

# Mastering the Macro

## *Key Strategies to Manage Employee Benefits Costs*



PRESENTED BY

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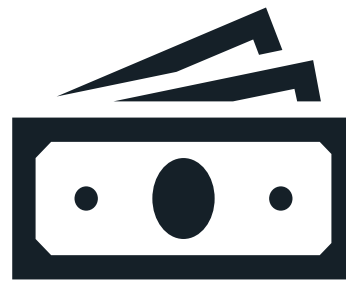
# Agenda



**What's the Problem**



**Transfer the Risk**



**Improve the Risk**



**Manage Utilization**

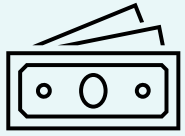


**Reduce the Price**

# PROBLEM #1

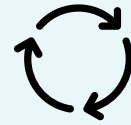
**Healthcare Costs are rising 8.5%,  
2-3x the average level of wages over the last  
10 years.**

# This is made worse by the increase in cost and frequency of large claims



## Large Claim Cost

- Gene Therapy **\$500k - \$4M**
- Cancer Treatment **\$200k - \$2M**
- Organ Transplant **\$100k - \$7M**
- Dialysis **\$100k - \$600k**
- Specialty Drugs **\$25k - \$500k**



## Large Claim *Frequency*

# 14.5x

Increase in catastrophic claims (>\$2M+)  
for midsize businesses in the last 3 years





## PROBLEM #2

**5% of members = 66% of claim spend.**  
Health care spend is top heavy.



# PROBLEM #3

**Cost control is not easy.**

It is met with employee disruption and administrative challenges.



