

# Costly Considerations:

## An Analysis of Employer Priorities When Selecting Health Benefits

The image displays a collage of overlapping health benefits forms from the City of New York. The forms include an 'Employee Health Assessment Form', a 'Health Benefits Program Application/Change Form', and an 'Instructions for Completing' document. The forms contain various checkboxes, text fields, and instructions for employees and employers. The background is a dark blue gradient with faint, repeating text of health-related terms like 'SLEEPING PROBLEMS', 'EMOTIONAL PROBLEMS', and 'HEADACHES'.

# Table of Contents

---

I	Introduction	3
II	Executive Summary	5
III	Methodology	7
IV	Results	8
V	Recommendations	13
VI	Conclusion	14
	Endnotes	15

# I Introduction

---

Approximately 181 million Americans — more than half the country — receive health care coverage through their employers.<sup>1</sup> As health care spending escalates in the United States, human resources (HR) professionals are tasked with selecting health plans that are cost-effective while also providing sufficient coverage to meet their employees' health needs.

According to a survey from the National Business Group on Health (NBGH), large employers expect health benefit costs to climb as much as 5 percent from 2019 to 2020. As a result, employers can anticipate paying more than \$15,000 per employee annually including premiums and out-of-pocket costs for employees and dependents.<sup>2</sup>

To mitigate these costs, employers often shift more cost-sharing onto their employees or offer more restrictive health care coverage. For example, employers are increasingly implementing high deductible health plans (HDHPs), defined as any plan with a deductible of at least \$1,350 for an individual or \$2,700 for a family.<sup>3</sup> In actuality, employees in an HDHP have an average deductible of \$2,296 for individual coverage and \$4,104 for family coverage.<sup>4</sup> Meanwhile, premiums and other out-of-pocket expenses have also risen. According to a recent survey, in 2018, the average family spent \$4,706 on premiums and an additional \$3,020 on other cost-sharing expenses (e.g., copayments and coinsurance) for a combined cost of \$7,726.<sup>5</sup>

Employers who choose to offer more restrictive health care coverage may do so through the adoption of utilization management (UM) techniques, such as prior authorization, step therapy, and midyear formulary changes.

**Prior authorization:** the requirement that a health care practitioner obtain approval from a patient's health insurance plan before offering a medical service, conducting a test or procedure, or prescribing a specific medication.

**Step therapy:** the requirement that patients try and fail on one or more medications specified by the insurance company before they can get the one prescribed by the practitioner.

**Non-medical switching:** implementing a mid-year benefit change that results in patients adjusting or abandoning their current treatment due to cost or because their current treatment is no longer covered.

**Copay accumulators:** policies that prevent manufacturer coupons from counting towards a patient's deductible or out-of-pocket limit.

UM techniques that are implemented in an overly restrictive manner can cause employees in need of treatment and services to experience gaps in care or no care at all.<sup>6</sup> For example:

- Step therapy requires employees to try and fail on alternative medications before being allowed to access one that was originally prescribed, which can cause treatment delays and destabilize employee health;
- Prior authorization can create unnecessary delays between when a treatment is prescribed and when an employee can access it, or prevent the employee from receiving it at all;

- Non-medical switching can force employees to lose access to a treatment they are currently stable on, which can result in relapse and disease progression; and
- Copay accumulators can prevent employees from accessing their medication once their financial assistance has been exhausted.

In turn, employees who require these services may experience adverse health outcomes or other negative impacts on their well-being. These adverse outcomes can result in more doctors' visits or even hospitalization, thereby increasing health care utilization and further driving up the cost of health care.

Furthermore, some employers choose to implement health plans that both increase cost-sharing and reduce access, which may be even less effective for meeting their employees' needs. Not only can insufficient coverage drive up health care utilization, but it can also result in decreased productivity or increased turnover rates if employees are forced to quit their jobs due to health concerns.

In addition to managing costs, HR professionals are tasked with meeting often-varying priorities of employees. Some employees may want or require plans that offer more comprehensive coverage, while others may value a lower-cost plan. Therefore, it is important for HR professionals to choose health benefits wisely, taking into account the diverse needs of employees.

