



BBI Benefit Bits

Editor:
Jim Edholm.

"If you don't see what you like or like what you see, tell me — I'll make it happen."

Special Interest Articles:

- Should you consider partial self-funding to save premium dollars?
- Getting More LTD benefits for employees at less cost to you

Inside Scoops — Highlights:

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Save \$\$ by Sharing Health Risk with Your Carrier?

In a traditional fully insured health plan, you and the insurance carrier exchange risk for predictability.

The carrier takes all the risk; in return they guarantee you zero rate fluctuation for the contract year.

If Harry out in the plant gets cancer, it doesn't have any effect on your cash flow.

That makes sense — no one, short of GM or another behemoth employer, can afford the costs of a serious illness.

But the carrier needs to protect themselves while bearing this risk. So they plug in a "fudge factor" — they inflate the assumed claims — to assure their financial safety.

And it works. The last time any significant fraction of

health carriers lost money was in the late '80s. Since then most carriers make money almost every year.

But why should a company of 40 - 80 people lock themselves into the identical risk level that a company of three people accepts? Yet that's what happens in the state of Massachusetts.

What if you accepted a level of risk that's between that of GM and the teensy group? In the right circumstances partial self-funding of health insurance — sharing lesser risks with the carrier while getting lower premiums — can let you do just that.

Oversimplification: would you carry the risk of a \$1,000 illness per employee if it saved \$500 of premium per employee every year?

Probably — after all, how likely is it that every employee will incur a \$1,000 illness? Slim.

In fact, you will (typically) save money in four years out of five, maybe more. Your cash flow will fluctuate — some months it will pinch — but you'll save money.

In a nutshell, what you're deciding in considering self-funding is — will the reward offset the risk? That decision is part of the "art" of self-funding plan design. (By the way, it's called "partial" self-funding because you always include an insurer somewhere in the picture to absorb the *re-e-e-e-e-e-ly* mega risks that only they can handle.)

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Group Disability Insurance: Spend Less, Get More

Disability insurance is one of my favorite employee benefit offerings — and employees feel the same way.

Nothing is more important to an employee (whether she knows it or not) than her ability to earn a living. Disability is responsible for almost half of all bankruptcies, and it's 16 times (!) more likely to cause foreclosure than a

death is.

How Likely is Disability?

Whether it's Long Term (typically paying from the 90th day until retirement age) or Short Term (starting at week 1 or 2 and paying for 90 days), it's a benefit your employees are likely to use.

Let's take a quick quiz here. How likely would you say it is

that a worker will suffer a serious disability of 90 days or more between the ages of 35 and 65? Pick an answer:

1. One in 100
2. One in 50
3. One in 10
4. One in three

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Infusions Bistro, Chelmsford. Great little surprise in the Merrimack Valley.



The outside of Infusions Bistro — memorize this picture... it's hard to find on a dark, snowy night.

Merrimack Valley Restaurant Discovery

My wife, Kathy, and I love to find good, fun restaurants. Most of our favorites are in Boston, Cambridge, Newton or other close-in locations. Candidly, Merrimack Valley pickings are slimmer and often not exciting or cutting-edge.

That's absolutely not the case with **Infusions Bistro** in Chelmsford, located at 14 Fletcher Street. It's in the 2nd strip mall (it hurts to even *write* those words) on the left after turning on Fletcher from Route 110.

We discovered them on a recent snowy Friday night. Wow!

The produce, wherever possible, is locally grown, and

and the pork, veal and beef are all grass-fed — no hormones, antibiotics or unnatural grain feeding. The poultry is free range and organic, and the fish is exclusively wild.

"So what?" you ask. "How does it taste?"

"Great," I answer. I was bowled over. My goat cheese puff had the flakiest pastry this side of Paris... OK, this side of Sherbrook, PQ, Canada.

The rib eye was perfectly cooked, succulent and the mushroom demi-glace topped with black truffle butter was to die for. Kathy was equally enthused about her veal stew. The only

minor disappointment was the salad, which was, well, just a salad.

The chef, Philip Proulx, is 28 (and looks about 19), but he cooks far, far beyond his years.

The wine selection was excellent and reasonably priced. We had a 2004 Robert Sinskey Pinot Noir at, believe it or not, only \$42. A steal (if still a bit young).

Our favorites aren't always popular with plain-eating folks, but we were with some "meat and potatoes" friends, and they were just as enthused as we were. Go — you'll love it.

Call them at **978-250-1110**.

Now Available — Free Evaluation CD for Health Insurance Self-Funding.

The front-page article talks about self-funding health insurance. Self-funding can be useful and can save you money.

But is it right for you? How can you find out?

We now offer a free, easy-to-use CD that answers common questions about Employer Self-funding of health insurance. It also includes a simple 4-question survey that will tell you whether or not self-funding "fits" your company and might be a tool you can use to reduce your health costs.

To get your no-obligation copy of this free CD, email JEdholm@bbibenefits.com and give us your snail-mail address. I'll get the CD to you immediately.

Will Employees *Really* Pay for Benefits?

I like voluntary benefits. They save you money, and they let your employees have access to coverage they might not otherwise be able to buy.

But not all clients believe their employees will appreciate voluntary benefits enough to pay for them.

That's not what I've found. To the contrary, I've found many employees both appreciate and will purchase voluntary offerings.

Remember, in the absence of a voluntary plan, the employee's only other choice may be to do without. So to her, it's not a choice of "pay here or pay elsewhere," it's a choice of "pay or don't get."

Given that, many employees buy in. Sure, they'd rather get

it free, but they'd also rather not do without.

