

WISHRM

Wisconsin Council Society for Human Resources Management

The Strategic Planning Process with an Eye on
Health Care Reform

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Agenda



1. Health Care Reform (HCR) Summary
2. Strategic Planning Process
3. Outcomes/Opportunities from the Strategic Planning Process
4. Case Study of Two Success Stories

Seminar Synopsis

- In this seminar we will review the summary of the impacts of HCR and how to develop a strategic plan to respond to the risks/opportunities of HCR.
- We will explore a five-step process that many employers have employed to create this strategic plan, including specific tactics to achieve the outcomes desired.
- We will finish with a case study outline of two employers' success stories.



Health Care Reform =

- Patient Protection and Affordable Care Act
 - Signed into law March 23, 2010



- Health Care and Education Reconciliation Act
 - Signed into law March 30, 2010



- Regulations, guidance, and interpretations
 - *The onslaught has begun with lots more to come.*
 - Department of Health and Human Services (HHS)
 - Department of Labor (DOL)
 - Internal Revenue Service (IRS)



HCR Summary

- Health Care Reform has a variety of moving pieces that interrelate and can increase an employer 's health plan costs.
- Current estimates are that HCR will add between 1.5 and 4% per year to the current medical trend increases of 8-11%.
 - Risks include potential Cadillac tax, free rider penalties for non-affordable health plan options, adverse selection due to in and out migration because of the state health care exchanges, magnet plan factors, benefit mandates, expanded Medicaid and changes in Medicare, changes made by employers, and additional administrative costs.
 - Opportunities include changes that can impact a broader spectrum of cost control measures such as retiree health plan changes, wellness ROI, part-time benefit plan changes, changes to total reward strategies, employee contribution changes, plan design change opportunities, and consideration of total plan termination.



Major Components of Health Care Reform



- Guaranteed issue
 - Insurers / health plans required to provide health coverage regardless of individual's health status
- Individual mandate
 - All Americans must obtain health coverage or pay a penalty

Major Components of Health Care Reform



- Health insurance exchanges
 - Facilitate purchase and comparison of health coverage
- Employer “pay or play” mandate
 - Most employers must provide affordable coverage or face a penalty
- Significant expansion of Medicaid

Major Components of Health Care Reform



- Government Subsidies
 - For individuals and, in some cases, employers
- New and Expanded Taxes
- Miscellaneous Health Initiatives and Policy Changes

Major Components of Health Care Reform



- Grandfathered Health Plans (GFHPs)
 - Individual and group health plans that were in effect on March 23, 2010
 - Grandfathered health plans do not have to comply with some mandates of Health Care Reform.
 - Many employers are no longer grandfathered.

Minimize Risks/Maximize Opportunities

- As a result of Health Care Reform, we need to develop a multi-year response to minimize the risks and maximize the opportunities. We recommend building a plan based on a most-likely scenario as well as a contingency scenario to maximize flexibility as we move through these uncertain times.





POLITICAL ISSUES



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Court Case

- U.S. Supreme Court held oral arguments on lawsuit challenging constitutionality of Health Care Reform law from March 26-28, 2012.
 - Decision upheld June, 2012

2012 Elections

- Outcome of 2012 congressional and presidential elections is likely to have significant impact on future of Health Care Reform past 2012.



Strategic Planning Implications

- Employers should continue to plan as though remaining HCR provisions will go into effect as scheduled.
- But remain nimble and consider contingency plans if major portions of HCR are repealed or changed.

Strategic Planning Process



Strategic Benefits Planning Process

- **Phase 1 – Pre-Planning**
 - Determine who should be at the table
 - Review strategic planning process
 - Identify the scope of “benefits” that will be involved
 - Discuss the project timing and length of process
 - Identify committee roles and responsibilities
 - Set ground rules



Pre-Planning Process

This step serves as the foundation of understanding for the strategic benefit plan. During this phase we ask questions such as:

- Who will be part of the planning process?
- How long will the process take?
- What are the key timeframes we need to keep in mind (such as health plan renewal, collective bargaining date for wages, etc.)?
- How / when will this be presented to executives, employees, etc.



Strategic Benefits Planning Process

- **Phase 2 – Discovery**
 - Discuss
 - Overall business strategy
 - School district vision
 - Significant events
 - Milestone dates
 - Perspective
 - What internal challenges do you have? (i.e. resources, technology)
 - What worked well?
 - What hasn't worked well?
 - What should change?



