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Smart Business Brief

Advice for Success!

Healthcare: Don't Cut —Share

How do you trim healthcare costs without demoralizing valuable staffers already confronted with a shrinking list of options? Ask employees to contribute toward the healthcare perks they use.

One of the biggest challenges small businesses face is wrestling with the cost of employee healthcare. Companies with more than 50 employees have some negotiating flexibility in healthcare premium costs; firms with 50 or fewer employees are faced with fixed premiums.

Your company can begin to control costs by introducing Health Savings Accounts (HSA) paired with a high deductible plan. Rather than pay a percentage of premiums, as many companies do today, the company can make a fixed dollar employer contribution. With healthcare premium costs increasing 15-30% annually, offering a fixed dollar contribution allows the firm to better budget since the costs are constant. Firms may choose to either maintain the fixed dollar contribution over several years or include some level of increase each year (e.g. 10%) in their fixed portion.

In one example, a company offers each employee a fixed monthly healthcare benefit amount of \$400. The monthly cost for a traditional plan with \$1,500 calendar year deductible is \$369. In this choice, the company pays the full premium and contributes the remaining \$31 into the employee's HSA.

The employee may use HSA funds to pay for out of pocket costs for any Qualified Medical Expense (QME). Unlike previous "use or lose" Flex accounts, HSA balances can be carried over from year to year.

To ensure employee satisfaction, one should offer a range of insurance options. Should the employee choose a plan with a lower deductible (\$1,000), the monthly premium is \$480. The company pays \$400 and the employee pays the difference, or \$80. An even lower deductible plan (\$500) is available for a monthly cost of \$520. The company continues to pay \$400 while the employee now pays the \$120 difference.

Some firms successfully utilize this approach while also incorporating some company-sponsored Wellness Programs. Wellness Programs help employees to overcome their personal medical challenges; that results in a healthier work force and reduced healthcare expenses.

If your organization has not tried cost sharing before, note that advance communication and employee involvement are crucial. Before requiring contributions, your company needs to explain the need and make the case for doing so.

