



Beyond Cost Containment to Health & Productivity: A Shift in Employers' Healthcare Focus

Employers Favor a Giant Step to Health and Productivity in Five Years

IBI's survey of 620 employers about their strategies for managing their ever-rising healthcare costs uncovered several surprises, particularly as employers look ahead five years. We found that few believe that limiting management efforts to medical costs will allow them relief from the economic burden of ill health.

Status quo to go: Only 15% will try to minimize their medical costs year to year – in the same old silo-based way they always have done it. Instead, 61% plan in the longer term to look to an integrated management approach, across absence, disability and productivity, and another 23% will ease this economic burden by managing workforce health to moderate the ill-health cost drivers. These approaches are especially true for mid-sized and large employers.

Integrated data in five years: Perhaps the greatest challenge to suppliers and vendors of healthcare and health-related benefits are plans employers have in five years for the data tools necessary to manage their investment in workforce health and productivity. Only 14% say that group health data, alone, will be sufficient to their future management needs. The others envision a vastly expanded management database in five years, linking health and group medical data to employee absence, disability, lost productivity and, for almost half the total respondents, corporate financial outcomes. It remains to be seen how employers will follow up on these plans and whether they will commit the necessary resources for such an important change. It is certain, however, that employers will rely on their suppliers to link such benefits results across programs. IBI's new measurement and benchmarking tools can help employers document their business case for making such changes.

Cost shifting not favored: Other results seem to turn “common knowledge” about employer medical cost-control practices on its head. Employers frequently shift rising healthcare costs to employees, but they say that cost shifting is no more important to them today than providing employees with more healthcare responsibility or promoting workforce health. In the longer term, employers are much less likely to rely on a cost-shifting strategy. When asked about future plans, only 18% of employers respond that shifting costs to employees will be their most important initiative. Instead, 47% will favor encouraging healthy behavior by employees and 24% prefer to manage disease from start to finish – from prevention through medical care to absence/disability management. This cross-continuum approach dovetails with employer plans for data integration. Perhaps employers shift costs today because it provides some fast relief from surging healthcare costs. Looking ahead, they are much less likely to risk the negatives that can come from shifting healthcare costs to valued employees.

Perhaps the apparent current focus on cost shifting comes as employers respond to double-digit group health cost increases. Employers rank the importance of rising costs of healthcare to their company as very high, with 82% ranking the importance at 5 on a 5-point scale and 15% ranking importance at 4. When we ask employers what motivates the strategies they choose, 68% cited economic or budgetary pressures as most important compared to the 12% that rated employee attraction and retention as most important.

Be careful what you wish for: The rapid rise in healthcare costs certainly has the attention of the C-Suite. For 45% of respondents the principal instigator of the employer's response to rising healthcare costs is senior management, the board of directors or the company's owners. In 57% of the cases the CFO/Finance officer is involved in helping to develop the response. This may explain, in part, the interest in cost shifting as an immediate means of easing cost pressures on the bottom line. In fact, when CFO/Finance is the principal motivator of a company response, the employer is far less likely to adopt a broad view of future data needs. These factors point out the need – and the opportunity – to educate financial decision makers about the benefits of investing in employee health as a long-term strategy and the importance of having the right data tools available to do the job.

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