

White Paper

HEALTHCARE COSTS: Why Employees Must be Accountable For Their Health

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The ability to hire high performing employees is one of the most mission-critical requirements for any corporation. For decades, group healthcare has been an essential business tool to attract and retain qualified employees.

Despite economic success, this country's health care spending continues to rise at the fastest rate in our history, pushing millions of businesses into financial despair. For example, in 2006, firms with less than 24 workers experienced an increase of 10.5 percent in health care insurance premiums, over twice the rate of inflation. The Kaiser Family Foundation predicts that by 2015, total healthcare spending will represent 20% of our GDP. Furthermore, costs for employer-paid health insurance are rising rapidly: since 2001, premiums for family coverage have increased 78%, while wages have risen 19% and inflation has risen 17%, according to a 2007 study by the Kaiser Family Foundation. Businesses now face the inevitable reality that unless something changes dramatically, health insurance costs will overtake profits by 2008.

Large businesses are rapidly adopting solutions that give employees more control over prevention, treatment -- and costs by combining wellness and high risk medical insurance. Burger King, Fort Lauderdale's Auto Nation, Miami Children's Hospital, FP&L Group, Barry University have already taken the initial steps; now it's time for small businesses to follow this trend or the price of inaction will severely affect their bottom line or even threaten their very own existence.

RETAINING EMPLOYEES:

A key to increasing employee productivity is giving them what they want – a quality affordable medical plan – while controlling health costs.



Businesses walk a fine line between providing employees with expensive feature rich health benefits, and lower cost - high out of pocket expense - plans. Provide expensive plans and put your business in dire financial stress; provide high out of pocket plans and lose your employees.

The trick to retaining your employees without putting your business at risk is to give employees what they want – a quality affordable medical plan - while controlling healthcare costs by targeting at-risk employees and keeping medical claims down.

Ideally, when employees have a stake in the decision making process, they are better healthcare consumers. In addition, claims affect premium and premium affect employees when their share goes up; therefore by making employees responsible for their healthcare utilization, you are giving them an incentive to become healthier.

EMPLOYER SPONSORED HEALTHCARE:

A Historical Perspective

A health care system riddled with inefficiencies, excessive administrative expenses, inflated prices, poor management, and inappropriate care, waste and fraud contribute to increased costs



During the middle to late 20th century, traditional disability insurance evolved into modern health insurance programs. The first group medical plan was purchased from The Equitable Life Assurance Society of the United States by the General Tire & Rubber Company in 1934. The Ross-Loos Clinic, founded in Los Angeles in 1929, is generally considered to have been the first HMO. Henry J. Kaiser organized hospitals and clinics to provide pre-paid health benefits to his shipyard workers during World War II. This became the basis for the Health maintenance organization (HMO) Kaiser Permanente.

In the 1970's and 1980's the development of HMOs was encouraged by the passage of the Health Maintenance Organization Act of 1973. Through the 1990s, managed care grew from about 25% of U.S. employees with employer-sponsored coverage to the current vast majority. Today most Americans with private health insurance receive it through an employer-sponsored program. According to the United States Census Bureau, some 60% of Americans are covered through an employer while about 9% purchase health insurance directly.

According to a 2007 study, about 59% of employers at small firms (3-199 workers) in the U.S. provide employee health insurance, compared to 99% of large employers. The percentage of small firms offering coverage has been dropping steadily since 1999. The study notes that **cost** remains the main reason cited by small firms who do not offer health benefits.

*You Can't Control
Healthcare Costs...
...Without Controlling
Healthcare First!*



*A significant part of
the money employees
and employers pay for
group health care
insurance goes
toward prepaid
medical care that
most consumers
never use; therefore
most U.S. consumers
waste thousands of
dollars each year on
their health insurance.*



One approach to addressing increasing premiums, dubbed "consumer driven health care," received a boost in 2003, when President George W. Bush signed into law the Medicare Prescription Drug, Improvement, and Modernization Act. The law created tax-deductible Health Savings Accounts (HSAs). An HSA is an untaxed private bank account; withdrawals are only penalized if the money is spent on non-medical items or services. Consumers wishing to deposit pre-tax funds in an HSA must be enrolled in a high-deductible insurance plan with a number of restrictions on benefit design; in 2007, qualifying plans must have a minimum deductible of US\$1,050. HSAs enable healthier individuals to pay less for insurance and bank money for their own future health care expenses.¹

THE SOLUTION:

Wellness & H.S.A. Plans

Wellness and H.S.A.'s can overcome the challenges of companies wanting to provide cost-effective healthcare and give employees what they need without breaking the bank. These cost-conscious measures can benefit both, employee and employer, resulting in healthier employees and greater profits for a business.

Wellness program is the grouping of many single wellness items into a larger bundled program for better results. For example, an "out-of-the-box gym" can easily be located in a 4'x4' space in the office for employees to exercise during lunch time. A wellness coach can be introduced to work with high-risk employees for behavior modification.

