EMPLOYEE BENEFITS

Best Practices for Health & Welfare

Presented by:
Billy Grossmiller | Crawford Advisors, LLC
What We’ll Cover:
• High Performers vs. Low Performers
• Benchmarking
• Funding Methodologies
• Data Analytics
• Communications
• Administration
• Compliance
• Employee Health & Wellness
• Renewal Planning

Handout:
Self Diagnostic Tool
“7 Dangers Facing HR with the Wrong Benefit Plan”
What We’ve Identified

Organizations experience varying levels of cost associated with their benefit plans. Research shows that companies that successfully execute 10 KPI will result in lower trends.

Annual Trend Increases by Performance Level

- Low Performers
- Median of all Companies
- Best Performers

Linear trend was significantly less for “high-performing” plans.

TOTAL PEPY, 2014

Best Performers | Low Performers | Difference - $2,212

# of Employees | Difference
--- | ---
200 | ($442,400)
500 | ($1,106,000)
1,000 | ($2,212,000)
2,000 | ($4,424,000)
5,000 | ($11,060,000)

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Key Indicators that Impact Plan Cost

Alone, success is not achieved

Understand where you rank and how to improve

Your Benchmark Score in Each Indicator

Your Benchmark Score Overall

Specific Solutions to Execute

Actual KPI Proven to Impact Performance

Traditional Focus

- Employee Health Status
- Data Analysis
- Administration
- Plan Design
- Vision & Strategy
- Compliance
- Renewal Process
- Communication
Projected Medical Cost Trends for Actives and Retirees Under Age 65: 2016 and 2017

- **Fee-for-Service (FFS)/Indemnity Plans:** 9.9% (2016) vs. 9.1% (2017)
- **High-Deductible Health Plans (HDHPs)**: 8.0% (2016) vs. 7.7% (2017)
- **Open-Access Preferred Provider Organization (PPO)/Point-of-Service (POS) Plans**: 7.8% (2016) vs. 7.6% (2017)
- **PPO/POS Plans (with Primary Care Physician Gatekeepers)**: 8.0% (2016) vs. 7.5% (2017)
- **Health Maintenance Organizations (HMOs)**: 6.8% (2016) vs. 6.7% (2017)
Projected Prescription Drug Trends: 2016 and 2017

1. These results do not include the impact of rebates from PBMs.
2. This data is for all prescription drugs (non-specialty and specialty drugs combined).
3. This data is for all coverage of specialty drugs and both age groups.
Projected Prescription Drug Trends: 2016 and 2017

While typically less than 1 percent of all medications are specialty drugs, survey respondents indicated those drugs now account for 35 percent of total projected prescription drug cost trends for 2017. That is a 10-percentage point increase from only two years earlier when specialty drugs accounted for 25 percent of total projected prescription drug cost trends for 2015.

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1. These results do not include the impact of rebates from PBMs.
2. This data is for all prescription drugs (non-specialty and specialty drugs combined).
3. This data is for all coverage of specialty drugs and both age groups.
Trend Projections for Dental and Vision Coverage Are Much Lower than Trend Projections for Other Health Coverage

Trends for dental coverage are expected to be higher for 2017 compared to 2016 projections — except for dental schedule of allowance plans. The trend rate for both vision schedule of allowance plans and vision reasonable and customary plans are projected to decrease for 2017.

### Projected Dental and Vision Trends: 2016 and 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental Schedule of Allowance Plans*</td>
<td>4.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Dental FFS/Indemnity Plans</td>
<td>3.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Dental Provider Organizations (DPOs)</td>
<td>3.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Dental Maintenance Organizations (DMOs)</td>
<td>3.2%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Vision Schedule of Allowance Plans</td>
<td>2.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Vision and Reasonable Customary Plans</td>
<td>3.1%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>
Benchmarking – Life & Disability Trends

Life

Flat Benefit (Basic Life)

