a much better job than traditionally insured plans in promoting health and wellness because they make available to employers and employees the necessary data to make their health plans more effective. Employers don't have access to confidential patient specific data but they can see how best to improve access to better care for their employees based on general data and they can offer to employees assistance in determining resources to obtain that care.

Self-insured employers also have a better chance to shift the focus of their health plans away from the counterproductive obsession the healthcare industry has with size—size of networks and size of discounts. “Mine is bigger than yours” just doesn't work in healthcare because neither network size nor discount size have anything whatsoever to do with patient health.

The only way to reduce healthcare costs over time is to make people well and the only way to do that is to put them in the hands of the best providers as quickly as possible. The standard carrier model just doesn't do this well: they appear more concerned about protecting network size and keeping doctors/hospitals in their networks principally on the basis of what discount they will accept. Sid's Auto Repair and Pain Management Surgery Center sounds silly, but I bet if he offered a big enough network discount, some carriers would be tempted to include him and many patients would assume because Sid is in network, that's all that counts. That is a sure recipe for overall higher costs and poorer care.

Employers should look for ways to do the following with their health plans:

- Obtain control of financial and claim data; patient confidentiality can always be protected
- Provide easier access to high quality primary care and wellness services for their employees
- Identify providers (doctors and hospitals) with the best health outcomes
- Facilitate care coordination of patients among those providers of excellence
- Facilitate shared medical record access among providers of excellence

At this point in time, I believe self-insured models—particularly those employing on-site employer dedicated clinics serving as the care coordinating hub—provide the best chance of accomplishing this kind of health plan integration. The health and financial benefits for employee and employer are tremendous because they go together. If you can't produce better health outcomes, you can't lower healthcare costs. The best you can hope to do is to shift costs among different players or different periods of time.

The self-insured, coordinated care models also hold out hope for smaller employers who don't have enough clout today to achieve their objectives. These employers could join with other, larger employers to share clinic costs in exchange for access. Together, they could offer a far more effective mechanism for care to their employees than offered in traditional insurance plans. Likewise, the financial efficiency of these arrangements could, for some smaller employers, more than offset what may be marginally higher costs associated with stop-loss insurance compared with community rated risk pools which now dominate the small employer market.

In summary, I would encourage all employers to focus on how to recruit and retain good employees by giving them access to the most effective healthcare model. Doing so will save money both in the short and long terms. Good healthcare isn't cheap but inadequate care is more expensive if measured in terms of what employers should— for their own bottom-line reasons – want: healthy and productive employees.

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