

Pro-Active Steps Help Combat Rising Health Care Costs

BY KARON WARREN, MANAGING EDITOR

It's no secret that health care costs continue to climb at astronomical rates, causing great concern for many employers. In fact, in a survey taken by the American Institute of Certified Public Accountants in July, 99 percent of financial executives polled say they are concerned with rising employee health care costs.

Furthermore, 81 percent of respondents said their employee health costs have risen in the past year, ranging from 5 percent to an increase of more than 20 percent.

According to recent findings from The Segal Company, a major catalyst to rising health care costs result from employee diabetes and hypertension (See Figure 1). "A recent application of our medical data mining analytics found that more than 20 percent of a client's health plan costs were due to employee diabetes and hypertension," says Edward Kaplan, senior vice president and national health care practice leader at The Segal Company.

To offset rising costs, almost one-fourth indicated that employees would have to take on the increased costs, the AICPA survey stated. Other solutions included offering high-deductible, consumer-driven plans, changing health care providers and reducing the level of benefits.

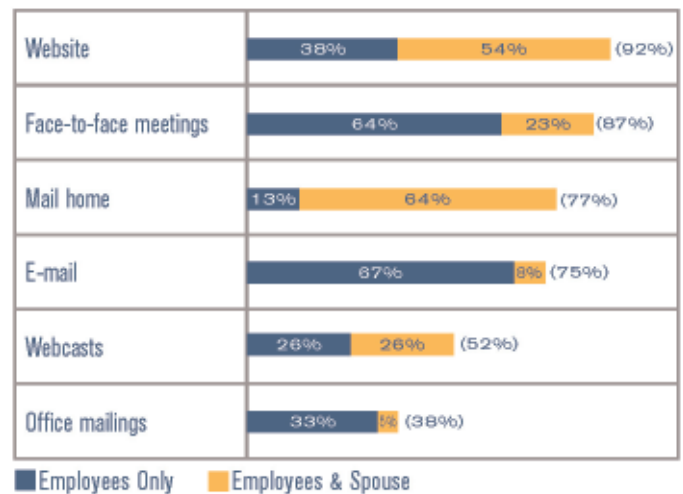
Based on the *2007 Health Practices Study* by SHPS, a key component in combating higher health care costs is care management programs. "Companies that focus on managing the health of their covered employees through targeted, clinically based care management programs have an average of 18.2 percent lower health care costs," the study stated. "This represents \$1,400 per benefit-eligible employee in annual spending over an unmanaged trend."

Figure 1: **Top Five Diseases of Plan Participants**

Disease	Number of Members	Percent of Total Members	Percent of Cost
Diabetes	209	6%	12%
Hypertension	318	9%	9%
Coronary Artery Disease	83	2%	5%
Congestive Heart Failure	20	1%	2%
Asthma	64	2%	2%

Source: The Segal Company

Figure 2: **Employers use multiple modes to communicate with employees during CDHP implementation.**



Source: *The CDHP Implementation Experience with Large Employers Study* by Watson Wyatt Worldwide/RAND Corporation

When turning to consumer-driven health plans, employers should focus on employee communication. This often is the biggest hurdle to the plan's success. In fact, in *The CDHP Implementation Experience with Large Employers* study by Watson Wyatt Worldwide and RAND Corporation, 90 percent of human resources executives cited employee communication as their biggest challenge.

To alleviate this potential problem, employers should incorporate several avenues of communication about CDHP offerings (See Figure 2). For example, the Watson Wyatt/RAND study stated that employers found face-to-face meetings and personal interactions extremely helpful in communicating new CDHPs, but Web sites, home mailings, email, Web casts and office mailings also were implemented.

For the moment, there seems to be no end in sight to increasing health care costs. However, by taking a pro-active approach to the problem, employers can do their part to cut costs for both themselves and their employees. 