Aimed Alliance conducted a survey to gain understanding into how employers select their health benefits, the emphasis they place on cost versus quality, how they prioritize shifting cost-sharing versus limiting access, and whether they provide assistance to aid employees' understanding and utilization of health benefits. The survey was also intended to identify gaps in knowledge among HR professionals and how both employees and patient advocacy organizations can assist in filling those gaps. ***Costly Considerations: An Analysis of Employer Priorities When Selecting Health Benefits*** presents the findings of that survey.

## II Executive Summary

---

Aimed Alliance conducted a comprehensive survey of employers and HR professionals involved in the selection of their companies' health care offerings. Surveyed individuals worked at companies of all sizes, with a majority (58 percent) coming from companies with 100 or more full-time employees.

Analysis of the survey demonstrated that while employers and HR professionals may aspire to provide comprehensive, affordable coverage to their employees, the health plans offered may still include significant cost-sharing requirements and burdensome UM techniques. Additionally, in an attempt to balance quality and cost of health care, HR professionals are willing to assist their employees in understanding the terms of the health plans offered to them. However, employees do not appear to accept such assistance.

There is ample opportunity for insurers to partner with HR professionals to make UM techniques more efficient for both employers and employees, to improve communication between employers and employees, and to help employees understand and access their health benefits.

When selecting health benefits, HR professionals placed the highest priority on providing robust access to care. Unsurprisingly, cost considerations also remained top of mind for many. These findings reflect the reality that employers must balance access to quality care with the need to contain escalating costs.

- Coverage of a comprehensive selection of medications and services (28 percent) and providing a variety of health-plan options (27 percent) received top consideration from HR professionals.
- A nearly equal percentage of HR professionals (24 percent) also said the costs of health care plans were the top priority in their decision-making.
- Another 22 percent listed out-of-pocket costs for employees as the primary driver of their decisions.

When selecting and administering health plans, HR professionals have made a concerted effort to ensure that they meet the needs of their employees.

- When selecting plans, more than 65 percent of HR professionals reported consulting with their employees, while many also look to patient advocacy organizations for guidance.
- A staggering 95 percent of HR professionals said that they offer training or resources to help employees understand their health care benefits.

Nevertheless, HR professionals were likely to adopt plans that either shift costs to employees, reduce access to care, or both. These plans may not provide adequate coverage for employees who have significant health care needs.

- 82 percent of employers offered HDHPs and more than half (51 percent) of HR professionals said that they only offer high-deductible health plans.
- Almost 75 percent of HR professionals said that health plans offered by their company implement copay accumulator programs, and two-thirds said that their plans allow changes to the formulary after the plan year has begun.

HR professionals whose plans employ UM techniques acknowledged that such measures can increase costs for employers and can have harmful impacts on employees if implemented in an overly restrictive manner.

- While nearly 85 percent of respondents believed UM techniques are either somewhat or very effective in achieving cost-control objectives, nearly 65 percent said that UM tactics have resulted in increased costs through additional health care utilization.
- Nearly 75 percent expressed concerns about plans that allow health insurance companies to remove a medication from the formulary or move it to a higher cost-sharing tier after the plan year has begun.
- More than 75 percent of HR professionals whose plans include UM techniques said they are aware of insured employees reporting negative impacts to their lives as a result of their inability to afford health care services or treatment.
- Additionally, nearly 55 percent of all surveyed HR professionals whose plans include UM techniques said an inability to afford or obtain treatment under their health plan has resulted in employees taking extended medical leave.
- Nearly half (49 percent) said an inability to afford or obtain treatment under their health plans resulted in employees requiring disability benefits.

However, HR professionals expressed awareness that they have the ability to negotiate with insurers regarding UM. As such, HR professionals can use these negotiations as an opportunity to work with insurers to ensure that UM techniques are implemented in a responsible and not overly restrictive manner.

- Nearly 75 percent said UM techniques are a point of negotiation with an insurer when selecting a benefits package.

While employers frequently offered tools to help employees select a plan that is most suitable for their individual needs, employees have not appeared to often take advantage of these resources.

- Only 43 percent of HR professionals said that a majority of their employees utilize these resources.

