

Upstate Business Trends

No need to cut coverage

Wed, Mar 3, 2010 at 7:36 am

BY TIM RONALDSON | *Business Trends*

The world of providing employee benefits is changing – drastically.

While the federal government continues to debate health-care reform, business owners are attempting to toe the line between providing a good benefits package to their employees while keeping costs at a reasonable level.

With a lack of apparent “affordable” medical coverage options, benefit representatives are advising their clients to take a new approach.

“The guys that want you to compete on price are the guys that are now bankrupt,” said Jason Freeman, CEO of J. Freeman & Associates, a Greenville-based financial and insurance advising firm. “We’re going to give you a comprehensive, added-value approach that’s going to give you all the ins and outs of what you need.”

There is no one cookie-cutter approach to providing medical benefits, Freeman said. A plan that works for one company might not work for another that has the same number of employees and works in the same field. Aside from the size of the group to which you’re providing medical benefits, you also have to take into consideration the demographics of the members of the group, including each person’s medical history, which could drastically affect the price of plans you can offer.

Through the plan design stage, Freeman said he likes to provide companies with multiple options from which to choose, with a sliding scale of benefits provided versus the cost both to the company and the employee.

“The plan design is extremely important,” he said. “You really have to get to the root of it.”

Once that process is complete, it’s not likely that the options available are going to excite many people. The cost of providing health insurance on a business level has become so expensive because the cost of providing the insurance has done so as well, Freeman said. Health insurance companies are not making money, and as such, big companies are pulling out of offering it, leaving only a handful of providers in the market.

“It’s adverse selection. You don’t have a lot of choice,” Freeman said.

And so, companies are forced to look elsewhere. Many are beginning to educate their employees on Health Savings Accounts, a tax-free alternative to put money away for medical expenses. Unused money saved in HSAs rolls over from year to year.

Premiums tend to be 20 percent to 40 percent less through HSAs than normal health plans, Freeman said, and it forces the consumer to control his or her own costs more, since he or she will be paying for medications out of the HSA instead of using a drug card, for example.

“It is the best of the worst; it’s the best option out there of what we have, but it’s still not exciting. It’s better than the alternative,” Freeman said. “Still, it’s got tremendous powers for the long haul.”

Businesses can also save on health insurance costs by promoting employee wellness programs. While these programs – such as offering gym memberships, and weight loss and quit smoking programs – require some up-front cost, in the long run, it can slow the rate of increase for typical medical insurance, based on the fact that your employees will have lower health risks.

“What’s it worth if you prevent a heart attack? What’s it worth if you prevent a health insurance or workers’ compensation claim?” Freeman asked. “It’s tough, but we have to see the big picture.”

The key to navigating the rocky waters is educating employees about the benefits they are provided, not just on what’s available to them but how much of a value each benefit is, Freeman said. An employee may be earning a salary of \$48,000, but his or her total compensation package could be worth more than \$70,000.

As Freeman points out, a hypothetical employee earning close to \$50,000 might pay \$3,500 per year for medical coverage, which in turn could cost the company \$10,500 to provide. Similar examples exist in Social Security payments, life insurance, dental insurance and any other “intangible” benefits the company may provide.

Freeman, who has 15 employees of his own, understands both sides of the picture as a benefit provider and as an adviser to his clients. In a good economy, employees weren’t as interested in the actual value of their benefit packages, since it was assumed they would be provided. In the new economy, it’s even more important for companies that continue to provide benefit packages to explain, in detail, the value to their current and potential employees, so they can truly understand their total compensation.

“The lack of understanding is one of the top reasons why we have such a problem (with health care),” Freeman said. “We as American citizens want to point the finger...instead of being accountable and responsible. That’s where we’re different.”