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Best Medicine

Atlanta Business Chronicle - by [Thornton Kennedy](#) Strategies Editor

The cost to provide health care for its employees climbed 45 percent for J.P. Turner & Co., an independent brokerage firm. That was on top of a 35 percent increase the previous year.

For a 100-employee company with revenue in the \$70 million range, that increase could have been catastrophic.

"It's a huge impact," J.P. Turner & Co. Chief Operating Officer Dean Vernioia said of the cost of health benefits. "It's one of those things where you have to make some very difficult decisions."

Each year J.P. Turner & Co. completes a comprehensive review of health-care costs. While the company was used to seeing increases in "the double digits," Vernioia said the 45 percent was out of the blue.

According to a 2008 report published by the National Foundation for Independent Business Research Foundation titled Small Business Problems and Priorities, the cost of health insurance ranked No. 1, with 56 percent of respondents naming it the top concern. Since 1999, health insurance costs have risen 129 percent. These increases have forced some small businesses to drop their employee health plans while preventing others from instituting one in the first place. The result is that about 59 percent of small businesses, defined as companies with three to 199 employees, offer health insurance, down from 68 percent in 2000, according to the NFIB report.

In companies where profits are thin in the first place, increasing health-care costs are forcing owners and decision-makers to address health care in new ways.

In the worst-case scenario, for example, J.P. Turner & Co. discussed eliminating the health-care plan altogether. It would instead pay employees in cash what it spent on individual health insurance the previous year, Vernioia said.

The solution presented itself in the form of competition.

A former insurance provider came back to Vernioia offering rates commensurate with the previous year.

But Vernioia said J.P. Turner is also being proactive in driving down health-care costs.

One way is through the type of plan offered. A so-called cafeteria plan, for example, offers flexible benefits under the Internal Revenue Code Section 125. Employees choose their benefits from a "menu" of cash and benefits, some of which can be paid with pre-tax deductions from wages.

That is part of a larger strategy that most small businesses, and all businesses, will have to adopt: keeping employees educated about their health-care plans, the associated costs and having those employees buy into their own wellness.

For J.P. Turner, this includes sending employees notices on wellness initiatives and offering programs on subjects like how to reduce stress. Those are not saving them money today, Vernioia said, but down the road, with healthier, more knowledgeable employees, the company could potentially experience savings.

That is the key to the equation, according to Nancy Desmond, CEO of the Center for Health Transformation, a health-care think tank founded by former Speaker of the House Newt Gingrich.

"You have to provide the individual with information that helps them make wise decisions," she said.

Helping to set the stage in Georgia is the advent of health savings accounts, Desmond said. These are employee-controlled health-care plans, with a high deductible.

Health benefits company Aetna conducted a study on Health Reimbursement Arrangements and HSAs, which found for full replacement HRA and HSA plans, employers saved \$21 million per 10,000 members over the five-year period.

These are steps companies can take in addition to wellness programs, Desmond said.

"Begin a culture of health within your workspace," Desmond encouraged employers, with healthy snacks in vending machines, providing incentives for living a healthier life and staying in shape.

Companies should offer health risk assessments, and help teach employees how to change their lifestyle.

"They may have a chronic disease," Desmond said. "If it is picked up early enough they keep it from getting worse and becoming an emergency."

Seventy five percent of health-care costs go to people with chronic disease, she said.

Ellen Bailey, the head of the health-care practice with Midtown Consulting Group, has firsthand experience with health-care costs. Before

she joined the consulting firm, she owned a cardiovascular company.

“The main problem is cost,” Bailey said. “[Health care] is getting to be a bigger cost on their total expense budget.”

As a result, smaller and midsized companies are freezing the amount they are willing to pay, which is a cost shift to the employees.

“They may redesign the policies for the company,” Bailey said.

Keeping costs down is a matter of being knowledgeable about the plan, she said. She noted the HSAs and the cafeteria plans, but she said having a good agent is important in keeping those costs down while providing good health care for employees. Bailey recommends talking to similar sized companies and to the company that provides the business insurance to find a suitable and knowledgeable benefits agent.

Seventy-one percent of small businesses offering employee health insurance purchased it through an insurance agent or broker, according to research by the NFIB.

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