

## 7 Cost-Containment Strategies to Help You Avoid Layoffs

The novel coronavirus pandemic has swept across the planet, almost entirely shutting down large swaths of the global economy. In the U.S. alone, a total of 16.8 million people has filed for unemployment benefits in the last three weeks. So, more than 10 percent of the American workforce has been laid off and submitted claims, per the Economic Policy Institute.

COVID-19 is also hurting companies by increasing the cost of business, and specifically employee benefits. According to Willis Towers Watson, employers' health care benefit costs could increase by as much as 7 percent this year, due to COVID-19. This seven percent jump is on top of the projected 5 percent increase employers were already anticipating.

The costs of the COVID-19 pandemic are both substantial and wide-ranging. If you haven't already, there's a good chance you're currently considering laying off or furloughing employees, due to these increased costs. After all, it is a natural business reaction during an economic downturn. But before you implement a layoff or furlough, take a second to consider other options.

Chances are you don't know all the cost-containment strategies available to your company. Unless you're a trained benefit professional, these strategies can be difficult to find or even understand. In this article, we'll walk you through seven cost-containment strategies to help you avoid layoffs. These strategies can help you take control of the cost of your employee benefits program.



And, if you can add to your bottom line through your benefits program, you may not have to layoff or furlough your staff. So, keep reading to learn the seven cost-containment strategies your firm can use to avoid layoffs.

### 7 Cost-Containment Strategies

Below are the top seven cost-containment strategies your company can use to control the cost of your employee benefits plan.

## 7. Medical Case Management

A medical case management provider is a terrific strategy employers can use to curb the costs of employee benefits. These programs help coordinate employees care, suggest treatment options, and monitor ongoing medical treatment. Medical case management works to direct your staff towards both high-quality and lower-cost care providers. The goal of a quality medical case manager should be to provide your employees with the right care, at the right place, at the right time, for the right price.

## 6. A Fiduciary Pharmacy Benefit Manager (PBM)

Another way your business can knock down the cost of your benefits is through a fiduciary pharmacy benefit manager. As mentioned at the top, overall healthcare costs will only continue to rise. Especially because of the effects of COVID-19. But did you know a large portion of these increases can be tied to rising pharmacy prices? Last year, prescription drug spending increased 3.3 percent over the previous year.

A PBM is an organization that contracts with health plans to administer its pharmacy benefits. PBMs create drug formularies that designate “preferred” drugs the insurance plan will cover. This formulary puts the PBM, and by extension, your health plan, in a superior bargaining position.



Because, if a manufacturer’s drug isn’t in the formulary, insurers won’t cover the medication, and physicians won’t prescribe it. A fiduciary PBM, or “fee-only financial adviser,” adds transparency to this process. Being a fiduciary requires a PBM to act first in its client’s best interest.

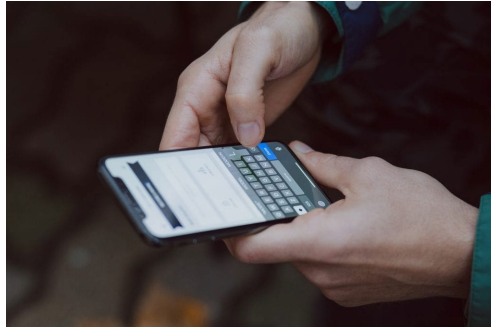
Under the fiduciary model, contracts negotiated between PBMs, clients, and pharmacies are designed to maximize both the understanding and transparency of your drug plan. Any contract negotiated by a fiduciary PBM is meant to encourage the best possible health and financial outcomes for clients, their clients, the enrollees, and the patients.

A fee-only model is meant to reduce the conflicts of interest that can arise within the traditional PBM model. Coverage and pricing considerations are restricted only to the cost-benefit of the therapy itself. Any profits from this model come exclusively from 100 percent disclosed administration fees.

[Learn how a fiduciary PBM can slash your drug costs.](#)

## 5. Telemedicine

One of the cost-containment strategies that's especially prevalent during the COVID-19 pandemic is telemedicine or telehealth. Telehealth can give employees more convenient access to care, promote a healthier workforce, and produce significant cost savings for both employees and employers. Telemedicine is especially vital now, for employees who may have contracted COVID-19. But don't just take my word for it.



According to [BenefitsPro](#), some experts have determined telemedicine visits, for the most common health conditions, save employers an average of \$472 per episode of care. Similarly, the [American Hospital Association](#) reported savings of 11 percent for those operating a telehealth program.

During the COVID-19 pandemic, telehealth can be used to help those who are displaying, or may be displaying, symptoms of COVID-19. Using telehealth can help these individuals prevent the spread of the virus and keep healthcare providers from being overwhelmed.

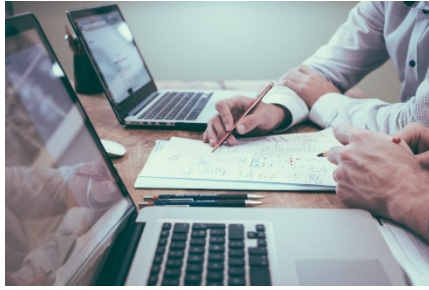
[Read more about the benefits of telemedicine here.](#)

## 4. Financial Wellness

As detailed at the top, the novel coronavirus is impacting the finances of both employers and employees. In fact, [per recent Prudential data](#), the economic impacts of COVID-19 are affecting a majority of employees. According to the survey, 54 percent of employees say they're not prepared financially to handle a limitation on their ability to work.

