



Bottom Line Driven  
Health Benefits Planning



## Avoiding ACA's Cadillac Tax: Five Most Costly Benefit Plan Misconceptions

Misconception #5: My Employees Will Never Understand Their Benefits and Engage

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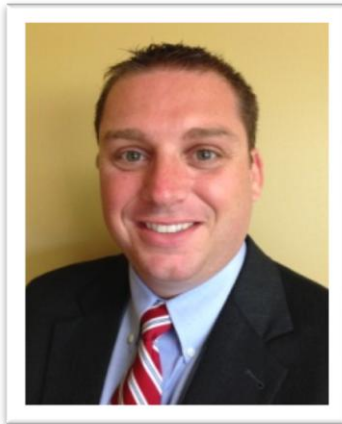
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Innovation. Dedication. Knowledge. Purpose. Integrity. Vision. Talent. **Results.**



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# What is the Cadillac Tax

- High-cost group plans will be subject to a 40% excise tax beginning in 2018.
  - Not just rich benefit plans
  - High risk groups will be affected
- The tax applies to annual premiums in excess of \$10,200 for individual coverage and \$27,500 for family coverage.
- Paid by the insurer if FI and by the Employer if Self-Funded
- These amounts will be indexed for inflation.
- Employer HSA contributions will likely be included.
- Jury still out on HRA

# The Problem

## Cadillac Tax

Know your Numbers  
Projected 8% Trend

<b>2013</b>		<b>PPO Plan</b>	<b>HSA</b>
Current	Single	\$696.80	\$452.92
	Family	\$2,003.77	\$1,302.45
<b>2014</b>	Single	\$9,031	\$5,870
	Family	\$25,969	\$16,880
<b>2015</b>	Single	\$9,753	\$6,339
	Family	<b>\$28,046</b>	\$18,230
<b>2016</b>	Single	<b>\$10,533</b>	\$6,847
	Family	<b>\$30,290</b>	\$19,689
<b>2017</b>	Single	<b>\$11,376</b>	\$7,394
	Family	<b>\$32,713</b>	\$21,264
<b>2018</b>	Single	<b>\$12,286</b>	\$7,986
	Family	<b>\$35,330</b>	\$22,965
<b>2019</b>	Single	<b>\$13,269</b>	\$8,625
	Family	<b>\$38,157</b>	\$24,802
<b>2020</b>	Single	<b>\$14,330</b>	\$9,315
	Family	<b>\$41,209</b>	\$26,786
<b>2021</b>	Single	<b>\$15,477</b>	\$10,060
	Family	<b>\$44,506</b>	<b>\$28,929</b>

# Cadillac Tax

## Know your Numbers

	<b>PPO Plan</b>	<b>HSA</b>
Family Coverage	\$2,086	\$0
Employee	\$0	\$0
Employee + Spouse	\$0	\$0
Employee + Child(ren)	\$7,830	\$0
<i>40% Excise Tax Per Employee Plan Participant</i>		
	<b>PPO Plan</b>	<b>HSA</b>
Employee	\$834	0
Employee + Spouse	0	0
Employee + Child(ren)	0	0
Family Coverage	\$3,132	0
<i>Current Enrollment in Each Category</i>		
	<b>PPO Plan</b>	<b>HSA</b>
Employee	422	105
Employee + Spouse	51	12
Employee + Child(ren)	23	5
Family Coverage	304	22
<i>Projected Cadillac Tax Based on Current Enrollment</i>		
	<b>PPO Plan</b>	<b>HSA</b>
Employee	\$352,106	\$0
Employee + Spouse	\$0	\$0
Employee + Child(ren)	\$0	\$0
Family Coverage	\$952,170	\$0
<b>Total Projected Excise Tax in 2018:</b>		<b>\$1,304,276</b>

# Misconceptions

## **Misconception #1: Plan Design is the Only Way I Can Reduce Plan Expenses**

*4/1/2014 10:00-11:00*

## **Misconception #2: My PBM Doesn't Matter**

*4/24/2014 10:00-11:00*

## **Misconception #3: Wellness Doesn't Produce an ROI**

*6/3/2014 10:00-11:00*

## **Misconception #4: All Care Management/Utilization Review Firms Are the Same**

*7/15/2014 10:00-11:00*

## **Misconception #5: My Employees Will Never Understand Their Benefits and Engage**

*8/5/2014 10:00-11:00*

## Why *Effective* Communication is Critical.

- ❑ Only 33% of employees believe health plan costs impact their employer's business success.
- ❑ Only 15% of employees say it's appropriate for employers to reduce benefits.
- ❑ Only 28% say it's appropriate for employees to pay more for the coverage.
- ❑ Only about 50% of employees believe what their employers tell them about health plan costs.
- ❑ 82% percent of employees say they are already good health care consumers.

