

There is a Health Care Solution for the Little Guy

By Lisa M. Holland, RN, MBA and Gregory J. Hummer, MD



So you're a small business...that does not mean that you can't self-fund your health benefits. According to a report issued by Price Waterhouse Coopers in 2010, 12 percent of small employers with an average employee size of three to 199 were self-insured in 2008, up from 6 percent a decade ago.

As the uncertainty of health care reform continues to loom, now is the perfect time for small business to consider moving to a self-funded benefit plan. It is important to recognize that self-funding is an option for small companies (as low as two unrelated employees) to finance their health care risk, which, in most cases often proves to be a third less costly than fully insured programs.

A recent government sponsored Rand study showed that self-funding is cost efficient and often times provides better benefits than a fully insured product. Rising health care costs are affecting smaller employers more significantly, so it is important for small employers to recognize that they have a self-funded coverage option.

So as the "little guy" how do you go about finding a self-funded option that can work with your budget, provide quality coverage, mitigate your liability and promote a healthy and productive workforce.

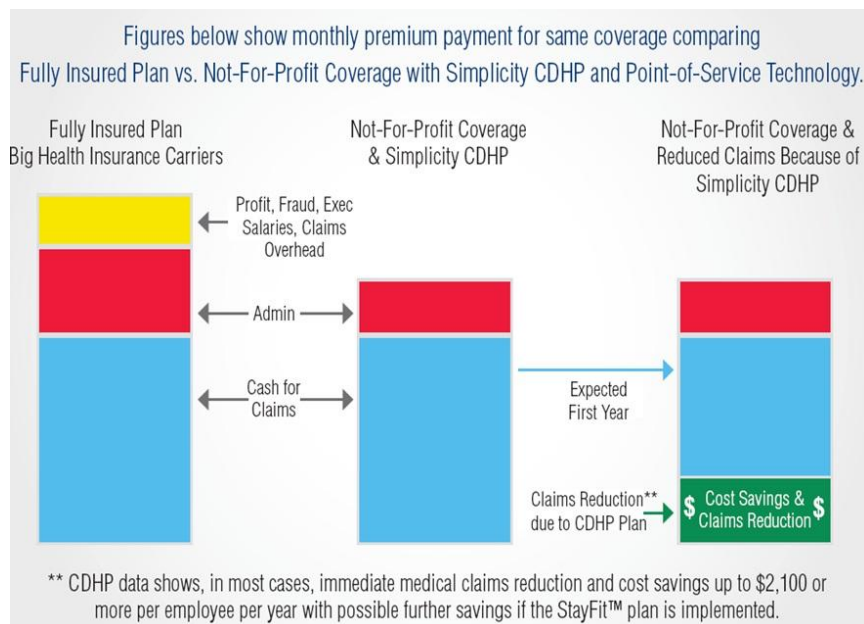
Small employers should consider the following five critical elements when looking to implement a self-funded benefit plan: Regulations and oversight, Plan Design, Carrier Solutions (Stop Loss Insurance), Administration and Wellness.

Given the current political environment and all of the complicated aspects of health care reform, it is almost impossible for a small business to survive. Fortunately, the federal government enacted self funding under ERISA. ERISA protects the interests of employee benefit plan participants and their beneficiaries by requiring the disclosure to them of financial and other information concerning the plan; by establishing standards of conduct for plan fiduciaries and by providing for appropriate remedies and access to the federal courts.

ERISA is sometimes used to refer to the full body of laws regulating employee benefit plans. ERISA represents that states cannot regulate any employer health plan devised under the ERISA law. What states CAN regulate are insurance companies. Some employers self-fund their benefits and others buy their coverage from a regulated insurance company.

The ones that buy from insurance companies are indirectly affected by the regulations that apply to those insurance companies. On an ERISA program, employers are not bound to the state mandates and other regulations that apply to the regulated insurers, so this provides the freedom of exemption to most, if not all of the new health care reform rules and regulations. As a self-funded program under ERISA, small business can eliminate considerable administrative costs associated with a regulated insurance company and because you have control over your population's destiny you ultimately have more control of the overall risk.

Finding a self-funded solution that offers a quality health care benefit with good liability limits along with the most simplistic plan design should be a primary consideration. As a small business owner, you wear a lot of hats to ensure your business runs smoothly and successfully and this includes taking care of your employees.



However, if you introduce a complex benefit plan design that is not easily understood, you most likely will spend most of your time wearing your human resource hat than running your company. Benefit plans do not have to be complicated to provide quality health care coverage. Priority should be placed on first dollar preventive coverage to promote health and well-being among your employees, adequate prescription coverage to

ensure compliance for chronic conditions and an overall program design that promotes consumerism, health and productivity, i.e a consumer-directed health plan with a health savings account.

