





# Control Your Company's Healthcare Costs with a Self-Funded Program

New Year's resolutions often focus on areas of self-improvement. Whether weight loss, generosity or religious commitment, one's New Year's goals look to improve how we are living our daily lives. How do these new-found objectives translate to the business world? What actions should a business owner or manager focus on in the coming year? How about fixing an expense that is rising by double digits and is doubling every four to five years?

Yes, most business leaders would be well served to look into how they are managing their employee benefit expense. With the average cost of insuring a family rising to \$25,000, the days of ignoring health benefits and deferring its watch to HR are over. Fortunately, when business leaders take a look at their health benefit spend, they will notice a few opportunities for improvement that present themselves like low hanging fruit.

With any major purchase by a well-run business, a process is followed that includes, at a minimum, finding out the cost, the suitability or adaptability of the product to the business and an estimate of ongoing expenses related to the product. A New Year's resolution should follow a similar purchasing strategy. Unfortunately, most middle-market businesses are not following these basic purchasing rules when it comes to funding their employees' health benefit expense.

For example, traditional health insurance proposals do not include adequate information on what's behind the premium cost, offer little to no control over the product's application to the particular business and provide no estimate of where costs are going. A resolution or commitment to change this is required for businesses looking to curtail the ever-increasing cost of their health insurance. Self-funding with a medical captive insurance product offers this opportunity. A medical captive is a pool of small to mid-sized employers who are sharing the risk of their medical insurance by hosting their own self-insured group, thus improving transparency, control and cost savings.

An old adage states that unsuccessful businesses make decisions based on their current predicament. Successful businesses, however, make decisions based on where they want to be long-term. Recognizing this, a



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resolution to approach the funding of employee health benefits with a long-term perspective is recommended. Too often, businesses look at their health insurance choice once a year. The decision is presented as a twelve-month fixed cost.

There is a complete lack of any long-term strategic approach to what is a top-three expense for the business. Should a CEO look to control the rising cost of its employee health benefits, they must view these costs over several years with ongoing consideration for appropriate action undertaken to control the rising expense. Without a long-term approach, the business is held hostage to an annual auction where one double-digit premium increase is presented with four others. The self-funded medical captive introduces an alternative and delivers a long-term health insurance solution to the middle market business.

**Any CEO looking to improve the outcomes of its employee health benefit program should take the following steps.**

- (1)** Make sure the funding strategy chosen includes ultimate costs based on what is actually spent by the company. A variable cost spend will allow a return on the company's investment in cost-saving strategies.
- (2)** Have a deep dive into the benefit plan document taken by a qualified attorney with ERISA experience and a healthcare clinician, to assure the most efficient coverage for medical expenses. While plan documents can exceed 100 pages in length and contain mind-numbing prose, any CEO will be greatly rewarded for engaging professionals to assure the claim coverage is done with the company's interest at the forefront.
- (3)** The CEO should make it clear in his or her communications with the workforce that their health matters to the company and its funding is a top priority. Encouraging activities from nutrition to exercise should be explained by the CEO to the board as clear evidence that the employees' well-being is good for business. A culture of health and wellness is really an essential and efficient economic choice.

Any of the above New Year's resolutions coupled with an employer choosing a self-funded medical captive strategy for its employee benefit program will go a long way toward improving the company's healthcare benefit spend. Hopefully more employers will make these resolutions a reality this year!