

Law Firms Often Pay More for Health Care

By Jacqueline Bell

If your employer is a law firm, there's a good chance it's paying more than others for the company health care plan. The reason: Your demographic profile and your paycheck.

"It depends on the carrier and their own experience," said Jim Edholm, president of employee benefits planning firm Business Benefits Insurance, who says white collar professions often pay more for their plans. "It isn't that they're out to shortchange the law firms. It's usually based on the demographics and experience with that industry."

And in some states, like Massachusetts, carriers are also permitted to consider the nature of a company's business when setting a rate, Edholm said. Depending on the insurance provider, some will mark up certain professions, like law firms or doctor's offices, because they assume those employees are more likely to maximize the potential of their health care plan, he said.

Analysis done by the Henry J. Kaiser Family Foundation earlier this year indicated that companies with a significant number of highly paid workers frequently do pay more for their health insurance. The study said employer costs-per-hour for health insurance were higher for workers in higher-wage occupations than for those in lower-wage occupations.

According to the Kaiser analysis, average employer costs for health

insurance ranged from \$1.64 per hour for workers in sales-related occupations to \$3.38 for professionals.

Employer costs can be affected by a range of factors, including the health benefits offered by employers, cost sharing differences, the demographic characteristics of workers like average age or health status, employee and dependent participation in health benefits and geographic differences in the costs of health care, the Kaiser analysis noted.

Dean Hatfield, health practice leader for Sibson Consulting, said that a company's rate is much more dependent on the average age of the employees and where the company is located than it is on the nature of their profession.

"Basically it comes down to the demographics. You're going to underwrite it based on the population you're insuring," said Hatfield. "It's not based on white or blue collar."

Those demographic costs can add up quickly for some law firms, many of which are likely to have a relatively older work force and are located in major metropolitan areas, where the costs of health care are substantially higher than in other parts of the country.

In addition, law firms eager to appear attractive to top talent are also likely to have "richer" benefit packages, as part of their strategy to lure candidates.



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"What dictates the richness of the plan is the competitiveness of the market for recruiting the people they want," said Hatfield. "That's what I would see from law firms. They're very competitive for the new all-star students that are graduating."

The level of employee and dependent participation in a company health plan can also affect the cost. The bigger the company, the more likely workers are to take advantage of family coverage options. According to the Kaiser analysis, 34 percent of workers in firms with under 200 employees enrolled in family coverage, as opposed to 40 percent of workers in firms with more than 200 employees.

Still, overall employer costs for workers in high-wage jobs are a

lower percentage of payroll than for companies that employed a significant number of low-wage workers.

“Although technical, executive/managerial and professional occupations had some of the highest health costs per hour, as a share of payroll their costs were relatively low, reflecting the relatively higher wages in these jobs,” the Kaiser analysis noted. “For service and laborer/cleaner/helper occupations, the levels of costs were relatively low, but comparatively high as a percentage of payroll.”

For law firms eager to find a way to cut back on their significant health care costs, but still have “rich” benefits for potential recruits, Edholm said one strategy he often recommends is that firms choose a different health care plan with a higher deductible, and then reimburse employees for that deductible.

“The cost savings for moving to that lower plan will more than offset, in most cases, the liability that they incur for the folks that use that deductible,” said Edholm. “They’re overpaying for the privilege of - having the carrier adjudicate for all those claims.”