Continuing to offer the health and retirement benefits employees need, while keeping a sharp eye on controlling costs, is a challenge. Two authors suggest a total of 20 things—big and small—benefits professionals might want to consider to cut costs and/or develop stronger plans now or in the near future.

Ten Ways to Cut Costs

Improve . . .

... Health and Welfare Benefits

by Mary H. Clark
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All employee benefits professionals face the challenge of cutting costs while maintaining robust services, but that struggle can be particularly difficult for those who work with health and welfare plans. Reducing benefits and absorbing cost increases are all too familiar for many plan sponsors.

Strategies like wellness initiatives or consumer-driven plans may provide some relief in the long run, but what can

... Retirement Plan Benefits

by Michael A. Webb, CEBS
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Plan sponsors may discover that improving their retirement plan can prove a double-edged sword. Unlike in health and welfare, where proactive approaches can often lead to reduced costs, many retirement plan initiatives are either cost neutral or actually increase costs from a plan sponsor perspective. So how can improvements in retirement benefits be determined? Other success measures, such as reducing participant expenses and employee turnover and in-

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Health and Welfare Benefits

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a benefits professional do right now, this year? Here are ten ideas that progressive and savvy plan administrators can enact immediately to reduce costs. In most cases, they require no initial monetary investment, only thinking about how your health plan in a different way.

1. Cover the Right People

One of the simplest things you can do is make sure you pay claims only for eligible members of your plan. A well-written communication detailing eligibility rules and/or warning of a potential audit may be all you need to motivate subscribers to voluntarily remove ineligible members. Create an amnesty period and remind participants that covering ineligible dependents violates plan rules. You may be able to reap many of the benefits of a traditional audit while incurring little to no expense.

Alternatively, you could conduct a full or partial eligibility audit and/or a claims audit. Be sure to understand how the auditors are paid, especially if they collect a percentage of savings. Remember that paying a little money up front is often cheaper than asking a firm to work on contingency. If your auditor insists on a percentage of savings, ask to see how that savings amount is calculated.

2. Pay the Right Claims

Pinpoint and eliminate duplicate and inappropriate claims or claims that should be paid by others (also called subrogating claims). Make sure your plan has an ongoing, repetitive process that looks for subrogation opportunities. Your members may have other insurance coverage, especially participants who suffer an accident. You or your vendors can ask a few easy questions to find out.

When examining your subrogation arrangement with your claims administrator, look for “pay and pursue” clauses as well as surcharges. Do your vendors pay the claim and then pursue subrogation, or do they hold payment pending subrogation? Do they charge you to subrogate? Negotiate subrogation charges to a minimum and avoid “pay and pursue” clauses if possible.

Covering the right people and paying the right claims leaves you more money to spend on the rightful beneficiaries of your plan, making everyone happier.

3. “Tighten Up” Your Contracts

Make sure you, as the plan sponsor, read your vendor contracts carefully. Many plan sponsors assume that forwarding a contract to an attorney is sufficient. Remember, the attorney is reading for legal issues. It is the responsibility of you and your consultant to negotiate the business terms. Trust your instincts; if something sounds odd to you or doesn’t make sense, it probably should be changed. “Legalese” should never obscure or change the plain meaning of your business agreement.

For example, if your eligibility criterion requires that employees must work a minimum of 120 hours per month, don’t settle for a document that says 30 hours per week. Remember that even subtle differences change the meaning of your deal. Anything you are told via e-mail or on the phone is irrelevant. The only thing that matters is what’s in the contract, so make sure the contents are 100% correct.

Also review contracts for performance guarantees and determine if each vendor is meeting them. Many plan sponsors go through the arduous process of negotiating aggressive performance guarantees and then forget to collect on them when they are owed.

4. Use Free or Low-Cost Resources Available to You

Available resources from your vendors go beyond finding an in-network provider. Vendors may include online cost calculators that help members plan for out-of-pocket expenses by assessing the cost of care from different providers. Pharmacy benefit management sites have robust online tools to help participants make good purchasing decisions. The vendor Web site is a big part of what you pay for as a plan sponsor, so make sure you promote and take advantage of it.