# SOLUTIONS

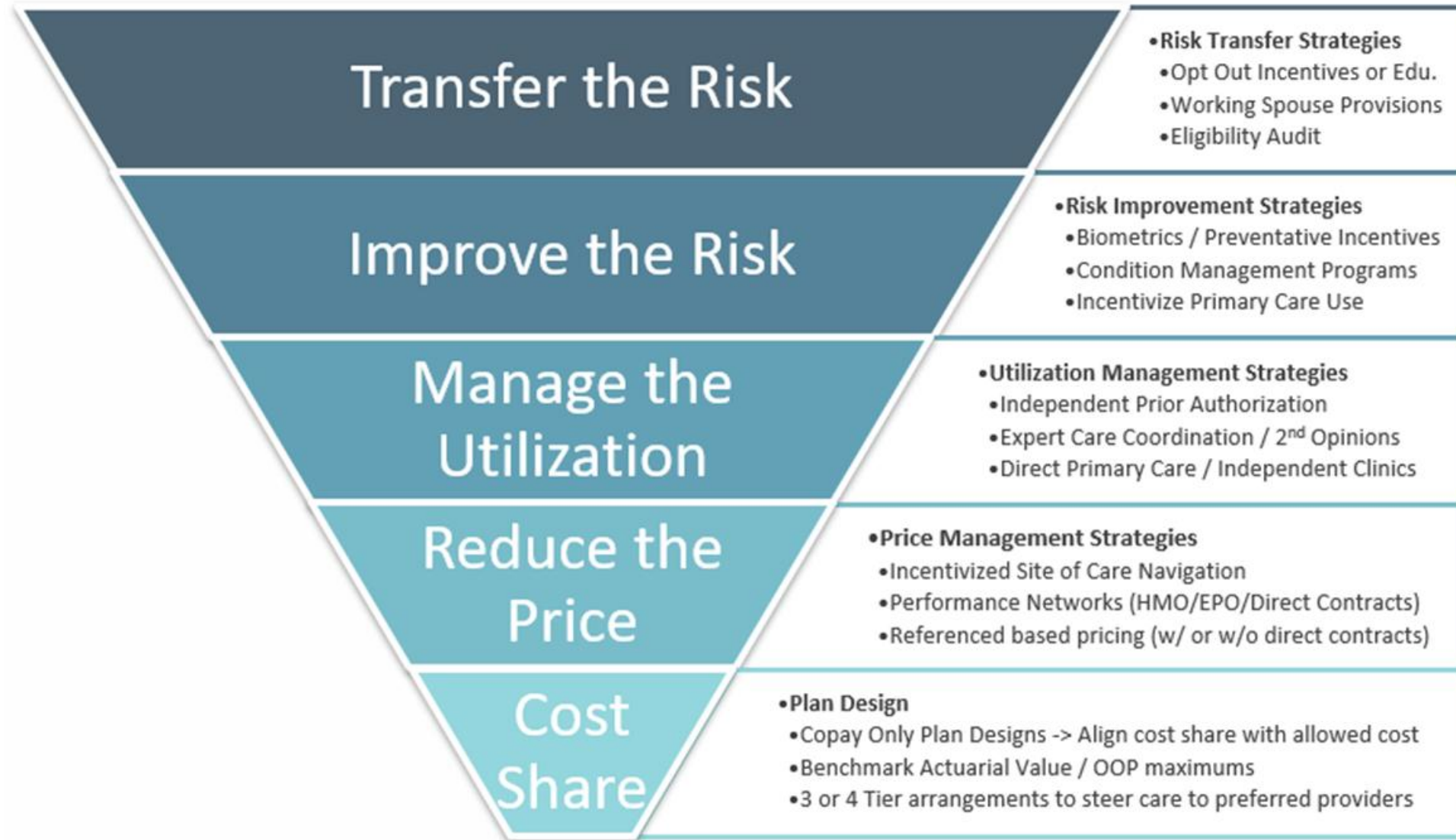
## STANDARD

- Shop the market
- Raise employee deductibles
- Increase employee payroll deductions

## ADVANCED

- Transfer the risk
- Improve the risk
- Manage the utilization
- Reduce the cost of care

# *Most effective ways to Manage Costs*





# Transfer the Risk



- **Dependent Eligibility Audit:** project-based, or ongoing
- **Working Spouse Provision:** carve-out, or surcharge
- **Opt-out incentives:** cash-in-lieu of enrollment
- **Government Programs:** Medicare, Medicaid, Social Security, etc

*Higher Education Benchmark:*

- *Participation rate = 90.0%*
- *Dependent ratio = 2.03*



# Creative Strategy: Tenure Opt-out

Opt-Out Benefit - By Tenure			
Opt-Out Only Offered to EE Tenured Over "X" Years		10+	
Current # of EE On The Plan		47	
Current # of EE Waiving the Plan		2	
Participation Rate		95.9%	
# of 65+ EE On Plan		9	
Average Demographic Index		1.79	
Gross Employer Costs PEPPY		\$14,753	
Net Employer Costs PEPPY		\$12,002	
Estimated Fixed Cost PEPPM		\$246	
Monthly Pay-in-Lieu		\$200	
# of People Moving Off Plan	Pay-In-Lieu \$ Amounts	Net Plan Cost Savings	Net Employer Savings
0	(\$5,167)	0	(\$5,167)
1	(\$7,751)	\$16,091	\$8,340
2	(\$10,334)	\$32,181	\$21,847
3	(\$12,918)	\$48,272	\$35,354
4	(\$15,502)	\$64,363	\$48,861
5	(\$18,085)	\$80,454	\$62,368
6	(\$20,669)	\$96,544	\$75,876
7	(\$23,252)	\$112,635	\$89,383
8	(\$25,836)	\$128,726	\$102,890
9	(\$28,420)	\$144,817	\$116,397
10	(\$31,003)	\$160,907	\$129,904
11	(\$33,587)	\$176,998	\$143,411
12	(\$36,170)	\$193,089	\$156,918
13	(\$38,754)	\$209,180	\$170,426
14	(\$41,338)	\$225,270	\$183,933
15	(\$43,921)	\$241,361	\$197,440
20	(\$56,839)	\$321,815	\$264,975
25	(\$69,757)	\$402,268	\$332,511
30	(\$82,675)	\$482,722	\$400,047

- **Cash-in-Lieu:** only extended to employees that exceed a specific tenure (e.g., 15+ years)
- **Objective:** create a “win-win” scenario for both the employee and the employer

# Creative Strategy:

## Family Advantage Health Plan

### What is it?

- It's an HRA (Health Reimbursement Account) that provides individuals **currently enrolled** an **incentive to move to their spouse's/parent's** health plan.

### What is the incentive?

- **100% out of pocket coverage.**
- **Monthly pay-in lieu** to help offset the premiums on the spouse's/parent's employer plan.

