Cost Cutting Trends in Employee Health And Wellness Benefits Plans



The Canadian Life and Health Insurance Association estimated that only 67% of the Canadians have extended health care benefits. In a 2015 Survey, “Benefits Benchmarking 2015” The Conference Board of Canada reported the costs of benefits plans for the organizations they surveyed was $8,330 per year per FTE employee (Fulltime equivalent).

For many Canadian’s the opportunity to work for an organization that offers benefits is highly valued. For top talent the quality of those benefits packages can be a factor in their decision to stay or to go elsewhere. For all employees the quality of those programs can have a positive impact on their health and wellness.

In a recent Sanofi Canada HealthCare survey, “Benefits 2020: Shifting gears toward health management” Canadian employers were asked why they invested in employee health and wellness benefits plans. In the survey respondents were given a variety of statements to select from and asked to indicate which best represented their reasons. Their responses aligned well with traditional responses:

- 39% agreed with the statement “**Benefits are a way to reward and support employees and we know employees appreciate them**”.
- 26% selected ‘**We have to offer benefits to be competitive with other organizations in our industry and/or region**.”
- 31% selected ‘**Healthier employees are more productive employees; our health benefit plan is one of our corporate strategies to grow or improve our core business.”**

Benefit Plans Cost Cutting Trends

Benefits programs are highly coveted but also costly. With the high costs of health plans it is good strategy to look ahead to understand how to best spend money to return value on your health plan investment. Some of the cost reduction methods organizations are implementing include both direct and indirect cost cutting methods:

- Substituting generic prescriptions and limiting some types of drugs from plans (drug costs can comprise 70-80% of employer health costs)
- Increasing employee co-payments or deductibles
- Passing up to 100% of Long-Term Disability Plans to employee paid
- Lowering benefits to employees upon retirement – particularly prescription

drugs, vision care, paramedic care and hospital stays and dental
- Setting lower annual maximum coverage for prescription in addition to the more common annual maximum's for dental coverage
- Reducing reimbursement from 100% for a range of benefits (everything from prescriptions to massages); the survey reported that on average organizations were providing 89% reimbursement
- Offer Employees flexible plans to meet changing demographic and life choice needs (increasing participation in desired programs and enabling the elimination or reduction of others)
- Increasing early screening and assessment of employee health concerns
- Emphasis on health education and promotion initiatives

Changing Current Benefits Plans

The Sanofi study also found that while the majority of the organizations were generally satisfied with their current plans 42% were also seeking to make changes to the design of their plans (54% of large employers and 34% of smaller ones). The primary reasons cited for the change were fairly evenly balanced between cost management (indicated by 50%) and building plans that are better utilized by employees (by 51%). 38% indicated adding new benefits in the next 5 years was part of their future plans, which would involve investing more per employee (only 5% indicated they were planning on spending less).

Although satisfied with their providers', those surveyed indicated they were seeking more help and more information from their plan providers. Their top interests included obtaining a better understanding of:

- How their health benefit plans impact healthy outcomes, productivity and absenteeism (76%)
- Connections between drug expenditures, disability claims and other services such as EAP (68%)
- Their organization's claims in general (62%)

Despite the growing concern about chronic health concerns (for example diabetes, arthritis, mental health such as depression, high blood pressure and high cholesterol) few organizations were planning on making changes to focus on prevention through health promotion. When asked organizations estimated that 26% of their workforce had chronic conditions. With the increase in available data organizations may be come to see the benefit for health promotion and education, screening and education as benefits both to the employee and to their bottom line financials. The good news is that the top health and wellness goals cited by the employees surveyed align with the areas of cost increases to manage chronic health issues.

The top health and wellness goals for employees as surveyed by Sanofi included

- Eating healthier foods
- Achieving weight goals
- Improving sleep
- Achieving fitness goals

Each of these factors plans important roles in many chronic health conditions including diabetes, high blood pressure and mental health concerns including depression. Organizations who help their employees by providing them with support to achieve these goals may find that other costs associated with poor health including absenteeism, poor productivity and drug cost can be reduced.

Increasing Participation by Employees

- Finding incentives: 81% of organizations surveyed agreed they needed to offer incentives to encourage employee participation in health programs and activities only 30% indicated that do.
- Education and Awareness: Bringing in Experts to introduce and explain plan components to employees
- Making it Relevant: Tailoring health education to individual needs and offering flexibility in programs to allow employees to participate in
- Setting the Stage: Looking around the workplace and making changes that enable employees to achieve their health and wellness goals and engaging management to lead by example.

While it may be up to the individual employee to take action to participate in health and wellness activities, organizations that find ways to encourage their employees to participate may find their efforts paying off in more ways than one.

The relationship between health benefits, wellness and chronic disease management considered in combination will become of increasing importance over the next 5 years as health care costs and the age of the population rises. Organizations who are tempted to cut costs on their benefits plans would do well to consider the unintended consequences and ensure they are cutting costs where they can and that they are not cutting costs in the short term that will cost them more in the longer term.