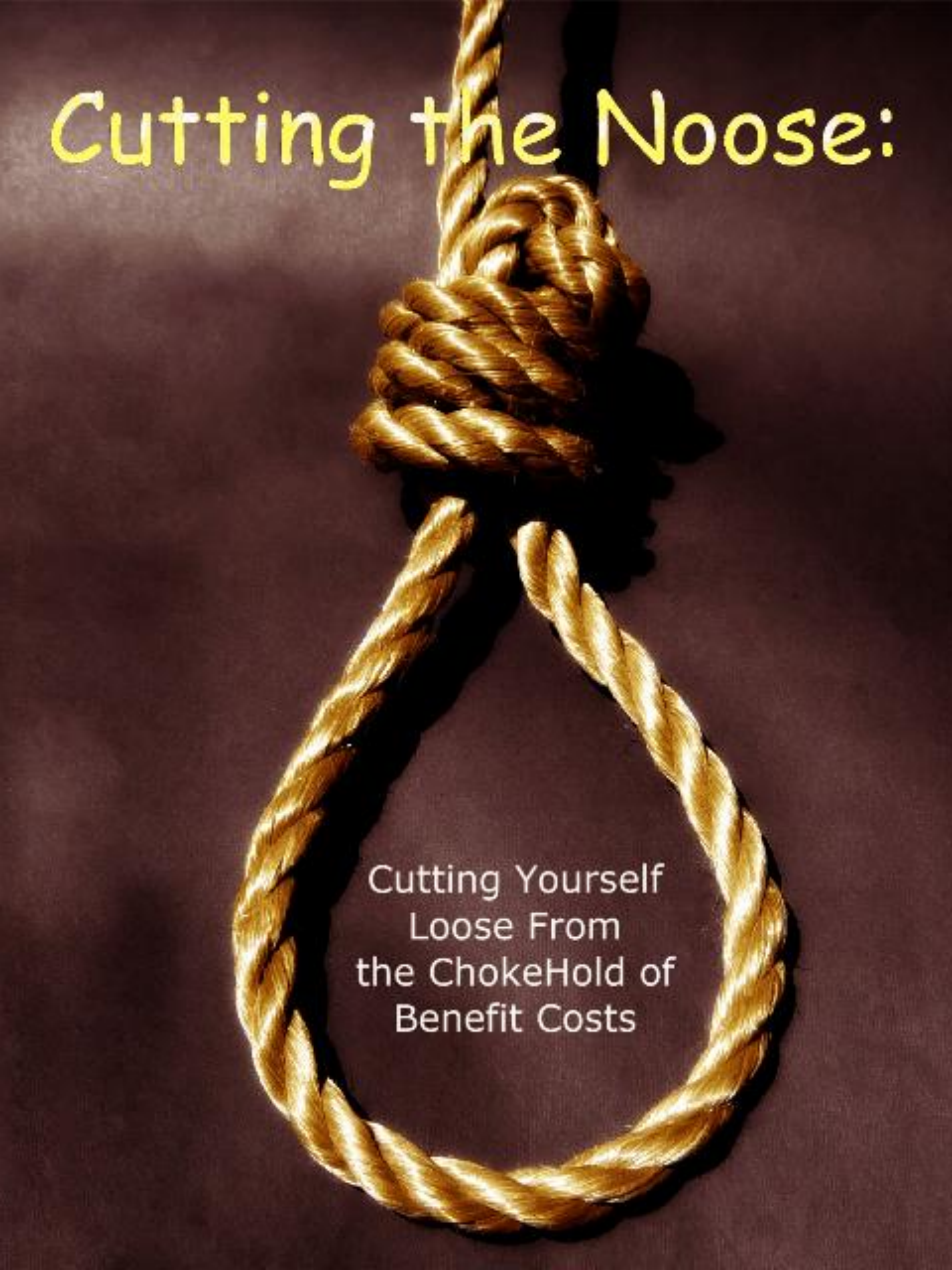

Cutting the Noose:

Cutting Yourself Loose From the ChokeHold of Benefit Costs

We're Not in Kansas Any More, Toto

The old saying, "The only sure things in life are death and taxes" has to be retired. In today's world it should read, "The only sure things in life are death, taxes and the rising cost of health care."

It's a fact: premiums for health care increased 113 percent from 2001 to 2011.

Prescription drugs and new medical technologies are always cited as the biggest culprits. They are great when we need them but there is a price to pay – literally.

Simply put, we're not in Kansas any more, Toto. We can't take these kinds of increases without something changing. The "old timers" who thought a jump in deductibles from $100 to $250 was a sin would cringe at the thought of $2,000 or $4,000. Yet some employers have elected to go this far to save costs.