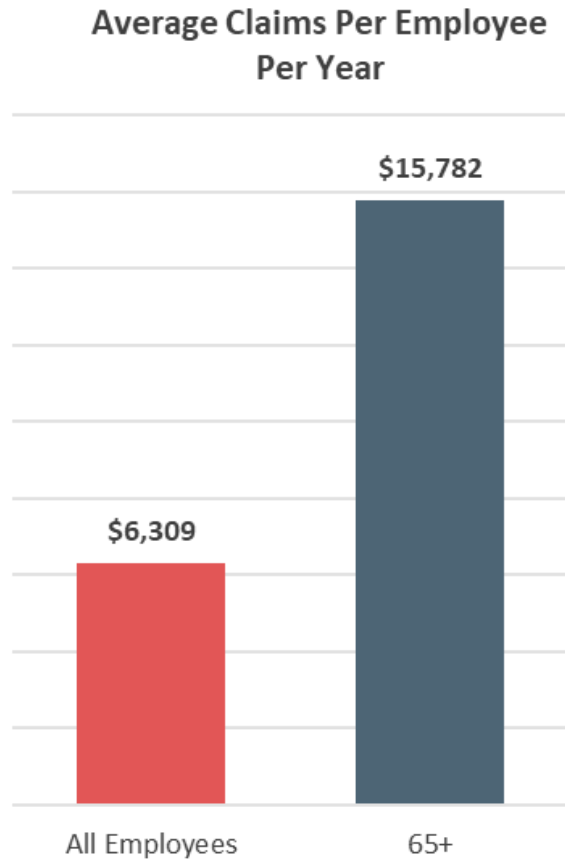
### Key program highlights:

- ✓ **Win-win** offering.
- ✓ **“Smarter opt-out”** program due to eligibility parameters.
- ✓ High-cost claimant friendly

### What's the opportunity?

- **\$30,000/year** *average family of 4 healthcare costs.*
- **Average program savings of \$10,000 a year** *per family of 4 enrolled on Family Advantage*

# Creative Strategy: Medicare Education



- **Concierge service:** offer your employees direct access to Medicare consultants
- **Plan design & contribution strategy:** if your health plan is more attractive than Medicare, your 65+ active employees will stay with you
- **Medicare Part D non-creditable coverage status & late penalties**
- **Spouse-only coverage tier**



## *Creative Strategy:* Educate on other government programs

### **Provide a Concierge Service Staffed with Experts:**

- Medicaid/Medicare
- Social Security Disability Insurance
- Social Security Retirement
- Supplemental Security Income (SSI)
- Unemployment Benefits
- Veteran's Benefits
- Survivors Benefits
- Catastrophic claims (ESRD, ALS, Cancer, Premature Babies)
- ACA Marketplace

**COBRA Alternates:** offer marketplace expertise and resources to support employees with enrollment & subsidies!

Claimants enrolled under a **COBRA status employee** have:

**13.4x**

As Many Claims  
Exceeding **\$200K**

**14.1x**

As Many Claims  
Exceeding **\$500K**

**15.5x**

As Many Claims  
Exceeding **\$1M**

Compared to claimants enrolled under an **Active employee**

TMHCC



# Improve the Risk



- **Wellness Programming:**  
incentivize (or penalize)  
managing chronic  
conditions
- **Direct Primary Care:**  
Remove barriers to care by  
free, accessible primary care  
resources

# The Rise of the Large Claim

4 Year rank	Condition/Disease/Disorder	Average cost	Highest cost*	% Medical vs. Rx
4	Newborn/Infant Care	\$470.8K	\$11.5M	100%
16	Hemophilia/Bleeding	\$286.2K	\$1.5M	15%
12	Congenital Anomaly (structural)	\$236.2K	\$3.5M	95%
3	Leukemia, Lymphoma, Multiple Myeloma	\$222.2K	\$2.1M	66%
7	Sepsis	\$219.7K	\$3.0M	96%
1	Malignant Neoplasm	\$213.3K	\$2.7M	61%
18	Transplant	\$170.6K	\$7.4M	91%
17	Malnutrition	\$166.8K	\$2.5M	26%
15	Cerebrovascular	\$165.7K	\$1.8M	97%
19	Blood and Blood-Forming Organs	\$152.6K	\$3.7M	62%
2	Cardiovascular	\$144.2K	\$5.3M	94%
20	Immune System	\$126.7K	\$1.7M	29%
9	Neurological	\$121.8K	\$6.0M	75%
10	Urinary/Renal	\$116.7K	\$1.8M	87%
13	COVID-19	\$115.8K	\$1.7M	94%
5	Orthopedics/Muskuloskeletal	\$102.5K	\$3.3M	71%
6	Respiratory	\$99.5K	\$5.5M	82%
8	Gastrointestinal/Abdominal	\$96.5K	\$2.4M	65%
14	Mental and Behavioral Health	\$81.2K	\$2.2M	78%
11	Physician Treatment**	\$42.7K	\$8.0M	72%

