CONTAINING HEALTHCARE COSTS: IT’S TIME TO RETHINK YOUR APPROACH
It’s one of your greatest challenges with no satisfactory solutions. Your boss wants great health benefits to attract and retain the best talent, your employees want great coverage from trusted doctors and nobody wants to pay much for it. Every year it’s the same process – get a quote from your broker with a 10%, 20% or even 30% increase over last year, and then after some negotiations you’re still left with a hefty increase you need to justify. Sound familiar?

The hard part is, while everyone expects higher-quality health care, they can’t quantify it. So what do they focus on? Cost.

The rise in health insurance cost is so commonplace that it’s not even a question anymore: You know your quote next year is going to be materially higher than this year. So what’s causing the ever-present increase in healthcare costs? Claims? Inefficient health care? Where your employees live? With every carrier telling you a different story, it’s difficult to tell.

Even if you do know why your costs are going up this year, that knowledge can’t protect you from the dissatisfaction for your company and your employees. So you continue to work your hardest to try to contain costs and reduce risk using the most common tactics.
THE USUAL TACTICS

We all know you are trying to do your best with what you have. And there are only so many ways to contain costs. But with each method that lowers monthly costs there are distinct negative impacts.

- **Reduce Benefits**
  It’s a viable option, albeit not a good one. Employees are counting on you to maintain the same benefits and levels of service they enjoy today. You’ll lower costs, but you’ll probably also lose employees.

- **Raise Deductibles/Co-pays**
  While this tactic does lower your employer monthly premiums, it potentially (and usually) raises the overall costs of health care to your employees.

- **Change Insurance Carriers**
  Even when it comes to health care, it’s not uncommon to think the “grass is greener on the other side.” In fact, in our recently released 2014 State of Houston Health Care report, we found that nearly every employer in Greater Houston changes carriers at least once every four years, as shown in Figure 1.

  This can provide some temporary relief as insurance companies initially lower rates to woo your business. But once you’ve made the switch you find it’s the same old shell game you’ve come to expect form major carriers, and you find yourself wishing there was a new solution that would eliminate these headaches.

- **Offer HSAs**
  A viable alternative for those who are looking for a high-deductible plan is to lower monthly costs. HSAs are great for the young, single and healthy, or those only looking to cover catastrophic injury or illness. But going the HSA route leaves many employees dissatisfied, including those with families, the 50% of Americans with chronic illness and mature employees.¹

It’s obvious the usual routes to containing costs have the same predictable results. You’ll pull a 20% increase down to 14%, but you probably aren’t that satisfied with what you end up with. In fact, in our 2014 State of Houston Health Care report we found that 48% of Houston businesses are not Very Satisfied with their current coverage, as shown in Figure 2.

**HEALTH CARE IN HOUSTON**

In our 2014 State of Houston Health Care report we found that 73% of Greater Houston-based businesses employ an entirely local workforce.

So does living and working in Houston increase your costs?

The answer is, unfortunately, yes. While living in Houston will certainly have a cost impact due to the Affordable Care Act, Houston is already one of the 10 most expensive healthcare markets in the U.S., making it even more critical for Greater Houston businesses to contain healthcare costs.

**CAN CHANGING CARRIERS CONTAIN COSTS?**

You probably already realize that the major national insurance carriers are equally expensive and that to remain competitive you’d be jumping through the same hoops to contain costs.

When those satisfaction rates in Figure 2 were cross-referenced with each carrier, we found that only around 50% of organizations were actually satisfied with nearly every carrier. So the answer isn’t just to jump ship and move to a similar carrier. You’ll just spend your time doing the same thing with different insurance cards in hand.

What is it then? What’s keeping you from containing costs?

The answer lies in not looking at the same handful of carriers, all offering the same product, and going through the all-too familiar negotiations and renewal process. You need to start over and rethink what’s important.
You may not be able to change the healthcare industry but you can work to contain costs without needing to sacrifice service quality.

Instead of starting with last year’s benefits and trying to match them with as minimal a cost increase as possible, rethink your approach and start by asking yourself, What is it your employees actually need?