While we can't click our heels and wish for "Kansas" any longer, and while more and more employers feel like they've lost control over their benefit plans, there are things employers can do to be pro-active in the battle of rising health care costs.

In a world where benefit packages seem to be out of control and where employers are almost forced to "shop" their health and other insurances every year at renewal, wouldn't it be nice to have a long range strategy with both long range and short term savings that you control?

Here are the top recommended tactics for curbing costs and taking control of run-away benefits.

#1. Set the Stage for Savings with Tax Advantaged Plans

No one silver bullet is going to save you appreciable amounts on health care costs. You need a strategy that rolls several things into one plan. The first thing that will be seen as a positive by employees and save employers money, and which also helps to set the stage for additional changes, is implementing the best tax advantaged tactic for your situation.

There are a number of ways to implement tax savings. Section 125 with employee contributions and out of pocket medical expenses, even day care costs, have been popular for years. Cafeteria plans, which are kind of a hybrid between plan design incorporating employee choice, employee contributions and tax savings are possible. Now there are Health Savings Accounts. (In one case an employer found it was cheaper to put $500 per quarter into an employee's HAS and raise the deductible greatly than it was to stick with lower deductible premium costs.)

Here is the point to tax savings plans: While their implementation will save employers through decreased payroll taxes, the biggest benefits are that:

1. Employees will see them as a positive if communicated properly, and,
2. They set the stage for employees paying more for benefits on a pre-tax, more tolerable basis.

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Now that the foundation for greater change is in place with the first tactic, it’s time to build on the savings.

#2. Using Wellness Initiatives



Of all the tactics available to cut long range costs, employers question the validity of offering wellness initiatives the most often. But consider this:

- For every dollar employers spend in wellness initiatives they see an average of a $3 savings for indirect health-related expenses (sick days, etc.)
- For every dollar employers spend in wellness initiatives the average long term health insurance savings is $6.
  (Both are over a three year implementation period. SHRM survey, 2011)
- 90% of employers would recommend this tactic to others.

There are lots of ways to implement wellness incentives into your corporate culture; gym membership partnerships, smoking cessation classes, weight loss groups and competitions and employee health surveys. Some employers offer cash incentives to drive up participation. However they are implemented they work if they are communicated well and if there is an incentive to change behaviors.

Wellness initiatives work, and the results can be measured in:

- Fewer sick days
- Reduced occurrences of preventable chronic conditions
- More positive work environment
- Increased productivity
- Higher employee retention rate due to improved morale

#3. Add More Voluntary Benefits

Having employees take responsibility for choices gives them a vested interest in your benefits package. They can select coverages more appropriate for themselves and their families once core health coverage is maintained.

Not as many employers have adapted this tactic as should, but 87% of those that do would highly recommend it. There is no out-of-pocket costs for the employer, and again every dollar ran through voluntary coverages is a dollar employers don't have to match with FICA taxes.

Good communication and explanations of possible choices can really drive up participation, which saves employers even more.

Typical Voluntary Benefits:

- **Accident Insurance**
- **Specified Disease Insurance**
- **Disability**
- **Coverage**
- **Life Insurance**
- **Vision**
- **Dental**
- **Alternative Deductibles**

****Life and Disability Coverage Might Not Want to be Paid for with Pre-Tax Dollars. Ask us.**

#4. Increasing Use of Self-Funded Plans

It used to be that self-funding plans, where employers paid claims to a certain level versus offering fully insured plans with high premiums, was left to the realm of the large corporations and out of reach for small employers. Not any more.

Here is how it essentially works: The employer compares what the cost of a regular health plan, say at a $500 deductible would cost. Then they look at would it would cost if they raised that deductible considerably and paid for the claims themselves between $500 in expenses and the new deductible. (This new deductible can be quite high in some cases using a rule of thumb of $100 of exposure per employee.)

Theoretically your liability is capped at only the exposure between the old and new deductibles, and further capped at aggregate exposures among employees and their families. Additionally, there was an "aggregate" cap, or total group exposure, stated in your policy.

If the fixed costs of insurance plus the maximum anticipated cap of exposure added up or came close to a fully insured premium plan at a lower deductible employers were crazy not to go this route because the savings was almost guaranteed.

There some caveats, however, and "you should not attempt this by yourself at home", as they say.

- If your group is really small one bad "shock" claim could cost you more than a fully insured plan. There are other ways of saving for the small companies.
- A large claim or string of bad claim luck could come at a time when cash flow for your company is low.
- There are a number of policy differences and you need someone to guide you through the variables. Not all self-insured policies are set up the same and some, while sounding like a good deal, could cost you more than anticipated.

Even with these cautions more and more employers, and smaller and smaller employers, are going to self-insured plans of some kind. Even if they don't self-insure their health care they may self-insure other benefits like disability where the exposure is small but savings are obtained none the less.