## 5% of Members Drive 66% of Spend

### Top Types of Large Claims\*

- Cancer
- Cardiovascular Disease
- Leukemia/Lymphoma (blood cancer)
- Newborn/Infant Care

## \$1M+ Claims up 50% past 4 Years\*

## 62% of Employers w/ Stop-Loss Expected to Have Cancer Claim\*

### Most Likely to Have Large Claim:

- Individuals over age 50
- Newborns
- Spouses

\*SunLife 2024 High Cost Claims Report

# *Creative Strategy:* Wellness Programming

- **Typical Objective of Wellness Program:** early detection, promote a wellness culture, improve health, and foster employee engagement
- **Another Perspective:** some employers use wellness programming to compliantly incentivize change by charging premium differentials (penalties, surcharges) to employees who do not manage their chronic condition (diabetes, hypertension).

## **As a result...**

- Improved health and quality of life (investment in your people long-term)
- Reduced number of ER and inpatient visits from unmanaged conditions
- Unmanaged members pay more due to higher risk of claims (offsets program cost)
  - *The individual market is already pricing members on age and tobacco with risk in mind*
- Some employees may reconsider other health plan option (spouse, Medicare, etc.) resulting in lower enrollment, and lower costs to the employer



# Creative Strategy:

## Direct Primary Care

### What is it?

- Standalone clinics that offer complete primary care at PEPM to the employer and \$0 cost to the member.