Discovery Phase

This step serves to insure that the planning process is achieved with a strong sense of its relationship to the bigger picture of where your company is headed.

During this phase we typically develop a benefit vision, do a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, examine vendor qualities/strengths and prioritize those qualities, determine internal resources to execute a strategic plan, and discuss employee communication opportunities/process.



Strategic Benefits Planning Process

- **Phase 3 – Learning/Education**

- Perspective review
- Recap of current benefits
- Internal/external review
- Benchmarking
- Employee benefit vision



*“Whether or not you believe you can do a thing or not -
you’re right!”*

- Henry Ford



Learning Phase

This step includes both an internal review of current plan data/ summaries and an external review of medical trends in the industry. This would include a discussion on such tactics as:

- HRAs/HSAs,
- Wellness strategies and incentives
- Spousal surcharges
- Ancillary product trends in STD, LTD and life insurance
- Centers of excellence and narrow networks
- Voluntary products
- Defined contribution plan approaches and many others



Strategic Benefits Planning Process

- **Phase 4 – Planning and Setting Course**
 - Build the plan
 - Set short-term (1-2 year) goals and strategies
 - Set long-term (3-5 year) goals and strategies
 - Prioritize overall objectives
 - Set milestones – specific events
 - Executive summary
 - Work plan

Setting the Course Phase

This step includes a finalization of the benefit vision and a development of overall objectives. In this phase we prioritize the objectives and design a time-line to include 1-2 year and 3-5 year goals. A full work plan is developed to include the goals by year.



Strategic Benefits Planning Process

- **Phase 5 - Annual Review**
 - Re-evaluate the course to determine if this is still the desired direction
 - Is the vision still on target?
 - What is the status of the critical success factors? Have they changed?
 - Are we on schedule to implement our tactics?
 - Are the overall goals being achieved?

Ongoing Monitoring and Change

Each year the Strategic Plan is reviewed for continued appropriateness given the current environment for benefits given the state of federal HCR and state mandates.



What is the Purpose of Completing the Strategic Planning Process?

- Apply strategic business principles to establish a direction for future decisions
- Actively engage participants in discussions and develop conclusions and measurable action plans
- Expose management to a series of interrelated activities that result in successful implementation and foundation for planning in subsequent years
- Create benefit plan “ownership” at multiple levels within your organization



Strategic Planning Outcomes – Short-Term

Short-term: RFP?

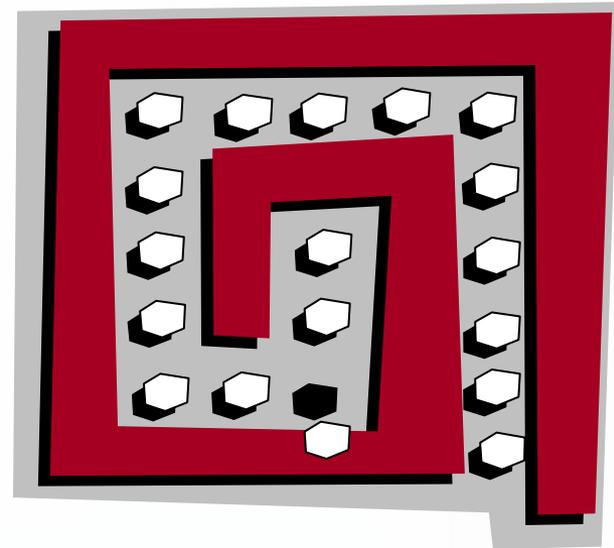
- Similar provider access
- Similar benefits
- Similar service
- Similar value adds
- Cheaper price

Plan design changes
Contribution changes



Strategic Planning Outcomes:

- Intermediate/long-term
 - Wellness incentives: participation vs. outcome-based: spousal incentives
 - Disease management
 - Consumerism: HSA/HRA
 - Plan design changes
 - Funding options
 - Contribution strategies
 - 20 – 25% premium share
 - Spousal surcharge



Outcomes and Opportunities of the Strategic Planning Process

EMPLOYEE BENEFITS STRATEGIC PLANNING TIMELINE

2012 Objectives

Effective 7/1/12 (except Hearing Interpreters)

- Combine all groups under one medical and dental plan design
- Change in-network deductible to \$500 single and \$1,000 family
- Add coinsurance of 90% in-network and 70% out-of-network with an in-network coinsurance of \$500 for a single and \$1,000 for a family
- Implement a four-tier prescription drug program and a additional cost containment strategies into the prescription drug program such as specialty pharmacy, quantity limits and Anthem's Generic Select program
- Implement near site employee clinic sponsored by SASD through Sheboygan County's current arrangement with Intera
- Employee communication meetings in May
- Review ancillary benefit programs

