CASE STUDY

Company Medical Cost Increase

Issue

A large, for-profit public company was unable to absorb a cost increase to their medical program for the upcoming plan year. The company has over 5,000 employees covered under a self-insured funding arrangement. Employees are offered three medical plan choices with contributions varying by plan and salary level. The company's long-term benefits strategy is to maintain comprehensive and competitive benefit offerings.

Large public company is unable to absorb medical cost increase. Accurate pricing and projections result in costs within one half percent of the targeted financial goal and budget.

Solution

As part of Cowden's Health and Benefits consulting services, we prepare an annual pricing plan focused on achieving company benefits plan goals. In this case, our involvement included providing viable solutions to minimize the cost increase in the company's employee benefits. To meet financial and benefit objectives for the year, Cowden prepared and presented senior management with the following recommendations:

- Redesign the plan with lower coverage level to be a catastrophic coverage plan option.
- Replace the co-payments in the carve-out pharmacy program with coinsurance.
- Implement a deductible on the Plan with the highest coverage level.
- Introduce an alternative vendor In select parts of the country where more aggressive discount arrangements were guaranteed by the vendor
- Increase employee contribution Levels by an aggregate 3% within the existing salary banded structure.

0% increase in company medical costs = $1.5 million savings

Results

Cowden's recommendations resulted in reducing the company's level of increase from 8% to 0%, saving the company more than $1.5 million. Cowden continually monitors the company's self-insured spending per covered employee, which enabled us to validate the accuracy of our pricing projections to within 0.5% of the expected costs.

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