LET'S TALK.

Healthcare Costs:

Startling Revelations That Affect Employers

Answers to your most urgent employee benefits questions from a no-nonsense expert. BY SCOTT HEIDBRINK

THE HOT QUESTIONS

- HEALTH CARE AND THE GDP
- PROTECTING YOUR BUSINESS
- WHAT TO EXPECT FROM YOUR CONSULTANT
- CONTROLLING COSTS OF BENEFITS

AND MORE...

A CANDID INTERVIEW WITH KAREN NIXON, Founder and CEO of Nixon Benefits

Skyrocketing Healthcare Costs are common topics in the headlines. These real and pressing challenges affect businesses of all sizes. Employee benefits are a complicated aspect of operating an efficient business, which is why companies often partner with independent brokers and consultants to help implement the optimum program.

One of the innovators in this field is Karen Nixon. Her unique background – working on the client side and on the supply side – makes her a savvy insider with a heightened understanding of the industry. In a recent interview, Ms. Nixon shared her expertise on the critical points every employer should know.

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Healthcare costs continue to take a larger piece of the GDP. Why?

Karen Nixon: There are many reasons. First, pharmaceuticals account for approximately 15–17 percent of health insurance premiums. Pharmaceutical companies spend millions of dollars to advertise their "Brand Name" prescription drugs, so the consumer is "trained" to request the Brand Name over much less expensive Generic drugs. The "big secret" is that the same company that makes the Brand Name drug, manufactures over 50 percent of the less-expensive generic medications.

A second reason is that state mandates and other regulations have forced insurance companies to broaden coverage and loosen the management of care. Initially, managed care brought insurance rates to a record low… but consumers demanded more freedom, more choices and more say in their medical care, and that comes at a high price.

A third factor is the over-use of Emergency Rooms. An ER is the most expensive place for treatment, and the worse abuse of this comes from the uninsured. To re-coup these losses, hospitals must request a higher dollar from the insurance companies.

The fourth area is new technologies – consumers want the latest and greatest, and that technology comes at a price.

Eliot Spitzer, State Attorney General of New York, and officials in many other states continue to investigate brokerage/consulting firms and insurance companies for undisclosed commissions, hidden broker fees and bid-rigging. To date, the investigations have resulted in settlements, guilty pleas and recovery of approximately three billion dollars in restitution and fines. How can businesses protect themselves against such practices?

Nixon: It's easy – here's how a company can check for bid-rigging: Simply ask their broker to provide the proposals from all of the carriers they approached in the market. Then, the employer can authenticate that all of the carriers were actually approached, and that all rates proposed by the broker are accurate. As far as how much the broker is compensated, it's an issue of transparency. The employer should know exactly what their broker is paid in commissions, fees and bonuses. And if they don't know it – and most businesses don't – they can call their insurance companies directly to find out what is being paid.

What should an employer expect from a benefits broker or consultant?

Nixon: The broker/consultant should care about the employer's bottom line, not their own. The broker's job is to conduct thorough market checks and negotiate rates on behalf of the employer. I believe a broker/consultant should also provide their clients with the tools to make informed decisions, such as benchmarking data, claims and utilization reports, plan and network comparisons, financial analysis, etc. Finally, it is crucial that employees perceive their benefit plans as beneficial. If not, the employer is wasting their money providing health and welfare plans. So, the employer should expect their broker/consultant to provide resources and tools to ensure that is the case.

Businesses want to control costs without reducing benefits – is this ever possible? How is it accomplished?

Nixon: The employer needs to explore all options, including insurance, self-funding and partial self-funding. In addition, any competitive quotes should be used as a negotiation tool. Finally, the employer has to consider the culture and demographics of the group to make sure their benefit design meets their employees' needs.

What do you think of "consumer-driven" health plans?

Nixon: I don't think they are the "silver bullet" to the healthcare crisis – not everyone can afford to pay a high deductible. Prior to the days of managed care and HMO plans, we had "consumer-driven" plans that went by other names. Simply put, these plans required the insured to pay more for services rendered. California, for example, is still largely "HMO country." Therefore, moving employees to high deductible plans can create "sticker shock" for many. Outside of California, these plans are selling better. Most insureds outside of California are already on PPO plans with deductibles. The transition to higher deductibles is a little easier. It's important that these plans make preventive care inexpensive. If people start eliminating their check-ups, this could cause greater healthcare costs in the long run as it's more costly to treat a late-stage disease than it is to catch it early.

When an employer shifts more of the cost of benefits to the employees, how can the employer "ease the pain?"

Nixon: Communication with employees is key. Employees tend to handle the cost-sharing better if they understand how much their employer's contribution has increased too, as well as what is going on in the market. I am a proponent of benefit statements for employees.

You were in senior management positions at two major health insurance companies. Do you find that experience beneficial to your current role as a broker/consultant?

Nixon: That experience gave me the insight as to how much money is really on the table when negotiating rates with the insurance companies – and that experience is priceless.

Why did you leave the carrier side of the industry?

Nixon: Our healthcare system has problems. Managed care has problems. I no longer wanted to be one of the policy makers who contributed to those problems, so I decided to take what I know and help employers navigate the system.

When you were thinking of leaving the carrier side, you were offered several executive positions with established brokerage firms – why did you decide to start a new firm?

Nixon: Frankly, I wanted to offer employers a better option. I wanted to create a firm that works harder at retaining clients than looking for the next client.

For additional answers to critical questions in the areas of healthcare and employee benefits, Karen Nixon can be reached at 800.458.2186 or via email at knixon@nixon-benefits.com.