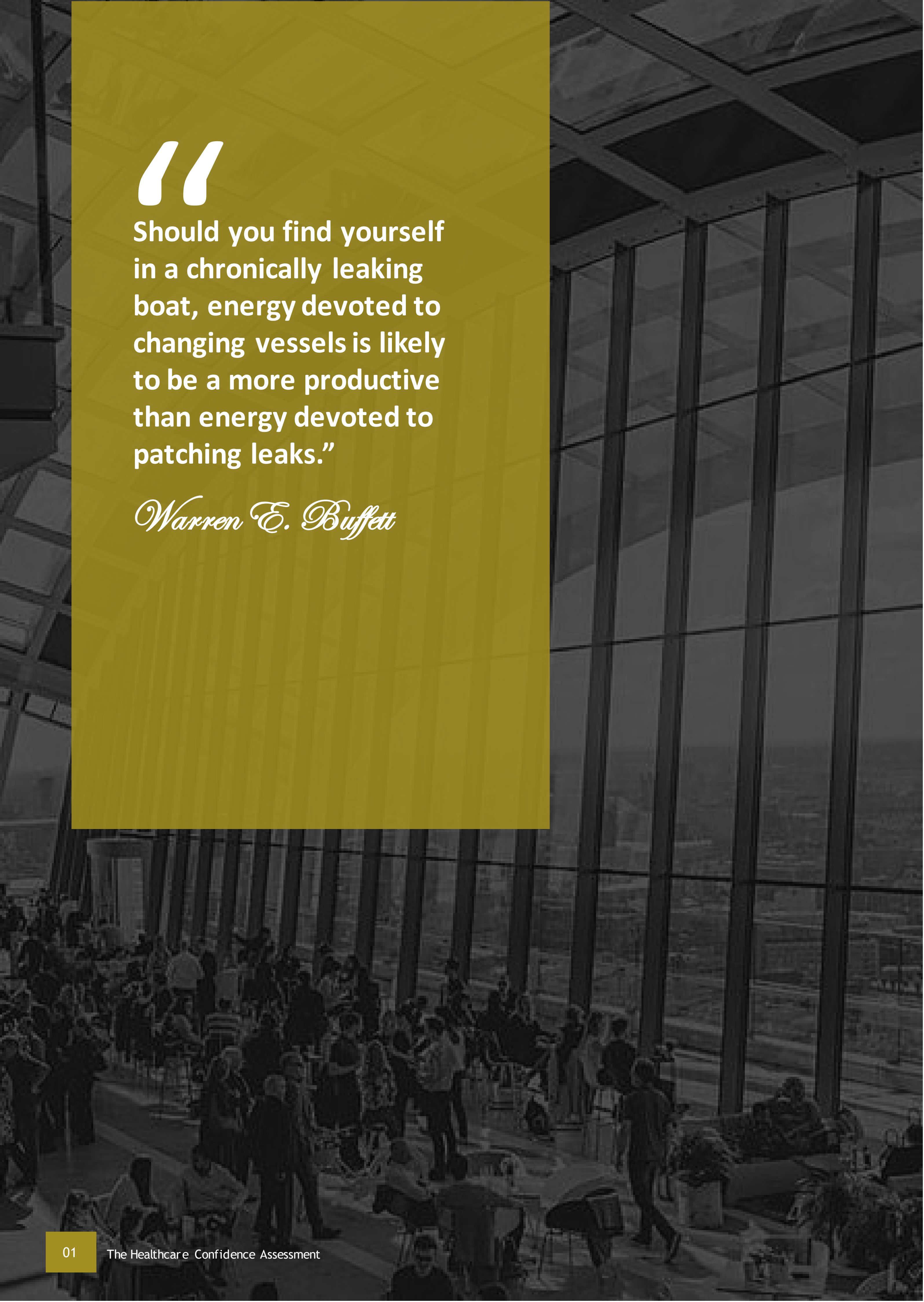
Demarie & Timmerman
An Employee Benefits Company

Breaking Through The Status Quo

The Healthcare Crisis

Impactful Solutions

A Guide to Creating Better Health Plans for Less Money



“Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be a more productive than energy devoted to patching leaks.”

Warren E. Buffett

Introduction

You're driving down the road feeling good. You have your significant other in the passenger seat next to you. It's a beautiful day, and the wind is blowing past your face. How can anything go wrong? Suddenly, it sinks in. You're lost. However, to cover your guilt, you stay silent and continue to drive hoping the next turn will put you back on track. You swear your GPS is accurate, so you keep on course with its voice command. You keep driving … and driving … and driving, never realizing you've plugged in the wrong destination.

Has this ever happened to you?

Today, employers across the country find themselves in an extremely tough battle with ever-rising healthcare costs. It's a complex puzzle most have not been able to solve. Inside, they know they're lost but admitting this to the executive team or the board could be detrimental to their career. Instead, they keep "driving" hoping the next turn, the next insurance renewal, will get them back on track. Most don't realize they've plugged the wrong destination into the GPS, and it's voice command is barking inaccurate directions.

However, it doesn't have to be this way. Arriving at the desired destination is a certainty if the right coordinates, the right solutions, are plugged in. Can you give your employees a better healthcare experience at a lower cost? You bet! Let this guide serve as the GPS system to help you create a better health plan for less money; but first, you need to uncover the three fundamental challenges that are keeping your organization off course.

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Challenge #1

Health Insurance Companies Do NOT Want to Help You Save Money

Yes, you read that correctly. Health insurance companies don't want to help you save money. Now, even if you agree with the statement, it's important you understand why.

When the government enacted the Affordable Care Act (ACA) in 2010, one of the pillars of the law was the Medical Loss Ratio (MLR) rule.

