Solutions for Employers: How to Reduce Your Workers' Medical Debt Burdens

EXECUTIVE SUMMARY

This brief describes Neighborhood Trust's research-driven recommendations for employers to improve their health-related benefits and practices. Our research shows that making these improvements will help facilitate lower-income workers' access to affordable healthcare—without accruing burdensome medical debt.

We need a concerted effort from insurers, brokers, PEOs, employers, medical providers, and policymakers to tackle the root causes of today's medical debt crisis and have meaningful long-term impact. Nonetheless, our research found that employers are indeed independently well-positioned to mitigate medical debt burdens in the near term. For findings and recommendations for hospitals, check out Undue Medical Debt's complementary research.

After compiling our findings from surveys, qualitative interviews and a focus group with stakeholder experts, the top recommendations for employers* to emerge from our research were:

SOLUTION	EFFORT TO IMPLEMENT	COST TO IMPLEMENT	EXPECTED IMPACT
1. Investigate the specific healthcare needs of lower-income employees to choose plans that sufficiently meet those needs; and offer a transparent explanation of the selection process.	High	Medium	High
2. Provide consistently available, free and confidential wraparound support for navigating the healthcare system.	Medium	Medium	High
3. Invest in employees' access to readily-available money for out-of-pocket healthcare spending via contributions into HSA/FSA accounts or access to a hardship fund, for example, given that most lower-income workers are managing thin cash flow margins.	Medium	High	High
4. Offer (and ideally subsidize) supplemental disability and accident insurance to protect income in the case of unexpected health needs and/or pregnancy-related costs, as lower-income employees are less likely to have savings to fall back on.	Low	High	Medium
5. Facilitate informed decision-making and increased cost predictability via year-round education and access to budgeting and health-savings self-service tools.	Medium	Low	Low

WHY THIS MATTERS FOR EMPLOYERS

There is substantial evidence that employers are positioned to have a real impact on reducing workers' medical debt, and improve their physical, mental and financial health as a result. Recent research found that "workers' access to benefits is strongly related to financial insecurity, with workers with less access to benefits having higher levels of financial insecurity, even when controlling for income." And PayPal found that by improving their healthcare benefits, their employees were able to 1) address health issues that previously impacted their ability to work, 2) enroll in plans that better met their needs, and 3) reduce their out-of-pocket spending on healthcare.

Investing in health-related benefits and worker financial health is a win-win for both employers and employees. "Employees who feel cared for by their employer are more likely to feel positively about their job, feel engaged at work and be more productive." And "workers who feel financially healthy are 87% more likely to feel cared for most of the time they are working," fostering greater job loyalty. These wins not only demonstrate a strong ROI, but also a meaningful VOI** (value of investment), which is measured not by budget line items but by the qualitative impact on employees' financial lives, personal lives, and workplace culture.

WHAT CAN I DO?

Every employer is different, with different workforces and different budgets. Therefore, we've compiled a list of recommendations with varying levels of expected effort, cost and impact knowing that not every recommendation is feasible for every employer.

1. **Investigate the specific healthcare needs of lower-income employees to choose plans that sufficiently meet those needs; and offer a transparent explanation of the selection process.**

    - Take the time to understand your lower-income workers' needs. Start by examining aggregated personnel files to make informed decisions about likely healthcare coverage needs based on workers' age range, where they live, genders, the prior year's healthcare spending, etc. Employers can also host anonymous office hours or provide a digital suggestion box for employees that would like to share high-level medical concerns that they need covered (ensuring privacy is protected at all times).

    - Partner with experts to choose the right provider plans. Consider working with a broker or a PEO to choose the best coverage options based on employee population. If traditional health plans don't cover all of employees' needs, consider also offering supplemental benefits (see recommendation #4 below).

For example, if any employees are in healthcare deserts or aren't sufficiently covered by the chosen healthcare plan, be sure to offer covered telemedicine services. And ensure workers know it's available to them by including it in open enrollment materials, presenting about it in a meeting, and/or equipping managers to reiterate it.

- After choosing the appropriate plan(s), offer a presentation to all employees on the selection process and criteria used. This transparency is critical for building trust and making employees feel that their health is valued.

Spotlight on High Deductible Health Plans: Think critically about whether to offer or encourage enrollment in high deductible health plans (HDHPs) as these have become one of the primary drivers of healthcare unaffordability for lower-income workers. In our research, we found that most lower-income employees enroll in HDHPs because it's the only premium they can afford, not because they're thinking ahead about using an HSA as an investment vehicle, for example. As a result, workers end up in HDHPs to save on monthly spending, but pay a serious price as soon as they have any health expenses that arise beyond an annual checkup. **If you (an employer) are paying for premiums for HDHP plans, you may be inadvertently encouraging enrollment in plans that are likely the most expensive, worse option for lower-income workers. Instead, consider reallocating those funds to more generously subsidize the premiums for plans with lower deductibles and more robust coverage.** Or, ensure that all employees to enroll in an HDHP not only have access to the information they need via a separate and additional training session, but also have a realistic and affordable means of building up a sufficient amount of savings in an HSA to cover their expected out-of-pocket costs (see recommendations #3 and #5).

