



Participating Funding for Health Insurance



Why Are Health Insurance Costs So High?

We are in an unprecedented era of spiraling health costs in this country, with no end in sight. The major culprit is the trend of obesity and people who smoke and are generally unhealthy through poor lifestyle choices. These people drive the majority of the health costs, although they are not a majority of the population.

The goal is to have a health plan that isolates those individuals and supports how they have a quality health plan, without having to make the rest of the group pay higher premiums to essentially cover the risky employees. The other critical component here is persuading these employees to adopt wellness and lifestyle change, Although this can take time.

Source: Weighty Matters: How Obesity Drives Poor Health and Health Spending, written by Dr. Kenneth Thorpe and released May 7, 2009

Concept: Re-design health benefits by moving to a higher deductible

50 employee company with 30 people on the health plan

Current benefits: HMO plan with a \$500 /\$1,500 deductible, \$20 office visit co-pay and / \$10/\$20 /\$40 prescription drug plan	New benefits: HMO plan with a \$1,000 /\$3,000 deductible, \$20 office visit co-pay and / \$10/\$20 /\$40 prescription drug plan
Annual premium - \$300,000	Annual premium - \$200,000
	Premium savings - \$100,000
	Additional deductible exposure - \$30,000
	Guaranteed Savings - \$70,000

"Figures are hypothetical and for illustrative purposes only."



Further Explained

- You are actually very likely to save 60-80% of the total premium difference between the plans as most employees will not come near their deductible
- Providers are paid directly for any out of pocket exposure (amount above the old \$500 deductible). We receive the claim explanation from the insurance company, and then pay the employee's provider.
- You will not sacrifice coverage one bit. You essentially have the same health plan, it is just you are paying employees directly for a portion of their deductible exposure (rather than the insurance carrier), saving tens of thousands of dollars in premium in the process.



How Employees are Affected

- Employees actually love this type of plan because they do not sacrifice any coverage, and their premium contribution also decreases (if they are contributing towards cost – which is likely).
- Employees will not receive a bill regarding services performed. Often times, we can deliver a check to their provider before they receive the explanation of benefits (EOB) from the insurer.
- We perform group meetings to illustrate how much the employer cares about reducing health costs, and that we are not making the good health risks subsidize the poor risks with the health plan. This resonates very positively with employees because no one wants to pay more than necessary. We also stress the value of the plan to employees, giving the employer more value for what they pay for.