

London Health Administrators

Case Study: Health Reimbursement Arrangement

Business of Focus: Manufacturing Firm located in Rhode Island

- *Health Plan Enrollment = 150 employees (100 single plans and 50 family plans)*

2007 - Health Plan Problem (before London): Health insurance premiums were making up 31% of the Manufacturing Firm's operating expenses, which was second highest to employee salaries in terms of cost contributors. Having more than one third of their expenses going toward healthcare costs limited the growth of the company.

The client needed a healthcare solution that decreased the cost of their group's health insurance, as well as, prevent the need to implement employee contributions.

2007 Proposed Health Plan (based on 2006 benefit design)

Plan Name	2007 Total Annual Employer Premiums
Old Plan Design: BCBSRI \$500/\$1,000 Deductible Health Plan	\$1,070,374.80

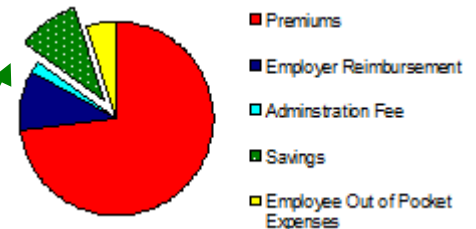


2007 – London's HRA Healthcare Solution: Based on the Manufacturing Firm's goals, London Health Administrators implemented their HRA program. The purpose of the customized HRA was to transfer the excess premiums not used by the insurance carrier back to company. This was achieved by moving the client to a high deductible health plan, which decreased their premiums. With the savings from the decreased premium, the employer created a benefit bank to reimburse portions of the employees' deductibles. The amount of reimbursement was \$1,500 after the employee paid the first \$500 for individual plans, and \$3,000 after the employees paid the first \$1,000 for family plans.

By self-insuring their employee's 1st-dollar benefits the employer was able to save on those employees that did not use medical services. As predicted by London, only 18% of the employees needed their deductibles reimbursed, which means 82% of the employees did not exceed their deductible. In the end, the employer saved \$38,181.78 compared to if they bought the lower deductible plan.

2007 London's HRA Solution

Plan Name	2007 Total Annual Employer Premiums	2007 HRA Reimbursement Amount	2007 Admin Fees	2007 Total Employer Savings
Old Plan Design: BCBSRI \$500/\$1,000 Deductible Health Plan	\$1,070,374.80	N/A	N/A	N/A
New Plan Design: BCBSRI \$2,000/\$4,000 Deductible Health Plan + London's HRA	\$973,068.00	\$52,375.02	\$6,750.00	\$38,181.78



** Disclaimer: London cannot provide real names of clients based on client's confidentiality agreement **