



Do-it-yourself health reform: Despite D.C. action, some firms can't wait to cut insurance costs

By Samantha Stainburn
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The Joffrey Ballet's employee health premiums didn't go up dramatically this year. They rose 7%, less than the increases in the teens that many Chicago businesses are reporting. But that boost, coming after a decade of incremental rate increases and a year in which corporate donations fell, was enough to make the organization try something new. "This was the first year we didn't cover our health plans 100%," Executive Director Christopher Clinton Conway says. "Doing an employee contribution kept our rates flat without having to scale back on benefits."

Joffrey now requires its staff of 100, which includes 42 principal dancers with 38-week contracts, to each pay \$50 a month for an HMO plan or a bit more for PPO coverage. Joffrey offers the coverage through UnitedHealthcare at a total cost of about \$400 per employee per month. To remove some of the sting, while encouraging healthy activity, the organization is waiving fees for employees for classes at its Academy of Dance. "When things turn around, if we've not treated our employees fairly, they're going to flee," Mr. Conway says.

While the health reform debate dragged on in Washington, D.C., lots of Chicago companies had the same epiphany Joffrey did: They couldn't afford to wait to take action against rising health care costs. And many of the reforms contained in the new law will be phased in over years.

Michele Thornton, vice-president of the health and benefits division at independent insurance agency Thornton Powell in Oak Forest, says there are lots of options, even for small businesses, that can provide relief right now. "Employers are paying more attention now because budgets are tighter," she says. "I'm hearing more small businesses say, 'You've been talking to us about high-deductible plans and health savings accounts for years. I'm ready to listen.'"

One of her clients, presented with a 40% increase in premiums this year, determined it was cheaper for employees' dependents to get insurance elsewhere and encouraged them to move to those plans, even paying for an individual plan for one employee's healthy toddler. This tactic, among other changes, held the company's premium increase down to 20%. "Employees and their dependents don't all need to be insured in the same place," Ms. Thornton says.

SAVING STRATEGIES

Mid-sized and large employers are shaking up their health insurance strategies, too.

Among mid-sized businesses, says Kerry Finnegan, a Chicago-based senior partner at consulting firm Mercer LLC, "we saw much more plan redesign and aggressive activity on Jan. 1 of this year than we did last year."

According to a Mercer survey, 36% of mid-sized employers across the United States changed contribution levels, 20% increased deductibles, 19% changed their pharmacy plan design and 4% adopted a "consumer-driven" health plan, a policy with a high deductible and a savings account used to pay for medical care. "All of those strategies had a 5% or less impact on their rates, except for adopting a CDHP, which on average saved 9.8%," Mr. Finnegan says.

Big companies, which have led the pack on redesigning health plans to save costs, are now focusing on how employees are using benefits.

"A lot of larger employers cut back on benefits last year," says Mitch Santiago, a senior consultant in the Chicago office of professional services firm Towers Watson & Co. "This year, more large employers are trying to get people in their plans to make better decisions. They want tools to get employees to buy a generic drug instead of a brand name or programs that monitor repeat usage of MRIs, so if one's been done in the last 30 days, they can use the same film as opposed to run another procedure."

"We're seeing a trend of employers encouraging individuals to take care of their own health," says K. Bruce Stickler, a partner in the Chicago office of law firm Drinker Biddle & Reath LLP who advises companies on labor relations and health care. "They might require that employees pass annual health examinations, and if they don't pass, they'll be offered insurance with an extremely high deductible and perhaps free care to modify behavior such as obesity, smoking and high cholesterol."

WAITING FOR REFORM

Meanwhile, some Chicago businesses are just glad the health debate has ended, even if it's not entirely clear whether the new law will help hold the line on costs.

For example, at Schaumburg manufacturer Quality Float Works Inc., business is picking up again after slumping domestic sales forced layoffs in 2009. The company, which makes metal floats and valves, has found new customers in Saudi Arabia, Nigeria, Australia and Kazakhstan.

But third-generation owner Sandra Westlund-Deenihan, 58, and her son, General Manager Jason Speer, 34, have spent months helping out on the factory floor rather than hiring more workers. The 95-year-old company

A QUICK LOOK AT YOUR RATES

Insurance companies determine rates for group health insurance plans based on three factors:

- **Employee characteristics.** Women and older workers generate higher rates, as do smokers.

- **The amount of health care your employees use.** Conspicuous consumption of brand-name drugs and redundant CAT scans will raise premiums, as will lots of emergency room visits and hospitalizations.

- **Industry and legislative trends that affect the cost of medical care.** If the price of aspirin goes up, everybody's rates increase. State laws that require health insurance plans to cover certain medical conditions, such as autism, also push rates higher.

Also: If you have 50 or fewer employees, an insurer will pool you with similarly sized businesses in the same industry and location and come up with an index rate for the group based on its characteristics and claims history. Then it will adjust your company's rate up or down, given your particular employee profile and claims history. In Illinois, an insurer can charge a small company up to 25% more or 25% less than the base rate for its group.

pays 65% of the premiums for the group PPO plan for its 17 employees, and uncertainty over whether the reform legislation would require businesses to pay a higher percentage of premiums or meet other mandates prevented them from adding staff.

"We're in limbo," Ms. Westlund-Deenihan told *Crain's* at the beginning of March. Now, she says, "once I thoroughly read the bill, I can make some decisions."

The law contains provisions that might even cut costs for Quality Float Works, including temporary tax credits for companies with fewer than 25 employees and the introduction of small-business insurance exchanges in 2014.

"I'm still concerned that there will be costs that take resources away from our company," Ms. Westlund-Deenihan says. "But I'm hoping good things will come out of this bill."

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