

4 Steps Employers Should Take to Prepare for Higher Healthcare Costs

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Xaume Olleros/Bloomberg

The COVID-19 pandemic has markedly reduced the number of patients seeking preventive care and elective procedures. The American Hospital Association reported a nearly 20% drop in inpatient volumes and a nearly 35% decrease in outpatient volumes compared to baseline levels. Another report by the Commonwealth Fund noted a decline of nearly 60% in outpatient visits in April 2020 with a rebound in volumes to pre-pandemic levels in the fall.

However, even with that rebound, not all patients are returning to their physicians' offices and other outpatient care providers. The volume of younger children from newborn to age five who need immunizations and other preventive care services has remained well below the pre-pandemic baseline. The rebound in volumes also differs between medical specialties, with oncology, orthopedics, gastroenterology, cardiology, pulmonology, behavioral health and several other specialties still below their baseline.

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Delaying and forgoing needed preventive, elective healthcare and chronic condition management health services not only has a potential negative effect on patients' health, but it may also lead to higher healthcare costs for employers and employees in the coming year. For example:

- Skipped cancer screenings have the potential to increase the number of cancers discovered at a later stage, when more extensive and costly treatment is needed.
- Patients with chronic conditions such as high blood pressure, diabetes and asthma who avoid their regular physician's appointments risk worsening of their conditions and the development of complications such as heart attack, stroke and organ damage from uncontrolled blood sugar.
- People who forgo essential immunizations for the flu and pneumonia risk serious complications and even death from these infections.
- Delayed elective surgeries, including joint replacements, and mental healthcare and substance use treatment can increase the risk of worsening symptoms.

All this delayed and forgone care has led to lower non-COVID-19-related healthcare spending in 2020. But what will happen when patients finally feel comfortable returning to their healthcare providers' offices? One survey conducted by Business Group on Health projects a possible 5.3% increase in health plan costs for large employers in 2021.

Mitigate costs and improve outcomes

Higher healthcare spending and claims costs are a scenario that employers should start preparing for now. Strategies should focus not only on mitigating potentially higher health plan costs, but also on improving health outcomes for employees, which may also offer benefits to employers in the form of lower rates of absenteeism and presenteeism, higher productivity and fewer disability insurance claims.

These four elements can build the foundation of strategy that achieves both goals:

- **Increase access to virtual care.** During the pandemic, telehealth or virtual visits increased significantly. With the timing of the wide rollout of a COVID-19 vaccine still unclear and the pandemic not yet under control, employees will need alternative ways to access care to effectively manage chronic conditions and mental health and substance use issues. Without this access, conditions may worsen and cause serious complications that can lead to disability and the need for more costly care. By providing expanded coverage for virtual care, employers can keep employees healthier and costs lower.

- **Make it easy for employees to seek a second opinion.** Second opinions can have a significant impact on both care costs and outcomes. A second opinion helps ensure that employees' diagnoses are accurate, and they receive the most appropriate care for their condition, for example starting with physical therapy or other non-surgical treatments for chronic back pain rather than surgery. To make it as easy as possible for employees to receive a second opinion from a physician who has extensive experience treating their condition, employers can offer virtual second opinions. With this option, employees can receive an expert second opinion quickly without having to travel to a center of excellence.
- **Offer care navigation and support services.** By providing employees with services that help them navigate the healthcare system, connect with experienced physicians, and gather evidence-based information about their diagnosis and treatment options, employers can help them make more informed decisions about their care, which can positively impact outcomes and overall costs. In addition, this type of support can take some of the stress out of the process of seeking and receiving care, which can decrease the risk of mental health problems arising or intensifying.
- **Manage high cost prescription medications.** The costs for some prescription medications to treat conditions including hepatitis C, some cancers, multiple sclerosis and HIV are burdensome to both employers (in the form of high claims costs) and employees (in the form of high co-pays and out-of-pocket costs). Specialty pharmacy services help mitigate these costs by incentivizing the use of effective, lower cost drugs; ensuring medications given by injection or infusion are delivered in the most appropriate and cost-effective setting; and creating custom pharmacy networks that allow employers to negotiate a better price.