HR professionals acknowledged the complexity of the health insurance appeals process. This awareness creates an opportunity for patient advocacy organizations or others to work with employers to streamline and simplify appeals for their employees.

- Nearly 60 percent of HR professionals agreed that it is difficult for employees to navigate the appeals process.



# III Methodology

---

Aimed Alliance commissioned a comprehensive survey of HR professionals to assess the perspectives of HR managers related to balancing cost and access in their company health benefit plans.

Toluna Insights, a global survey and consumer intelligence firm, surveyed HR professionals and executives involved in determining their company's health benefits package concerning:

- Their considerations and sources of counsel when selecting benefits packages;
- Their priorities when selecting health benefits for their employees; and
- Their understanding of the health implications of UM policies and how they can impact employees.

All respondents included in the sample reported that they were at least "somewhat involved" or "very involved" in the selection of health care benefit plans on behalf of their company. Any potential respondent who was not involved in the benefit plan selection was excluded from the survey.

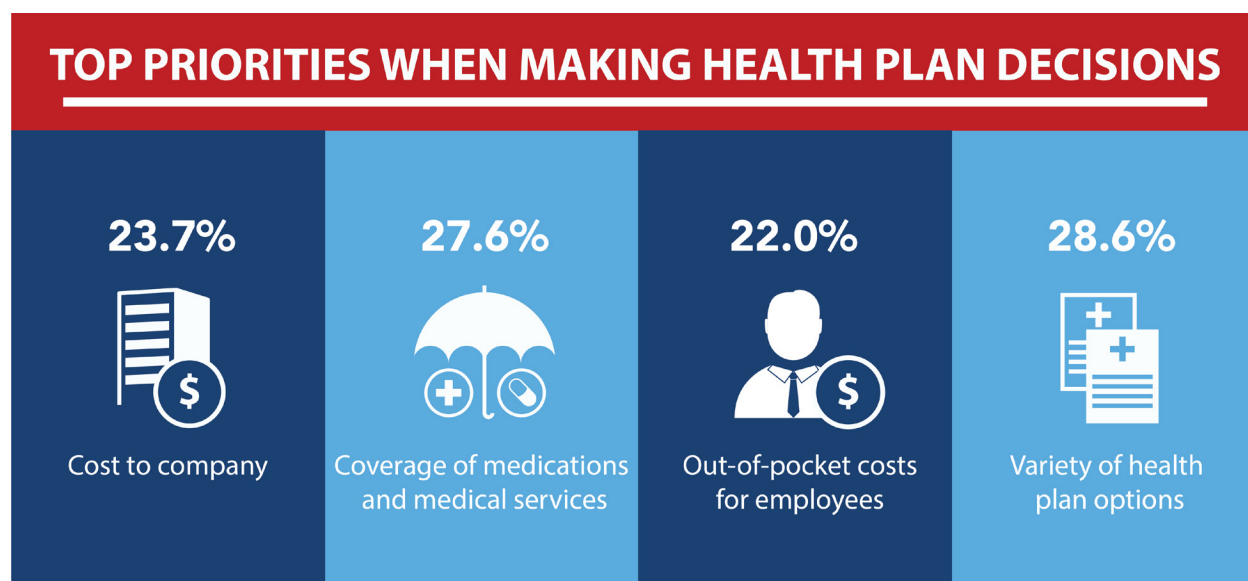
Any potential respondents who worked in the health care industry (including working for a health insurer, pharmaceutical company, health system, hospital, or doctor's office) were excluded from the survey, yielding a sample of 304 HR professionals from small (fewer than 50 full-time employees), medium (between 50 and 100), and large (more than 100) employers.

# IV Results

## PRIORITIES IN SELECTING AND ADMINISTERING HEALTH PLANS

When considering employee health care plans, HR professionals placed the highest priority on plans that ensure access to quality health care treatment and services. Plans that cover a comprehensive selection of medications and services and insurers that offer a variety of health-plan options received top consideration from approximately 28 and 27 percent of HR professionals, respectively.

Unsurprisingly, almost an equal number of HR professionals said the costs of health care plans were their top priority in decision making. Approximately 24 percent of those surveyed said that cost to the company was their top priority, and another 22 percent listed out-of-pocket costs for employees as the primary driver of their decisions. These results reflect the reality that employers must balance quality care with cost controls.



