Six Powerful Healthcare Trends That Impact Employer-Sponsored Health Insurance

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Recommended Citation
Available at: http://scholarworks.gvsu.edu/sbr/vol13/iss1/5
Six Powerful Healthcare Trends That Impact Employer-Sponsored Health Insurance

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The cost of employer-sponsored health insurance continues to escalate at a staggering pace. Firms of all sizes, including non-profits, governments, and school systems are feeling the budget squeeze of ever-higher health insurance premiums. This article will review six significant trends that will have an impact on the health insurance options provided at the workplace. Knowledge of these trends will give you a better understanding of the dynamics driving higher healthcare costs and put you in a position to take proactive steps to keep health insurance from breaking your budget.

Trend # 1 The mathematics of health insurance premiums will change the healthcare landscape in dramatic ways over the next 5 to 10 years. (See Figure 1 for a review of health insurance cost increases relative to workers’ earnings and inflation since 1988.)

Impact of Trend
Think about and start to plan the changes you will need to make to your health insurance plan over the next 3 to 5 years. Most decision makers do not devote enough time to planning the long-term strategic direction of the organization’s health insurance plan. Usually the focus is on making last-minute changes to fit the health plan design into the current budget, without the necessary emphasis on developing a solid plan for necessary health plan changes in future years. When looking at the future changes that will be required to keep your health plan affordable, chances are you will need to prepare employees to assume more responsibility for the payment of premiums. You’ll also need to clearly communicate why future health plan options will likely include higher deductibles and increased employee coinsurance. This necessary evolution for most organizations will call for ongoing communications to employees regarding the cost of health insurance and how lifestyle and personal health choices drive health insurance premiums. Your communications need to make your employees key stakeholders in the overall success of your health insurance plan.

Trend # 2 Federal and state initiatives will foster individual health insurance policy ownership and encourage price and quality transparency for healthcare services.

Impact of Trend
There are over 48 million people in the U.S. without health insurance. This represents approximately 16 percent of our population. Furthermore, as Figure 2 demonstrates, only 48 percent of the businesses that have fewer than 9 employees offer health insurance. Health insurance price increases have a direct impact on the number of uninsured, as both individuals and businesses drop coverage as premium rates increase.

Figure 1 Increases in Health Insurance Premiums Compared to Other Indicators

![Image of graph showing increases in health insurance premiums compared to overall inflation and workers' earnings.](source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2006.)

1 Kaiser Commission on Medicaid and the Uninsured, October 2006.
Look for future state or federal tax initiatives that encourage businesses to offer health insurance and the possible imposition of tax penalties for organizations that do not offer health coverage to full-time employees. Those without health insurance often cannot pay for healthcare services. These costs are shifted by providers of services to those who have insurance, putting increased upward pressure on health insurance premiums.

Expect healthcare providers and health insurance carriers to offer better information to consumers on the cost and quality of services. Recently, Spectrum Health (www.spectrum-health.org) took a great step in providing consumers with cost information by disclosing average prices on approximately 200 common services performed in Spectrum’s facilities. Spectrum Health also lists its top-notch hospital quality ratings from the respected Leapfrog Group. Anticipate more providers (hospitals and physicians) will follow this direction of price and quality disclosure to encourage consumers to utilize their services. This trend should improve quality outcomes and allow consumers to choose providers with the best mix of quality and price for the medical procedure performed.

**Trend #3** Providers of healthcare services will integrate electronic medical records into their practices to cut costs and increase efficiency in treating patients.

**Impact of Trend**
To appreciate how much this trend will improve the delivery of healthcare, just think about your own health records. If you’ve been treated by a number of doctors over your lifetime, your critical health history is probably very difficult to find because it’s stored in different provider locations. When multiplied over your employee population, this results in unnecessary tests being performed, inappropriate treatment options, and added cost. Providers are embracing the efficiencies that electronic medical records will have on patient treatment. It is an absolutely critical building block for adopting medical “best practice” clinical guidelines. When providers adhere to best practice clinical guidelines, consistencies in treatment patterns are followed and patient outcomes are improved, often at a lower cost.

One hospital-based system that has experienced dramatic benefits associated with electronic medical record integration is the Veterans Health Administration (VHA). In the mid-1990s, the VHA made a significant investment in integrated patient-centered recordkeeping technology for its member physicians and hospitals in an attempt to upgrade its poor quality measures of care. The VHA’s strategic technology integration has resulted in the once downtrodden VHA system being hailed by a number of respected healthcare experts as the nation’s model for how patient-centered technology should be implemented to reduce cost and improve quality for the U.S. healthcare system. Look for hospitals and physician offices to leverage the power of integrated medical technology to improve health outcomes for patients and to lower administrative costs.