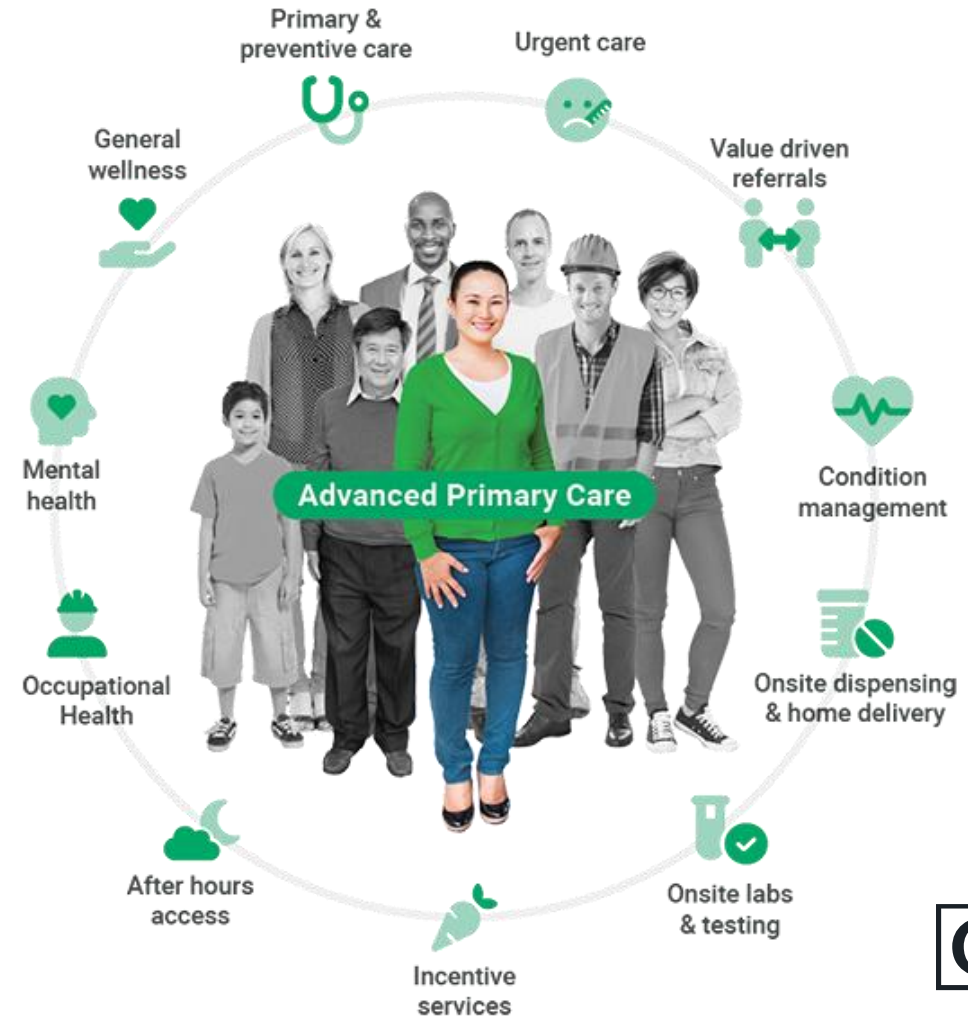
21% lower claims costs

82% higher primary care utilization

15% fewer emergency room visits

41% fewer inpatient admissions

Many hospitals systems & private companies that do this



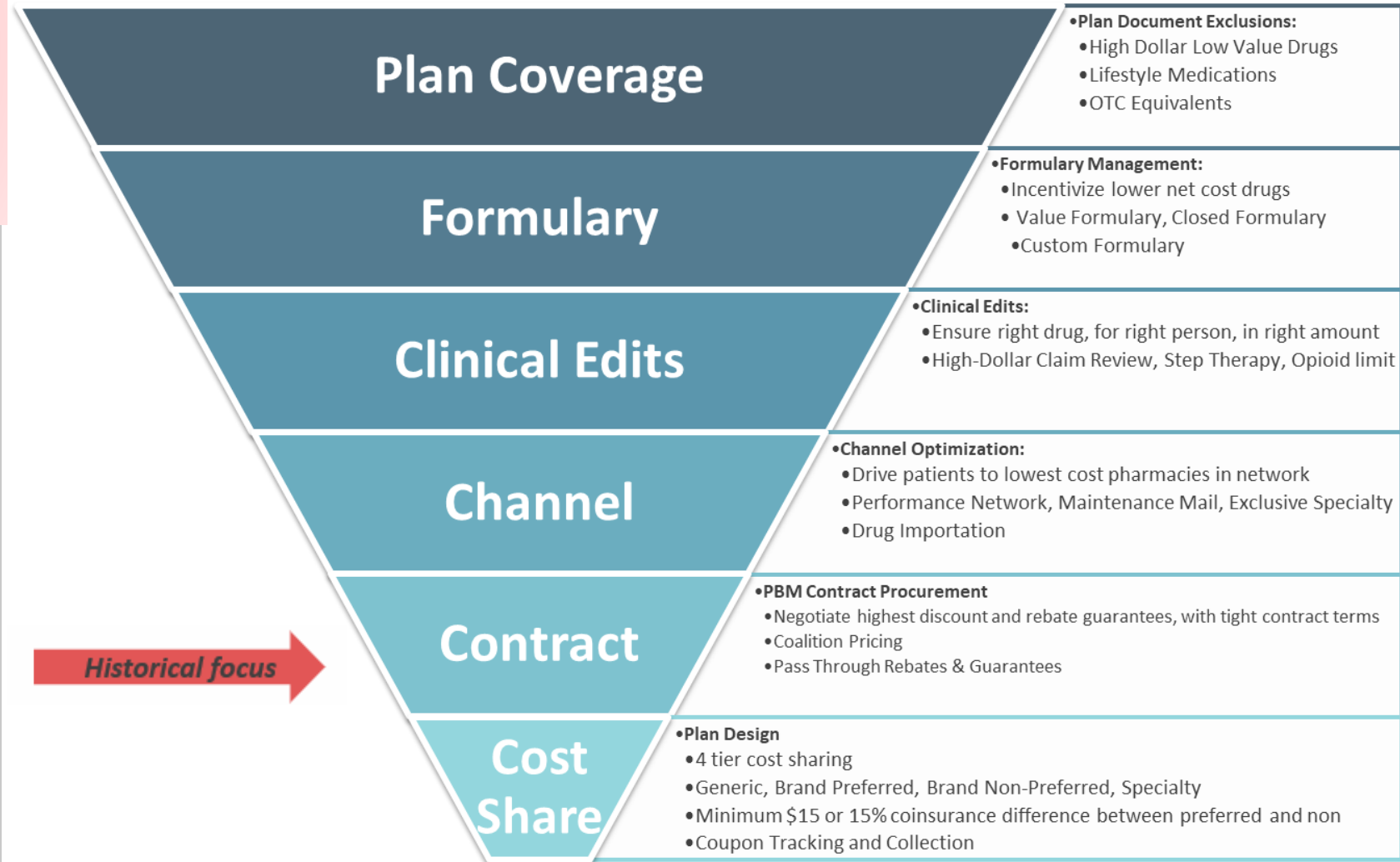
# Manage Utilization



- **Rx Clinical Levers:** Step therapy, Lifestyle drug exclusions, Prior Authorization
- **Medical Plan Design:** Independent Prior Authorization, Exclusions

# Manage Rx Spend

- Historically, the focus has been on Contract
- Prioritize the focus on Plan Coverage, Formulary, Clinical Edits, and Channel to reduce waste and unnecessary cost.



# Drivers of Pharmacy Trend

## Specialty Drugs

- Drive **50%+** of overall pharmacy spend despite **<2%** of members prescribed specialty drug.

## GLP-1's

- Makeup **13%+ of total pharmacy costs**
- Trending towards **20%** of total pharmacy costs as of 2025.
- Utilization up nearly **300%** from 2021 to 2023.