## EMPLOYERS SEEK TO MEET THEIR EMPLOYEES' NEEDS

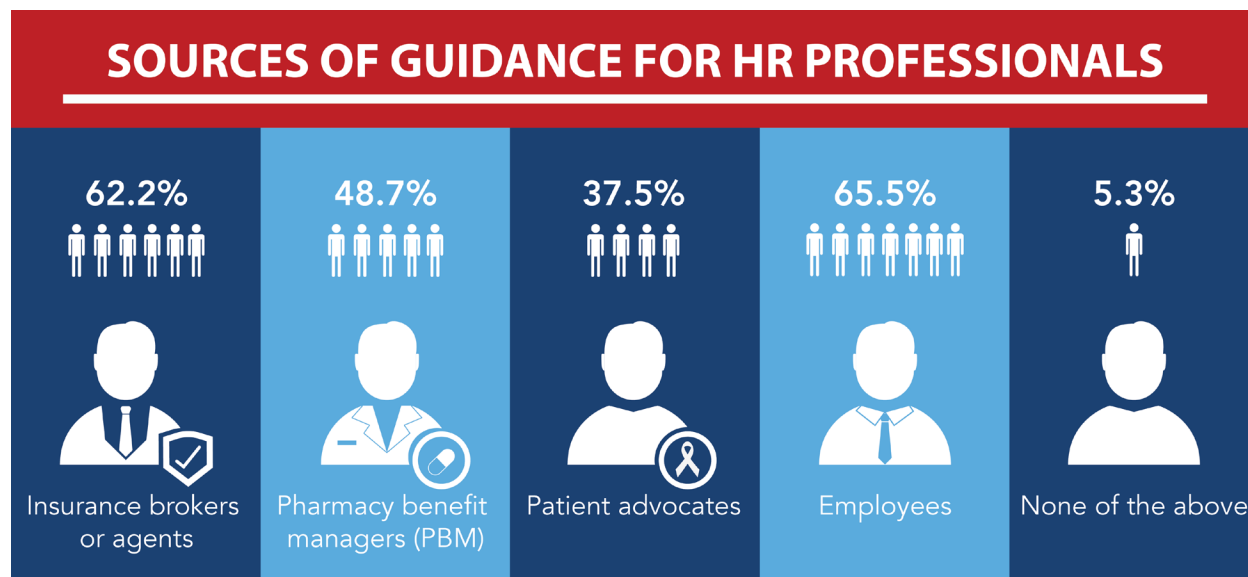
Employers are actively engaging with their employees to meet their health coverage needs. HR professionals most frequently looked within their company when considering health benefit plans, with more than 65 percent reporting that they reached out to company employees when seeking guidance on health plans.

Additionally, many HR professionals (nearly 38 percent) engaged patient advocacy organizations to provide insights into patient perspectives and how those dealing with various medical conditions can be impacted by health care plan decisions. HR professionals may also seek guidance from the insurance industry, as 62 percent reported that they consulted with insurance brokers or agents and 49 percent with pharmacy benefit managers.

These results demonstrate the opportunity to empower employees to speak with their employers if their health plans are not adequately meeting their needs. Additionally, the results highlight the opportunity for patient advocacy organizations to play a more active role in educating employers about the needs of employees who may have chronic conditions or otherwise require comprehensive



access to health care services. Insurance brokers and agents can also be educated on the impact of UM techniques on patients with significant health care needs so that they can present such information to employers.



