



# Why Business Owners Everywhere Are Transforming How They Choose Health Benefits

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Every year, business owners and HR personnel are tasked with evaluating the company's health care plan. Every year, the process becomes more and more oppressive as health insurance premiums go through the roof; employees and employers alike feel trapped into paying additional money for a plan that doesn't meet their needs. In the current system, business leaders are forced into having to balance their employees' needs against their company budget. But whether they're evaluating needs as a numbers cruncher or are channeling their desire to do right by their staff, the fact remains that the current health benefits system is broken. And the changes coming in the next five years will transform everything.

## **By The Numbers: Current Health Care Packages Are Inefficient And Unsustainable**

In an economy that's still tough on businesses, the need to keep an eye on the company's



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bottom line makes choosing employees' health benefits more and more stressful. Fixed budgets aren't prepared to flex with the ballooning healthcare premiums, and businesses strain to absorb the extra costs. **Over the past ten years average premiums have nearly tripled. In 2011 alone, premiums increased 8.9%.** Even businesses that try not to increase the burden on employees by keeping the percent workers contribute the same, still have to take more out of the employees' paychecks – and company profit margins – every year.

The current model of employers choosing one or two benefits packages for their employees is unsustainable and inefficient. As plans can't be customized per employee, the employees may find themselves outside their benefit package's coverage. In instances where employers buy packages that are too "rich," their staff are over-insured, and employers are losing money by paying for services their employees don't need. Conversely, employees can be let down by their benefits package if they are under-insured: this leaves employees incurring additional expenses on top of the premiums they already pay. Employers are in the stressful position of trying to guess how much coverage the majority of their employees are likely to need, how much the budget can afford, and how much they need to offer to keep up employee morale. Along with current employee morale, the rapid rise in health care costs has impacted employers' ability to attract new talent. Providing good



benefits has always been an indicator of a good business, and benefits packages have always been key to retaining a skilled workforce. As employers cut back on benefits plans, they lose the ability to appeal to the workers needed to keep a vibrant and growing business.

### **By the Heart: Businesses Who Promote Well-Being Know Not All Staff Is Covered**

A diversified staff is an asset to any business, but diversity creates a challenge for any employer to cover everyone perfectly. A healthy 22-year-old man just out of college, a 30-year-old woman who wants to start a family, and a 62-year-old man with diabetes and high blood pressure will all have different needs, but will be covered by the same plan.

For this reason, anxiety skyrockets when it comes time for employers to explain the next year's health plan. Each year employees wonder what's going to be cut, what will be covered, and what they'll be expected to contribute. The annual stressor can lower satisfaction with a company's benefits, increase distraction and decrease productivity as employees try to plan how health care changes will affect their lives. This reaction is heightened in staff that fall outside the ideal coverage due to specific situations: they are left feeling exposed to the threat of significant out-of-pocket expenses on top of the premiums they pay.

Just like their employers, employees watch as



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each year their health care costs go up. What they don't see is how the employer's numbers also go up, the percent of premiums that gets passed on, or even how much of their total salary goes into health care. Recent studies revealed 80% of employees don't know how much their employers contribute towards their health insurance premiums, and almost half don't know how much of their salary goes to health insurance costs. Not knowing this kind of information increases the anxiety associated with health care changes.

At best, employees feel they lack control in their own health care. For instance, **a recent survey found that 83% of employees with employer-based coverage feel that they are better suited than their employers to choose a health plan for themselves.** At worst, even if their percent of premium coverage doesn't change and only the dollar amount they pay increases, the employees sometimes still feel the employer is holding out on them, or is cutting benefits in order to pad the company's bottom line.

### **Transformative Changes: Private Exchanges Eliminates The Guesswork**

In 2010 Congress passed the Patient Protection and Affordable Care Act ("PPACA" or "health care reform") and this legislation is in the process of being phased in, with most of the changes taking effect in 2014. With this legislation, the old model of providing a defined benefits package is transformed into a defined



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contribution model. Businesses can continue to provide for employees and attract new talent by providing impressive contributions through a private exchange, or individuals can obtain healthcare coverage by purchasing benefits through the government-run public exchange.

At its core, an exchange is an online store in which people can purchase benefits. **With the new defined contribution model, employers will decide on an amount to offer employees to take to the exchange (store) and purchase the benefits portfolio that fits them best.** In this way, employers will have a set dollar contribution they can budget for every year, employees can better plan their home budgets according to this number, and money isn't wasted on purchasing services employees do not need.

While exchanges will provide a variety of solutions to the needs of employers and their employees, businesses need to begin preparing today to be ready for the changes on the approaching horizon. Business owners can build employees' trust in their company's contribution and the employees' comfort in choosing the best benefits portfolio, if the leaders take control of the message they send and education they provide for making the best choices.

An advantage to private exchange over the government-held public exchange is the ability to partner with industry leaders to provide



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tools to explain the process to employers and educate employees on making efficient choices. For instance, to support employees in determining which plan or package they will need, private exchange partners can provide “recommendation technology” to help evaluate individuals’ lifestyle, risk tolerance, current health, and other key factors. **A private exchange may offer between 10 to 20 different major medical health plans, and utilizing the tools available becomes key in helping employees make the best selections.**

An effective private exchange facilitates the entire process for both the employer and the employee. The tools and educational materials provided by advisors such as StoudtAdvisors frees employers to get back to business and empowers employees to take an active role in monitoring their health care. Begin partnering with StoudtAdvisors now by reading the material they make available online or via their newsletter. Starting now, through the implementation of the PPACA, StoudtAdvisors is committed to providing essential information to keep employers informed and ready to empower their employees to becoming better healthcare consumers.

*To partner with StoudtAdvisors and to benefit from the tools and services they offer for private exchanges, contact David Stoudt at 717-581-6150 or Scott Labrecque at 717-581-6165 or visit <http://www.stoudtadvisors.com/brightchoices.html>.*



As part of their commitment to helping employers and employees with the shift to using exchanges, StoudtAdvisors produces monthly educational white papers written as a series. Look for next month's piece which covers how healthcare will change in the next five years, and how exchanges are changing the game.