



Best Practices in Benefits Design

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Today's Agenda

- **The Foundation of it All**
Selecting the right medical plan
- **Drafting the Blueprints**
Benefits package structure, funding options and design
- **Stretching Your Ministry Dollars**
Controlling costs over time
- **Making it a Package**
What other benefits should you include?

Value of Employee Benefits

- Employees consider workplace benefits their personal safety net
- Employees consider health benefits nearly as important as salary

Benefits Package is a Tool for Employers

Employers consider benefits to be important tools for:

- Retention
- Productivity
- Cost control



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The Foundation of it All

***Selecting the
right medical plan***



The Rising Cost of Healthcare



Medical Plans are Important – and Expensive



- 75% of employees rank medical benefits as the most important benefit after salary
- Healthcare-related expenditures:
 - Represent 17.8% of the U.S. economy
 - Equal three times defense spending
 - Are greater than the amount Americans spend on food, housing and transportation **combined**
- Choosing the right plan is a matter of:
 - Balancing premium and benefits
 - Considering all costs of coverage

Types of Plans

- HMOs
- POS
- PPOs
- Indemnity plans (aka “Major Medical”)

Balancing Premiums and Benefits

Benefits	Monthly Premiums	Member Costs at Point of Service
Richer	Higher	Lower
More modest	Lower	Higher

But to choose the right plan,
you must consider ALL costs...

Three Main Cost Categories

- **“Immediate” employer costs**
(premiums)
- **Longer-term employer costs**
(costs at future renewals)
- **Employee costs**
(deductibles, out-of-pocket costs)

“Immediate” Employer Costs

- Have the most “immediate” impact on your budget
- Current year costs (i.e., monthly premiums, contribution levels, etc.)
- Watch out for:
 - “Teaser” rates
 - Illustrative vs. Actual rates

Longer-Term Employer Costs

- Can have a more profound, if longer-term, effect on your budget
- Includes renewal costs, driven primarily by:
 - Claims experience
 - Rises in healthcare costs
 - Benefits plan design
 - Use of an HRA
- Your benefits approach can help you manage long-term costs (more on that later)

Employee Costs

Cost-sharing includes two elements:

- How much employees contribute toward monthly coverage for themselves or their dependents, and
- What it costs employees to use the plan, including:
 - Deductibles
 - Copays
 - Other out-of-pocket expenses

Copays, Deductibles and Coinsurance Maximums



- **Copay bucket**

You never fill the copay bucket; copays continue throughout the plan year.



- **Deductible bucket**

After annual deductible is paid, the deductible bucket is full.



- **Coinsurance max bucket**

After deductible is paid, the insurance company begins cost sharing with employees at the coinsurance level until the maximum is met. When the coinsurance max is met, the bucket is full.

Drafting the Blueprints

*Benefits plan structure,
funding options
and design*



Contributions

- The basis of cost-sharing with employees
- Common structures include:
 - Employer pays 100% for employee-only coverage, employee must contribute for dependent coverage
 - Employers and employees share the costs for both employee-only and dependent coverage
- Can be structured according to employee classification
- Subject to non-discrimination rules

Plan Offerings

Important guidelines:

- Keep offerings to two or three plans maximum, preferably with a “base plan/buy up” approach
- Do not offer plans more than two benefit levels apart

Stretching Your Ministry Dollars

Controlling costs over time



Relationship Between Premium and Claims

- 20% of the population drives 80% of healthcare claims
- Pools “spread risk” among many rather than just a few
- Premium dollars are pooled to help pay large claims
- Every group may not have a large claim every year, but every year groups have large claims
- Healthier population = lower healthcare costs = lower premiums

Strategies to Help Control Claims Costs

- Consider higher cost-sharing with employees
- Maximize network discounts with an extensive provider network
- Encourage generic substitution and use of home delivery
- Educate employees on wise plan use
- Encourage preventive care
- Worksite wellness — www.GuideStone.org/Wellness

Reduce Exposure with a Higher Deductible Plan



- Higher deductibles
 - Employees still have the benefit of copays for doctor visits and prescriptions
 - Preventive covered at 100%
 - Lowers premium costs
- Health Reimbursement Arrangements

Did you know? More than 80% of GuideStone participants in medical plans with deductibles of \$1,000 or greater ***never meet their annual deductibles.***

What is an HRA?

