



New Preventive Measures Change the Outlook on High Deductible Plans

The Affordable Care Act (ACA) has created tremendous uncertainty for U.S. employers. This confusion has only grown during the five years of rulemaking, revision, and legal challenges that have passed since the legislation was signed into law. In the meantime, healthcare costs have continued to rise.

In this environment, employers are logically evaluating any and all options that would allow them to reduce the cost of coverage for their employees. One such option centers on the use of high-deductible health plans (HDHP). These plans offer lower premiums—which can translate into savings for both employers and employees—but they also require policyholders to cover more of their own healthcare costs.

There are mixed opinions regarding the utility of HDHPs, and these plans are undeniably more appropriate for some individuals than others. For instance, they may be particularly appealing to younger, healthier employees or parents who have had trouble finding affordable coverage for their dependents.

However, the outlook on HDHPs is changing due to the inclusion of new preventive care options. These preventive measures—available with no copays and regardless of whether the policyholder has paid their deductible—are helping to make HDHPs practical for a wider range of consumers.

Preventive Care Promotes Cost-Effective Outcomes

Typically, the more advanced a disease or condition becomes, the more difficult and costly it is to treat. A 2012 report from the Institute of Medicine (IOM) suggested that missed opportunities for preventive care result in as much as \$55 billion per year in unnecessary healthcare spending.¹ While this is only a fraction of the \$750 billion in annual spending that the IOM regards as wasted, it still represents a significant drain on the resources of employers, individual policyholders, and the healthcare system as a whole.²

One of the primary goals in making preventive care available at little or no extra cost to policyholders is to encourage people to see their primary care physicians regularly. Routine checkups help ensure that health issues are identified as early as possible, which promotes more effective and less costly treatments. And over the long term, individuals who have strong relationships with their doctors will hopefully remain healthier overall—putting downward pressure on the cost of coverage.

What Employers Should Expect in the Short Term

Despite the long-term benefits of making preventive care available to policyholders, these measures are not free to the system. As individuals and families begin to take advantage of their new benefits, the resulting increase in claims utilization can lead to higher premiums and an increase in overall plan costs for employers. It may take several years for costs to level off before they begin to fall, so organizations need to be prepared for the possibility of a short-term uptick in healthcare spending.



How to Make the Most of Your Benefits Program

It can be difficult for employers to understand all of their options and administer their benefits programs efficiently. Due to the complexity of the U.S. healthcare system—and the exacerbating influence of ongoing reform efforts—many employers are turning to independent experts for assistance.

Working with a trusted partner who has extensive experience in benefits administration allows organizations to take advantage of insight gained over the course of many years. In addition, employers can make sure their actions are based on the most up-to-date information and that they're not missing any critical developments that could impact their plan choices.

Johnson & Dugan has been helping companies of all sizes plan and administer employee benefits for more than 30 years. Contact us today to find out how we can help you maximize the value of your healthcare spending while maintaining compliance with the ACA and other pertinent laws and regulations.

¹ The Washington Post. "We spend \$750 billion on unnecessary health care. Two charts explain why." 2012.

² Institute of Medicine. *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America*. 2012.

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