Clearly, the “health care costs are rising” messages have had little impact.

*(Making Health Care Consumerism Work, Towers Perrin)*

## Why *Effective* Communication is Critical.

Employees' lack of understanding of basic health plan economics may be at the heart of the problem.

- 78% of employees did not believe their employer's plan had limited funds.
- They believe "insurance companies" – not the employers – pay their benefit costs.
- Many believe that if they use lower-cost services and supplies, such as generic drugs, they are boosting the insurance companies' profits.

Do too many employees mistakenly believe they should be spending the "insurance company's money" – in a self-funded plan?

*Medco Health Solutions Survey*

**Here is a Test:** Ask a few of your employees where they think the money comes from to pay their health care benefit expenses.



# Help your employees see the benefit

Communication is Key.

**Percentage of employees responding favorably**

	<b>Above-Average Benefits</b>	<b>Below-Average Benefits</b>
<b>Effective Communication</b>	83.6%	76.2%
<b>Ineffective Communication</b>	25.7%	22.1%

WorkUSA 2004/2005: Watson Wyatt Study: Effective Employees Drive Financial Results

# Communication Starts With a Plan

Align communication strategies with corporate leadership. Design to support business strategy and healthcare strategy. Be consistent!

- ❑ Communication objectives and success measures
- ❑ Key messages
- ❑ Challenges, obstacles, and solutions
- ❑ Communication vehicles
- ❑ Audience and stakeholders
- ❑ Responsibilities and timing
- ❑ Incorporation of longer term strategy

## Pre-Enrollment: Engage your Leadership

- ❑ **Leadership team needs to drive the strategy, from managers to front line supervisors.**
- ❑ **They are the spokes-people and advocates to employee base.**
- ❑ **CEO communication with leadership team is key for maximum impact.**

## Pre-Enrollment: Focus Groups

- ❑ Gain insight into perception and expectations of participants.
- ❑ Draw out challenges and potential roadblocks/bias.
- ❑ Gain momentum among key employees.
- ❑ Invite the most vocal and opinionated.
- ❑ Can be used as a “trial run” to develop a more comprehensive strategy.
- ❑ Multi meeting process works best.
  
- ❑ **Note:** Process should be moderated by an outside source.

## Pre-Enrollment: Focus Groups



### Expect Resistance:

- **Noise is a gauge. Welcome it.**
- **Make sure employees understand the message.**
- **If they are not engaged, you haven't done your job.**

## Pre-Enrollment: Communication

### Lay the Ground Work:

Begin to prepare employees for changes.

- Highlight “Nurseline” or Advocacy Programs
- Direct employees to websites:
  - [www.staysmartstayhealthy.com](http://www.staysmartstayhealthy.com)
  - [www.BidRx.com](http://www.BidRx.com)
  - [www.WebMD.com](http://www.WebMD.com)
  
- Post a series of informational messages highlighting your claims data:
  - “Did you know : an MRI costs \$1,500 at Hospital A, and only \$800 at Free Standing Clinic B?”
  - “Did you know: a doctors visit costs on average \$120, but the Quickcare Clinic charges \$60 for things like colds, sore throats, earaches and flu shots.”



## Enrollment: The Meeting

- Keep it basic:
  - Information overload will only cause your employees to shut down.
- Personalize:
  - Show how they can reduce personal costs.
  - Redundancy of examples is a positive.
- Make sure they understand:
  - Cost: Not only their cost, but the corporate cost.
  - Plan Choices and Coverage Information.
  - Where they can go to get more information.
  - What they have to do and when.

