

5 Ways to Lower Your Employee Benefits Cost



If you're considering reducing benefits as a way to decrease expenses, don't make any decisions before considering one or of more of the following strategies to decrease how much your employee benefits cost you.

1. Analyze Employee Use of Programs

The first step in lowering your benefits spending should be a careful analysis of how the programs you currently offer are actually being used. If you're like many organizations, it's been a while since you've done such an assessment.

Take a look at the numbers to see what proportion of employees are taking advantage of every program in your current benefits package. Is there a wellness program that's not getting much engagement? A new offering you recently rolled out that has failed to pick up steam? A subsidized gym membership that only a handful of people use? These under-utilized benefits should be the first to go, since they can be cut with minimal impacts to most of your staff.

Next, look to healthcare, which represents the greatest and most complex benefits expenditure. Are you offering a low-deductible, high-premium plan that only a small portion of employees choose? You might be able to alter it or cut it out entirely. What about weight loss and smoking cessation programs? These particular programs typically cost employers an arm and a leg but don't generally get a lot of buy-in because of the high level of commitment they require. These, too, could be candidates for elimination.

2. Don't Over-Insure

To determine how much your company will pay for health benefits from one year to the next, insurers rely on something called trend. Trend uses your past claims history, known as the experience period, to project your future costs, known as the projection period.

But companies, like individuals, don't always follow a consistent trend when it comes to their healthcare needs. If you had a year where a disproportionately high number of employees opted into a high-cost plan, for example, it could lead to unnecessarily high costs in the year ahead. Employers can reduce healthcare costs by making sure they're choosing benefits packages based on what employees actually need and want versus going with a pre-packaged, one-size-fits-all benefits solution offered by a carrier.

Additionally, it can pay to shop around among carriers every few years to make sure you're still getting the best available coverage for the price.

3. Promote the Right Healthcare Plans

Many employers expend a great deal of effort putting together benefits packages for their employees, only to drop the ball when it comes to educating employees on said benefits. Organizations can help staffers—and reduce healthcare costs—by working to inform employees about the most cost-effective plans.

For example, high-deductible plans, sometimes referred to as “bronze” plans, are often sufficient to meet the healthcare requirements of low-need employees. Such plans cost less in premiums for both the employee and the employer. Companies can encourage more employees to choose bronze plans by upping the employer’s contribution to the premium (which may still be more affordable for your organization than if those employees opted into “silver” or “gold” plans).

Even high-need employees, who are likely to meet the out-of-pocket maximum on any plan they select, can come out ahead financially by choosing bronze plans with a high employer contribution. Once again, employers will need to allocate resources to educate employees on how such cost savings work.

4. Offer an HSA

A health savings account, or HSA, allows employees to set aside money specifically for their healthcare expenses. Any money saved through an HSA and subsequently used on medical expenses is pretax, meaning your employees will get more mileage out of every dollar when paying for healthcare.

HSAs come with another interesting benefit—any un-used funds in them roll over from one year to the next, and some plans pay interest or allow for investing of those dollars into mutual funds and other investment vehicles. The interest or investment earnings are also tax-free. If employees don’t plan to touch their HSA funds for several years, it’s a lucrative way to build a nice healthcare nest-egg with significant tax savings.

This is all good news for employees, but how does this reduce healthcare costs for employers? Because health insurance plans that include a health savings account often come with lower premiums—which means the employer’s portion of those premiums, will also be lower.

5. Cut Down on Administrative Costs

The sticker price of benefits isn't the sole factor in what makes them such a substantial cost for employers. Benefits administration is also incredibly costly. To cut down on these fees, take advantage of automation wherever possible.

Use online portals to allow employees to complete their own benefits enrollment rather than assigning this task to a team member, which costs labor hours. Offer other self-service benefits options, like informational webinars, that help take manual duties off the plate of your HR team.

You may also be able to save on administrative costs by outsourcing your benefits management to a third-party provider. NSI Insurance Group is well-versed in the nuances of the field and can help you make sure you're offering what your employees truly need, without any excess expenses. Plus, we can tackle employees' tough technical questions that HR staffers might not be fully prepared to answer.

