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Integrated Absence Management

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Medical Cost Control vs. Employee Productivity

Direct costs of healthcare for U.S. workers has increased more than 65% over the last decade, virtually erasing wage gains over the same period. Unfortunately, strategies to contain these costs can backfire.

One such strategy has been promotion of high-deductible health plans (HDHPs). These plans have decreased emergency room visits for minor illness, brand-name drug prescriptions, and expensive imaging; and have reduced premiums for many employers. But HDHP financial disincentives for seeking care have led to skipping important prescriptions, doctor visits, preventive exams, or diagnostic tests in almost half of those covered by these plans.[1] This has led to worse health outcomes in some chronic illnesses.

Employers and workers also face significant secondary financial effects. When employees or family members become sick, lost income due to absence or caregiving often exceeds out-of-pocket medical costs, even in serious illnesses. More employees are either single parents or in two-earner couples where no parent is in the home full time to provide care. Thus, employers are more likely to see lost time when a family member becomes ill. And if health-related financial stress is severe, employees may become insolvent and in some cases forced to leave their home, increasing the chances of losing a valued worker.[2]

Fortunately, several strategies can contain costs and maintain health. Funded medical savings accounts can decrease the direct cost burden to employees.

More than 70% of employers offer services to help guide healthcare decisions, with substantial savings for employees who use it.[3] Utilization of these services is improved when they are seen as trusted and independent, easy to access, and demonstrate significant cost savings for employees. Given the high variability in prices — over 80% for common tests and procedures — informed choices can drive significant savings and reduce some negative consequences of HDHPs on worker health.[4,5]

Physicians can also take an active role in discussing the costs of alternatives. Along with HDHPs, some employers also provide healthcare options that can reduce costs to employees such as accountable care organizations, virtual care, value-based insurance, and centers of excellence.

Most working Americans, especially Millennials and older workers, have inadequate resources or insurance to withstand the financial impact of serious illness; 60% of surveyed Americans have less than $1,000 in emergency funds.[6]

Standard health insurance is clearly not enough to meet employee needs;[7] voluntary accident, critical illness, and hospital indemnity offerings are now commonplace, and many employers are becoming interested in offering these as non-voluntary benefits. Innovative caregiving leave programs and other support services allow employees to help sick family members and find alternate caregiving solutions so they can stay at work.

Illness-related costs are a growing challenge, with significant consequences for employee health and financial welfare. However, employers can take an active role in improving employee health and finances and keeping their most valuable asset on the job.

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