H.S.A.'s or Health Savings Accounts, is the combination of a high deductible, catastrophic healthcare insurance combined with a savings account to put tax-free funds to cover the deductible, which if not used, can be used as retirement funds.

EXAMPLE

The combination of wellness and H.S.A. plans are expected to be a popular solution to the premium hikes we are experiencing. With a wellness program, at-risk employees will be able to take a 15 minute break during lunch, 3 sessions a week, to do an in-office exercise program without the aggravation of joining a gym, carrying around gym clothes or taking time to shower after exercising and still be able get the benefits of hours and hours at the gym.

¹*Wikipedia. History of Insurance*

...you either control the health care of your organization, or it will control you.



Furthermore, a wellness coach can work with these at risk employees for behavior modification health coaching and education. They can even provide referrals to wellness programs such as nutrition and weight management, smoking cessation, fitness and exercise, stress management, chiropractic, yoga, acupuncture, massage, menopause, pre and postnatal care and even management of chronic conditions such as asthma, diabetes and others.

With an H.S.A high deductible plan, most health insurance carriers would lower your annual premium by roughly 120% of the increase in your annual deductible. Approximately \$3,000 savings in annual premium for a \$2,500 increase in your deductible – putting you ahead by at least \$500 a year, even if you become very ill. All this means is that the main benefit of increasing your annual deductible on your group health care policy is NOT the money you can save – the main benefit is that it puts you in control of where you spend your first health care dollars and allows you to select the medical providers of your choice, vs. giving full control to the insurance carriers of where to send you, what doctor to see and IF they will even pay for your medical need²

WHAT TO LOOK FOR IN A GROUP HEALTH CARE INSURANCE AGENT

The single most important ingredient of any business group health insurance is....your insurance agent because all the good intentions in the world isn't going to do your company much good if your plan is improperly structured



Finding the right insurance agent to design a group medical plan is NOT a simple task. Here are a few things to look for:

Industry knowledge: Does this person specialize in group medical insurance? Has he or she enrolled a significant amount of groups? Is group medical and employee benefits his or her main insurance specialization, or is this just a secondary income?

Fact-finding skills: Can the agent efficiently extract the very nuggets of information from business owners and decision makers? Can he or she apply and translate the needs of a business into a strategic group medical implementation? A good group medical plan interview is similar to a medical doctor asking the important questions that reveal the key points that matter.

Experience with group medical: Now that you found an agent, can he or she analyze and strategize the best way to structure a group plan? It takes a special breed to truly understand the idiosyncrasies that make a group medical plan great. Be sure to ask for case study samples.

² Pilzer (2007): *The New Wellness Revolution*

Human error is reduced as the implementation and management of group benefits is simplified



Technical competency: Can the agent bridge the gap between what a business owners and decision makers are saying and the language spoken by the healthcare industry, such as carriers and wellness providers? This requires a general technical competency and successful business skills.

Organized and motivated: Pigeonholing bits of information from numerous sources into a clearly organized action driven process is essential for a group medical agent. Good organization should be driven by a motivation to do the work and see it through completion from fact-finding, analyzing, planning, quoting, underwriting to year round servicing.

REASONS TO PARTNER WITH GROUP BENEFIT AGENCY FOR YOUR GROUP MEDICAL NEEDS:

This paper merely touches the surface of the art of group medical strategy and planning. If you need help implementing your group medical plan, need one updated or want someone to produce multiple alternatives with a successful outcome, consider Group Benefit Agency. We bring the following advantages to your project.

Extensive employee benefits experience: With over 14 years of group medical experience, Group Benefit Agency has mastered the art of group medical strategic planning and implementation as evidenced by our extensive client list and high customer retention.

Proven process: Each group medical project includes a comprehensive needs assessment, customized strategy development, extensive fact finding; detailed review of your solution, research of your industry, skillful proposal presentation, support data, unlimited revisions and year round service support.

Raving testimonials: Many of our clients engage us to implement and administer their entire line of employee benefits, a sign of our quality.

We do the hard work: We ask the right questions, drive the entire process and lead you down the path of success.

Direct access to an assigned service

representative: For group with 5+ employees, we will have an assigned service representative year round, to be the liaison between your group and the multiple carriers your company has its benefits with, saving your hours of administrative work.

Broad insurance experience: Group Benefits Agency has enrolled groups from large multi state, multi plan corporations across multiple industries; to small 2-men group mom and pop operations

Comprehensive needs assessment: By asking the right question up front, we assure your group medical plan is focused on the appropriate business needs and your objectives are achieved.

Proposal review: Every proposal is reviewed by a senior member before it is sent to you. This important quality control is Group Benefit Agency's distinction.

OUR OFFER TO YOU:

FREE Group Medical Analysis

Hundreds of businesses have already chosen Group Benefit Agency for everything from group medical and wellness plans to retirement benefits implementation. To help you kick off your group medical savings efforts, Group Benefit Agency would like to give you a FREE group medical analysis with no further obligation. Visit www.GroupBenefitAgency.com today and start down the "*Healthy Employees = Healthy Bu\$ine\$\$*" road to success. ...or to read more, [click here](#)