An employer-provided medical reimbursement plan that:

- Is funded solely by employer (no employee \$\$)
- Reimburses employee tax-free for “medical care expenses”
- Funded up to an employer specified dollar amount per coverage period
- Money remaining at the end of the year is retained by employer
 - Fund-as-you-go approach (never the employee’s money)
 - Promise by employer to reimburse employees for specific medical expenses

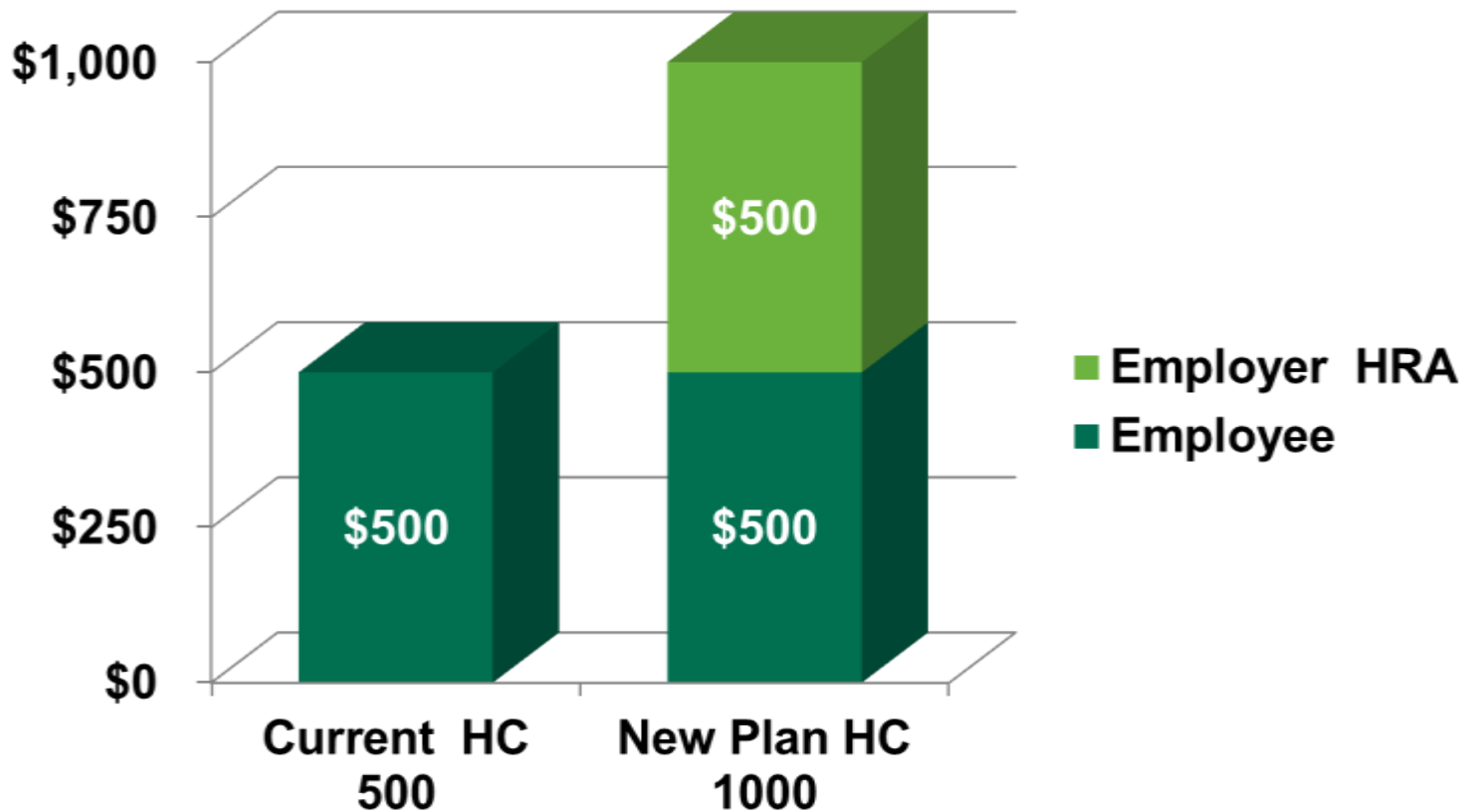
How HRAs Can Help You Save Money

- Higher deductible plans typically have **lower monthly rates**.
- You set HRA contribution levels.
- HRAs are an “unfunded” approach.
- Consumer-directed approaches, like coupling an HRA with a higher deductible plan, can result in lower claims costs — which can help **control plan costs over time**.