"What are your benefits costing you, versus what are you receiving?" That's the real question behind self-insurance.

#5. A Psychological Twist Where You Win

Most employers have employees contribute to their health insurance with a “dollar per paycheck” figure.
Don’t!

You and employees know every year that dollar amount is going to go up due to rising costs. And who is going to receive the criticisms and complaints? Who is going to be accused of being “cheap” at renewals?

Instead of setting a “dollar” amount each year, call it a “percentage of costs”. That way, theoretically, you will never have to change the amount again. Increases aren’t seen as quite so bad when the perceived percentage amount is the same. You are seen as holding the costs to your best ability while it is the big anonymous insurance companies that will get the blame.

It’s a small thing, but it helps in the good will department. Next year the person who communicates this can even give you a pat on the back in front of employees for not raising the percentage!

#6. Dependent Verification

The question of who is eligible for your health insurance plan may be clear in your mind, but it might not be so clear in the minds of all of your employees. Who can be covered? When do my kids have to come off the plan? Does my live-in significant other's kids count?

These are innocent enough questions. Sometimes employees may just forget to tell you of a family status change. Sometimes it is out-right fraud.

Unless you are small enough to know your employees and everyone in their families someone needs to go through employee forms and check into compliance with eligibility.

This can save thousands in premiums and potential claim costs – especially painful if you are self-insured. Also, if one of those in-eligible insured's should happen to suffer a catastrophic claim, it could influence your renewal rates.

How big is your "family tree"? Do you know them all by name and birthday – including kids? If not an audit may be in order.

#7. Good Communication of Benefits

There are several reasons why a good communicator of your benefit package, especially at renewal or for new hires, is so important:

- Good communication eliminates mass confusion and wasted time for the wrong people who get asked a thousand questions.
- Worded correctly, a good communicator with a good benefit statement can help employees realize that their wages are not your only fixed costs. You have quite an investment in every employee. Isn't it time you got recognition for that?
- Compelling examples and help in determining what is right for the employees can drive up participation in many plans. This is especially important where your savings is directly influenced by the amount of employee money running through the options.

#8. Monitoring of Claims and Help with Bill Reconciliation

Here's a true story that will help to illustrate this tactic:
An agent received a call from an employee saying he was getting numerous bills and EOB's and was lost about what was really owed providers. The agent went out, quickly sorted through the mountain of papers and came up with a figure that was due – far less than the employee feared because the agent could eliminate duplicate bills.

But in her efforts she also found that the hospital, a member of their PPO, had not written off the difference between submitted charges and "reasonable and customary" allowances – and they were therefore billing the employee more than need be. That one "catch" saved the employee about $500.

The same agent then went back to the employer, who was self-insuring his plan, and without giving out personal details communicated the problem and asked to see the claims report to see if anything else was out of the ordinary. Low and behold the third party administrator (and therefore the employer) hadn't caught the same problem on a number of claims from the same hospital.

Long and short of the story? With monitoring and bill reconciliation both the employee and employer saved - big time. The hospital? When it wouldn't reconcile the bills it was kicked out of the PPO and it cost them - big time!

Mistakes honestly happen, but at renewal or in the case of self funding they can be expensive.
Careful monitoring of claims, whether full or self-funded, is in everyone's best interest and bill reconciliation is truly an employee benefit.

#9. Call Preferred Benefits

We'll be honest: There is no single silver bullet that is going to instantly let you out from under rising health care costs. But these tactics and many more are available for employers who are tired of year-in and year-out insurance "shopping" with no end in site and no control.

There are ways to cut costs and ensure you are doing all that you can do while we wait for magical news from the angels in Washington, DC. (– or the end of the world.)

There are three golden rules for taking back your life and cutting the noose from around your health care neck, however:

1. Have a plan – an overall strategy - and be patient. For some aspects you may not see immediate saving but long term goals are obtainable.
2. You may have to phase in many of these changes over a couple of years just to eliminate confusion for the masses, but you'll know where you are headed. Much like any good business move should be analyzed and planned for, employee benefits shouldn't be left to "that's just the way it is". They are, after all, one of your highest fixed costs in employee considerations.
3. Good communication is the key for making any of these strategies effective. Good benefit statements, shared examples and simple explanations will get employees not only participating, but on your side.

Isn't it time to take control of the rising health care situation – as least as best as you can?

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Let us help you take control. We'll analyze where you are at, research the best options, honestly communicate the strengths and weaknesses of everything, let you make a knowledgeable decision and then communicate everything to your employees.

But all of this starts with a simple "strategy session" and learning what is available.

Schedule your's today by calling (502) 405-4201, or get in our "Tickler File" so we can call you at the appropriate time. Go to pbllc.net and look for the feather!