

Small Business Reduces Healthcare Costs

BACKGROUND

A small business with twenty five employees came to us wanting to reduce their healthcare costs without affecting their employees. The economy had hurt their bottom line and they were not able to continue to pay the same premiums as they are currently paying. The employer was paying one hundred percent of premium for the employee only. They were currently offering a plan with in-network and out-of-network benefits.

KEY FINDINGS

BCG Advisors met with owners to understand the full scope of their business, goals and where they see the business in one, three, five and ten years. We wanted to understand the type employee they employee and want to attract. Our extensive due diligence provided us with valuable information about how the employees used the plan and how they valued the medical benefits their employer was offering. One noticeable fact was the demographics of the employees – mostly single men in their twenties. Additionally, most employees, when surveyed, were very concerned that there were enough providers in the network. This provided valuable information which was the backbone of our recommendation.

RECOMMENDATION

After all of our due diligence had been completed, we started to draft our recommendation. Based the demographics and the fact that that the employees were clearly only using in-network providers, we recommended that the employer offer an HMO and a Point-of-Service Plan which allows employees to go out-of-network. The HMO plan will be tailored so the rate is low enough that the employer could continue to pay one hundred percent. We implemented a carrier with an excellent network of providers so employees felt comfortable if an illness or sickness happened. If an employee wanted a plan which allowed for out-of-network coverage, the employee would pay the difference via a pre-tax payroll deduction (we implemented a Section 125 Premium Only Plan which allows for deductions to come out pre-tax). Regardless of which plan the employee enrolled into, the employer was only paying the HMO single premium rate.

The final and most important aspect to guarantee success with this new program was the communication to employees. BCG Advisors customized enrollment materials which explain in detail how each plan works and simplified the enrollment process. We also held two informational seminars at which we explained the new program to make sure that all employees completely understood how it worked.

SUMMARY

The program that BCG Advisors recommended met every goal the employer set out to accomplish. The employer was still able to continue to offer coverage paid at one hundred percent while cutting their bottom line costs. The employees were not affected because they were using in-network providers in the old program so removing the out-of-network benefit did not pose much of a change. Overall, our client ended up saving 18% over what they were paying.