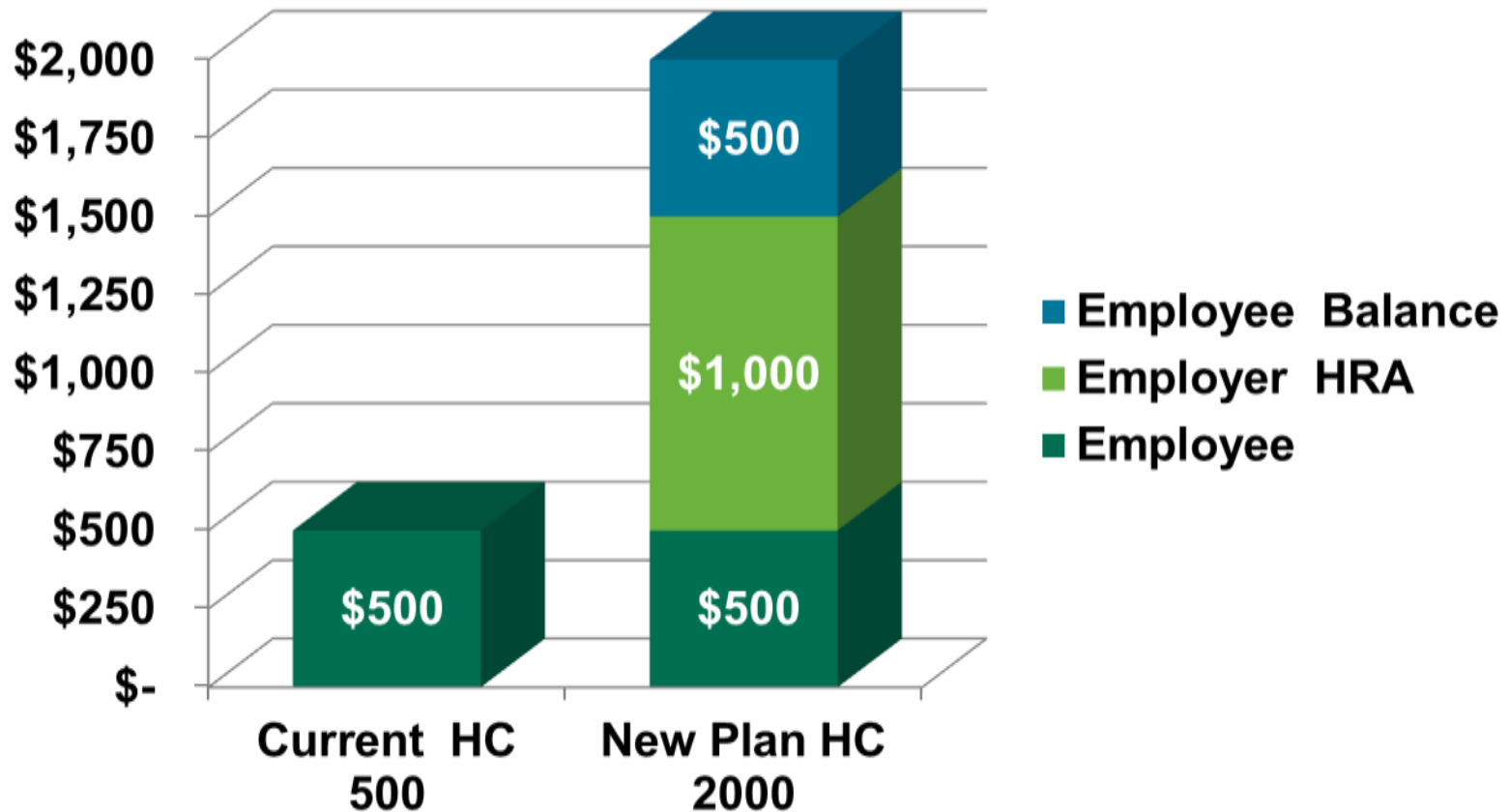
How HRAs Can Benefit Your Employees

- **HRA funds help to offset** your employees' increased out-of-pocket expense exposure.
- You can structure the HRA to provide **first-dollar benefits** or so that your employees pay first and you cover the second portion of deductible.
- Employees' HRA reimbursements are **fully reimbursed tax-free**.
- No “use it or lose it” rules. You can choose to allow **HRA funds to accrue and roll over** year to year, within legal limits.

An HRA with a \$1000 Deductible, EE Pays First



HRA with a \$2000 Deductible, Split Payment



Making it a Package

***What other benefits
should you include?***



Dental Plans

- Often considered an important part of a benefits package
- Very popular with employees
- Can be offered as a voluntary benefit
- Benefit plan options:
 - DHMO
 - PPO
 - Plan limits

Disability Plans

- Disability coverage protects both ministry assets — your people — and employees' financial security
- One in three employees will be disabled before retirement
- The vast majority of disability claims arise from common conditions like cardiovascular disease, arthritis, back pain, cancer, pregnancy or joint issues
- Short- and long-term disability plans have benefits that coordinate to provide maximum protection throughout a disability

Term life plans

- Only 44% of American households have life insurance — a 50-year low*
- Nearly 7 in 10 American households would be in immediate financial jeopardy if the primary bread-winner died*
- Employees consider life insurance the centerpiece of their financial safety nets, even though many are uninsured or underinsured*
- Employees view life insurance as a crucial benefit, second only to medical coverage**

*LIMRA, Facts about Life 2010

**"Workplace Forecast. Perspectives on Benefits in the Next Five Years." Colonial Life, Oct. 2010



Summary

Final Thoughts

- Don't just buy on price — consider total cost
- Explore your group's claims usage — see if you can offer a higher deductible plan
- Consider an HRA
- Launch a wellness plan
- Round out your offerings
 - Dental
 - LTD
 - Life

Important Websites



To stay informed on healthcare reform:

www.GuideStone.org/healthreform

For wellness resources, including the building blocks of a worksite wellness program:

www.GuideStone.org/Wellness

For education for individuals, ministries and employers:

www.GuideStone.org/LearningCenter

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Questions?





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