2. **Provide consistently available, free and confidential wraparound support for navigating the healthcare system.**

    - Designate a company benefits subject matter expert that employees can reach out to, and make clear when and where this person is available. This person might be Director of HR, or another staff member that receives training and has a direct line of communication with benefits providers for more complicated questions. For example, this person might not only answer questions but be available to help with hospital financial assistance applications, which require a range of documentation including income verification.

- Identify a contact person at your health insurance provider, enlist a healthcare navigation company (sometimes also called patient navigation or a patient advocacy), or identify local hospitals or community-based organizations that provide healthcare navigation for free. It's critical that this service is clearly and frequently advertised to employees because there is a risk that when an employee feels overwhelmed it will not occur to them to reach out to an external provider for help.

- Provide access to financial coaching as a benefit that offers unbiased financial guidance and advice. Examples of programs include AYCO, My Secure Advantage, and TrustPlus (Neighborhood Trust's Financial Coaching service). Employers can start with a simple Google search for employer-based financial coaching to find the provider that best suits their employees' needs.

3. **Invest in employees' access to readily-available money for out-of-pocket healthcare spending via contributions into HSA/FSA accounts or access to a hardship fund, for example, given that most lower-income workers are managing thin cash flow margins.**

    - Provide and contribute to paired HSA plans for all employees who enroll in HDHPs. When evaluating how much and in what cadence to contribute to plans, consider: are employees reaching a minimum of $500 in their accounts? If not: contribute more. Are they reaching at least $500 but not until November or December? If so, you may be contributing enough but should front-load the contribution earlier in the year so employees have a cushion to get started, which they can continue to build up with their own contributions.

    - Take into consideration whether employees' health savings vehicles utilize a reimbursement model. This payment structure can create undue financial strain if employees don't have the funds to pay out-of-pocket costs, even if they later get reimbursed, because they likely have to take on interest-bearing debt to cover the up-front costs. If employees are relying on reimbursements, consider offering an employer-sponsored loan fund to cover up-front costs until reimbursements come through.

    - If your company budget is constrained, consider whether slightly decreasing premium subsidies and instead adding those funds into HSAs, FSAs, or an HRA would help more employees. Also consider prorating premium contributions and/or savings contributions by employee income, to free up additional budget dollars to better support lower-income employees in the greatest financial need.

- Discuss with your health insurance provider whether it's possible to incentivize urgent care visits with a $0 copay to avoid employees going to the emergency room for non-emergency needs, which tend to cost much more out-of-pocket.
- Have a hardship fund available for lower-income employees who suffer an unexpected medical-related or other type of financial shock, especially if they are enrolled in an HDHP.

4. **Offer (and ideally subsidize) supplemental disability and accident insurance to protect income in the case of unexpected health needs and/or pregnancy-related costs, as lower-income employees are less likely to have savings to fall back on.**
    - Assess whether employees would benefit from supplemental benefits and/or insurance products (such as disability or accident coverage) during evaluation process outlined in recommendation #1.
    - Decide whether it's feasible to cover or offset the cost of supplemental benefits. Consider that subsidizing these benefits is likely an efficient use of funds because supplemental benefits may have an outsized impact on mitigating emergency room medical bills, for example, compared to increasing premium subsidies on healthcare plans. If you're able to cover or offset the cost of these benefits, ensure employees know that they are employer-subsidized.
    - Promote awareness and understanding supplemental offerings by including them in open enrollment presentation and include examples of when they might be relevant or useful. For example, make sure employees know that disability insurance can help provide an additional cushion for maternity leave.
5. **Facilitate informed decision-making and increased cost predictability via year-round education and access to budgeting and health-savings self-service tools.**
    - Consider providing "creative" education year-round. For example, gamify open enrollment by incorporating trivia with a gift card prize for highest score. Share benefits "Did you know?" info throughout the year, paired with info on who to reach out to with follow up questions, to ensure healthcare information remains easily accessible all year. Or, establish a "peer trainer" program, detailed in the 'spotlight' below.
    - Include in your contract with your broker, PEO and/or healthcare provider periodic information sessions, question & answer sessions, and/or supplemental reading materials with communication methods customized to your employee population. For example, consider providing information in employees' first languages, putting up break room flyers, sending text messages, and/or hosting Zoom meetings / webinar presentations.