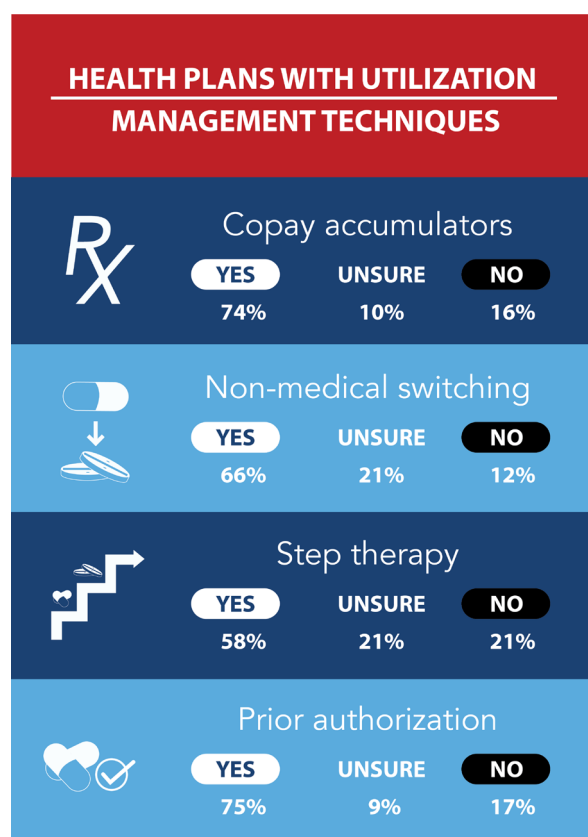
Meanwhile, 95 percent of HR professionals said they offer some kind of training or resources during enrollment periods, which help employees understand the coverage options, cost of premiums, required copays, and anticipated annual costs for health care benefits.

## COST SHARING, RESTRICTED ACCESS, OR BOTH

As companies explore ways to rein in spending on health care, more employers and HR professionals appear to be adopting plans that shift costs to employees, reduce access to care, or, in some instances, a combination of the two.

For example, 82 percent of HR professionals reported that they offer HDHPs, and more than half (51 percent) of all respondents said that was the only plan employers offered.

Nearly 85 percent of HR professionals said they are aware that their health insurance plans include cost-cutting methods like UM techniques in order to save the health insurer and the company money, as 93 percent of HR professionals reported that health plans offered by their company employ at least one UM technique. Almost 75 percent said that health plans offered by their company implement copay accumulator programs, and two-thirds said that their plans allow changes to the formulary after the plan year has begun.



However, HR professionals expressed some reservations about including these policies in benefit plans for employees. For example, nearly 75 percent said they were concerned by plans that allow health insurance companies to remove a medication from a formulary or shift it to a higher cost-sharing tier after the plan year has begun.

## COSTS TO THE COMPANY

UM techniques and other cost-saving strategies can potentially create a strain on employers if such strategies are not implemented with appropriate safeguards. If employees cannot access the care they require, employers may see a reduction in productivity and an increase in costly time away from work. Meanwhile, it is possible that employee turnover could result from illness due to not receiving access to treatment or care, or employees seeking out better health benefits elsewhere.

A 2017 survey by the American Medical Association, for instance, found that 92 percent of patients whose medical treatment or services required prior authorization experienced a significant or somewhat negative outcome on their health, which can take away from their day-to-day work performance.<sup>7 8</sup>

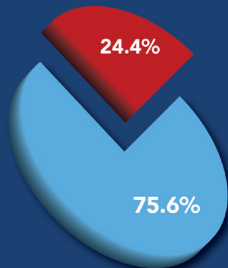
More than 75 percent of HR professionals whose plans include UM surveyed by Aimed Alliance said they are aware of insured employees reporting negative impacts to their lives as a result of their inability to afford health care services or treatment.

Any time a UM restriction prevents an employee from accessing a prescribed medication, it creates treatment delays that can put employee health at risk. These restrictions can also require additional health care utilization for the employee to achieve stability once again. By creating barriers to accessing these necessary medications, UM can add new or worsened side effects to an employee's condition, which may require additional, more expensive treatment.<sup>9</sup>

Despite their role, despite their role as cost-containment mechanisms, UM have often been shown to increase costs over the long run to employers. Nearly 65 percent of HR professionals reported that UM tactics have resulted in increased costs through additional health care utilization.

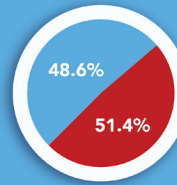
## IMPACT OF UTILIZATION MANAGEMENT ON EMPLOYEE HEALTH

Among HR professionals whose plans include at least one UM technique...

