

# Managing Company Health Care

High-performing employers have lower per-employee costs.



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enhancing employee satisfaction and partnering with a quality insurance provider are key benchmarks.

Those high-performing employers, implementing consumer-directed health care plans (CDHP) or high-deductible health plans (HDHP), have the lowest overall annual cost per employee. Conversely, low-performing employers who aren't as engaged have the highest annual cost for health care.

A CDHP has three main components: a health insurance plan with a high deductible, an accompanying tax-advantaged account such as a health savings account (HSA) or health reimbursement arrangement (HRA) to pay for expenses below the deductible amount, and decision-support tools to assist the consumer in assessing health care cost and quality and available treatment options.

As an example, a large plastics manufacturer recently implemented a successful high deductible health care program for its 750 employees. Faced with a 26 percent increase in premiums from \$6.3 million to \$7.9 million, the company was able to reduce its annual premium to \$5.8 million. The new plan included a \$1,200 single

deductible and a \$2,400 family deductible. Once the employee / family met the deductible, the medical plan paid 100 percent of all medical bills for the calendar year. The employer allocated an additional \$500,000 to help fund the employees' health savings accounts, putting in \$600 for a single employee

and choose a hospital based on factors such as quality, efficiency, infection rate and other delineating factors.

In a given year, a single employee will have a \$1,200 deductible. But because the employer is helping with a deposit of \$600 annually to their health savings account, the employee will only

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WITH AN ANTICIPATED 7 percent increase in employer health insurance premiums in 2008, many employers are looking for low cost solutions. High-performing employers are lowering their premiums while low-performing employers continue to struggle.

So, what separates high performers from low performers? Employer performance is measured by the initiatives the company takes to meet a defined set of health care management objectives. Managing employer costs, managing employee costs, engaging and educating employees,

and \$1,200 for each family. Employees attended meetings to learn how the high-deductible health plan and health savings account would benefit them.

While there was concern that there would be no more co-pays for office visits or prescriptions, employees received guidance on becoming more engaged with their health care purchases by questioning their doctors about alternative and generic drugs. They also received online tools to research the cost of a drug and compare pharmacies. Another online tool helps them evaluate

incur a \$600 out-of-pocket expense. Now, when that employee is faced with a \$1,800 MRI on her knee, she is more likely to ask the doctor about a \$180 x-ray first or shop three other MRI centers for the best price.

If your business is facing increasing health care premiums, you should evaluate your objectives and performance. Engage your employees at a higher level. More important, challenge your insurance provider to offer effective health care coverage solutions that help you become a high performing employer. ■