

Benefits Insights

Helping Employees Navigate Rising Health Care Costs

Employers continue to struggle with rising health care costs and providing employees with affordable and quality care options. Unfortunately, employers expect health care costs to increase significantly in 2024, according to several industry surveys and reports. These findings revealed that employers anticipate health care costs to grow between 6.5% and 8.5% in 2024, the largest increase in more than a decade. As a result, employer-sponsored health care plans may cost more than \$15,000 per employee.

For the most part, employers have avoided shifting increasing health care costs onto employees due to the tight labor market and ongoing attraction and retention challenges. Despite employers' reluctance to shift the burden of rising costs onto employees, workers will likely pay more for health care as overall medical expenses increase. Health insurance costs are already among the biggest expenses for American families; therefore, employees will likely feel increasingly stressed and burdened financially as they are forced to pay more for care. As such, employers have an opportunity to support their workers by helping them navigate rising costs.

This article provides guidance to help employers discuss increasing health care costs with their workers and aid employees in mitigating these expenses.

Why Are Health Care Costs Rising?

Health care costs have increased relatively slowly over the last few years, in part due to decreased utilization during the COVID-19 pandemic and because insurer contracts typically are not renegotiated annually. However, several market conditions have recently led to steep increases in health care costs. For example, health care utilization has rebounded, resulting in medical plan costs returning to pre-pandemic levels. Utilization has especially increased for catastrophic claims and among individuals with chronic health conditions.

Inflation is also causing health care costs to rise. Hospitals and medical providers are increasing prices to address rising employee wages and supply costs. Additionally, consolidation among hospitals, physician practices and commercial insurers has resulted in higher health care prices for insurers.

Other reasons why health care costs are expected to increase in 2024 include the following:

- Specialty and costly prescription drugs, especially the high demand for diabetes and obesity drugs
- Cell and gene therapies
- Technological advancements
- Workforce shortages

These market conditions started affecting insurance rates and contracts in 2023, and their impact is only expected to grow in 2024. As a result, increases in health plan expenses are expected to impact all employers, regardless of size and whether they are fully or self-insured.

How Employers Are Responding to Rising Costs

While some employers may pass increasing health care costs onto their employees, many employers are expected to absorb most of the higher costs to remain attractive to top talent and retain their workforce. Instead, these employers are expected to embrace cost control initiatives, such as requiring prior authorization, utilizing disease management and adding nurse advice lines. Other strategies employers will likely implement to manage rising health care costs include wellness programs; plan design initiatives (e.g., offering high deductible health plans, requiring spousal surcharges or carve-outs and conducting dependent eligibility audits); and offering telemedicine, price transparency tools and centers for excellence.

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Even though most employers will not pass rising health care costs onto employees, how employers communicate changes and information related to increasing medical costs is critical. It presents employers with an opportunity to build trust, strengthen employee loyalty and reduce the risk of turnover. Employers should consider the following strategies for communicating with employees about rising health care costs.

Establish Key Messaging

How employers communicate about rising health care costs and any benefits changes to employees can often impact whether they are understood and accepted. By keeping key messaging simple and clear, such as focusing on new or updated benefits offerings, employers can better ensure that employees understand any changes. Clear and simple messaging can be repeated often, helping to distribute important health care and benefits information to the entire workforce.

If changes to benefits plans result in increased costs or reduced offerings for employees, employers can find ways to communicate not only takeaways but also givebacks (e.g., increasing employee premium contributions but adding certain supplemental benefits, such as transportation benefits). This allows employers to demonstrate to employees what they are doing to address rising health care costs and that they are mindful of employees' financial burden due to increasing costs. This can help organizations get employee buy-in for any benefits changes and build loyalty and trust with their workforce, which can help improve productivity and attraction and retention efforts.

Communicate Changes to Employees

As organizations make changes to their health insurance plans and offerings to address increasing medical costs in 2024 and beyond, it's important to clearly communicate those changes to employees. Failing to do so may result in employees paying for expensive and, in some cases, unnecessary care. This may include employees going needlessly out of network to receive care, resulting in increased medical costs. With this in mind, effective employee communication can help employers with implementing cost control measures.

Select Appropriate Communication Channels

Since every workplace is different, selecting multiple communication channels that are engaging and relevant to the workforce is essential. Leveraging technology can help employers communicate frequently and effectively with employees about changes to health care costs, benefits and offerings rather than simply relying on in-person or physical communication methods. Digital channels allow employees to access information when and where they need it. Still, in-person communication, on-site meetings and physical mailers can play an important role in communicating increasing costs and benefits changes to employees as well as ensuring these changes are understood and received.

Educate Employees About Health Care Costs

Employers can educate employees on the current state of the health insurance industry and how to effectively use their health plans to avoid unnecessary or high-cost care. By focusing on educating employees about any changes and rising costs, organizations can enhance the overall effectiveness of their communication methods and increase the likelihood that employees will accept them. Employers can also give employees a breakdown of total health care premiums and the portions paid by each party to help workers understand how medical costs impact a company's bottom line as well as the total value of the benefits provided to employees. Additionally, employers can provide tools to help employees make the most cost-effective health care decisions.

Employer Takeaway

Helping employees navigate rising health care costs is an ongoing process, but it's essential that workers feel properly informed about medical expenses, benefits options and mitigation strategies. Establishing strategies to communicate important information regarding increasing health care costs and benefits changes is vital to the health and well-being of an organization's workforce. As health care costs will likely increase for the foreseeable future, employers who act now to address workers' concerns regarding rising health care costs and provide actionable solutions can improve employee retention, increase productivity, strengthen staff morale and gain a leg up on their competition.

For additional employee benefits resources, contact us today.

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