- Connect the dots for employees about the importance of estimating their expected healthcare costs, and provide the tools to actually calculate those estimates, so they can aim to set the appropriate amount aside in an FSA or HSA. For example, profile medical scenarios and how they'd be covered. Supplement this information with a resource such as a health expense calculator to help employees determine their personal medical expenses. Ask a broker, PEO or insurance provider if they have calculators to offer; if not, look for publicly available ones online (e.g. this calculator from Optum).
- Prepare employees for what to expect and what to do in the case of a hospitalization or an unexpected bill. For example, ensure they know to inquire about financial assistance, to ask for an itemized bill to confirm it's the correct amount, to ask about payment plans, etc. Our research illuminated the importance of supporting employees with avoiding the unpredictability of healthcare costs, given the financial and emotional tolls of being blindsided by medical bills.

Spotlight on Peer Trainers: By leveraging employee diversity and peer groups in your healthcare enrollment and training process, you can promote information-sharing that is increasingly culturally competent and trusted. Consider providing follow-up info sessions to a sample of volunteer employees or to leaders of employee resource groups that dig more deeply into the details of offered health plans and how to navigate the healthcare system as effectively as possible. With access to this additional comprehensive education, these employees not only become better informed themselves, but also become equipped to serve as a reliable resource to their peers and coworkers.

In conclusion, employers can meaningfully mitigate the harm of medical debt burdens of their employees by incorporating one or more of the above recommendations into their healthcare-related HR practices. As described above, these improvements will not only support employees' financial, mental and physical well-being, but will also contribute to employers' bottom lines via increased productivity and retention. When workers can comfortably afford their healthcare coverage without stress, and feel that their employer has their back in case of an emergency, they are more likely to feel positively about their job and feel engaged at work. And by allocating HR resources more effectively to address lower-income workers' specific needs, employers can increase both the ROI and VOI of their healthcare spending.

PROJECT DESCRIPTION & PRIOR FINDINGS

Neighborhood Trust and Undue Medical Debt are partnering to generate awareness, understanding and solutions that enable employers and hospitals to do their part to reduce medical debt burdens, specifically among lower-wage workers. This work will bring the perspectives of lower-income workers to the forefront of discussions about medical debt and health benefit designs.

Phases 1 and 2 of this project entailed surveying and interviewing participants to better understand the pain points of medical debt and its negative impacts on overall well-being, the results of which are profiled in our previously published briefs. Our headline prior findings, which we aim to address through our above recommendations, include:

- 70% of survey respondents with healthcare coverage through their employer reported currently carrying medical debt.
- Nearly 40% of respondents with coverage through their employer are at-risk of accruing more medical debt.
- Among those with insurance through their employer, 48% struggle to understand their health insurance coverage. In interviews, we heard about the importance of getting information when you are in the right "headspace" to retain it, which may not be during open enrollment.
- Interviewees reported that they are frustrated by their limited visibility into their employers' decision-making process around plan choice and contribution amounts.
- Interviewees struggle with insurance instability, including instability caused by employers changing their insurance provider every year.
- The cost of healthcare is extremely unpredictable and is exacerbated by poor communication around medical billing practices.

This brief represents Phase 3 of the project for which we conducted a focus group with six stakeholder experts. They brought a range of perspectives given their roles in HR, PEO relationship management, benefits design, and healthcare innovation research. During the session, we discussed our prior findings to get the group's reactions, feedback and takeaways. We then facilitated a brainstorming activity to surface solution recommendations for employers that would address the pain points identified in the first discussion.

Footnotes

*In particular, these recommendations are tailored for employers who purchase group insurance directly, through a broker, or through a PEO; though self-insured employers may also find that these solutions are helpful for improving their health-related benefits offerings.

**One framework for measuring VOI and/or determining whether these recommendations are relevant for you is Aspen Institute's Benefits Scorecard:

Dollar value: How effective is the benefit value in supporting household financial stability?

Not Effective	**Partially Effective**	**Effective**

Benefit delivery: How does benefit delivery impact the value received?

Significantly Reduces	**Slightly Reduces**	**Reinforces**

Benefit access and use: How accessible and available is the benefit for all households?

Significantly Exclusive	**Somewhat Exclusive**	**Nearly Inclusive**

Interaction between benefits: How does the benefit, when it interacts with other benefits, supports household financial stability?

Undermines Stability	**Supports Stability**	**Enhances Stability**

Employers can evaluate their performance against this scorecard or other benchmarks by surveying and/or interviewing employees. Questions might include:

- Can you cover a $500 emergency healthcare expense?
- Do you feel cared for by your employer?
- How easy is it for you to understand your healthcare coverage?

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