Research has proven that individuals on a high deductible plan design change their health behaviors by as much as 25 percent (McKinsey 2005) become better consumers of health care, purchase generic drugs more often and have fewer claims than individuals on a fully insured plan. In addition to individual behavior change, a full replacement CDHP benefit plan can save employers up to 15 percent in medical costs.

Since you will be funding some part of the risk, it is important that you find a program that is flexible in terms of your percentage of overall risk and has an A+ rated stop loss insurance carrier to provide reasonable liability limits. Many small employer benefit

plans include a specific and an aggregate attachment, but there are innovative solutions in the marketplace that may only have a low aggregate attachment to mitigate your risk.

Do your homework and be sure you work with a licensed broker/consultant who can assist you with finding a cost effective solution that makes sense for your company. Make the plan work for you by driving your employees to be healthy through built in economic incentives of an HSA. It's crucial that employees share in a sizeable deductible and that initially some of the savings are pushed back into their HSA.

This design fosters positive reinforcement that promotes the "health to wealth" concept. We also would recommend mandatory "shifts" of funds from employee paychecks or employer funds to capitalize the HSA so that employees can see the cash build and actually have reserves to pay their medical bills within the deductible. There seems to be a "magic" point at which employees realize a cash savings.

Employees then become more conscientious about how their actions and behaviors impact their health care dollar. A plan that allows the use of a debit card is detrimental to the philosophy of accumulating wealth and is a potential mechanism for abuse which allows for the purchase of everyday goods and services. Overall, critical cash build is the positive reinforcement mechanism that drives sustained behavior change.

The administration of your benefit plan is paramount to the success of your plan and the satisfaction of your employees. The best administrators are those who can use technology as the foundation for the entire program and are able to seamlessly integrate all aspects of the benefit plan under one administrative umbrella—thereby further reducing costs. The administration should include integration with the stop loss carrier, banking (HSA administration), pharmacy, network, Third Party Administrators, medical underwriting, case management, utilization review and wellness.

In a recent white paper published by the Self-Insurance Institute of America (SIIA) stated that employers who move to a self-funded benefit plan can save up to 10-25 percent of costs associated with their benefit plan administration.

Lastly, your benefit plan should include components that continue to drive and motivate your employees to maintain or achieve their optimal health and well-being. In addition to first dollar coverage for preventive care benefits, you should look for robust online health and wellness tools, health coaching, health discount benefits and a formal wellness program that measures quantifiable biometric indicators of costly chronic disease that can be addressed with tailored programs to mitigate these risks.

About Simplicity Health Plans

Cleveland, Ohio - Simplicity Health Plans is the best implementation of a CDHP/HSA. It aligns the interests of the Employer, Employee and the Provider to provide a turn-key, fully integrated consumer-directed health plan. It also delivers a low cost, scalable solution to control claim costs. The Plan fuses unparalleled technology, point of service adjudication, real-time data, and first of its kind anti-fraud controls. Services include an ERISA compliant health plan, HAS administration and banking, medical claims administration, TPA functions, pharmacy, dental & vision, COBRA, stop loss reinsurance, real-time Utilization Review and Case Management, Health Coaching, Comparison Shopper, Health & Wellness programs, and a host of on-line tools for Providers, Employers and Members.

About the Authors:



***Lisa M. Holland, RN, MBA** has been in the health care industry for over 18 years and held senior level positions within the largest health care organization in the U.S. Lisa is an accomplished business development professional with a superior health care skill set that includes benefit plan design, sales, marketing, technology development, data analytics and project management. Lisa's passion, strength and knowledge are in primary prevention as well as Health and Productivity Management. Lisa's professional objective is to use her knowledge and expertise to encourage and promote the appropriate utilization of healthcare services and solutions that empower healthcare consumerism and impact national healthcare affordability.*



***Gregory J. Hummer, M.D.**, has spent the last 18 years developing and perfecting Simplicity Health Plans to solve the vexing complexities, out-of-control costs, burdens and inefficiencies that are associated with healthcare coverage in America today. Dr. Hummer is chairman and CEO of Simplicity Health Plans. He concluded his training at the Cleveland Clinic Hospital. His career includes 16 years as a Cleveland trauma surgeon, founder of a national group of emergency care centers called MED Center, and a three-year stint at NASA Lewis Research Center as director of medical screening. Dr. Hummer's health care solution incorporates technology that provides efficient paperless claims processing and point-of-service payment with a CDHP + HSA package. Simplicity Health Plans is the first and only plan that provides instant and completely paperless claims processing and point-of-service payment transparency. To learn more about Simplicity Health Plans, contact us at 1-877-747-1113.*

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