## Cancers / Oncology

- **35-40%** of spend for these conditions associated with pharmacy spend.

## Gene Therapies / Orphan Drugs\*

- Up to **\$300K** in 2023 - \$80K higher than prior year.





# Reduce the Price

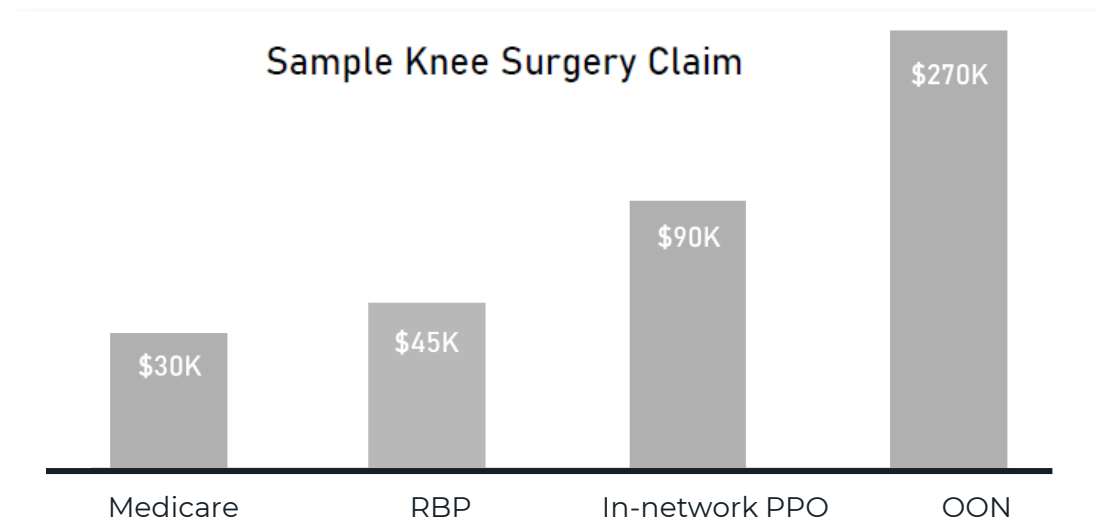
- **Performance Networks / Reference Based Pricing**
- **Steerage:** Incentivize members to use high-quality, low-cost providers
- **Care Navigation:** Second Opinion Concierge Services



# Creative Strategy:

## *Performance Networks / RBP*

- **Performance networks:** fewer providers, improved discounts
- **Reference-based Pricing (RBP):** Medicare+ reimbursements to providers



# Creative Strategy:

## Steer Care to Cost-Effective Providers

Use transparency data to shop for healthcare services

### Why does it matter?

- Encourages cost-effective choices and empowers consumers.
- Average savings of **\$4200 per service** when using MyAdvocate360