<table>
<thead>
<tr>
<th>Salary Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$100,000</td>
<td>90.6%</td>
</tr>
<tr>
<td>$100,000-$249,999</td>
<td>7.8%</td>
</tr>
<tr>
<td>$250,000-$499,999</td>
<td>1.6%</td>
</tr>
<tr>
<td>$500,000-$749,999</td>
<td>0.0%</td>
</tr>
<tr>
<td>$750,000-$999,999</td>
<td>0.0%</td>
</tr>
<tr>
<td>$1,000,000+</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Multiple of Salary (Basic Life)

<table>
<thead>
<tr>
<th>Multiple of Salary</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1x salary</td>
<td>49.5%</td>
</tr>
<tr>
<td>2x salary</td>
<td>20.8%</td>
</tr>
<tr>
<td>3x salary</td>
<td>6.9%</td>
</tr>
<tr>
<td>4x salary</td>
<td></td>
</tr>
<tr>
<td>5x salary</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

Long Term Disability (LTD)

Eligibility Waiting Period

<table>
<thead>
<tr>
<th>Waiting Period</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 days</td>
<td>19.6%</td>
</tr>
<tr>
<td>30 days</td>
<td>17.5%</td>
</tr>
<tr>
<td>60 days</td>
<td>0.0%</td>
</tr>
<tr>
<td>90 days</td>
<td>24.7%</td>
</tr>
<tr>
<td>First of month</td>
<td>17.5%</td>
</tr>
<tr>
<td>Other</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

Maximum Benefit

<table>
<thead>
<tr>
<th>Benefit Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$5,000</td>
<td>18.6%</td>
</tr>
<tr>
<td>$5,000-$9,999</td>
<td>40.2%</td>
</tr>
<tr>
<td>$10,000-$14,999</td>
<td>18.6%</td>
</tr>
<tr>
<td>$15,000-$19,999</td>
<td>16.5%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

Benefit Percentage

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>66.67</td>
</tr>
<tr>
<td>70</td>
</tr>
<tr>
<td>100</td>
</tr>
<tr>
<td>11.9%</td>
</tr>
<tr>
<td>14.9%</td>
</tr>
<tr>
<td>3.0%</td>
</tr>
<tr>
<td>6.0%</td>
</tr>
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Employer Contribution

<table>
<thead>
<tr>
<th>Contribution Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Paid</td>
<td>50.0%</td>
</tr>
<tr>
<td>Shared</td>
<td>2.3%</td>
</tr>
<tr>
<td>Voluntary</td>
<td>47.7%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
Key Indicators that Impact Plan Cost

Plan Funding

- MEC Programs
- Reference Based Pricing
- Captive Programs
- Alternative Funding
- Self-Funding
- Fully-insured

Plan Design & Funding Methodology
The funding of most traditional medical plans can fall into 3 categories.

- **Fully Insured**
  - Fixed Costs – No Reimbursement
  - No Plan Customization

- **Self Funded**
  - Variable Costs - Reimbursable
  - Total Plan Customization

- **Level Funded**
  - Fixed Costs – Reimbursable
  - Total Plan Customization
Drive a Better Benefits ROI

- Build financial and underwriting database
- Develop health plan financial dashboard
- Benchmarking – Contribution and plan design modeling
- Calculate renewal – Begin renewal negotiations 7 mo. prior to renewal
- Consider plan options and consumer features
- PBM analysis, dependent audit, pre-authorizations
Comparing two employer size segments, their use (or non-use) of a data warehouse and their respective PEPY cost.

61% of employers in the 20,000 employee segment utilize a data warehouse compared to 23% of employers in the 500 employee segment.

