

Survey says.....

Aggressive cost containment programs help employers slow impact of rising healthcare premiums



The more aggressive companies are in their healthcare cost containment efforts, the more savings they can achieve. That is the conclusion of a long-term study of factors affecting health insurance costs.

The study, which looked at activity over an 18-year period from December 1980 through September 1998, discovered that health care costs increased almost 2 ½ times more than other employee benefits and more than three times faster than payrolls grew. The rate of increase fluctuated significantly, over the period, however.

Health insurance costs gathered speed steadily from 1981-84. Then, rates increased more slowly from 1985-87 before ballooning again from 1988-92. Rates remained under control for much of the 1990s until another round of double digit increases started two years ago.

“The study found that healthcare costs were most stable during periods of aggressive employer efforts to manage their health coverage costs,” said Sean Smith, Chairman and CEO of Coalition America, an Atlanta-based company that works with organizations to lower their healthcare costs. “After those measures started to work, managers relaxed those efforts and costs rose again. This study shows that containing healthcare costs requires an on-going, daily effort by corporate management.”

The study, one of the most comprehensive reviews of corporate employee benefits yet completed, shows that the share of employees whose health insurance premiums are wholly paid by employers has declined sharply since 1980. Of full-time workers in medium and large private establishments who participated in medical care plans, 31 percent had individual coverage wholly financed by their employer in 1997, down from 72 percent in 1980. The comparative rates for family coverage were 20 percent in 1997 and 51 percent in 1980.

“The study proves that employer cost containment efforts deliver results,” Mr. Smith said. “Those organizations that focus on innovation and cost management get a real return on those efforts.”

Other cost containment strategies used, particularly by large employers, included accessing supplemental PPO networks to lower their out-of-network managed care costs. Other factors that helped companies control costs include changing health plan design to heighten employer’s control over the type or delivery of health care services, instituting major medical deductibles and coinsurance payments, and shifting to managed care programs or self-funded health plans.

“This effort has also given rise to defined contribution plans where employers designate a set amount for employee healthcare plans,” said Mr. Smith. “Then, those employees choose the healthcare services they want and whether they want to pay for more benefits themselves.”