Case Study:

Regaining Control of Runaway Benefits Costs

California liquor distributor contains benefits spend by creating a culture of consumerism

Regaining control of runaway benefits costs

Like many organizations, Young's Market Company was grappling with high claims costs and low employee engagement. When the company was hit with a double-digit increase to their medical premiums, they knew they needed to take action. While reducing costs was paramount, Young's Market Company also wanted to give employees more control over their benefits choices and spending. Shifting to a consumerism model would enable them to improve employee satisfaction and enhance their ability to recruit and retain employees.

The successful California-based liquor and wine distributor that employs 3,000 (and provides benefits for 1,500 non-union workers) across 11 states came to HUB in 2013 after working with large brokerages that didn't understand their mid-size company needs. The first order of business was to move to a self-funded insurance model, which they estimate saved them $1.3 million in the first year. This first change revealed:

- the demographics behind the organization's benefits expenditure
- the medical services most utilized
- the medical services that were underutilized
- the groups of employees who generated the majority of claims

"We came to the conclusion that we had a lot of employees who virtually didn't touch the plan and a few employees who were really sick. The large claims were really driving the expenses – 90 percent of costs were incurred by five percent of employees," said Brian Clelland, VP of Employee Benefits for Young's Market Company. "This told us that adding co-pays and changing employee contributions wasn't going to do much to change how employees access medical care. We worked on a different approach – to drive employees to make better decisions about the services, providers, and facilities they're using, leading to quality outcomes, which ultimately would help mitigate some of the costs."

A year later, in 2014, Young's Market Company switched their medical network saving them an additional $320,000. They rolled out a new high deductible health savings account (HSA) plan. They continued their drive toward consumerism with the rollout of an additional HSA plan in 2015. With about 40% of the deductible contributed by the company, both plans allow employees to accrue funds for their health care expenses and become more conscientious consumers of their own health care. Out-of-pocket limits were reduced to align more closely with local competitors. Additionally, while moving to self-funding in 2013, Young's decided to maintain a legacy HMO plan which they converted to an Exclusive Provider

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Brian Clelland, Vice President

Employee Benefits,
Young's Market Company

Organization (EPO). HUB and Clelland's team, worked together to create an educational program aimed at converting employees from the EPO plan to the more consumer-driven plans they launched in 2014 and 2015 with the new HSA options.

Initial cost containment strategies saved Young's Market Company over $1.6 million within the first two plan years. Enrollment in the consumer-directed health plan (CDHP) increased to 67% with the addition of the HSA offerings. Employee contributions were eventually cut by 20% and out-of-pocket limits were reduced, making the company's benefits more competitive and further solidifying employee engagement.

$1.6M in savings within the first two plan years	**20%** decrease in employee contributions
67% increase in enrollment in consumer directed health plan	**$260K** in savings from pharmacy contract renegotiation

Premium increases – stopped in their tracks

"Just about every plan change has been received very well. The employees have been appreciative that we haven't increased contributions since 2011," said Clelland. "Since then, we came out with an actual cut, and people were surprised and appreciative. Response to the other initiatives has been positive as well. People who use our benefits tools find them very useful."

Clelland says the multi-year plan framework shouldn't be underestimated in achieving cost containment and employee engagement success. If he could give any advice to other companies it would be to "spread it out and pace yourself."

"Unless you're under the gun and the company is hemorrhaging money, I would say, think through a strategy of where you want to be in three to four years and do it in smaller bites," he said. "Employees can only absorb so much, especially if they're not used to being responsible for their own health care. If you give them too much to do it'll overwhelm them. Instead, split it up and pace yourself. The bigger things should be planned out a few years in advance."

Realigning the total benefits package: 2012 - 2016

Young's Market Company's newfound focus on consumerism led to the integration of multiple employee benefits and cost containment strategies that have successfully driven employee engagement over time, including:

Best Doctors. In an effort to eliminate unnecessary and costly medical testing and treatments and validate diagnoses, Young's Market Company engaged Best Doctors, a source for physician referrals and an in-depth second opinion with an "Ask the Expert" option. To ensure employees use the service, Young's recently instituted a $1,000 cash incentive for those who engage Best Doctors for a second opinion.