## Enrollment: The Meeting

### Cost of Health Care

Do you know how much the health plan costs ABC Company and its employees for 2013 plan year?



- 1) 6 million dollars
- 2) 8 million dollars
- 3) 12 million dollars
- 4) 18 million dollars



 **ABC**  
company

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## Enrollment: The Meeting

### Cost of Health Care

Based on the 2012-2013 projected plan costs of \$18 million...

The cost per employee for this plan year is → **\$ 9,800**

The cost per employee per hour is → **\$ 5.50**



## Enrollment: The Meeting

### Why are we sharing these numbers with you?

- ✓ We are not sure where Health Care Reform will take us – these are uncertain times.
- ✓ If this trend continues, health care will cost \$7.17 per hour in the next 5 years.
- ✓ We need to bend the trend of the last 10 years.
- ✓ We need your help.
- ✓ We are going to do our part to make changes which will:
  - ✓ Keep health care as affordable as possible
  - ✓ Minimize impact to the way you purchase health care.
  - ✓ Get you engaged in the process.

## Enrollment: The Meeting

Turn the message :

From: “What are you doing to me”

To: “What you can do for me”

- With Supportive content:
  - How can you save money?
  - How you can make smarter health care choices?
  - How you can achieve better health?
  - How you can be a part of the solution?

Open their eyes to the world around them.

### Our Focus

#### Our focus moving forward is to:

- Provide the tools and resources to help you care for the health and well-being of yourself and family.
- Help you be better and more informed consumers of health care.
- Work together in understanding how best to control rising health care costs.



ABC  
company

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## Enrollment: The Meeting

- Use Supportive content:
  - How can you save money?
  - How you can make smarter health care choices?
  - How you can achieve better health?
  - How you can be a part of the solution?

### Ways to Save on Health Care

#### Ways to Save on Medical Care

Use the most cost effective provider, depending on your medical needs.

- **Use In-Network Providers.**
  - QuickCare or Take Care Clinics
  - Have a Primary Care Physician
  - Urgent Care
  - Emergency Room

Lowest Severity  
Lowest Cost



ABC  
company



# Enrollment: The Meeting

## Addressing Plan and Coverage Information:

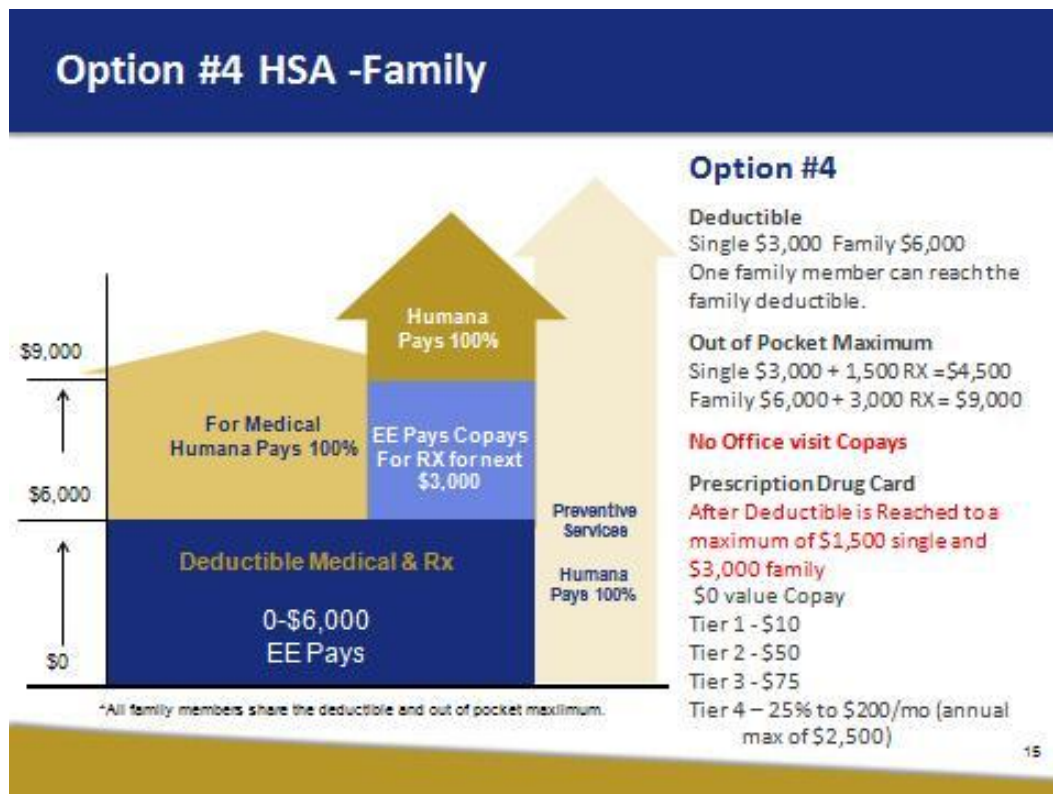
- Chart side by side with last year.
- Be honest and direct with your employees.
- Don't assume your employees understand how last year's plan worked.
- Personalize examples (and have more than one).