Similarly, 45 percent claimed they're concerned over potential losses in their investment or retirement accounts. This number marks a 13 percent increase from a week earlier. One strategy to combat these negative consequences is to implement a quality financial wellness program.

Even before the pandemic, many of your employees were likely affected by concerns about their finances. According to [Financial Fitness Group](#), more than 80 percent of employees have been affected by financial stress. A 2018 survey from [Bankrate](#) found 46 percent of employees consider their finances their primary source of stress.



And this financial stress can have a substantial impact on your organization. Financial stress alone costs U.S. businesses an estimated \$300 billion a year in unscheduled absenteeism, reduced employee productivity, higher employee turnover, and increased healthcare costs.

A quality financial wellness program can help combat these adverse effects of financial stress. Financial wellness programs help your staff become savvier with their money. Similarly, these programs can educate your staff about their finances and give them greater confidence with their money.

[Learn why a financial wellness plan can deliver powerful results.](#)

### **3. Voluntary/Enhanced Benefits**

Voluntary or enhanced employee benefits are another strategy employers can use to control the costs of their overall employee benefits plan. While it may seem contradictory, offering voluntary benefits can work to reduce the cost of your overall benefits program. But it's often easy for employees to dismiss the impact of these offerings if they don't fully understand them.

Enhanced or voluntary benefits such as dental, vision, and disability coverage, are critical to reducing your total healthcare spend. These offerings work to support your health insurance plan and maximize the effectiveness of every healthcare dollar your company spends.



Additionally, combining medical and enhanced benefits under a single program gives your firm a more comprehensive and detailed range of claims data. Employers can use this data to facilitate proactive outreach and clinical support for your staff. The better your health plan data is, the better your company can guide employees to the best possible quality, lowest-cost providers.

[Learn the many advantages voluntary benefits provide your company here.](#)

## 2. Incentives for Comparison Shopping

Incentives are a powerful tool to help shape an individual's behavior. So, to decrease your company's healthcare costs, incentivize employees to comparison shop for medical treatment. Per a recent study by [HealthMine](#), 70 percent of healthcare consumers don't do any price shopping.

How do you get your staff to do more price comparison shopping for medical care? One of the easiest ways, as already stated, is to incentivize them with rewards. [Recent research from HealthSparq](#) demonstrated the power of pairing transparency tools with incentives that reward consumers for cost-effective care decisions.

This white paper from HealthSparq found most employees will choose a cost-effective care provider if they're financially incentivized to do so. According to the study, 81 percent of consumers will choose a recommended imaging provider for a \$50 incentive. Similarly, 76 percent of consumers will use a recommended surgeon for \$250. And 72 percent will choose telehealth instead of an urgent care visit for \$25.



But it's not just the fact employees will utilize such a program. These employees actually desire such a program from their employers. Per the study, 91 percent of consumers are interested in healthcare incentive programs. Plus, 81 percent want their health plans to provide the tools to save money on their care.

These tools are essential because healthcare quality and cost can vary widely within a city or even a neighborhood. So, encourage the use of online and mobile comparison-shopping tools to boost health care transparency. Incentivizing this type of cost-comparison yields savings for both employers and employees.

## 1. Employee Education

The final strategy your company can use to lower health costs is to educate employees about their benefits plan. Employee education is a vital yet oft-overlooked, part of any quality employee benefits program. It's common for [large employers to report](#) year-long engagement rates among employees and their benefit plan to be less than 10 percent. Similarly, only 52 percent of employees claimed to understand their benefits in 2017.



These two numbers demonstrate the importance of employee benefits education. The only way to maximize your benefit plan's effectiveness is to educate your employees about all their options. Empowering employees through education gives the most significant long-term value your health plan can have, according to Doug Short, CEO of [BeniComp Health Solutions](#).

Similarly, research by Unum has demonstrated the value of education on your employees' engagement with their benefits plan. Per the study, there's a strong, positive connection between the quality of benefits education an employee receives and their perception of their employee benefits package.

Educated employees both value their benefits more and have a more positive perception of their workplace as a whole. Unum's research also showed employees who believe their benefits were effectively communicated are more likely to show higher levels of engagement, morale, and loyalty.

[Learn why employee education is vital to employee engagement in your benefits.](#)

## The Wrap

We understand the economic impact of COVID-19 is far-reaching and considerable. In the end, it may not be possible for your business to avoid furloughs or layoffs. Still, before you make either of those decisions, ensure you're doing the most to control the cost of benefits through these seven strategies.

The cost of healthcare is only likely to increase, especially given the impact of COVID-19. **So, if you're ready to break the chain and cost-contain, start implementing these cost-containment strategies now!**

And if you need help implementing any of these strategies, [contact The Olson Group, today!](#)