THE PPACA COST CONTROL CHECKLIST

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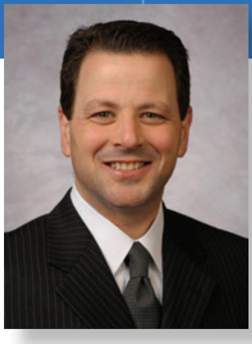
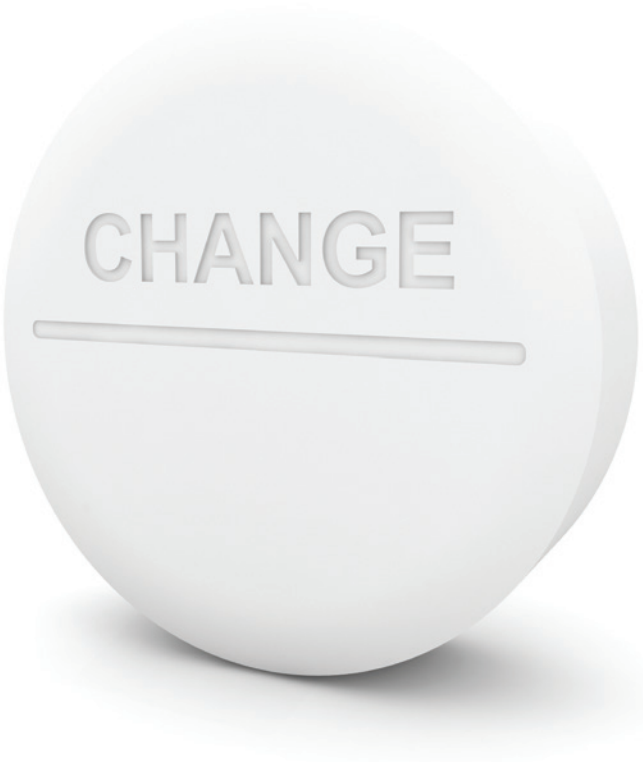


Since being signed into law in 2010, the Patient Protection and Affordable Care Act (PPACA) has been dubbed one of two ways: the "new healthcare law" or "Obamacare." But in reality, the legislation does not impact the state of *healthcare* as much as it impacts the state of health *insurance*. In fact, its impact on health insurance – specifically the cost of health insurance and how it is administered – will be longstanding and significant.

Its impact is also being felt now. At present time, employers have considerable concerns about how the law will impact healthcare costs and how to continue offering the best possible healthcare plans to their employees. Of particular note in this area are penalties and taxes associated with the employer mandate, which requires all businesses of more than 50 employees to provide affordable, minimum value healthcare, and the excise or "Cadillac" tax, where employers will be punished if they are too generous with their healthcare plans.

These taxes and penalties have employers of all sizes looking for ways to control costs while maintaining the healthcare employees have come to expect. Unfortunately, there is no one problem-solving solution. However, there are a number of individual initiatives that cumulatively may positively affect the overall cost employers are paying for healthcare – the five items on the PPACA Cost Control Checklist. By implementing the following checklist, employers can best position themselves to reduce costs without sacrificing healthcare quality.



1 Put the Consumer in Control

Rapid implementation of consumer-directed health plans, a strategy that's been rising in popularity over the past few years, is one way employers can quickly combat healthcare costs. These high deductible health plans give employees more "skin in the game" when it comes to making health care decisions. While these plans tend to cost employers and employees less, they also force employees to become more informed about their healthcare decisions, encouraging them to search for high-quality, low-cost healthcare options to lower out-of-pocket expense. While these types of plans have caused some anxiety among employers and employees in the past, they are now very much in vogue as employees realize less money will be deducted from their paycheck every week.

2 Be Self Assured About Going Self Insured

Under the PPACA, fully-insured employers may be charged three to three-and-a-half percent more in taxes than those that are self insured. While many large employers are already making that move, mid-sized companies have been nervous of assuming the risks associated with self-insurance. While understandable, the risks can be mitigated by entering a stop loss insurance captive. Additionally, by self-insuring, employers gain flexibility in how they provide insurance to employees. For example, they can offer a private insurance exchange with more varied price options by switching to a defined contribution plan, where employees are given a certain amount of insurance money and can more freely choose how to spend it. Ultimately, these approaches are likely to drive down the overall cost of insurance, as employees become more cost conscious about how and where they spend their healthcare dollars.

3 Narrow the Insurance Network

Employers have long thought that the best solution for employees was to offer the widest possible network of covered healthcare facilities. But, this approach has contributed to rising healthcare costs. Moving forward, employers may find themselves better able to negotiate more favorable rates by narrowing in-network care to fewer high-quality providers where they can cut better deals in exchange for more volume.

4 Let Employees See Behind the Curtain

The majority of employers fail to provide employees with the full financial picture of healthcare costs. Employees see their co-pays, deductibles and contributions, but have little-to-no understanding of the actual cost of various procedures or treatments. Similarly, they have little understanding of how variable pricing for identical services can be. By using health care transparency tools, employers can help lift the veil on healthcare costs and providing employees with more, easy-to-understand information about the actual costs, employers can help educate employees. Transparency tools can help an employee see that getting an MRI at one provider may cost $5,000 while only $1,500 for the identical procedure elsewhere. Employees with open eyes will be more likely to make more responsible and informed healthcare cost decisions.

5 Transform Health and Wellness Programs Into Productivity Programs

Employers have begun to broadly adopt health and wellness programs in recent years – and with good reason. Not only are they successful in educating employees on their own health and driving down overall costs, but they've been proven to increase productivity on the job. But as costs continue to rise at a rapid rate, these traditional programs will not be enough. Ultimately, 10 percent of participants in health plans account for 90 percent of the costs. Many of these individuals have chronic conditions that, while perhaps not curable, can be more effectively managed. Employers need to develop targeted programs for these high-risk individuals. Putting in the investment now to encourage and educate these employees about how to lead healthier lifestyles will best position employers to drive down long-term costs.

While employers remain anxious about the PPACA and its potential to increase healthcare costs, they should not assume that there is nothing that they can do to prevent these costs from becoming insurmountable. Creativity in how they administer health plans and how they share information with their employees will be critical, but as noted above, solutions do exist that can not only lower healthcare costs, but enhance healthcare outcomes for employees.

For more information or to speak with one of Conner Strong & Buckelew's experts, call 1-877-861-3220.