Plan Comparisons					
	Current Plan	Option 1	Option 2	Option 3	Option 4
Single Deductible	\$500	\$500	\$1000	\$1500	\$3000
Family Deductible	\$1000	\$1000	\$2000	\$3000	\$6000
Coinsurance	100%	90%	90%	90%	100%
Single Out of Pocket Max (Includes Deductible)	\$500	\$1000	\$2000	\$3000	\$3000 additional \$1500 for Rx copays
Family Out of Pocket Max (Includes Deductible)	\$1000	\$2000	\$4000	\$6000	\$6000 additional \$3000 for Rx copays
Primary Care Dr. Copay	Def/Coins.	\$35 then 100%	\$35 then 100%	\$35 then 100%	Def. Coins.
Specialist Copay	Def/Coins.	\$70 then 100%	\$70 then 100%	\$70 then 100%	Def. Coins.
Preventive Services	100%	100%	100%	100%	100%
<b>Prescription Drugs</b>					
\$0 Value Copay	\$0	\$0	\$0	\$0	Def. then \$0
Tier 1	\$10	\$10	\$10	\$10	Def. then \$10
Tier 2	\$25	\$40	\$30	\$30	Def. then \$40
Tier 3	\$50	\$60	\$75	\$75	Def. then \$60
Tier 4	\$80	25% to \$200/Month	25% to \$200/Month	25% to \$200/Month	Def. then 25% to \$200/Month
Network	Humana Preferred (HMO)	Humana Preferred (HMO)	Humana Preferred (HMO)	Humana Preferred (HMO)	Humana Preferred (HMO)
<b>Employee Premium Cost</b>					
Single	\$60.00	\$48.98	\$7.53	\$0	\$0
Family	\$185.00	\$156.88	\$21.03	\$0	\$0
<b>H.S.A. Contribution</b>					
Single	\$0	\$0	\$0	\$0	\$90/Month
Family	\$0	\$0	\$0	\$0	\$250/Month
<b>Annual Savings vs. Current</b>					
Single	\$0	\$152.24	\$629.64	\$720	\$1800
Family	\$0	\$337.88	\$1727.64	\$1980	\$4980

## Enrollment: The Meeting

### Addressing Plan and Coverage Information:

- Chart side by side with last year.
- Be honest and direct with your employees.
- Don't assume your employees understand how last year's plan worked.
- Personalize examples (and have more than one).



# Enrollment: The Meeting

## Addressing Plan and Coverage Information:

- ❑ Chart side by side with last year.
- ❑ Be honest and direct with your employees.
- ❑ Don't assume your employees understand how last year's plan worked.
- ❑ Personalize examples (and have more than one).