Difference in PEPY among the two employer segments is $1,748. While *economies of scale* would account for a percentage of the difference, robust data analysis is widely accepted as the primary savings driver.
Identifying cost drivers enables an execution strategy to be built to effectively combat rising costs.
Key Indicators that Impact Plan Cost

Narrowing down a specific diagnosis to create customized solutions. (i.e. Diabetes)
Key Indicators that Impact Plan Cost

Case 1:
Concern: Facing 15% Increase in Healthcare Costs
Tool: Verscend Health Solutions
Who: National Food Manufacturer

Summary: Identified ER visits and chronic disease-related inpatient admissions as the top cost drivers. Recommended employee education about chronic conditions & encourage physician visits. Additionally, the data enabled specific identification of individuals with chronic illnesses who failed to comply with treatment plans. A program was designed to address acute and chronic care trends and educate the entire workforce about care management options.

Result: ▼19.3% PMPM Rx Costs Decrease
▼11.9% ER Visits
▲4% Generic Drug Use Increase
▼Absenteeism
▼Inpatient Days
▼PMPM($) Decline to ½ of Verscend Normative Trend
Case 2:

Concern: Rising costs, 3.8% rate of cancer diagnosis

Tool: Verscend Health Solution

Who: County Government

Summary: Using Business Intelligence, the client discovered that 3.8% of the population was diagnosed with cancer and that was only 1 of the top 5 diagnoses driving costs. Utilization metrics indicated employees with cancer did not comply with recommended cancer prevention screenings and were 10x more likely to visit the ER. Group set up a new care management approach, by implementing a cancer management service provider and a service providing diagnosis and treatment information.

Result: ▼ 8.6% PMPM Cost Decrease
▲ 38% Mammogram Compliance Increase
Key Indicators that Impact Plan Cost

Plan Design & Funding Methodology

Alternative Funding with a Health Reimbursement Account (HRA)

1. Fully Insured Plan
2. Actuarially determined contributions
3. 4 Employee Choices with actuarially defined contributions
Key Indicators that Impact Plan Cost

- Company ABC: Trucking Company (fully insured w/ major carrier)
- 66 enrolled employees; 77 eligible employees
- June 2010 switched from rich fully insured benefits to a $5,000 deductible HRA model mimicking the same designs.
- To-date they have saved $1,517,421 in the past 4 years. *

*(Assumes ABC’s old plan grew at standard US Medical Inflation).

Company ABC 4 Year Premium Savings: $1,517,421

Average savings PEPY of $5,747.81
The value an employee perceives can be **ENHANCED** or **DIMINISHED** based on the communication strategy deployed.

### Actuarially Equivalent Plans

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<thead>
<tr>
<th></th>
<th>With Effective Communication</th>
<th>Without Effective Communication</th>
</tr>
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<tbody>
<tr>
<td><strong>High Value Perception</strong></td>
<td>86%</td>
<td>74%</td>
</tr>
<tr>
<td><strong>Low Value Perception</strong></td>
<td>14%</td>
<td>26%</td>
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Key Indicators that Impact Plan Cost

Drive Employee Knowledge and Appreciation

- Employee surveys
- Design comprehensive communication strategy
- Customized employee benefit enrollment guide
- Branded posters, postcards, newsletters
- Combining standard and electronic communication delivery
- Regular distribution of predetermined content (Set & Forget)
Key Indicators that Impact Plan Cost

- Branded Benefit Guide
- Postcards
- Total Compensation Statements

Communication

Medium
Key Indicators that Impact Plan Cost

Forms of Distribution:
- Email blast
- Post on Intranet (Bswift)
- Mail to homes
- Post in break rooms and restrooms
- Other?

Look of Newsletter:
- Keep newsletter to 2 pages (front/back)
- Send newsletter as a mailer instead of inserting in an envelope
- Continue with the look of the guide
- On the mailer beside the name section have a box about where to access info

Frequency and Content:
- Monthly
- Alternate months with carrier’s content
- Add brief info on medical, dental and vision
- Include specific data from Data Warehouse analytics
- Introduce wellness plans
Key Indicators that Impact Plan Cost

Improve Administrative Process and Productivity

☑ Evaluate enrollment and administrative systems
☑ Assess capabilities and develop strategic execution plan
☑ Build plan rules and set-up
☑ Implement Customer Service Center - Enrollment Support – Web-based, intranet and/or paper-based if needed
☑ Consolidate & fully-reconcile premium invoices for all coverages
☑ Establish HR Department access to Data Warehouse
Key Indicators that Impact Plan Cost

The enrollment process can be burdensome on an employer and less than satisfactory to an employee.