Quarter 3

- Conduct Health Assessments; goal = 95% participation

Ongoing

- Member communications

2013 Objectives

Quarter 1

Effective 1/1/2013

- Offer 3% premium credit to those who participate in the Health Assessment
- Implement spousal surcharge

Quarter 2 & 3

- Develop a benefit strategy for early retirees
- Evaluate when to offer a High Deductible Health Plan with a Health Savings Account
- Analyze potential plan changes for the 2014 plan year
- Review ancillary benefit programs
- Determine if voluntary benefits will be offered
- Review contribution strategies to incent wellness behaviors
 - Offer a larger incentive for HA participation
 - Analyze outcome-based biometric premiums

Quarter 3

- Conduct Health Assessments; goal = 95% participation

- Offer Health Assessments to spouses with incentive for participation

Ongoing

- Member communications

2014 Objectives

Quarter 1

Effective 1/1/2013

- Offer a larger premium differential to those who participate in the Health Assessment
- Implement outcome-based biometric premiums
- Implement medical and dental plan changes as determined by prior analysis

Quarter 2 & 3

- Implement a benefit strategy for early retirees
- Offer a High Deductible Health Plan with a Health Savings Account
- Analyze potential plan changes for the 2015 plan year
- Determine if voluntary benefits will be offered
- Review ancillary benefit programs

Quarter 3

- Conduct Health Assessments; goal = 95% participation

- Offer Health Assessments to spouses with incentive for participation

Ongoing

- Member communications

2015 and Beyond

- Build a strategy which will encourage migration to the HSA plan
- Ongoing review and evaluation of all benefit programs to determine how benefits align with SASD's budget on an annual basis and mitigate future Cadillac tax.

Outcomes and Opportunities of the Strategic Planning Process

2012 Projected Defined Contribution Modeling

Updated: 08/23/2011

Employee Count		2011 Rates						2012 Projected Cost with Def Cont based on Standard Plan & Premier increased 3%						2012 Projected Cost with Inc in Deductibles & Defined Cont Based On Standard Plan								
Coverage Tier	Enroll	2011 Monthly Rate	2011 Monthly ER Cont	2011 Monthly EE Cont	2011 Price Tag 24 Pay	2011 Benefit Credit	2011 EE Cost 24 Pay	2012 Monthly Rate	2012 Monthly ER Cont	2012 Monthly EE Cont	2012 Price Tag 24 Pay	2012 Benefit Credit	2012 EE Cost 24 Pay	Increase Per Paycheck	2012 Monthly Rate	2012 Monthly ER Cont	2012 Monthly EE Cont	2012 Price Tag 24 Pay	2012 Benefit Credit	2012 EE Cost 24 Pay	Increase Per Paycheck	
		Premier Plan		80%						71%												Premier Plan 78%
Single	22	\$627.70	\$502.16	\$125.54	\$104.44	\$41.67	\$62.77	\$665.66	\$471.81	\$193.85	\$138.60	\$41.67	\$96.93	\$34.16	Inc Ded to	\$589.76	\$462.34	\$127.42	\$105.38	\$41.67	\$63.71	\$0.94
Family	40	\$1,691.45	\$1,353.16	\$338.29	\$210.81	\$41.67	\$169.14	\$1,792.47	\$1,270.43	\$522.04	\$302.69	\$41.67	\$261.02	\$91.88	\$500 = (-5%)	\$1,588.04	\$1,244.00	\$344.04	\$213.69	\$41.67	\$172.02	\$2.88
Total/mo.	62	\$81,467	\$65,174	\$16,293		\$2,584	\$8,147	\$86,343	\$61,197	\$25,146		\$2,584	\$12,573			\$76,496	\$59,932	\$16,565		\$2,584	\$8,282	
Standard Plan		86%						80%						Standard Plan 80%								
Single	26	\$571.19	\$490.25	\$80.94	\$81.67	\$41.67	\$40.00	\$589.76	\$471.81	\$117.95	\$100.65	\$41.67	\$58.98	\$18.98	Inc Ded to	\$577.93	\$462.34	\$115.59	\$99.46	\$41.67	\$57.79	\$17.79
Family	75	\$1,539.23	\$1,346.21	\$193.02	\$137.50	\$41.67	\$95.83	\$1,588.04	\$1,270.43	\$317.61	\$200.47	\$41.67	\$158.80	\$62.97	\$750 = (-2.5%)	\$1,555.00	\$1,244.00	\$311.00	\$197.17	\$41.67	\$155.50	\$59.67
Total/mo.	101	\$130,293	\$113,712	\$16,581		\$4,209	\$8,227	\$134,437	\$107,549	\$26,887		\$4,209	\$13,444			\$131,651	\$105,321	\$26,330		\$4,209	\$13,165	
Basic Plan		99%						94%						Basic Plan 94%								
Single	43	\$483.34	\$478.18	\$5.16	\$41.67	\$41.67	\$0.00	\$501.91	\$471.81	\$30.10	\$41.67	\$41.67	\$0.00	\$0.00	Inc Ded to	\$492.28	\$462.34	\$29.94	\$41.67	\$41.67	\$0.00	\$0.00
Family	93	\$1,302.42	\$1,291.05	\$11.37	\$41.67	\$41.67	\$0.00	\$1,351.23	\$1,270.43	\$80.80	\$41.67	\$41.67	\$39.13	\$39.13	\$1,250 = (-2.5%)	\$1,324.15	\$1,244.00	\$80.15	\$53.72	\$41.67	\$12.05	\$12.05
Total/mo.	136	\$141,909	\$140,629	\$1,279		\$5,667	\$0	\$147,247	\$138,438	\$8,809		\$5,667	\$3,639			\$144,314	\$135,573	\$4,071		\$5,667	\$1,121	
Annual		Total Prem\$	ER Cost			Credit	EE Cost	Total Prem\$	ER Cost			Credit	EE Cost		Total Prem\$	ER Cost			Credit	EE Cost		
Total Plan Cost		\$4,244,031	\$3,834,188			\$299,024	\$392,971	\$4,416,318	\$3,686,213			\$299,024	\$711,736		\$4,229,541	\$3,609,912			\$299,024	\$541,635		
PEPY		\$14,194	\$12,823			\$1,000	\$1,314	\$14,770	\$12,328			\$1,000	\$2,380		\$14,146	\$12,073			\$1,000	\$1,811		

