

Controlling Your Insurance Costs

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Insurance costs can be significant (millions of dollars in many cases), and there are long term implications to any actions you take. So how do you control your insurance costs? Here is an overview of actions you can take when beginning an insurance review to control your costs. They include reviewing plan designs and discounts, tracking key metrics, identifying cost drivers, and adding proactive measures.

Plan Design – “Bundling” with a Global Approach

Ensuring that your plan designs fit your needs, and verifying that you’re receiving all of the discounts you are entitled is an important first step. Often, carriers will provide substantial discounts for “bundling” products together for broader coverage. For example, bundling general liability with property products may result in a discount of up to 8% (\$80,000 per \$1M of premium). Health Insurance paired with Health Management and Wellness programs can maximize employee benefits for lower costs. Additionally, this approach reduces medical insurance premiums, reduces loss ratios for both medical and workers compensation lines, and lowers premium trends for both coverages.

Another approach is to consider self-insuring, or partially self-insuring with stop loss coverage for claims beyond a certain dollar level. An analogy for this approach is increasing the deductible on your personal automobile insurance. The effect is a substantial reduction in your premium in exchange for you shouldering some of the risk. Also, like your personal auto insurance, you can substantially decrease the incidence of claims through behavior. If you maintain your vehicle, don’t speed or drive while intoxicated, attend a defensive driving course, and avoid driving during the busiest hours of the day, you are far less likely to experience a loss. Similarly, by providing employees with opportunities for healthy behaviors (and even incentivizing and encouraging them), offering educational information regarding the cost and proper utilization of benefits, and discouraging unhealthy and imprudent behaviors, you can substantially impact the cost of your insurance premiums.

Review Key Metrics/Identify Cost Drivers

Next, review key metrics including loss ratios, large claims, and prescription drug costs. If you don’t have this information, your broker should be able to provide it. A review of your policy’s “large claims” (greater than \$25,000) will likely illustrate which medical conditions are driving your insurance costs. Similarly, reviewing your prescription drug costs will most likely reveal that those incredibly expensive medications are being prescribed for many of these, or related, maladies. Once you have an idea of what the major expenses are, focus on adding proactive measures including employee education, risk management, and health management programs to help lower the costs associated with each condition.

Proactive Measures

Health Management Programs

A more employee-friendly approach is to provide opportunities for the employee to engage in wellness activities or healthy behaviors; for example, educating employees about healthy eating options, and helping them to pare back the unhealthy options (like fried foods, desserts, and sugary sodas). A quick survey of vending machines and cafeterias in your business might be a good first step. Employers may also consider making discounted health screenings available, offering discounts for Gym memberships (or better yet, Gym usage), and sponsoring contests involving increased physical activities such as walking programs and fitness drives. These activities need not be excessively expensive. All that’s needed is some good communications, a few fun prizes, and some willing “champions”.

Employee Education

All of these approaches require that employees be educated. But trying to get a message across to every employee in an organization is like trying to control kids in a school bus: some will listen; some will hear but misunderstand the message; and some will ignore the message altogether and later complain, "But nobody told me." When educating employees, one needs to remember two things: 1) people need to hear the same message multiple times before they truly internalize it and 2) employees are processing more information today than ever before.

Risk Management Programs

Although risk management is traditionally tied to general liability and workers' compensation activities, it is becoming apparent that a risk aversion strategy is also crucial for life and health activities. Obviously, we can't eliminate medical claims. We can, however, adopt measures to reduce the incidence of employees becoming ill or injured and focus on improving the overall health of the workforce.

Checklist for Controlling Insurance Cost:

- Contract with brokers who can help you control costs
- Ensure that plan designs fit your needs
- Check for available discounts
- Consider self insuring (or partially self-insuring) with stop loss coverage
- Insist on key metrics and review them regularly
- "Tier" premiums and prescription drug co-pays
- Combine a high deductible medical plan with an HSA (health savings account)
- Implement appropriate risk management policies and practices
- Provide LOTS of employee education and options

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