

Health Insurance With Less Pain

How to minimize the soaring expense of benefits for you and your employees.

THE PRICE OF PROVIDING HEALTH-CARE COVERAGE HAS RISEN AT AN alarming pace—46 percent over the last three years. Some companies have responded by cutting back on benefits, others by shifting more (and sometimes all) of the financial burden to the employee. Workers are coughing up 51 percent more in premiums than they did in 2000, according to the Kaiser Family Founda-

tion, while employers are shelling out an extra 38 percent. So now's the time for businesses to evaluate their packages to make sure they're meeting their employees' needs without spending more than they have to. And smart employers can cut long-term costs even more by considering alternative approaches that will keep their employees healthy and productive. — JEFF PALFINI

»» DIAGNOSIS

How do you go about figuring out whether you have the right health-care package and whether there are any costs that can be squeezed out painlessly? Experts like Kirby Bosley, a principal at Mercer Human Resource Consulting in Los Angeles, advise executives concerned about their health-care costs to ask themselves the following questions:

1 Are all of our plans up to date?

Have you adjusted copays and deductibles to reflect inflation and the competitive market? If not, you're probably taking on a greater share of employee health expenses with each passing year. Bosley suggests that you find out what your competitors are doing—you don't want to drive valued employees into the arms of more generous rivals—and adjust accordingly.

2 Are we covering unnecessary procedures?

Sprint discovered that a relatively small number of employees were running up huge bills for infertility treatments. Managers did some digging and found that Sprint was one of very few companies that fully covered such treatments. So it cut coverage of infertility and impotence treatments from its plans in January, saving itself more than \$1 million a year.

3 Are we offering a plan with too many providers?

The more doctors in your provider network, the more you're paying. Crunch the numbers, and if you find a substantial number of underused doctors in your plan, move to a smaller, less expensive one. Sprint benefits manager Collier Case says doing this saved the company 5 percent on some health plans. Data-mining software like SAS Human Capital Management can help you figure out whether you can get away with a more limited offering.

4 Do we need to offer both a PPO and an HMO?

Conventional wisdom says preferred provider organizations offer flexibility while health maintenance organizations are less costly for everyone. This tends to be true in places like California, where the HMO system has been operating for decades with great efficiency, but in other states, including Georgia, Michigan, and Wisconsin, medical providers have renegotiated the terms of their deals and HMOs can now cost more than PPOs. As a result, many companies have dropped the HMO option altogether. If you choose to go the PPO route, look into tiered-network plans, which let employees see any doctor they like but make them pay more for certain doctors who charge more.

5 Are we fully leveraging our purchasing power?

Big companies have more power than small ones when it comes to negotiating with health insurers. But don't despair if you are a 30-employee operation. Purchasing pools offer the opportunity to team up with other small businesses and bargain as a group with carriers and drug-makers. Local companies gain collective bargaining power through organizations like PacAdvantage in California, the Connecticut Business & Industry Association, and the Texas Health Care Purchasing Alliance. Two years ago a 25-employee assisted-living facility in California switched from an HMO to PacAdvantage and saved a tidy \$2,000 a month.



6 What do our employees think?

Schedule a focus group or survey so employees can give their input on the strengths and shortcomings of their current coverage. Are there options they don't really need or want that are costing you money? Are they satisfied with the way the plans are administered? Keep in mind that there is a delicate balance between giving workers a say and creating expectations that just can't be met. Test new ideas: Ask employees if they'd make use of a wellness program if one were available (see next page). A Microsoft employee focus group revealed that workers were frustrated by the amount of time it took them to hunt down information about their benefits; that discovery led to the creation of the company's HRWeb, a centralized source for all the information. Microsoft estimates that the portal saves it \$3 million each year in lost productivity.

» TREATMENT

After you've analyzed your medical coverage and diagnosed your company's needs, you want to figure out how you can further reduce your costs without thrusting too much of the burden onto the shoulders of your employees. Creativity can help: Investing in alternative offerings now can save everyone pain and expense over the long term. Some options to consider:

Offer Health Savings Accounts

» HSAs let the employer and employee contribute pretax money to an account solely for medical expenses. New this year, the HSA is like an IRA for medical expenses. In order to take advantage of HSAs, you must also offer a high-deductible health plan, which means lower premiums for your company. There is one important caveat: Annual pretax contributions cap out at \$2,600 for individuals and \$5,150 for families, while some plans may set their deductibles as high as \$5,000—which means your employees could get stuck with whopping medical bills. A good place to start your research into HSAs is at HSA Insider (www.hsainsider.com).



Create a Culture of Good Health

» Some smart companies have started offering wellness programs that take aim at employees' unhealthy habits, like smoking, inertia, and overeating. Many companies already offer subsidized health-club memberships or even onsite gyms. The trouble is, the employees who take advantage of these offerings tend to be fit and healthy—they're not the ones driving up your health-care costs. The Caesars casino chain took the wellness approach, offering an obesity program in which 4,500 employees competed to take off excess weight. The group's average loss was 10 pounds, with a simultaneous rise in general well-being. And good health, after all, is the whole point, isn't it?

Start a Disease Management Program

» If you find that certain conditions are common among your staff, consider bringing in a disease-management specialist to head off predictable problems before they occur. For instance, a nurse would make sure that diabetic employees are eating properly, taking their medication, and monitoring their blood sugar regularly. Al Lewis, president of the Disease Management Purchasing Consortium, notes that DMPs help keep premiums in check and can even produce a modest savings in the range of 4 percent. You can get more information on starting a program for your employees from Lewis's organization (www.dismgmt.com) or the Disease Management Association of America (www.dmaa.org).

Bring Health Care to the Employee

» North Carolina software maker SAS saved a bundle with an onsite clinic offering free medical care to its employees. Human resources VP Jeff Chambers estimates that the clinic helped the company shave \$600,000 from the budget last year in doctor visits and lost productivity. Even if you can't afford to open a clinic, consider hiring a nurse practitioner to handle minor health issues. You might also think about opening an onsite pharmacy—drugs being the single biggest reason for soaring health-care costs. At Bally's Las Vegas casino, employees can get generic drugs free of charge. While the average brand-name drug costs \$100 in a pharmacy and its generic version costs \$28, parent company Caesars pays just \$15, almost 50 percent off the normal retail price.

Self-Insure Your Company

» More and more businesses are cutting out insurance carriers altogether. Instead, they pay employees' health expenses directly. This allows them to fashion their own plans and piece together provider networks that meet the specific needs of their workforce. Insurance claims can be handled by the employer or they can be outsourced to companies that specialize in administering such plans. Alliance Laundry Systems, a commercial washer-and-dryer maker in Ripon, Wis., began self-insuring its 700 non-union employees in 2002 after its premiums skyrocketed more than 30 percent. Last year Alliance's premiums climbed just 10 percent. For more information, check out the Self-Insurance Institute of America at www.siaa.org.