Medical Loss Ratio (MLR)

The purpose of the rule was to ensure that insurance companies use a percentage (80%, for example) of each premium dollar to pay for medical claims. The other 20% could be used to pay overhead expenses such as administrative costs, marketing, salaries, commissions, and profits. If the cost of paying claims was less than 80%, the insurance company would be required to return money to the employers it insures. At that point, insurance companies no longer had an incentive to help employers contain medical claims costs and had every reason to watch costs increase because it reduced the probability of having to return money to its book of business.

If you're having a hard time believing this, think about the stock performance of the largest insurance companies (Anthem Blue Cross/Blue Shield, Aetna, Cigna, and United Healthcare) since 2010.

Stock prices have increased over 300%!

All four insurance companies have seen their stock values increase no less than 300% over the past eight years. For them, the Affordable Care Act has been more friend than foe. Now it should be easy to see why *certainty* and *predictability* are two words rarely associated with the healthcare budget. When an insurance company profits from your rate increases, creating budget stability becomes a difficult challenge for any organization.

Challenge #2

Most Brokers Just Want You to Renew as Is

We all want to believe that when we pay someone to perform a service for us, that our best interest will always come first. Let's face it, moving your business to another carrier requires a lot more

time, resources, and money. It's much easier to convince you that your current carrier is the best option on the table and you could do some cost shifting to lower the premium and voila, you have now just settled for the less bad rate increase you have been settling for year in and year out.

Your broker may indeed recommend you switch to another carrier to help soften the blow of your annual increase and try to maintain an adequate benefit level to avoid employee dissatisfaction. In my opinion, this is like re-arranging the deck chairs on the Titanic and expecting a different outcome!

When was the last time your broker implemented a strategy that help reduce the Number, Size, and Frequency of claims? The answer I always hear is never. As much as you would like for your brokers interest to be in complete alignment with yours, this is seldom the case and too often they are influenced by the large carrier bonuses that can tilt the balance of meaningful strategy out of your corner.

If your broker has come to you in the past 3 to 4 years with a multi-year strategy to reduce what is most employers 2nd or 3rd largest expense and followed the plan of implementation each year for the desired outcome, then I say keep your broker for their interest are in the proper alignment.

Challenge #3

You Are Giving Your Employees an Unlimited Company Credit Card

The decisions employees make inside the healthcare system are *the* driving force behind your ability to control the healthcare budget. Unfortunately, improving the healthcare purchasing experience for your employees has been marginal, at best. This is *the* biggest challenge to curbing rising healthcare costs and here's why:

The medical ID card you hand out every year is nothing more than an unlimited company credit card to your employees. Think about this. As long as employees stay within the health insurance plan's network of doctors and hospitals, they can go *wherever* they want and they can spend *whatever* they want. Here are a couple of examples.

Inside your health insurance plan, an employee can elect to purchase an MRI for $500 or she can elect to buy the *same* MRI at a different facility for $3,000. An employee can decide to spend $15,000 for elective knee surgery or he can opt to have the same surgery performed at a different facility for $40,000. Now, it would be logical to assume a higher price means higher quality but that's not how healthcare experience works. The highest-quality healthcare purchases tend to come with smaller price tags because the facilities behind the purchased services are extremely efficient. The lower the quality, the higher the price tag tends to be.

There's a huge variance in the price and quality of the services purchased within the health insurance plan and employees continue navigating the healthcare system swiping the company credit card as they please. The result? A poor healthcare experience for your employees and an inflated health insurance budget for your organization.

"The medical ID card…is nothing more than an unlimited company credit card."

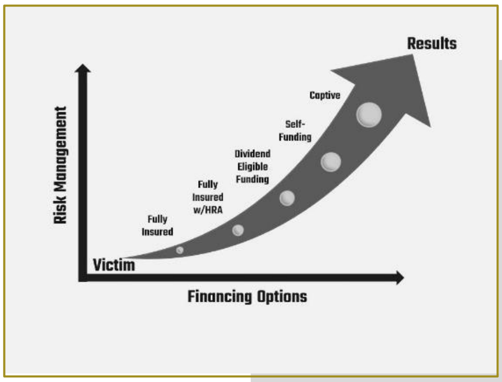
There is a better way...

Let today be the day you stop playing the insurance game. Let carrier shopping, cost-shifting, and negotiating "less bad" rate increases be a thing of the past. You see, it's about managing risk and insurance is the MOST EXPENSIVE WAY to manage risk. Yet, when you are determined to effectively manage the following areas of risk, you give your organization the ability to buy insurance at the lowest price possible.

3 Areas of risk you must effectively manage to bring certainty to the healthcare budget

Financing Risk

How you finance your healthcare budget will determine your ability to control costs and create a world-class healthcare experience. The graph, to the right, will help you determine if you are on a path to getting results or becoming a victim.



Catastrophic Risk

The Pareto Principle is impacting your healthcare budget as 20% of the participating employees are driving 80% of the costs. Consider this. In the past 12 month, what is the #1 strategy you've implemented to reduce the SIZE and FREQUENCY of the claims generated by the 20%ers ("super-utilizers")? To create a world-class healthcare experience, you mush help those that need the most help.

Healthcare Purchasing Risk

Effectively managing healthcare purchasing risk is about help employees access high-quality healthcare services at reduced prices. Why allow then to purchase an MRI for $3,000 when the can access the same MRI for $500? Healthcare purchasing risk isn't about eliminating claims. It's about implementing strategies to reduce the price for which healthcare services are purchased, without sacrificing any quality. It is possible to provide a better health plan at a lower cost!

If you are ready to create real financial results while improving the quality of healthcare for your employees, then let us show you how to Supply Chain Management to take back control of YOUR health plan.

Contact us @ pierre@demarietimmerman.com or you can call us at 985-674-5186.