Plan Option Examples for Family of 4						
Family Member	Performed Service	* Est Actual Cost	Option 1	Option 2	Option 3 (Default)	Option 4 (HSA)
Mom	Routine Annual Exam w/Pap and Mammogram	\$600	\$0	\$0	\$0	\$0
	Contraceptive Rx	\$45	\$0	\$0	\$0	\$0
Dad	Sinus Infection	\$220	\$35 Copay	\$35 Copay	\$35 Copay	\$220
	Antibiotic	\$30	\$10 Copay	\$10 Copay	\$10 Copay	\$30
	Cholesterol Rx	\$85	\$40 Copay	\$40 Copay	\$40 Copay	\$85
Johnny	Well Child Visit and Immunizations	\$220	\$0	\$0	\$0	\$0
	Tubes in Ears	\$2,500	\$500 Deductible \$200 Coins.	\$1000 Deductible \$150 Coins.	\$1500 Deductible \$100 Coins.	\$2,500
	Visit to ENT follow up	\$220	\$70 Copay	\$70 Copay	\$70 Copay	\$220
	Pain Rx	\$30	\$10 Copay	\$10 Copay	\$10 Copay	\$30
Jane	Well Child Visit and Immunizations	\$220	\$0	\$0	\$0	\$0
	Pink Eye Visit	\$220	\$35 Copay	\$35 Copay	\$35 Copay	\$220
<b>Projected Spend Per Plan</b>		<b>\$4,390</b>	<b>\$900</b>	<b>\$1,350</b>	<b>\$1,800</b>	<b>\$3,305</b>

\*These are estimates for illustrative purposes only.

## Enrollment: The Meeting

### Addressing Plan and Coverage Information: Show Them The Data!

- Show the Data! What is the real price of:
  - Non-emergency use of an emergency room... rather than using an urgent care facility.
  - A doctor's visit for a common cold... could it have been dealt with effectively by a free phone call to a health nurse or a free standing clinic?
  - A brand name prescription requested by a patient (based on a TV ad) that the doctor did not initially offer to prescribe.



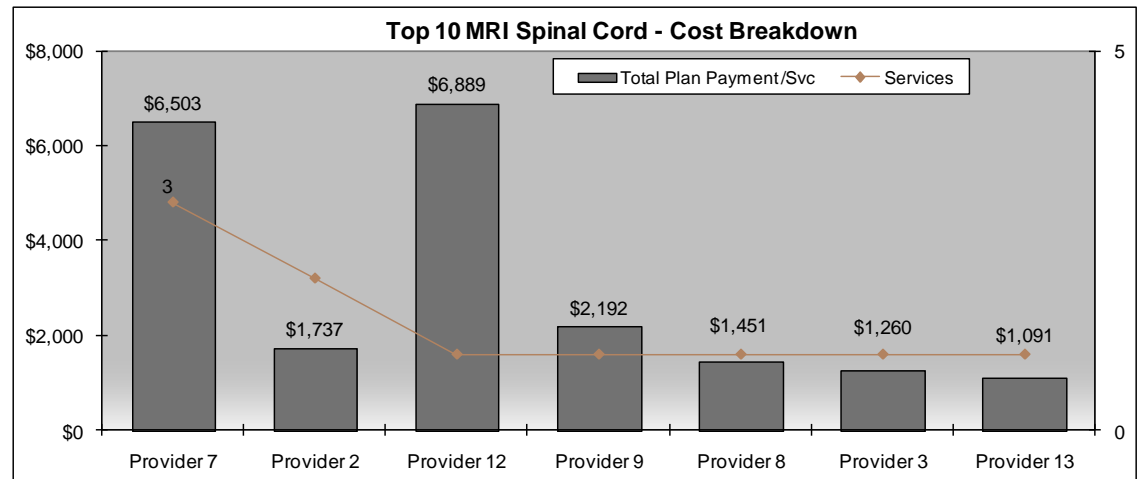
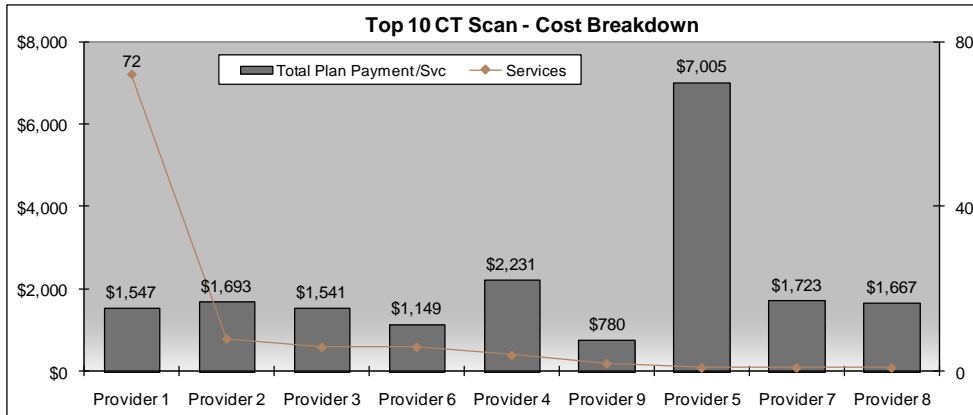
## Enrollment: The Meeting

Addressing Plan and Coverage Information: Show Them The Data!

