Community Health Centers Can Look Within for Savings

by Harrison Newman, Vice President, Employee Benefits Consultant

It is not easy being a healthcare organization in these times. Employee burnout, rising cost of labor, and not to mention general inflation have made it a challenge for many to operate at the same level. If you are a non-profit community health center, the challenges are even greater as, the budget starts at a much smaller number. Everyone is seeing a rise in employee benefit costs, but how concerning is it that many healthcare providers can't afford to be healthcare consumers.

Healthcare costs will only continue to increase. US news reports that insurance premiums rose 7% in 2023. Budgets do not increase alongside inflation and with that comes difficult decision-making situations for employers and employees. A recent survey suggests that over half of employees believe economic concerns will impact their benefit decisions and nearly four in ten believe these concerns will cause them to choose lower-tier benefits in 2024. That same report indicated that employers are equally stressed as they try to balance rising costs with the need to offer high quality benefits to their employees. Despite inflation nearly half of all employers planned to increase spending on employee compensation. More than a third planned to increase spending on their well-being programs.

That increased spending speaks to the dual impulses faced by employers: managing costs while keeping employees happy and satisfied with their benefits. Healthcare organizations have unique challenges when it comes to this. The COVID-19 pandemic subjected HR professionals in healthcare to a myriad of concerns including increased burnout, mental health challenges and changing career goals as more and more people leave the healthcare industry. In the last five years, the average hospital turned over 100 percent of its workforce. This unprecedented turnover rate speaks to the increased attrition amongst healthcare workers. According to some reports, 30% of healthcare facilities are operating below optimal staffing levels. This is not safe for employees or patients and community health centers which are the backbone of the primary care safety net which have borne the brunt of this persistent issue.

One of the major drivers of healthcare costs are the prescription drug spend. Prescription drug costs rose by 8.4% compared to 6.4% the year before. Specialty drug spending is expected to rise to over 50 percent of drug spend this year. This trend is simply not sustainable for any organization, let alone nonprofit community health centers. Federal funding for these facilities has remained flat while demand for their services increases.

So what can be done? There are several strategies that health centers can use to control prescription costs. Going self-insured for example, allows employers to access alternate levers of control for their risk management strategy. Pharmacy carve-out plans offer greater transparency on which drugs. Employers can negotiate better contracts once they are aware of which drugs are driving up prescription drug spend. Some health centers are looking within at resources they already have at their disposal to help curtail cost. Another illustration of this is 340B drug programs. Health centers with internal 340B pharmacies can incentivize employees to seek treatment and fill their high-cost prescriptions internally.

In truth, healthcare organizations will probably continue to see the issues of attrition and burnout in their workforce. There is no one cure for all that ails the healthcare and pharmacy system so this trend will not change anytime soon. However with some insight into the needs of their community, healthcare service providers can control costs for employees and their patients. That's something no employer can afford to ignore. ■

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