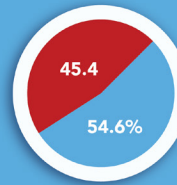


75% were aware of employees experiencing negative impacts due to their inability to afford health care services or treatment under their health plan.

■ YES ■ NO



49% were aware of employees taking disability leave due to an inability to obtain or afford treatment under their health plan.



55% were aware of employees taking extended medical leave due to an inability to obtain or afford treatment under their health plan.

Among those who said that they have experienced higher costs to the company, nearly 55 percent said an inability to obtain or afford treatment under their health plan has resulted in employees of their company taking extended medical leave.

Additionally, nearly half (49 percent) said an inability to obtain or afford treatment under their health plan resulted in employees of their company requiring disability benefits.

### BEHIND THE SCENES: NEGOTIATIONS, RESOURCES AND APPEALS

Given their desire to provide sufficient health care access to employees, many employers are either open to or actively taking steps to address how UM techniques are being incorporated into their health plans.

Even when considering plans that employ UM techniques, HR professionals can impact the nature of those techniques and the extent to which they are used, and ensure that there are enough plan options available to meet the needs of diverse employees.

Perhaps recognizing the importance of this role, nearly 75 percent of employers and HR professionals said UM techniques are a point of negotiation with an insurer when selecting a benefits package.

In addition, HR professionals acknowledged that employees need assistance in understanding different health care offerings, particularly given the complexities often associated with UM techniques. The survey found that HR professionals overwhelmingly looked to provide resources that help guide employees through their available options and ensure that employees select plans most suitable for their needs. Of the 95 percent who reported providing resources to their employees, 50 percent provided those resources during open enrollment only, and the other 45 percent reported offering resources year round.

However, only 43 percent of HR professionals reported that a majority of their employees utilize these resources, suggesting that more work is needed to engage and educate employees on how they will be impacted by the intricacies of their health benefit plans and UM techniques.

This lack of resource utilization can be particularly problematic for employees who face lengthy delays or denials when seeking treatment and are forced to file an appeal. Nearly 60 percent of HR professionals still either somewhat or strongly agreed that it is difficult for employees to navigate the appeals process.

As a result, a vast majority of HR professionals support improving the transparency of the process. Approximately 88 percent of HR professionals said that they would be willing to streamline the appeals process so that employees who need specific medications or medical services could access them more easily.

# V Recommendations

---

Based on the findings of this report, Aimed Alliance recommends the following to employers:

- Find out whether health plans are implementing UM techniques and negotiate with them to ensure those techniques are carried out in a reasonable manner.
- Consult with employees to determine what their health needs are and whether the benefits offered are meeting those needs or unnecessarily increasing health care utilization and associated costs.
- Seek input from employees and keep track of increases in health care utilization to ensure cost-sharing and UM techniques are working efficiently and are not overly restrictive.
- Offer quality materials and trainings on health benefit selection that are tailored to various demographics, including print materials and in-person meetings for older demographics and mobile apps or online materials for younger demographics. Consider incentives or other ways to engage employees and encourage their use of educational resources.
- Ensure that the appeals process is simple and easy to navigate and provide assistance with the process to employees if prescribed treatments or other services are denied.

While employee cost-sharing and UM practices may be necessary to manage escalating health care costs, HR professionals will need to ensure that they are implementing these requirements in a reasonable manner so as not to overly restrict access to medically necessary care. Some examples of this include:

- Ensuring that step therapy policies include a straightforward exception protocol;
- Using a simple form for prior authorization requests, which can be transmitted electronically;
- Prohibiting negative formulary changes after the plan year has begun;
- Implementing copay accumulator programs only in situations where both brand and generic medications are available and allowing an exception for such programs when a brand medication is medically necessary; and
- Requiring that all denial of coverage for treatment and other services be made within a reasonable timeframe.
- HR professionals can partner with patient advocacy groups to further understand ways to streamline UM techniques.

These results represent an opportunity for patient advocacy groups and others who work with HR professionals. They can be encouraged to negotiate with health plans to ensure that plans implement reasonable UM techniques and a streamlined appeals process. HR professionals can also be encouraged to adopt programs to ensure that employees are utilizing the resources available to them, such as materials or trainings on health plan selection. They can also implement a navigator program to assist their employees with the health plan selection and appeals process.

