

PBM Corporation Implements a Self-Insured Employee Healthcare Benefit Plan

The company that created the innovative point-of-service healthcare transaction system implemented its own self-funded healthcare benefit plan to their employees. “The decision to offer Simplicity Health Plans to my employees was two-fold. As the CEO of Simplicity, the first reason is obvious; I built it, believe in it and I know it works. The second reason, like any other small business owner I wanted to provide a quality health benefit to my employees and save money on healthcare costs, the choice was simple.” **Gregory J. Hummer, MD—CEO Simplicity Health Plans**

Background

PBM Corporation is a Cleveland, Ohio based company. PBM is the creator of a patent pending, web-based application that serves online applications for insurance companies, TPA's, MCO's, self-insured and state funded employers, providers, and government agencies. Launched in 1998, PBM has earned notable industry praise and its software is utilized by over 45,000 employers, TPA's, MCO's nationwide. PBM's vision focuses on how they can use the most powerful and effective technology to build integrated solutions that will help their clients lower costs, improve productivity, increase profits, and meet regulatory or governmental compliance.

The Opportunity

As healthcare costs continue to escalate, and the fact that PBM had perfected its point-of-service technology, PBM decided it was time to implement Simplicity Health Plans as their healthcare benefit plan of choice. The plan design was simple—one plan, a high deductible option with a Health Savings account that would save PBM thousands of dollars in healthcare costs, promote the health and wealth of its employees and enable PBM to become self-funded.

The Solution

Simplicity Health Plans was created to bring healthcare affordability to business by using a high deductible health plan with a health savings account, ERISA

The Solution is so Simple:



legislation, technology and significant tax saving that creates a self-funding benefit plan option even for the small employer. The literature and statistics on CDHP and consumerism is overwhelmingly positive and has demonstrated as much as 25% change in health behaviors as well as 15-17% savings in medical trend. The self-funding model offers further advantages to small business through a very low risk aggregate attachment and an A+ rated stop loss carrier. For PBM, becoming self-funded meant only having to pay for healthcare claims incurred for



their own employee population, not an entire risk pool, and because the plan falls under the ERISA legislation, the plan pre-empted state and federal regulations relating to fully-insured programs eliminating any requirements and/or mandates from the new healthcare reform laws. Lastly, the Simplicity Health Plan consumer tools allowed plan members to visualize cost savings for their health behaviors and helped them locate cost effective procedures enabling members to save more pretax cash in their Health Savings Account (HSA) compared to other traditional consumer directed health plans. Average savings were \$90 to \$100 more per member per month using the Simplicity Health Plan consumer solutions.

The Results

By implementing a Consumer Directed Health Plan with a Health Savings Account, PBM was able to provide its employees with a quality benefit plan that included first dollar coverage for preventive services, \$10/\$25 Prescription co-pays after the deductible, 100% benefit coverage of the allowed plan amounts after the deductible and a full suite of health programs and wellness tools that empowered their employees to actively engage in their healthcare decision making. First year plan rates for employee only was \$270.21 and family coverage was \$550.35. The first year group performance included a medical loss ratio (MLR) of zero and an average HSA balance of \$2,812.95, well above industry average of \$1,500. The group renewed with a second year increase less than 8% of the medical inflation rate. Second year plan rates for employee only was \$292.59 and family coverage was \$646.81. The groups second year MLR remains at zero and the average HSA balance has increased to an impressive \$15,368.16 demonstrating that a healthy population is rewarded through wealth accumulation.