The Benefits Dilemma

By Mano Mahadeva, CPA, MBA  Column Editor

As market-driven forces and legislative forces collide to transform the health care ecosystem, benefit strategists expect to see more consumer-driven health care, defined contribution strategies and wellness programs flourish in coming years. Consumer-driven health plans come in various forms, but they are high-deductible health plans that are paired with a spending account. The spending account helps pay for routine expenses, whereas the health plan protects against catastrophic medical expenses. The employee or “consumer” pays routine medical claims via a prefunded spending account. Unused funds roll over at the end of the year to be used against future expenses. Since the cost of a high-deductible health plan costs less, the employer can help fund some or all of the savings account to help transition plans.

In a defined-contribution strategy, an employer pays a fixed contribution per employee benefit, thereby limiting any additional exposure to the employer. The establishment of the individual mandate and public health insurance exchanges has given rise to private exchanges, a marketplace of health insurance through which an employer can purchase insurance. Then it is up to the employee to choose a health plan from those supplied by participating payers. This option helps the employer facilitate the migration from a defined benefits model to one of a defined contribution model. Again, this option places the burden on the employee to make smarter qualitative and economic decisions with their care.

Keeping employees healthy is a great cost containment strategy for employers. Healthy employees are happier and more productive, and they cost employers less. Despite the skepticism of some, pushed rapidly increasing health-care costs, many employers have begun to understand the potential of such programs. The programs can be designed broadly or targeted to specific areas, such as weight loss, smoking cessation, etc. Companies such as BP have provided Fitbits to employees as part of a million-step challenge. Some offer cash incentives paid into health savings accounts for measured progress on targeted goals of blood sugar, blood pressure, body mass index and cholesterol.

The way to change consumer behavior is to be transparent, and share the basket and value of benefits received by the employee. Proactive communication, ongoing education, the provision of reasonable plan choices, fair contribution and committed investment by an employer could help alter behavior, creating a win-win for all. It is a healthy step for companies to play offense rather than defense by proactively dealing with the benefits dilemma and resolving it.

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