What reminded me of this particular universal truth was a group quote I'm working on right now. The group is largely blue-collar, and the employer only contributes toward health insurance.

But he offers dental, short-term disability (STD) and life insurance, which the employees can choose to pay for. Remember, these folks aren't making huge amounts. The average hourly wage is under \$17.00.

But do the employees participate? Boy, do they ever!

Average overall participa-

tion in the dental is 41%, above 56% in the life, and almost 61% in the STD.

But the hourly workers' numbers are even more impressive. More than 46% participate in dental coverage and almost 58% enroll in life insurance. **But an amazing 69% enroll for STD!** This implies 3 things:

- 1) Employees appreciate benefits, even when they have to pay for them.
- 2) Hourly workers are even more appreciative.
- 3) Workers understand the importance of disability protection. They know their ability to work is their most valuable asset.

Think *seriously* about expanding your benefit program via employee-pay-all benefits.

Health Insurance Self-funding *(continued from Page 1)*

Our clients generally fall into three basic categories of employer size: large, medium and small.

Each size employer uses different techniques to accomplish their partial self-funding goals, but each employer can seriously consider and potentially gain from it.

Here are the (very) approximate sizes that characterize large, medium and small:

Lg. >100 employees
Med. 25-100 employees
Sm. 5 – 75 employees

Note the overlap between medium and small. Why?

“...you will (typically) save money in four years out of five, maybe more”

Because it isn't just numbers. Psychology, management philosophy, and other intangible factors also figure in the evaluation process.

But if you have better things to do with your corporate assets than help some insurance carrier build another skyscraper, you should at least evaluate partial self-funding.

And of course BBI will help walk you through the

evaluation process.

In future issues we were going to talk specifically about what companies in each of the three employer sizes should specifically consider to minimize their health insurance costs & risks. But here are the three basic techniques:

Lg. Traditional partial self-funding using TPA/Carrier and control over plan design, etc.

Med. Either traditional partial self-funding or creative use of existing fully insured products

Sm. Creative use of existing fully insured products

We'll start our examples and discussion next month, but if you'd like to get a head start and absolutely can't wait for the next issue, just return the enclosed postcard. We'll contact you to give you a specific analysis of your individual options.

Alternatively, call or email us at:

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Save Bucks on Disability *(continued from Page 1)*

What did you choose? Half of all employers think that the answer is one in 50 — in fact, it's *one in THREE*.

Here's another. What fraction of individuals will have a disability that lasts more than five years prior to age 65?

1. One in 29
2. One in 13
3. One in 7
4. One in 4

Answer: One in seven!

And in any given year, one of every 13 working people will suffer a disability of one week or longer. Lots of folks end up needing disability.

Ideas for Employers With No Disability Plan

If you don't have a plan

now, here's how to offer one for **free**. Adopt a voluntary disability plan. Employee-pay-all.

Only those employees who need or want coverage will buy it, and with the right carrier, employees can buy just the amount they need or want. No more, no less.

Because the employees pay for it with their own money, their disability benefit will be income tax-free. Costs are low, about one half of one percent, depending on age.

All you have to do is assure that the greater of ten employees or 20% of the total employee population participate (don't worry, they will) and provide for salary withholding of premiums.

And if you work with us, we might even be able to get that 20% participation requirement lowered.

But I Already Have a Plan...

OK. Here's how to offer the same plan for less money than you now pay — while increasing your employees' disposable income!

Too good to be true? It's not. Here's how, in four easy steps (the savings part is in step 3):

1. Convert your plan to an employee-pay-all plan (without offering employees the ability to opt out). This will increase your premium by about 7%.
2. Raise the employees' salaries by an amount equal to their current premium — this makes it

essentially free for them (just like it is now). You'll have to pay the matching FICA, which increases your cost by 7.65%.

3. So far you're 14+% behind. But now lower the benefit percentage from 60% to 50%. This will reduce the cost by 20%, maybe more. Net savings = 5-6%.
4. And employees will now get 50% of take-home because of the now-tax-free plan. Before, they got 45% of take-home (25% taxes on a 60% benefit.) That's an increase in benefits to them with about a 5-6% lower cost to you.

Voila! Everyone wins!

You still need to actually run the illustrations to be sure it works for your particular population — call us, we'll do the grunt work.

Did You Really Mean That?

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We're on the Web!
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Because I write for a living (sort of — I write this newsletter, your renewal presentations... virtually everything that comes out of BBI), I am perhaps hypersensitive about errors in writing. Once it's on paper and sent out, you can't take it back. And that can be embarrassing, such as the classified ad:

"Dog for sale. Eats anything and is fond of children."

Or this one:

"For sale; an antique desk suitable for lady with thick legs and large drawers"

Or:

"Wanted: man to take care of cow that does not smoke or drink."

Those, of course, are classifieds — amateurs write them. But how about this "professionally written" ad? Did they mean this?

"Tired of cleaning yourself? Let me do it."

Another (I think this guy's been drummed out of the Used Car Sales Association of America):

"Used cars: why go elsewhere to be cheated? Come here first."

On the other hand, this sign says exactly what it means:



But not this one ([read the tiny, tiny print](#)):



So remember, watch what you write!

About BBI...

BBI specializes in reducing costs & risks of employee benefits.

Our clients are companies with up to 200-300 employees.

Our services include, but aren't limited to:

- Benefit Design
- HR Automation
- Corporate Risk Analysis.
- Implementation

- Administration assistance
- Compliance efforts
- Alternative Financial options analysis
- Benchmarking analysis.
- More... email or call to ask.



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