**Trend #4** Health insurers will recognize the link between lifestyle choices and cost of care and will offer premium discounts for measurable lifestyle choices.

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Impact of Trend

Lifestyle choices (smoking, excessive alcohol consumption, seat belt use, lack of exercise, etc.) have a direct impact on an individual’s overall health and use of healthcare services. Health insurers are coming around to this fact and are starting to provide both significant health plan design incentives and premium reductions for individuals who incorporate healthful lifestyle practices. Two of the leading HMOs in West Michigan (Priority Health and Blue Care Network) offer health insurance premium discounts to group health insurance purchasers when covered employees and spouses complete health assessments and follow defined treatment guidelines under the guidance of their family physicians.

The latest product that is generating considerable interest from employers is the Blue Care Network Healthy Blue Living product. Introduced in October 2006, Healthy Blue Living offers discounts of up to 10% for employers that commit to providing a healthful work environment for employees. Once this commitment is made by the employer, employees are offered an enhanced level of benefits if they (along with covered spouses) follow program guidelines under the supervision of their physician. Look for more lifestyle-related discounts from insurers in the future as a way to reward your employees for good health practices. The best part about lifestyle-related discounts is that they save your organization real dollars in health insurance premiums and measurably improve the health of your employees and their covered spouses.

Trend #5 Providers of healthcare services (primarily physicians and hospitals) will begin to compete on price and quality and health insurer provider networks will change to encourage the use of providers that deliver the best overall value to consumers.

Impact of Trend

The growth of the Internet will make it easier for consumers to find information on current pricing and quality outcomes information from providers. Look for health insurer networks of participating providers to change significantly when price and quality metrics become readily available for consumers. With the current model of health insurance networks, healthcare providers are either in the network or out of the network. Future provider networks will likely include an “enhanced” network of selected providers that deliver better pricing and quality to consumers. In exchange for using the limited list of “enhanced” providers, consumers will likely pay lower deductibles and coinsurance when services are performed within the “enhanced” network of providers. Informed consumers may be willing to travel great distances to receive non-emergency care from providers who deliver the best combination of pricing and quality outcomes, especially when consumers are paying a portion of the provider’s charges. As a result of this anticipated change in provider networks, expect to see more specialized facilities and physicians who perform a limited range of services with incredible efficiency, lower cost to the consumer, and measurably better outcomes in relation to their peers.

Trend #6 Organizations of all sizes will harness the power of linking positive health and lifestyle incentives to health benefit plan design.

Impact of Trend

Implementing sustainable worksite wellness programs is not an easy task. Even more daunting is getting a significant number of your employees and their spouses to participate in your program offerings. So how do you obtain a measurable return on an investment in employee wellness and get a significant number of employees and spouses (at least 80%) to participate? Consider the integration of wellness incentives into your health benefit plan design. There are scores of ways to accomplish this, but some ideas include offering cash incentives for employees to participate in a health risk assessment, or making the completion of a health risk assessment and biometric testing (for blood pressure, body mass index, cholesterol and glucose levels) mandatory to receive health insurance benefits. Be sure to communicate to employees why your organization is taking these measures and that confidentiality will be maintained throughout the entire process. A good way to ensure confidentiality is to enlist the services of a third party vendor who is trained in biometric testing (organizations such as the Visiting Nurses Association or hospitals in your community should be able to provide guidance in this area). Be sure to work closely with your health benefits consultant and your health insurance carrier as you link targeted wellness objectives to your health plan design.

When you take the steps to integrate individual health and lifestyle incentives with health benefit plan design, there is a direct link to improved health outcomes, which may result in lower demand for healthcare services. A healthy workforce can result in a competitive advantage for your firm, with measurable increases in productivity and enhanced attendance at work.

Summary

Healthcare costs will continue to increase in the foreseeable future. However, there are powerful trends that forward-thinking organizations of all sizes can embrace to take advantage of the rapid changes that our healthcare system will likely deliver in the next few years. Position your organization to take a “proactive” approach to rising healthcare costs through careful planning and through empowerment and education of your employees and their spouses on healthcare costs and healthcare options. Leverage the power of your health benefits plan to motivate positive lifestyle change in your employees and their spouses through targeted, measurable wellness initiatives (this should naturally have a positive impact on dependent children as well). Take the time to know and embrace the changes that will occur in our healthcare system to keep healthcare costs in check for your organization and to enhance the productivity of your employees.