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The Total Cost of Low Health Benefit Plan Participation:

As stated in the recent extension of the PPACA Employer Mandate (Play or Pay), the “uninsured” problem is not the result of employers not offering health care coverage to their employees. Studies show the vast majority of employers with more than 25 employees do offer health insurance coverage, but unfortunately many experience very low employee participation. This is particularly true for those with a predominantly low to middle income hourly workforce. Often these employees choose not to participate in their employer sponsored health plan because the coverage is too expensive and they are willing to take the risk of self-insuring (going without coverage entirely).

Beginning in 2014, PPACA regulations require everyone to purchase health insurance coverage through an employer, the exchange, or in the individual marketplace. Failure to do so will result in a tax penalty for the employee. It is anticipated that the majority of currently uninsured employees will opt to obtain health insurance coverage in lieu of violating the PPACA requirement.

Employers who desire to maintain a positive employee/employer relationship must engage these “non-participating” employees in a mutually cost effective solution of affordable health insurance. How employers manage the balance between the cost of benefits and the value of the employee relationship will be critical in maintaining competitiveness, productivity and profitability. Employers must develop a strategy that defines and controls the total cost impact of this new employee health culture.

Strategy Considerations:

1. Analyze the total financial consequence of Play or Pay Mandate. Even though this provision of PPACA has been delayed, it is still not too early to plan for its ultimate enactment in 2015. If you decide to drop health insurance coverage as a result of this mandate you will save a significant amount of money in premium dollars, however what is the indirect cost you will experience in regard to your employee relationships. Indirect costs could impact your ability to recruit and retain quality employees, and/or maintain a productive and safe work environment.
2. Revise employee contribution limits to a maximum allowable amount, while still ensuring your plan is "affordable". When the PPACA Employer Mandate comes into effect in 2015, there will be restrictions on how much an employer may charge an employee for coverage. It is important to understand these regulations when setting contribution future levels.
3. Offer dual option plan design with low cost option that meets "minimum essential benefits" threshold along with a richer plan alternative. A dual option approach will offer alternative affordable plans for a wider range of employees.
4. Consider limiting the exposure for spouses on your plan. This can be done by forcing spouses to take coverage offered by their own employer, charging full price for dependent spouses, or eliminating spouse eligibility entirely (allowed under PPACA rules)
5. HSA Plans – Twenty percent of small employers and fifty percent of larger employers offer H.S.A. plans to their employees. Enrollment in these plans is growing rapidly, as they offer true

value and cost containment for employers and employees. If you have not looked at this option you are missing a huge opportunity.

6. Self-insurance of medical plan – Employers who self-insure will escape some of the regulations of PPACA. There are many affordable and safe options that have been introduced by insurance carriers over the past couple of years for employers with as few as 10 employees.

Employers that develop a truly engaged total employee health culture will improve employee morale, work productivity and control medical and disability insurance costs. Employers interested in an independent review of these strategies can contact RHK at dbugay@rhkgroup.com.