

## Employers aren't waiting for health reform

5/4/2009

Health care reform that cures rampant medical inflation and gets every American covered is at the top of President **Barack Obama's** to-do list. But instead of waiting and hoping for reform, small businesses are exploring the available remedies for this chronic national problem.

And the recession is now prompting some employers to swallow medicine they've shunned in good times: high-deductible policies that lower premiums by requiring employees to pay the first few thousand dollars of their medical bills.

Such plans usually let employees contribute pretax dollars to a savings plan and use that money to pay the annual deductible, which might be \$2,500 for an individual and \$5,000 for a family; often the employer kicks in some cash, too. Insurance premiums can decline 30 percent or more when the deductible jumps, and since most employees are healthy enough to avoid huge upfront medical bills, the result often benefits worker and company alike.

But these plans have been slow to catch on, said **Christine Stearns**, vice president of the New Jersey Business & Industry Association. "This is a big change, which causes fear," she said. But with the recession squeezing their revenues, employers are forced to consider high-deductible plans so they can continue offering coverage, she said.

While employees balked at paying a significant chunk of their own medical bills in good times, "now they're saying, 'I'm just happy that I still have a job and have health insurance,'" Stearns said. "They are more receptive to change."

**E. Martin Davidoff** said he reduced the insurance premiums at his Dayton certified public accounting firm by about 30 percent when he switched to a high-deductible plan in 2006. The deductible for a family is \$5,000; the employee picks up the first \$3,200 of medical bills while the firm covers the remaining \$1,800.

Employees put money away, pretax, to cover the deductible, and Davidoff pays the full insurance premium; in the past, employees had to contribute to their premiums. Davidoff said the employees are coming out ahead — and the high-deductible policy is so popular that all the employees in the plan have chosen it.

**Steve Paragone**, director of group operations for the insurance broker **Strategic Employee Benefit Services**, in Princeton, which advises Davidoff, said some employers are looking at high-deductible health plans as an alternative to layoffs, since "health care is their second-highest cost after payroll."

A 25-person company that's paying \$250,000 a year on health care can save 30 percent — \$75,000 — by switching to a high-deductible plan, which can be enough savings "to eliminate the need to actually remove someone from the payroll," Paragone said.

An annual physical exam isn't subject to the deductible, meaning the employee doesn't pay that bill, and while prescription drugs are subject to the deductible, the employee gets the same discount on drug prices — and medical care — that the insurance company gets.

Davidoff said that if he hadn't switched to the high-deductible plan, his monthly premium to cover a family would have risen to \$1,397 on Jan. 1, 2006. Now, his premium for family coverage is \$1,014 a month. "I am now paying more than 25 percent less than I would have paid in 2006 if I hadn't switched."

Making sure all affected parties share the benefits of lower health care costs is essential, said **Carl Underland**, chief executive of **Carlisle & Associates**, in Voorhees.

Carlisle negotiates the payments doctors, hospitals and other providers receive from health care plans. His company is part of the movement "to design a creative model of care which focuses on measurable outcomes," Underland said. In order for providers to shift their focus to keeping people healthy, health plans must compensate the providers for keeping people healthy, not just for providing billable medical procedures.

"We demonstrate to payers that if they are willing to share in paying for outcomes instead of services, they will start to see some positive changes," Underland said. And when the savings that flow from substituting an ounce of prevention for a pound of cure are shared, those who are covered by those plans benefit through improved health and lower premiums, he said.

*E-mail to [bfitzgerald@njbiz.com](mailto:bfitzgerald@njbiz.com)*

---

**NJBIZ, Copyright © 2009, All Rights Reserved.**