Healthcare Bluebook. As if health care choices were as simple as buying a car, web-based mobile app Healthcare Bluebook helps employees find local, comparable medical services and procedures for a fair price. For those with a high-deductible health care plan, this service can save by providing fair price comparisons and rating providers by their price and quality of care.

Pharmacy Negotiation. In late 2015, HUB renegotiated the company's existing drug discounts saving Young's Market Company as much as $260,000 in 2016 on pharmacy spend with the same vendor.

Oration. Similar to Healthcare Bluebook's services, Oration evaluates where employees purchase their maintenance medication in an effort to eliminate variance and seek out the best prices. Together, Oration and Healthcare Bluebook saved Young's $31,000 in 2015 and 2016.

Telemedicine. In conjunction with all medical plans, Young's Market Company offers a telemedicine service that provides employees with 24/7 access to U.S. board-certified doctors, reducing costs by minimizing doctor and ER visits for common ailments. There is also a reduced copay/coinsurance for using telemedicine versus onsite visits or urgent care.

Voluntary Benefits. Additionally, voluntary benefit options were introduced to provide employees coverage options to bridge the out-of-pocket expense gap often created by high deductible health plans. Young's offers voluntary benefits, including hospital indemnity, critical illness, and accident plans.

If your organization is grappling with rising health care costs, we invite you to contact us today for a consultation.

Contact a HUB Employee Benefits advisor today

HUB's Multi-Year Benefits Plan for Young's

- Self-Funded
- Best Doctors Referral Service
- Referenced-Based Pricing
- Pharmacy Negotiation
- Pharmacy Formulary
- Telemedicine
- Voluntary Benefits

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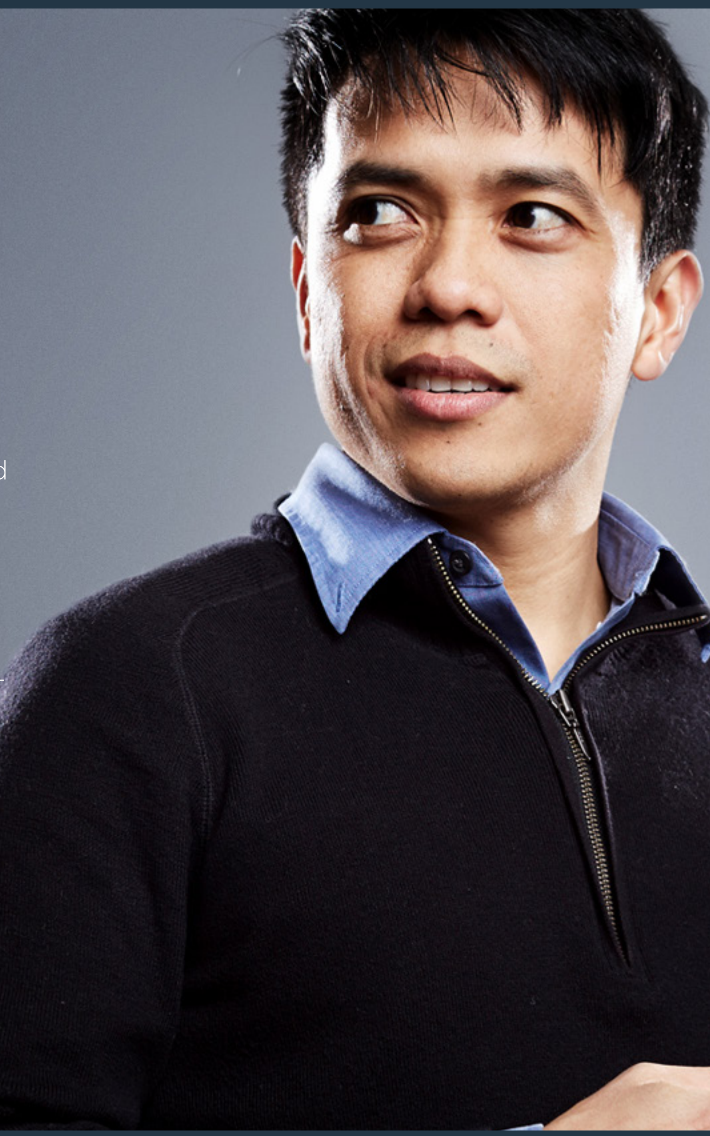

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