If you offer voluntary benefits through an enrollment firm, you can often access free services such as benefits statements, eligibility audits, print communications and customized employee portals. If you are not offering voluntary benefits, consider rolling them out as a no-cost initiative that increases employee satisfaction.

5. Review Your Benefit Design Strategy, Not Just the Plan Design

We all know that increasing a copay from $10 to $15 saves money, but have you looked at your overall plan offerings lately? Are you offering more than two medical plan designs that are fairly similar? Plan offerings should have sufficient differentials in plan design, and you should revisit how those differentials are valued each year.

The “cheap plan” may not be so cheap after you use very low contributions to incentivize all your employees to join. Low contributions are a great tool to drive enrollment into one plan, but you have to do the math to ensure you are not giving away all your savings through a poorly planned contribution strategy. Aim to be “cost-neutral” when you offer multiple plans. The choices your employees make should not be driving your budget.

Plans with multiple carriers or vendors should assess the need for such diversity. Multiple vendors can mean fragmented underwriting, adverse selection, higher administrative costs and reduced negotiating leverage. Choosing one vendor also simplifies plan options, making them easier to understand and choose from. That generally leads to increased employee satisfaction.

6. Know Your Cost Drivers—and Act on Them Quickly

Many fine ideas target specific cost drivers and mitigate expenses, but they work for your plan only if you know what your actual cost drivers are. If spouses are not big cost drivers, then spousal surcharges won’t lower your trend. Increasing generic utilization is essential for keeping pharmacy costs low, but once you’ve hit 68% generic utilization, it’s time to start focusing on other cost drivers, such as specialty utilization.

Keeping a close eye on how your
management initiatives, which your
porting, and implement effective clinical
discount information. Demand robust re-
drug will be considered generic only
have a big impact on your total pharmacy
when a drug is considered generic, can
you. For example, small details, such as
has negotiated the best pharmacy deal for
discounts and rebates.
to determine if you are realizing the stated
carved out? Audit your pharmacy contract
haven't already. Is pharmacy already
out and self-insuring your program, if you
be with us for years to come.
meaning that higher specialty costs will
chronic illnesses, such as diabetes,
more alarming, many soon-to-be re -
the market at unprecedented rates. Even
drugs, and specialty drugs are flooding
are raising the prices of many popular
increases. Pharmaceutical companies
sponsors are experiencing double-digit
reasonable pharmacy trends, many plan
100%, simply by telling employees about
participation even further. Increased partici-
sider offering a debit card to increase par-
the tremendous benefits of FSAs. Con -
100%, simply by telling employees about
participation. Time and time again, we have

7.	Increase	Flexible	Spending

1.	Ensure	that	your	broker	or	consultant

Address this escalation before it wreaks
your current network, and available
rates may be materially no different from
network with better reimbursement
works that may be available to you. A
carried out-of-network cost-sharing strate-
claims. Address these issues through tar-
can create a spike in out-of-network
like dialysis at out-of-network facilities,
procedures and multiple ongoing services,

ters, the astute plan administrator keeps
patient surgical, dialysis and imaging cen -


3.	Address	Networks

While the initial implementation of
practices and other freestanding outpa-
through the advent of physician-owned

4.	Evaluate	Networks

Vendors may offer multiple networks

5.	Nip	Pharmacy	Trend

As the provider landscape changes

ters, the astute plan administrator keeps
patient surgical, dialysis and imaging cen -

6.	Reduce	Out-of-Net-

ter synchronize member out-of-pocket
costs with the actual cost of all drugs and
spend responsible costs, instead of broad changes

tments you need to manage trends ef-
plan dollars are being spent allows you

8.	Consider	Alternative

Finally, consider moving away from


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Colorado College and her J.D. degree from the Fordham University School of Law.
She earned her B.A. degree in literature and environmental studies from Ra-

9.	Strategic	FSA	Partic-

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Good Benefit Plan Decisions

A Case Study: Using Data to Make

E-Learning

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