

London Health Administrators Case Study – “Tailor-Made Savings Plan”

Business of Focus: Regional Healthcare System located throughout New England

- *Health Plan Enrollment = 638 employees (184 single plans and 499 family plans)*
- *Benefit Summary = \$200 In/Out patient Deductible PPO with Blue Cross Blue Shield of MA*
- *Employer pays 90% of health insurance premiums.*

2005 - Health Plan Problem: The Healthcare System was suffering from high medical claim loss, and therefore leading to over-bearing increases in their health insurance premiums.

2005 Medical Only Premium (based on \$200 In/Out patient Deductible from BCBS of MA)

	Enrollment	Monthly Rates	Annual Premium
Single Plans	184	\$381.54	\$842,440.32
Family Plans	499	\$1,088.79	\$6,519,674.52
Total	683	-	\$7,362,114.84

2006 Proposed Premium (before Spousal Plan)

	Enrollment	Monthly Rates	Annual Premium
Single Plans	184	\$449.69	\$992,915.52
Family Plans	499	\$1,306.55	\$7,823,621.40
Total	683	-	\$8,816,536.92

2006 London’s Health Plan Solution: At the time of renewal in 2006, London’s team analyzed the claim loss experience, benefit design, and employee census information, and realized that the Healthcare System was inefficiently spending their healthcare dollars. London recommended that the client implement a “Tailor-Made Savings Plan” called the spousal reimbursement program.

The goal of the spousal reimbursement program was to lower the number of participants covered at 100% through the client’s health plan. To accomplish this goal, the Healthcare System advised every employee who’s spouse was eligible for coverage through her/his employer to enroll onto their company’s health plan.

After adjusting the enrollment, London found that out of 499 employee’s enrolled into a family plan, 143 of the employee’s spouses could get health insurance through their employer, (37 family plans turned into single plans, and 106 family plans turned into single + dependent plans.)

By implementing the spousal reimbursement program, the Healthcare System lowered the number of participants being covered at 100%. In 2006, the client did not have to pay for 143 spouses, which ended up in \$1,268,233.44 premium savings. With that savings, the client agreed to reimburse the spouse’s contributions, deductibles and co-pays they paid through their employer’s health plan.

At the end of 2006, it was a win-win for the Healthcare System, its employees, and families. The client saved \$737, 857.44 after spousal reimbursements; the employees kept the same rich benefit plan, and the spouses received free health insurance.

2006 New Premium based on Tailor-Made Savings Plan design

	Enrollment	Monthly Rates	Annual Premium
Single Plans	221	\$430.69	\$1,142,189.88
Family Plans	356	\$1,255.55	\$5,363,709.60
Single + Dependents Plans	106	\$819.50	\$1,042,404.00
Total	683	-	\$7,548,303.48

2006 Savings Analysis

	2006 (Plan design from previous year)	2006 (Tailor-Made Savings Plan Design)	Premium Difference	Spousal Reimbursement Amount	Annual Savings
Health Insurance Premiums	\$8,816,536.92	\$7,548,303.48	\$1,268,233.44	\$530,376.00	\$737,857.44