

## Paramedical care coverage: trends & challenges

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Group insurance policies offer paramedical care—such as acupuncture, chiropractic and nutritionists—as part of their standard coverage. However, the use of such care has been growing rapidly for many years and employers are now looking for ways to reduce and control their plan costs.

Insurers estimate that healthcare usage increases at around a 15% rate per year. At the same time, the share of paramedical care is increasing. It is not uncommon to see paramedical care exceed 25% of total claims.

The main drivers of this trend are an aging population, stress and the pursuit of non-traditional healthcare solutions. Annual increases in group insurance costs have forced employers to seek solutions for controlling costs and, above all, maintaining affordable coverage. The measures that an employer may undertake are diverse and split into three levels:

- plan changes
- health spending accounts, and
- communication

### Plan changes

Employers can choose from a wide range of measures that influence the use of paramedical care and, consequently, the cost of coverage.

Deductibles and coinsurance are standard measures for transferring a portion of the costs to employees and, in turn, making them more aware of their care usage. A deductible increase or coinsurance decrease will reduce the use.

However, employers are increasingly choosing two levels of deductibles and coinsurance. Medication, as a result, has a deductible distinct from other charges. The coinsurance for paramedical care and medication may also be different from each other.

Most group insurance policies provide maximum coverage “by professional.” It is possible to reduce the annual maximum (e.g., from \$500 to \$300) or turn it into a total overall maximum for “all professionals.” Together, these two measures may enable the plan sponsor to reduce health insurance rates by about 10%.

The sharp increase in certain professional care (by naturopaths and massage therapists) has compelled plan sponsors to question the presence of certain professionals in the list of covered specialists. For this reason, some employers prefer a condensed list of professionals (psychologists, physiotherapists, chiropractors). This measure may lead to approximately a 10% reduction in healthcare costs.

Another increasingly popular practice is to require an obligatory medical referral before the insurer will reimburse certain expenses.

The last and most drastic measure is the elimination of paramedical care coverage. This may include the implementation of a health spending account.

### Health spending accounts

A health spending account is like a budget. The employer uses it to reimburse certain healthcare expenses not covered by the group insurance policy. Accordingly, some employers choose to use this account to offset care cuts.

A health spending account is an effective tool for managing costs. That’s because the employer knows the maximum cost in advance. This account can help reduce the financial risks of claim fluctuations.

### Communication

We find that employees do not understand the financial dynamics of a group insurance policy. The plan sponsor must educate employees and raise awareness about the use of their coverage.

The whole idea of offering paramedical care coverage is to enable employees to stay healthy and in shape. As a result, the use of such care will continue to play important role in extended healthcare.

Before making any cuts and changes to the current plan, it’s vital to analyze the use to make informed choices. In addition, the plan sponsor must take into account such factors as the company’s unique culture, industry and employee demographics (such as age, sex and ethnicity).

And, finally, a very important point we cannot stress enough: decisions about group insurance plans must be communicated and explained to employees. By doing so, plan sponsors can come out winners.