17% of Large Firms have **no** online Annual Open Enrollment while 25% do **not** offer online New Hire Enrollment.

<table>
<thead>
<tr>
<th>Enrollment Type</th>
<th>32%</th>
<th>37%</th>
<th>14%</th>
<th>17%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Open Enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Event</td>
<td>16%</td>
<td>33%</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>New Hire</td>
<td>26%</td>
<td>36%</td>
<td>13%</td>
<td>25%</td>
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- **Online Enrollment for all benefits without administrator involvement**
- **Online enrollment for all benefits - but enrollments are verified/processed by a benefits administrator**
- **Online enrollment for some benefits - other benefits are processed via manual or paper process**
- **No online enrollment**
Key Indicators that Impact Plan Cost

Administration

Benefit - Dental(186)
Claim - Medical/RX(274)
FSA(7)
Other Misc(26)
Benefit - Medical/RX(670)
Benefit - Other(266)
Claim - Other(8)
HR Question(8)
ID Cards(11)
Retiree Coverage(121)
Status Change(45)
Benefit - Vision(44)
COBRA(55)
Not Logged(109)
Student Verification(2)
Claim - Dental(2)
Eligibility(22)
Open Enrollment(241)
Key Indicators that Impact Plan Cost

Improve Employee Health and Productivity

✓ Evaluate current wellness plans, develop long-term strategy

✓ Analyze claims - identify claims drivers, health risks

✓ Identify gaps in care, disease management and Rx compliance

✓ Track employee engagement & progress

✓ Track metrics to measure performance against claims cost and ROI
Key Indicators that Impact Plan Cost

Reducing plan costs by lowering the number of risk factors in the employee population.

Claims by employees that participate in the wellness program and those that do not.

Employee Health Status / Wellness
Eliminate Compliance Risk

- Conduct initial Audit (Review past & current)
- Prepare specifically branded Plan Documents, SPDs, SMMs
- Prepare comprehensive benefit booklets
- Daily compliance and PPACA specific legislative changes
- Minimize all compliance issues and contractual liability risk
# Proactive Renewal Process

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<tbody>
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<td>Create financial dashboard</td>
</tr>
<tr>
<td>Develop internal renewal rate projection</td>
</tr>
<tr>
<td>Negotiate renewal from authoritative position</td>
</tr>
<tr>
<td>Perform predictive modeling</td>
</tr>
<tr>
<td>Model plan options &amp; employee contributions</td>
</tr>
<tr>
<td>Align benefits &amp; wellness strategies</td>
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# Typical Renewal Process

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<tbody>
<tr>
<td>Get renewal, go to market</td>
</tr>
<tr>
<td>Negotiate</td>
</tr>
<tr>
<td>Make changes to plan</td>
</tr>
<tr>
<td>Adjust employee contributions</td>
</tr>
</tbody>
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Renewal Process
1. Analyze your position to determine risk tolerance, plan design, culture
2. Identify your cost drivers
3. Utilize modern technology to alleviate administration
4. Create a brand for your benefit plans – is the grass greener on your side?
5. Know your compliance risks – governmentally and contractually
6. Stick to an accountable timeline
7. Rely on partners to improve outcomes and maximize productivity

The end goal is to MANAGE COSTS, ELIMINATE COMPLIANCE RISK, IMPROVE PRODUCTIVITY and RECRUIT & RETAIN TOP TALENT.

KEEP THIS NUMBER AS LOW AS POSSIBLE...

Total Hours a HR Member Spends with Each Employee Per Year

11

Projections from DOL and SHRM
Questions & Answers