

How to prepare employees for rising health-care costs

Employer health care costs in the Puget Sound area increased 11 percent last year and will likely rise by even more in 2002. Because the easy fixes have already been tried, employers are faced with more drastic solutions — passing on some or all of the increase to employees or cutting benefits. What can an employer do to help prepare employees for this news?

There are four messages employees need to hear so that they accept — not necessarily like, but accept — this unpleasant reality. In addition, the way you tell the health-care story to employees can make the messages more effective.

The good old days are over. Here is what has changed and what has stayed the same.

Employees need to know that your medical plan costs are rising rapidly, and that there is no end in sight. As a result, they need to know that the old ways of low-cost, comprehensive medical care coverage are gone. On the other hand, employees also need to know what commitment the employer is willing to make about health care. For example, if an employer is committed to sharing the cost for monthly premiums, the employer should say so.

Whose dollars pay the bill?

Employees treat health care as if a vague “someone else” pays the bill. Employees do not think of health-care costs like every other

business expense. This mindset needs to change. Employees need to realize that their employer’s money pays their health-care costs. Tell employees that the employer pays every dollar of health-care costs either directly, if the company is self-insured, or indirectly through insurance premiums if the company’s health care plan is insured.

Most employers have already completed the easy fixes. The hard choices are left, and employees need to realize this.

The options come down to these: the employer continues to pay the increasing costs, reduce benefits, shift costs to users, spread the cost to everyone, or some combination of these. If the employer is not going to continue to pay the increasing costs, say so. Say something like, “We have decided not to continue to absorb the full extent of increasing health-care costs. We could, but it does not make good business sense because it would make us uncompetitive.” Most employees will understand this clear message and accept it, even though they won’t like it.

Don’t leave employees feeling helpless. Educate them about their choices. For example, point out that network doctors are usually less costly to the medical plan. Suggest that employees consider a lower monthly cost-plan alternative if you offer one. Longer term, actively promote wellness programs as a health-care cost savings approach.

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to the skyrocketing cost of health care, we must increase your health care costs.”

That logic doesn’t fly. It would be like telling your teenage son or daughter, “Due to the increasing cost of gasoline, I’m cutting your allowance.” Instead, say, “We cannot raise our prices enough to cover the increase in health-care costs and remain competitive, so we are passing on some of the cost to the people who use the health-care plan.” Simple and straightforward works best.

Second, use a germination approach to sending these messages. Plant the seeds early and fertilize them often (repeat them in as many ways and as often as you can). It is a

When sharing these messages with employees, tell employees the truth in a simple and straightforward way. Avoid the use of acronyms like PPOs, HMO and jargon. Stick to plain words. Above all, don’t use fuzzy logic in describing management decisions. Many employers say something like, “Due

mistake to wait until annual open enrollment time to spring the news on employees. If you wait until then, employees have no opportunity to adjust to the bad news and will have an immediate — and negative — reaction. Employees need time to understand and accept the bad news and/or plan alternatives.

If you are asking your employees to absorb some of a health-care cost increase, you need to communicate with them early and often. Craft your messages in simple and clear terms that are tied to the business reality you face and the reality of rising health care costs. Employees will not like the bad news, but you can help them to understand it and accept it.

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