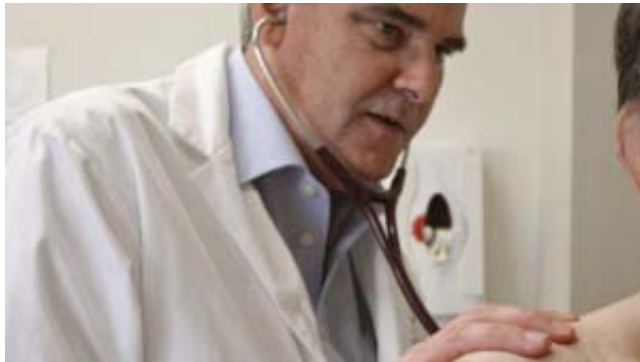


# Small business: Lowering employee health costs

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There's no escaping rising health care costs.

The average total annual premium for workers with family coverage at firms with less than 200 employees rose from \$5,683 in 1999 to \$12,091 in 2008, according to a survey by the Kaiser Family Foundation in Washington, D.C., and the Health Research and Educational Trust in [Chicago](#).

As costs continue to escalate, employers need to become more educated about how they are utilizing their health care dollars and look for ways to curb costs, while still managing employee expectations, experts say.

An advertisement for Macy's Santa Mail. It features a red mailbox with the words "SANTA MAIL" and "J.L. MACY" on it. A woman in a black dress is standing next to the mailbox, holding a letter. The text reads: "Come to any Macy's store and drop off your letter to Santa". Below this, it says: "For every letter received, we'll donate \$1 to the Make-A-Wish Foundation® up to \$1,000,000." A red button says "VISIT MACYS.COM/BELIEVE". At the bottom, there is a red banner with the "MAKE-A-WISH" logo and the "the magic of macy's" logo with a star and "macy's.com" below it.



"The days of taking health care for granted are over," says Lou Bassoof of The Alcott Group, a Farmingdale-based professional employer organization that provides and administers health plans for clients as part of its overall human resources services. "If businesses don't become better consumers, pricing will become more prohibitive, and they'll end up with little or no health care."

Unfortunately, there are few ways for smaller firms to curb costs without passing on more of the burden to their employees, either through higher deductibles or co-pays.

"The days of the \$10 co-pay are gone," says [Scott Bradley](#), senior vice president of employee benefits for Cook, Hall & Hyde, a Melville employee benefits advisory-brokerage.

More and more companies are using consumer driven health plans like health savings accounts (HSAs), as well as employer funded health reimbursement arrangements (HRAs) to help lower costs, he notes.

These kinds of accounts provide a tax-advantaged savings vehicle to help fund employees' unreimbursed medical expenses, Bradley says. They're typically (or in the case of HSAs, always) paired with high deductible health plans, which can be 25 percent to 30 percent cheaper than traditional managed care plans, he notes.

HSAs differ from HRAs in that HSAs are individual, employee-owned accounts, while HRAs are 100 percent employer owned, Basso explains. An employer can contribute to an HSA, but money in the account ultimately belongs to the employee, which in turn makes him or her more conscious of health care expenditures, he says.

While HSAs and HRAs are gaining momentum, more education is needed to help employees understand what these vehicles are, explains Paul Essner, a partner in the employee benefits practice group of The Signature Group of Companies, a Garden City-based insurance and financial services firm.

"You need to help employees understand why you're making changes and the value of the changes being made," Essner says.

If you're reducing benefits or increasing their costs, you might offer other lower-cost benefits like life insurance or vision, he notes.

You also can help employees offset higher deductibles by funding a portion of their deductible into an account like an HRA or HSA, Essner says.

That's what Hauppauge-based [Jaco Electronics](#), a designer of flat-panel display technology, does monthly for employees with HSAs by contributing half of the employee's deductible into

their account, says HR manager Diane Eckhoff.

The 49-person company, which also offers two other plans including a traditional point of service (POS) plan, says employee HSA participation has grown in the past three years from 18 percent to 31 percent.

Of course, if you're not looking to go beyond your traditional managed care plan, you can look into participating in purchasing cooperatives like HealthPass and the Long Island Association's Health Alliance. You also can try implementing employee wellness programs, says Tom Doney of Cypress Benefit Administrators in Appleton, Wis.

Try offering walking or cessation programs; set rewards to encourage people to meet healthy goals, he notes.

"The best way to reduce costs is to not incur them in the first place," Doney says.

#### **Fast facts**

Average annual contribution to premiums for family coverage at businesses of all sizes

#### **EMPLOYEE**

**1999** \$1,543

**2008** \$3,354

#### **EMPLOYER**

**1999** \$4,247

**2008** \$9,325

*Source: Kaiser / HRET*

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