The list is probably pretty simple and may look something like this:

• Top-quality health care
• Expanded services that employees have come to expect
• Local doctors, hospitals and healthcare providers that employees already trust
• Affordability that you and your employees can count on

The problem is you can’t present this to the same old insurance companies and expect to get anywhere. If you do you’ll be right back to the same old approach. So where do you go from here?

ACCOUNTABLE CARE ORGANIZATIONS (ACO): A COST-EFFECTIVE CHOICE

Since you’re not alone in trying to find new ways to contain costs, take a look at what many smart Greater Houston employers are doing to address the problem.

Accountable Care Organizations are made up of top-quality, local hospitals, doctors and other healthcare providers that work collaboratively to provide the best care at a significantly lower cost. ACO programs also have proven results: In a 2013 government study, ACOs successfully delivered better care and reduced hospital readmissions while lowering costs.2

A Houston-based ACO providing great health care alone isn’t enough; you also need affordable access. Some Houston-based ACOs also provide private insurance, self-funded plans and stop-loss insurance. This combination of high-quality, accountable and managed care with a focus on making that care accessible to local businesses affordably creates a viable option for you.

In our 2014 State of Houston Health Care report we found that 55% of Greater Houston businesses would be interested in selecting a narrow network plan that provided a cost savings, as shown in Figure 3. In many cases the savings from moving to a health plan from a local ACO can be as much as 25% over a plan from a traditional carrier, while still including the same benefits package and services your employees have come to expect.

WHAT HEALTHCARE BENEFITS ARE BEING OFFERED?

At the end of the day you want your employees happy and healthy. Finding a way to contain costs is tricky when you stick with the same old players. It’s time to break out from old thinking and embrace a new approach to health care that contains costs, enhances employee satisfaction, increases retention and improves employee health.

Given the high percentage of your employees who live and work in Greater Houston, the option of using a local solution that can provide your employees with the coverage they need, the quality of service they expect, the doctors they know – all at the cost they want – appears to be a viable option for a majority of Houston businesses.

If you’re like most businesses in the Greater Houston area, it might just be time to look at a local option that offers high-quality care at a lower cost.

ABOUT MEMORIAL HERMANN HEALTH SYSTEM

Memorial Hermann has been serving the people of Southeast Texas for more than 100 years, providing world-class clinical expertise, patient-centered care and leading-edge technology. Today we’re focused on advancing the health of those we serve by bringing together all aspects of health care into one, integrated system.

Advancing Health is more than a tagline, it’s a promise to our patients and the clients we serve. We can deliver quality health care like no other organization in Greater Houston because we’re local – with 12 hospitals, over 5,500 affiliated physicians, 21,000 employees, over 18 specialty centers and nearly 100 urgent and convenient care in-network facilities. So we’re not only in your community, we’re a part of it. In collaboration with our affiliated, clinically integrated physicians, we have built a system of care that ensures timely, accurate, safe and effective treatments. These efforts have resulted in national, regional and state recognition, making us the clear leader in Greater Houston in quality and patient safety.

Our designation as an Accountable Care Organization (ACO) means we’re serious about driving healthcare costs down, while still delivering the same high-quality, coordinated care to our customers.

MORE THAN JUST HEALTH CARE

At Memorial Hermann we’re not just about providing health care; we’re also about making sure you have access to it.

About Memorial Hermann Health Insurance Company

Memorial Hermann Health Insurance Company provides access to a suite of group health insurance plans for organizations with two or more employees. We offer a broad range of health benefits that fit the needs and budgets of your employees, including return-to-work, health and wellness, and occupational medicine programs. We also offer plans for those companies wishing to self-fund their benefits, with the same quality access to the Memorial Hermann Health System.

A WINNING COMBINATION

By providing the highest quality health care with the accountability needed to minimize costs, Memorial Hermann is advancing the health of those we serve. We achieve this through superior medical management and the integration of hospitals, physicians and health plans. And the results are improved patient outcomes and reduced costs for consumers and clients. All from an organization with deep roots in Houston.