

## ADDRESSING EMPLOYEES' NEEDS CAN HELP EMPLOYERS MANAGE HEALTH CARE COSTS

To slow the rapid growth of health care costs, employers are pinning their hopes on strategies that rely on employees to become better health care consumers. But most employees aren't buying their company's health care messages and are increasingly resistant to their cost-sharing strategies, according to the *2004 Towers Perrin Health Care Consumerism Survey: Aligning Employer and Employee Interests*.

To encourage employees to change their behavior in ways that can help control rising costs, employers need to understand and address certain misconceptions about employee attitudes and health care communications, many of which are revealed in the survey. Employers also need to appeal to employees' self-interest to convince them that becoming better health care consumers will benefit both themselves and the company.

### MISCONCEPTION #1: BECAUSE EMPLOYEES UNDERSTAND THE IMPACT OF RISING HEALTH CARE COSTS ON BUSINESS SUCCESS, THEY WILL BE OPEN TO ABSORBING SOME OF THE INCREASE.

**Employers:** To encourage employees to buy into consumer-driven health care strategies, over two-thirds of employers (69%) in our survey have been educating employees about the business case for controlling health care costs over the past few years.

**Employees:** Despite the onslaught of employer health care communications, only 34% of employees agree that rising costs impact their employer's ability to succeed. And only 28% feel it would be appropriate for their employers to ask them to absorb additional cost increases, compared to almost half (46%) of employees in a similar study we conducted last year. However, employees who agree that health care costs threaten the success of their companies, or their company's ability to provide benefits in the future, are far more willing to share in cost increases than those who don't see the potential business impact.

### MISCONCEPTION #2: EMPLOYEES CLEARLY UNDERSTAND HOW RISING HEALTH CARE COSTS CONNECT TO THEM AND WHY THEY SHOULD CARE.

**Employers:** Most employers (70%) believe their company's health care communications — which have focused heavily on costs and their impact on the company — are effective.

**Employees:** Not surprisingly, most employees (81%) feel the impact of rising health care costs on their own finances. However, health care is layered in personal and emotional issues that typically go beyond costs. But only 28% of employers say they communicate about health care issues other than costs. What is more, employees are increasingly skeptical of their employers' health care cost messages, and only about half (53%) actually believe them.

### MISCONCEPTION #3: CONTROLLING COSTS IS A MATTER OF CONVINCING EMPLOYEES TO BE BETTER HEALTH CARE CONSUMERS.

**Employers:** Although most companies are relying on employees to become better consumers who actively take on more responsibility for the cost and quality of their health care, employers see significant room for improvement in this area. Employers believe, on average, that only about one-third (36%) of their employees are effective health care consumers.

**Employees:** In sharp contrast to employers' views, the vast majority of employees (82%) think they already are good consumers, up from 72% in our survey last year. In fact, 68% say that in the past year they have made positive changes in their diet, and 59% say they have learned as much as possible about health care costs and alternative treatments.

#### MISCONCEPTION #4: IF WE PROVIDE THE TOOLS AND RESOURCES, EMPLOYEES WILL USE THEM.

**Employers:** To support consumerism, about two-thirds of employers have provided employees with information and tools to make better decisions about coverage and health care services. Also notable, over one-quarter (27%) of employers have implemented consumer-driven health plan (CDHP) designs over the last few years. And fully half will implement or consider offering CDHPs in the future.

**Employees:** Despite the widespread availability of new decision-making tools and information, less than one-third of employers say that most of their employees make regular use of these resources. In addition, Towers Perrin's *EBIC Pulse Survey* data show CDHP participation rates of less than 10% in most companies offering these plans.

#### CLOSING THE GAP

When it comes to health care, employers and employees are looking in opposite directions. While employers are concerned about the company's health care costs, employees are generally concerned about a variety of other issues, such as staying healthy, gaining access to quality care when they need it and lowering their out-of-pocket costs. However, the communication gaps uncovered in the survey point to opportunities to engage employees on their own ground.

##### **Action: Align employer and employee interests**

To engage employees in the right consumer-driven behaviors, employers should focus on plan designs that align the employer's interest in reducing costs with employees' emotional and financial interests. As just one example, by using coinsurance for prescription drugs, employees can lower their out-of-pocket costs when they choose lower-cost drugs — which also lowers costs for the company.

##### **Action: Clearly articulate what it means to be a better consumer**

Nearly one-third (31%) of employers feel that they've effectively communicated what it means to be a good health care consumer. To appeal to employees' self-interest, along with telling employees how to be better consumers, employers need to clearly convey the benefits (e.g., improving their health, accessing the care they need and lowering their out-of-pocket costs) of any number of actions that can also reduce employers' health care costs, such as:

- Making valid prescription drug comparisons
- Selecting the right health care providers and/or facilities
- Knowing when to visit a doctor
- Asking their doctor informed questions about alternative treatments, along with their risks and costs.

##### **Action: Target health care communications to employees' needs**

Despite the fact that employees are skeptical about their company's health care cost messages, many believe their employer can serve as a conduit for information and tools to help them manage their health and health care costs. Employer-provided resources viewed as most helpful by our employee respondents are:

- Health-related Web sites
- Information booklets and brochures
- Toll-free number for an independent nurse or medical practitioner.

**Action: Convert employee openness to change into measurable results**

While few employees in last year's survey (42%) said they would respond favorably to health care access incentives, respondents in this year's survey are open to a variety of health management options, such as joining a health plan with a financial incentive to adopt a healthier lifestyle (76%), joining a plan that encouraged participation in lifestyle programs (65%), completing employer-provided health risk assessments (64%) and talking to a health expert, offered through their employers, who could provide personal guidance (67%).

**LOOKING AHEAD**

Since health care is a highly emotional and complex issue, and ingrained employee behaviors are difficult to change, even the best of strategies to contain costs will not achieve overnight success. But a win-win solution is possible, despite resistance to recent rounds of cost shifting. Going forward, employers need to focus on the desired results (rather than tactics) at the starting point, find ways to connect with employees (financially and emotionally), look at their overall health benefit program — rather than implementing a piecemeal approach — and measure their results to track progress and improve performance.

**ABOUT THE SURVEY**

The *2004 Towers Perrin Health Care Consumerism Survey: Aligning Employer and Employee Interests* included more than 1,000 randomly sampled employees at midsize and large U.S. companies, and a companion survey of executives and managers at more than 120 major U.S. companies.

**FOR FURTHER INFORMATION**

If you have questions about this subject or other health care issues, please contact your Towers Perrin consultant.

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The HR Services business of Towers Perrin provides global human resource consulting and administration services that help organizations effectively manage their investment in people. We offer our clients services in areas such as employee benefits, compensation, communication, change management, employee research and the delivery of HR services.