

CASE STUDY

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COST SAVINGS CASE STUDY

How Universal Benefit Plans saved a Jamaica Plain, Massachusetts non-profit \$14,000 through a high-deductible plan and bundled benefits

Client: ETHOS is a non-profit agency in Jamaica Plain, Massachusetts with 85 benefits-eligible employees. Of these employees, 69 are on ETHOS' health insurance and all 85 are on the agency's group life, short term disability and long term disability insurance. Their annual review and open enrollment date was set at 10/1/2008.

Problem: ETHOS had 3 different vendors for their Health, Dental and Ancillary lines. For their Health plan, they offer both the HMO Blue and Value Plus Plan from Blue Cross Blue Shield (BCBS). The employer paid 75% of the premiums for both individual and family health insurance on their lowest priced plan, the Value Plus. ETHOS' goal regarding employee benefit plans was to reduce expenses without sacrificing coverage.

Solution: ETHOS' renewal was completed October 1st with some significant changes.

- 1) ETHOS now only offered one plan, the BCBS HMO Blue Plan
- 2) The plan had a \$1,000/\$2500 deductible.

ETHOS created an HRA and chose to pay 100% of the plan's deductible in order to realize premium savings without changing the benefits employees received. Provided that every employee used their entire deductible amount, ETHOS would save a minimum of almost \$11,000 in premium costs after subtracting deductible expenses incurred. Employees would save over \$38,000 in premium costs, with employees on the more expensive HMO Blue plan saving the most. Knowing that the national workplace average is only 60% of the deductible amount being incurred, the agency's savings could add up to an additional \$34,000 each year.

However, Massachusetts state funding was shrinking and non-profits began to experience profound effects across the board. Everything, including positions and benefits, was now on the chopping block. ETHOS' state funding was cut and the agency experienced profound need for cost savings. Because they had switched to a deductible plan and were paying the entire deductible amount, they needed to find more opportunities for benefit savings in order to save jobs.

ETHOS reduced their share of deductible costs to 50%, with the agency paying the first 50%. By doing this, they reduced their maximum HRA liability from \$84,500 to \$42,250. ETHOS' management team was thankful to have the right benefit plans in place to realize significant cost savings with health insurance alone.

Knowing that ETHOS was being proactive in cutting costs, Edan Barshan conducted market research to uncover further savings on their behalf. His analysis showed over \$3,000 annual savings if ETHOS bundled their ancillary lines with the new BCBS' INDIGO plan. In addition, ETHOS received a two year rate guarantee, which is very positive from a budgeting perspective. ETHOS had considered the possibility of self-insuring Short Term Disability. However, they decided that claim patterns were too volatile and the agency could end up paying more than they saved in a heavy claims year. ETHOS was looking for sure bets when it came to benefit cost savings.