BY SCOTT M. WOOD
PRINCIPAL
BENEFIT COMMERCE GROUP

The Supreme Decision: Why Employers Should Continue Offering Health Plans No Matter How the Court Rules

One of the most pressing questions employers are asking now is whether they should consider dropping employee health plans in 2014 and just pay the penalty, under the Patient Protection and Affordable Care Act (PPACA). The upcoming Supreme Court decision on the constitutionality of the individual mandate and the PPACA as a whole has center court attention.

Health care costs and health insurance premiums continue to rise at a faster rate than overall inflation. For most companies, the second or third highest expense item in their budget is health care. When you weigh those rising costs against a $2,000 per employee penalty for not offering a health plan, the $2,000 may initially look like an appealing option.

However, take a closer look at all the costs and you discover the best strategy is to continue offering an employee health plan. But be sure it is the right plan, with benefits and incentives that align employee and employer goals and responsibilities. With the right strategy, employers can save money, improve the health of their employees and improve productivity.

Pay or Play – The $2,000 Penalty Is Only One of the Costs

Employers need to consider the following additional costs, if they think they may want to drop their employee health plan under PPACA:

- The $2,000 per employee penalty is not tax-deductible.
- With no employer-sponsored health plan, employees will pay federal and state taxes on the money they use to buy their own health insurance. Employers also will pay FICA and Medicare taxes on these wages that previously were on a pre-tax basis.
- If an employer increases salaries to offset the cost of employees buying their own insurance, both the employee and employer also will pay additional taxes on these amounts.
- This is tantamount to the government collecting taxes on the value of health care benefits.
- Sixty percent of employees said medical benefits are top criteria for a job, according to a SHRM survey. Employers deciding to drop health plans risk losing their top talent.

Who wants to be the first one not to offer a health plan? Chances are, that employer will lose valued employees to competitors still offering coverage.

How to Keep Health Plans Affordable

When the math convinces employers to continue offering employee health plans, they still must determine how to control these runaway costs. For years, some employers have chosen to pass costs on to employees, through higher deductibles and higher copays. But this is not saving.

The only way to save on health care costs is to get at the core issues driving health care spending. That means establishing a workable strategy for the employer this year and for the long term.

It means using proven and established "best practices" to lower health care costs, including: consumer-driven health plan enrollment, annual biometric screenings, health risk assessments, disease management and health advocacy programs, healthy lifestyle programs, premium differential for tobacco use vs. non-tobacco use and employer-sponsored health events.

Four health conditions (coronary artery disease, cancer, diabetes and obesity) cause about 74 percent of our nation's total health care costs. By identifying risks contributing to those diseases and controlling them, companies lower their costs, improve the health of their employees and increase productivity.

Wellness Program Savings Can Now Be Quantified

When wellness programs began many years ago, it was difficult to quantify their value. However, there are now programs that show, in dollars, how these efforts actually save money on health plan premiums. In fact, there are programs available guaranteeing premium savings for employers implementing consumer-directed plans and comprehensive wellness programs. These programs measure and provide credits based on the level of employee engagement and participation.

Mid-sized Employers Can Lower Health Care Costs, Too

Strategies for lowering health care costs work just as well with 300 employees as they do for organizations with tens of thousands of employees.

Yes, large companies have large numbers to report. Safeway Inc. has followed a strategy of health, wellness and fitness for the past six years, keeping the company's and its more than 30,000 non-union employees' costs flat per capita—while health care costs increased nationally by 8.5 percent annually.

However, there are many examples of mid-sized companies (100 to 2,000 employees), and even smaller ones, achieving as good or better results. For example, an industrial equipment company in Arizona, with 500 covered members, saved nearly $750,000 in 2010 and again in 2011, with expected savings for 2012 projected to be nearly $1 million, while at the same time improving benefits for employees and families.

In summary, when it is decision time for employers, they need to look at all the costs for continuing or dropping coverage. With the right strategy, a comprehensive health plan strategy can be an investment in the organization and its employees, an investment that pays off in lower costs and increased productivity. HC

Scott M. Wood is a Principal of Benefit Commerce Group LLC, an award-winning Scottsdale, Ariz. based employee benefits firm with more than 25 years of experience. Benefit Commerce Group is changing the health care cost paradigm with sustainable strategies to lower health care costs first-year and long-term.