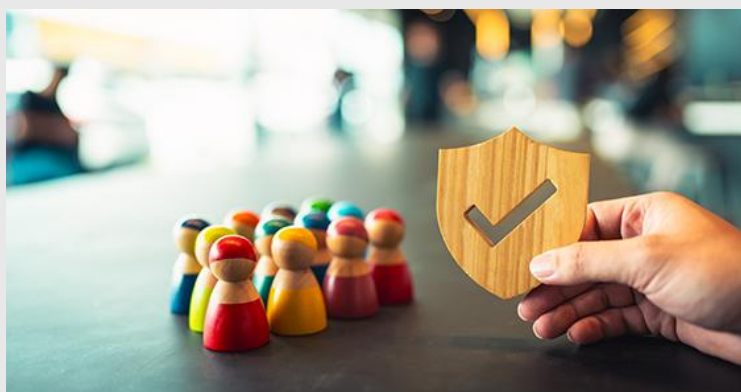




Cost vs. Coverage: Renewing Your Business's Employee Health Plan

If your business's renewed employer-sponsored health insurance plan starts at the beginning of the calendar year, you're probably negotiating next year's rates now or will be soon. The stakes are high and rising: Preliminary survey results from Marsh (whose Mercer business advises employers on health benefits) project that employers' health benefit costs per employee will increase an average of 8.2% in 2027. The renewal period is an opportunity for your business to determine what employees value, where expenses are growing and how you can balance cost vs. coverage.

Start with people

Before changing plan benefits, review enrollment and employee feedback. Are workers using the plans you offer? Do they understand their choices? You may be looking for ways to cut costs, but a lower-premium plan may be a poor fit if its deductible, prescription coverage or provider network makes care less affordable for employees.

Ask your benefits consultant for spending pattern and plan use data (that omits employees' medical conditions). These reports can help you spot opportunities to improve plan design and communication. For example, employees may not use lower-cost care options because they aren't aware of them. Be sure you compare the cost of plans you're considering to what employees will pay, including premiums and likely out-of-pocket expenses.

Putting numbers in context

Your consultant or insurance broker can explain increases proposed by insurers and compare competing options on the same basis for the following:

- Provider networks,
- Deductibles,
- Prescription formularies,
- Administrative fees, and
- Any changes in covered services.

A lower quote may come with trade-offs that matter to your workforce. For instance, high-deductible health plans paired with Health Savings Accounts can appeal to some workers, but you shouldn't assume everyone will embrace that option.

Give pharmacy coverage particular attention. Prescription drug benefits are among the fastest-growing expense categories. Ask what drives your costs, how rebates and fees are handled, and whether other contract arrangements offer better value.

If your health plan is self-funded, an independent review of claims payments and pharmacy contract terms may uncover errors or charges that warrant your follow-up. A benefits advisor can help determine whether potential savings justify the review's cost. For any plan, request a clear explanation of proposed wellness or care-navigation programs, including how employees would use them and how you'd measure results.

Financial impact

The cheapest plan isn't necessarily the best choice for your business and its workers. Changes that raise employees' costs may affect their ability to get care and how they view your benefits package. That, in turn, can affect hiring and retention.

Before signing renewal papers, model several options using your expected enrollment, employer contributions and cash flow.