- The progression of prudent health care consumption:

<u>Provider</u>	<u>EE cost</u>	<u>ER cost</u>	<u>Total costs</u>
□ Nurseline	Free		
□ Quick clinics	\$25	\$25	\$50
□ PCP	\$25	\$125	\$150
□ Specialist	\$25	\$275	\$300
□ Urgent Care	\$75	\$300	\$375
□ Emergency room	\$150	\$600	\$750

## Share Costs variations of discretionary services:



Brand : Nexium



Generic : Omeprazole



## Varied cost of Heartburn and Acid Reflux drugs

### Prescription Tier Examples

- Nexium – cost \$192/month
- Zegerid – cost \$185/month
- Prevacid – cost \$189/month
- Protonix – cost \$247/month
- Omeprazole – cost \$28/month

## Enrollment: After The Meeting

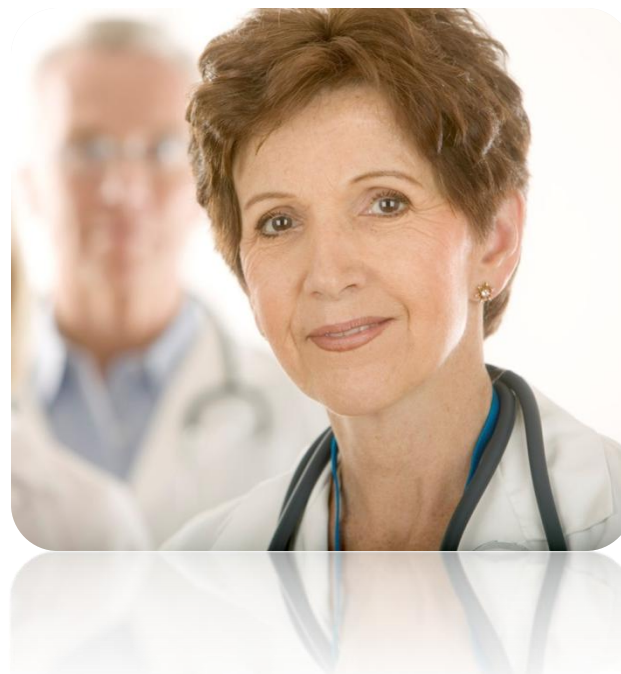
### Addressing Plan and Coverage Misconceptions:

- ❑ Need to change the paradigm.
- ❑ Content must move beyond plan design education.
- ❑ Supportive content changes behavior and attitudes.
- ❑ Don't discount new technologies or methods.
- ❑ Cast long term vision.
- ❑ Regardless of employer size, meetings yield ROI.
- ❑ One on One meetings have provided tremendous traction.
- ❑ Never stop communicating.
- ❑ Develop an ongoing communications plan.

## Case Study:

Communication challenges: New wellness program – HRA and Biometric screenings

- ❑ Voluntary Participation.
- ❑ 5 Locations of 33 selected as pilot.
- ❑ Multi-State.
- ❑ Little Technology Access.
- ❑ Minimal Employer Incentive.
- ❑ Deployed Discussed Strategy.
- ❑ Added a “Train The Trainer” Session.
- ❑ Emphasized “ The Company Cares” message long term vision, and strategy.



**Result : over 70% first year for pilot locations...on a voluntary basis.**

# Harness technology: Plan selection tools

## Let them experience it. Model their personal scenarios.

### Plan Options

[Edit Family Profile](#)
[Edit Claims](#)
[FSA/HSA Calculator](#)

#### Your Health Plan Options

The following health plan options are available to you. The following is a summary of each plan's benefits.