Total EEs
299

Total ER Cost \$4,133,212
 (ER Cost + Benefit Credit)
 Employee Cost \$392,971
 Employee Cost Share 9.51%

Total ER Cost \$3,985,237
 (ER Cost + Benefit Credit)
 Employee Cost \$711,736
 Employee Cost Share 15.15%

Total ER Cost \$3,908,936
 (ER Cost + Benefit Credit)
 Employee Cost \$641,635
 Employee Cost Share 12.17%

Proposed Rx Plan Change: Preferred Brand = 20% to \$50 max, Non Preferred Brand = 30% to \$100 max & Specialty = 30% to \$100 max -\$7,540 (1.3% of Rx claims paid)



Client Service Plan (CSP)

Employee Benefits, Insurance, HR Solutions

CLIENT SERVICE PLAN

The purpose of this plan is to illustrate our commitment to service your organization's unique benefit needs. By identifying both present & potential, our focus is to provide and sustain a mutual business partnership. Our service approach is comprised of the following:

Strategic Planning	
What are your top three strategic priorities for this year?	
1	
2	
3	

	Time Frame	Notes
<input type="checkbox"/> Customized needs analysis		
<input type="checkbox"/> Partner with client to develop benefit strategic plan and vision		
<input type="checkbox"/> Benefit plan design consultation: • Medical • Ancillary		
<input type="checkbox"/> Negotiate best client pricing utilizing our experience and expertise		
<input type="checkbox"/> Complete funding actuarial analysis		
<input type="checkbox"/> Retirement Benefit Solutions		
<input type="checkbox"/> In-process client meetings		
<input type="checkbox"/> Consultation with Associated Financial Group's medical director		
<input type="checkbox"/> Analyze alternate funding mechanisms		
<input type="checkbox"/> Reach decision provide answers		
<input type="checkbox"/> Integrate Customized Direct Health plans and/or defined contribution plans		
<input type="checkbox"/> Additional benefit planning (life, disability, etc.)		
<input type="checkbox"/> Valuation/withdrawal benefit plan development		
<input type="checkbox"/> Investment benefit evaluation		
<input type="checkbox"/> Pharmacy consultation and analysis		
<input type="checkbox"/> Administrative compliance benchmarking and assessments		
<input type="checkbox"/> Participate in Benefit/Welfare Committee meetings - up to 4 per year		



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Questions?