Procedure	Good	Better	Best	Savings
Colonoscopy (Within 30 miles of zip code 61114)	\$9,889 <i>Rochelle Community Hospital</i>	\$4,019 <i>St. Anthony Medical Center</i>	\$966 <i>Rockford Endoscopy Center</i>	\$8,923
Knee Replacement (Within 30 miles of zip code 60154)	\$41,067 <i>Presence St. Joseph Medical Center, Joliet</i>	\$36,781 <i>Rush University Medical Center, Chicago</i>	\$19,780 <i>Northwest Community Hospital, Arlington Heights</i>	\$21,287
Abdominal CT Scan with dye (30 miles of zip code 60154)	\$1,862 <i>Advocate Christ Hospital Medical Center, Oak Lawn</i>	\$1,679 <i>Loyola University Medical Center, Maywood</i>	\$526 <i>Advocate Medical Group, Downer's Grove</i>	\$1,336

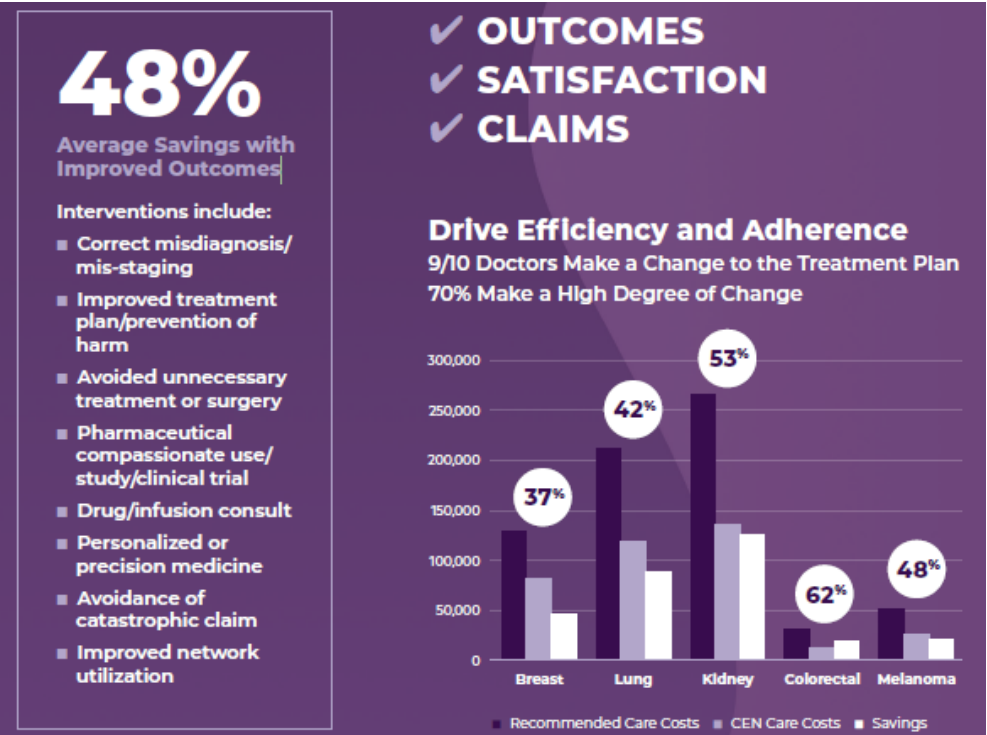
# Creative Strategy:

## Care Navigation

CANCER  
EXPERT NOW 



Health Navigator, powered by PinnacleCare



**54% of expert opinions** identified a more appropriate treatment plan or variation to the original diagnosis.

**\$**  
**\$13,000**  
average savings per treatment outcome

**\$**  
**\$28,000**  
average savings for MSK treatments

**\$**  
**\$24,000**  
average savings for cancer engagements



# Key Strategies to Manage Costs

## Transfer the Risk

Opt out incentives

Government Programs

Spousal Provisions

## Improve the Risk

Wellness Programming

Direct Primary Care

## Manage Utilization

Advanced Medical Plan Design

Rx Clinical Levers

## Reduce the Price

Patient Steerage

Care Navigation

Narrow Network/RBP



# Questions?



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