## VI Conclusion

---

Aimed Alliance's survey found that employers are thoughtful and deliberate when selecting health care plans for their employees. They are committed to providing their employees with quality health coverage and with resources to help them navigate the enrollment or appeals process.

However, HR professionals also have a responsibility to limit health care costs and unnecessary spending by their companies. Increasing the cost-sharing responsibilities of the employee, including through HDHPs, is one common tool. UM techniques are another tool used to limit these costs, although many HR professionals recognized that — if not used cautiously — these cost controls can end up being detrimental to the health of their employees and more expensive in the long run.

Still, HR professionals have said that they too are growing concerned about the consequences of these policies on their employees and have shown a willingness to negotiate with insurers on these issues. Employees and patient advocates should, therefore, work with employers to guide them on how to select benefits that can both save money and provide quality coverage. Increasing collaboration from a more diverse group of stakeholders can help employers and insurers craft guardrails around UM techniques that will benefit employees by keeping costs down while still being able to offer comprehensive health care benefits.

It is encouraging that employers are providing training and resources for their employees on selecting a health plan that works for them. Employers need to ensure that these materials are of high quality and should also be taking greater steps to encourage employees to take advantage of these resources.

Considering the significant impacts their decisions have on the health and well-being of their employees, HR professionals and employers must continue to engage diverse viewpoints when selecting benefits in order to provide employees with the best possible coverage.

Ultimately, ensuring that employees have a number of choices in their health coverage, UM techniques are implemented in a reasonable manner, and employees utilize resources to make informed decisions, will help strike the correct balance between cost management and quality of care.



# Endnotes

---

- 1 Edward R. Berchick, Emily Hood, and Jessica C. Barnett, United States Census Bureau, "Health Insurance Coverage in the United States: 2017," September 2018," <https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-264.pdf>
- 2 "Large Employers Double Down on Efforts to Stem Rising U.S. Health Benefit Costs which are Expected to Top \$15,000 per Employee in 2020," <https://www.businessgrouphealth.org/news/nbgh-news/press-releases/press-release-details/?ID=361>
- 3 U.S. Centers for Medicare & Medicaid Services "High Deductible Health Plan (HDHP)," <https://www.healthcare.gov/glossary/high-deductible-health-plan/>
- 4 International Foundation of Employee Benefit Plans "Average Health Care Deductible Nearly \$1,500 for Individual Coverage Through an Employer Plan," September 11, 2019, [https://www.ifebp.org/aboutus/pressroom/releases/Pages/Average-Health-Care-Deductible-Nearly-\\$1,500-for-Individual-Coverage-Through-an-Employer-Plan.aspx](https://www.ifebp.org/aboutus/pressroom/releases/Pages/Average-Health-Care-Deductible-Nearly-$1,500-for-Individual-Coverage-Through-an-Employer-Plan.aspx)
- 5 Matthew Rae, Rebecca Copeland, and Cynthia Cox, Kaiser Family Foundation, "Tracking the rise in premium contributions and cost-sharing for families with large employer coverage," August 14, 2019, <https://www.healthsystemtracker.org/brief/tracking-the-rise-in-premium-contributions-and-cost-sharing-for-families-with-large-employer-coverage/>
- 6 Academy of Managed Care Pharmacy, "Prior Authorization" April 2012, <https://www.amcp.org/sites/default/files/2019-03/Prior%20Auth%204.2012.pdf>
- 7 American Medical Association, "2017 AMA Prior Authorization Physician Survey," March 2018 <https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/public/arc/prior-auth-2017.pdf>
- 8 Timothy Gubler, Ian Larkin, and Lamar Pierce, Management Science, "Doing Well by Making Well: The Impact of Corporate Wellness Programs on Employee Productivity," July 2017, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2811785](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2811785)
- 9 Sharona Hoffman, Food and Drug Law Journal, "Step Therapy: Legal, Ethical, and Policy Implications of a Cost-Cutting Measure," February 19, 2018, <https://www.fdpi.org/2018/02/step-thera-py-legal-ethical-policy-implications-cost-cutting-measure/>