	Your Current Plan	PPO2	HDHP	EPO
Plan Details (PDF)				
<b>Premium Deductions (Effective 01/01/2008)</b>				
<b>Annual Premium Deduction</b>	<b>\$4,628</b>	<b>\$3,614</b>	<b>\$1,515</b>	<b>\$5,291</b>
Premium per Pay Period (Family)	\$178.00	\$139.00	\$58.25	\$203.50
<b>In Network Medical Plan Summary</b>				
<b>Single</b>				
Deductible	\$250	\$500	\$1,250	\$100
Coinsurance %	10%	10%	10%	10%
Maximum Out-of-Pocket (including deductible)	\$1,750	\$2,250	\$3,250	\$1,100
<b>Family</b>				
Deductible	\$750	\$1,500	\$2,500	\$300
Coinsurance %	10%	10%	10%	10%
Maximum Out-of-Pocket (including deductible)	\$3,750	\$5,000	\$6,500	\$2,300
* Individual Deductible Applies for Each Family Member	Yes	Yes	Yes	Yes
<b>Hospital Inpatient</b>				
Hospital Admissions	Ded/Coins	Ded/Coins	Ded/Coins	Ded/Coins
<b>Hospital Outpatient</b>				
Emergency Room Visits	\$75 + Ded/Coins	\$75 + Ded/Coins	Ded/Coins	\$75 + Ded/Coins
Outpatient Surgery	Ded/Coins	Ded/Coins	Ded/Coins	Ded/Coins
Other Outpatient Facility Services	Ded/Coins	Ded/Coins	Ded/Coins	Ded/Coins
<b>Professional Services</b>				
Office Visits	\$15	\$15	Ded/Coins	\$15
Physical Exams	\$15	\$15	Covered 100%	\$15
Radiology / Laboratory	Ded/Coins	Ded/Coins	Ded/Coins	Covered 100%
Other Professional Services	Ded/Coins	Ded/Coins	Ded/Coins	Ded/Coins

# Harness technology: Plan selection tools

## Step 2: Provide individual healthcare claims costs.

### Your Healthcare Claims

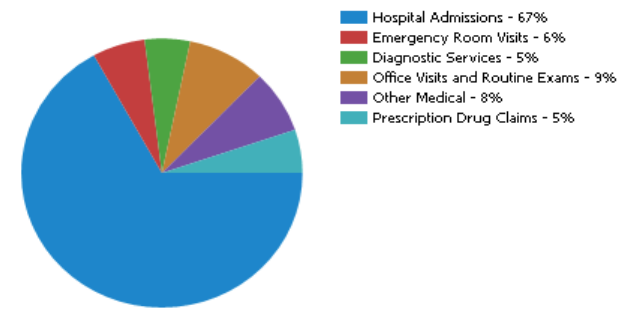
[Edit Family Profile](#)
[Edit Claims](#)
[FSA/HSA Calculator](#)

Summary **Edit Claims**

The healthcare services and charges below are based on your actual claims if they are available. If actual claims are not available, the data represents averages based on each family member's age and gender. You may make changes to this table if you wish by clicking on the "Edit Claims" button.

**When should I consider making changes?**

	# Services	Charges
<b>Medical Claims</b>		
Hospital Admissions	1.00	\$33,675
Emergency Room Visits	4.00	\$3,048
Diagnostic Services	4.00	\$2,620
Office Visits and Routine Exams	38.00	\$4,528
Other Medical	18.00	\$3,795
<b>Prescription Drug Claims</b>		
	54.00	\$2,622
<b>Total Claims</b>	<b>119.00</b>	<b>\$50,287</b>



[Edit Claims](#)

◀ BACK Plan Options

Your Out-of-Pocket Costs NEXT ▶

# Step 3: The ultimate EE “what if”

## Juxtapose individual claims with contributions and plan choices. Which is lowest net cost?

### Your Out-of-Pocket Costs

[Edit Family Profile](#)
[Edit Claims](#)
[FSA/HSA Calculator](#)

#### Details

Your estimated out-of-pocket healthcare costs are summarized in the graph at right, based on your healthcare services and prices from Step 2. Detailed cost breakdowns are available in the [table below](#).



