

# Lowering Health Insurance Costs in 2009

Article to be featured in August 2009 HR Time Magazine

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## ***Prepare Now to Lower Healthcare Insurance Costs in 2009***

*By Cheryl Lagunilla, Fiscal Advantage LLC*

With the economic outlook for 2009 rather grim, business owners will have to do more with less - yet, they will still have to compete to recruit and retain talent from an increasingly more complex workforce. Employers will have to find ways to offer quality benefits that are affordable for employees as well as the company. Health insurance is, by far, the biggest benefit expense for most companies with the average health insurance costs per active employee at well over \$10,000 per annum.

**THE BAD NEWS:** If you're one of the growing ranks of US employers that experienced a double digit rise in health insurance premiums this year, you know firsthand how healthcare insurance costs have been rising faster than inflation for the past four years.

**THE GOOD NEWS:** With a little extra work and a solid plan, businesses can take steps *now* toward lowering their cost of healthcare coverage in 2009.

Finding the solution to rising healthcare insurance costs begins with an understanding of the root of the problem and which factors can be controlled by employers and their employees. Several explanations have been offered for rising health insurance premiums:

- **General Inflation**
- **Healthcare price increases in excess of inflation** – the reasons for this include: broader access plans, private payers sharing the costs of the uninsured, higher priced technologies, prescription drug increases and administrative costs.
- **Increased healthcare insurance utilization** – the reasons for this include: aging population, lifestyle challenges, and rise in chronic disease and illness.

***Of all these factors, companies only have the ability to affect the increases in utilization.*** Many companies are being told by their insurance providers that their increases are in large part due to increases in utilization. It is no surprise that the costs associated with treating disease and illnesses are astronomically higher than the costs to prevent them. There are ways to effectively reduce healthcare plans utilization by improving the overall health of employees. Many U.S. businesses are doing this through employee wellness and health management programs.

The Center for Disease Control (CDC) states the 75% of health care costs are attributable to chronic diseases that could often be avoided. Take a look at some of the CDC's pertinent facts and figures that could be directly affecting your bottom line:

- Two-thirds of the increase in healthcare spending is due to increased prevalence in treatment of chronic disease.
- The doubling of obesity since 1987 and today accounts for 30% of the rise in healthcare spending.
- The vast majority of cases of chronic disease could be prevented or managed.

- Many Americans (five in six) are unaware of the extent to which chronic disease harms their health – and their wallets.
- Management of chronic disease could also be significantly improved: Chronically ill patients receive only 56% of the clinically recommended preventive health care services.

### **The Centers for Disease Control and Prevention (CDC) estimates...**

- **80% of heart disease and stroke**
- **80% of type 2 diabetes**
- **40% of cancer**

**...could be prevented if only Americans were to do three things:**

- ✓ **Stop smoking**
- ✓ **Start eating healthy**
- ✓ **Get in shape**

### **Plan Now to Reduce Costs**

Employee health and wellness programs have become a vital component in addressing and decreasing high utilization and reducing medical costs, which is why over 2/3 of all companies have them in place. From a pure business point of view, the ROI on health and wellness programs have been documented to average \$5.81 for every \$1.00 spent. In addition, a growing number of insurance providers are recognizing the benefit of such programs by offering discounts and reductions to companies who have an effective program in place.

Additional benefits which health and wellness program offer your company include:

- **Increased productivity**
- **Reduced absenteeism**
- **Lower worker's compensation costs**
- **Improved employee morale**
- **Good PR**
- **Corporate responsibility**

Increasingly, employers are adopting plan designs that help workers 'earn' discounts or bonuses for behavior that keeps them healthy, productive and engaged. By encouraging personal responsibility for health and offering significant incentives for healthy living, you can provide valuable tools to improve employee health and lower health care costs one employee at a time while staying in tune with employee needs.

## **Elements of an Effective Wellness Program**

*Not all employee wellness programs and initiatives are created equal or resulting in the desired rate reductions companies are looking for.* An effective approach to corporate wellness needs to include the following to produce desired outcomes:

- 1) **Engage** employees by addressing their desire to take control of their health and benefits
- 2) **Accountability** from employer, employee and wellness provider
- 3) **Compliance** and adherence to privacy issues protecting both the employer and employee
- 4) **Identify** employee health risks and areas of interest
- 5) **Motivate** and educate the employee to proactively manage his/her health
- 6) **Create** a high level of participation
- 7) **Measure** the impact of changes in employee behavior, risk and consumption
- 8) **ROI**

## **Implementing a Plan: A strategic approach**

Employers looking to do more than just react to the industry's standard cost increases have an opportunity to put a long-term plan in place to strategically manage their benefit programs as not only a key to financial well-being, but also in attracting and retaining a competent workforce. This starts with a carefully thought out plan that includes continual planning and involvement from all parties involved with negotiating your insurance terms and costs.

Consider the following:

If your health benefits programs:

- Can improve the health status of your employees through “real” behavioral change.
- Help employees and their families lead long, healthy lives
- Reduce medical claims and lower the cost of your workforce, providing your company a strategic advantage

Then why don't you:

- Manage employee health the same way you manage resource allocation or corporate spending?
- Measure and report the activities and results that will drive improvement in outcomes?
- Stop talking to employees about medical insurance and start showing them what's in it for them?

The objective is to take employee benefits from the procurement of insurance products to strategic benefit planning that can deliver long-term cost management, improve employee health.

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*As founder and president of Fiscal Advantage LLC, Cheryl Lagunilla helps companies contain and reduce their health insurance premiums. She can be reached at [Cheryl@fiscaladvantage.net](mailto:Cheryl@fiscaladvantage.net) for questions.*