The 10 Worst Mistakes Employers Make When Selecting A Healthcare Plan

or

How to get more for your benefits dollar

Brian F. Donovan

Healthcare coverage is the number one concern of employees and a top priority when considering a new job. At the same time, the high cost of providing this coverage is straining the financial capabilities of many employers.

Some companies are moving to "stripped down" plans, others are moving from "100% company paid" to sharing the cost with employees. Unfortunately, some are dropping the coverage altogether. Yet, as everyone knows, attracting and retaining a competent work force often depends on providing a quality healthcare plan.

What are employers to do, particularly those with 20 to 250 employees–– the group that seems to be hardest hit by increasing healthcare costs? Scaling back programs can produce employee discontent and raising the amount employees pay toward a plan is met with equal displeasure.

There are steps employers can take to both control costs and provide quality coverage for their employees. It seems ironic, however, that the cost of these benefits fails to get the full attention of many employers. Rising energy prices have resulted in companies taking steps to introduce conservation programs. If given a similar level of attention, a company could contain its healthcare costs.

The key is to avoid the 10 most common mistakes employers make when selecting a healthcare plan:

1.Don't delay. Far too often, companies wait until the last minute to decide on next year's plan. Pressured by time, they lose the opportunity of exploring other possibilities. Even though they say, "We won't let that happen next year," history seems to repeat itself.

Make it a practice to obtain renewal and alternate quotes at least 60 days in advance of the renewal date. Put your provider on notice that you expect the information to be in your hands at that time. This way, you can review the program, explore alternatives and make a sound business decision.

2. Be willing to make a change. Even though many employers (and employees) are dissatisfied with a present healthcare plan, they stay with what they have. Some don't want to go through what they fear may be a troublesome adjustment period, while others do not want to face the unknown, even though there can be positive benefits.

Unfortunately, resistance to consider making a change results in cost increases and a less than satisfactory plan.

3. Listen to employees. When dealing with healthcare plan issues today, getting employees involved in the process is often an overlooked strategy. It can also be a significant educational opportunity. The feedback can be instructive. It can be an effective way to discover what is more or less important to the group—information that can be helpful in shaping the plan's design.

4. One plan does not necessarily fit all. Employees have different needs. Quite often, dual options of health plans can give employees helpful choices of plans and costs. Many smaller employers are not aware of the options that are available even with fewer employees.

5. Eschew inertia. Although most businesses like to think of themselves as flexible and innovative, sometimes it does not carry over into healthcare programs. Precedent can get in the way of change. "We offer a PPO because we have always offered a PPO," is a common explanation of why a company has a particular plan.

Unfortunately, precedent can be a roadblock to making more-informed decisions.

6. Don't ignore the bells and whistles. What may not be of value to some employees can be viewed as exciting and significant by others. For example, almost all healthcare plans now offer a variety of extra benefits including discounts for health clubs, Weight Watchers, eyewear, massage therapy and other programs.

Promoting these benefits to employees can play a role in their overall satisfaction with the program offered by the company.

7. Don't be afraid of risk. For example, self-insuring isn't just for larger employers today. It can be worthwhile financially to explore the possibility of self-insuring a higher hospital deductible. Calculating the difference in gross premiums between your current plan and one with a $1,000 hospitalization deductible may result in a substantial premium savings. In fact, experience indicates that having the company reimburse the employee for the higher hospitalization co-pay almost always makes sense.

8. Remember, employee families are not all alike. Family status should be reviewed each year. For example, should a company have a high percentage of couples or single parents, there may be an opportunity for savings.

9. Use your health plan's representatives. Having decided on the design of the company's health plan and an insurance carrier, the next important step is to invite the representative to assist in educating your employees. This is a crucial, but often missing component of the overall benefits program; yet it may be one of the most important parts of the employee satisfaction equation.

10. Don't forget to explain the final decision. After the final plan design is in place and the carrier has been selected, it's essential that the employees understand why any changes were made. This can include information on the rising cost of health insurance and the reasons why a new plan is being implemented.

These 10 "mistakes" point out that employees are actually customers and deserve the same attention that any customer receives. Confusion results in employee dissatisfaction. Taking time to do everything possible to make a company's healthcare plan as beneficial as possible will go a long way toward increasing understanding and satisfaction, and help control costs.

Brian F. Donovan is senior vice president of Proctor & Company, an employee benefits firm founded in 1986 and located in Framingham, MA. He has been in the group insurance field for more than 15 years and specializes in the design and implementation of health care plans. He can be contacted at 877-891-7667 or bdonovan@proctorandcompany.com.