	Your Current Plan			
	PPO1	PPO2	HDHP	EPO
▶ Your Estimated Deductible, Coinsurance, & Copayment	\$4,689	\$5,614	\$5,196	\$3,734
▶ Your Annual Premium Deduction	\$4,628	\$3,614	\$1,515	\$5,291
▶ Employer Account Contribution	\$0	\$0	-\$1,000	\$0
▶ Wellness Credits	\$0	\$0	\$0	\$0
<b>Your Estimated Total Out-of-Pocket Healthcare Costs</b>	<b>\$9,317</b>	<b>\$9,228</b>	<b>\$5,711</b>	<b>\$9,025</b>



## Enrollment: Post Meeting

- Hand-Outs:
  - Quick review of the key issues and plan objectives.
  - Highlights of the enrollment choices and employee actions required by the enrollment deadline. (Consequences of not acting).
  - Summary chart of the options – showing costs (created without insurance jargon).
  - Remember the Dependents and develop a strategy.
  - Evaluate electronic means.
- Keep the Communication Going
  - Send or post reminders of how to be good healthcare consumers.
  - Stay in front of them with supportive content Information.
  - If new designer drug/therapies are heavily advertised/ publicized engage them with alternatives.
  - Develop an ongoing communications plan.

## How do you effectively engage your employees?

- ❑ Plan your Course of Action.
- ❑ Engage Your Leadership.
- ❑ Use focus groups to test your message/gain feedback.
- ❑ Begin the communication early.
- ❑ Be open and honest with your employees.
- ❑ Provide supportive content help them make good healthcare decisions.
- ❑ Never stop: Stay in front of them.



## Key Take-away Questions... Are we:

- ❑ Educating our employees beyond plan design?
- ❑ Equipping employees as consumers?
- ❑ Providing new and fresh presentations?
- ❑ Harnessing other media/technology resources?
- ❑ Supporting our message with company culture?
- ❑ Casting a long-term vision for success?
- ❑ Providing specific and useful information employees can use today?

**ACA Learning Series Rebroadcasts:**

	<i>Course Level</i>	<i>Date</i>	<i>Time</i>
Are you ready for 2015	101	September	TBA
Healthcare Exchanges: What we learned in 2014 to prepare us for 2015	301	September	TBA
ACA Eligibility: Who do I need to Offer Coverage to and When?	302	October	TBA
What Every Plan Needs to Know about 2015 ACA Reporting	303	October	TBA
When does my plan really need to comply with ACA?	304	November	TBA
Two LEGAL Alternatives to COBRA Every Plan Should Know	401	November	TBA

**To Register:**

[http://www.benefitsinc.com/beneco\\_webinars.html](http://www.benefitsinc.com/beneco_webinars.html)

## ACA Learning Series Rebroadcasts:

	<i>Course Level</i>	<i>Date</i>	<i>Time</i>
How to Prepare for and Survive a DOL Audit (Rebroadcast)	300	September	TBA
Cadillac Tax: Creating a Glide Path to Minimize the 2018 Excise tax	314	September	TBA
Top 5 Most Inaccurate Assumptions about the ACA and How to Avoid them	301	October	TBA
Wellness Based Incentives: Creating Culturally Sensitive Outcome Based Premium Differentials	312	November	TBA

### To Register:

[http://www.benefitsinc.com/beneco\\_webinars.html](http://www.benefitsinc.com/beneco_webinars.html)

## You asked for it...

### **ACA Impact Study**

- ❑ How will ACA impact my organization?
- ❑ What do I need to plan for?
  
- ❑ Free initial consultation
- ❑ Fee for service basis based on plan complexity

### **ACA Sustainability Analysis**

- ❑ How do I create a long term sustainable ACA cost strategy and still comply?
- ❑ Fee for service basis based on plan complexity

## Ask us about Haiti...

- The work: Orphan care and sponsorship, tent city refugee relocation and community development, microenterprise other ministry opportunities
- To get more info or engaged in some way drop us a email, or for a glimpse of the work go to [www.newlife4kids.org](http://www.newlife4kids.org) or [www.missiondiscovery.org](http://www.missiondiscovery.org)
- 2014 Upcoming trips: October







Post-workshop questions or to get the links for  
upcoming webinars:

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Questions?

