Challenges & Opportunities

In today's rapidly changing employee benefits environment, many healthcare plans do not have a very long shelf life — no matter how well designed. That is what a large U.S. manufacturer discovered when it turned to Arthur J. Gallagher & Co. for a full plan review.

The organization's health and welfare plans included medical, dental, vision, disability, pharmacy and wellness programs for employees at over 13 locations throughout the country. While the self-funded benefits program was considered robust and effective when first implemented, it had remained unchanged for several years, and the organization was concerned it was not adequately managing costs. There was also a fear that the health benefits may have become stale with employees.

The company asked Gallagher to evaluate the plan and recommend strategies for:

• Improving employee health and managing risk
• Selecting the best medical vendor for a new long-term relationship
• Effectively communicating the value of the plan and increasing employee involvement

A Tailored Approach

Gallagher used a forensic approach to thoroughly review every aspect of the health benefits plan and identify opportunities for improvement. After determining effective plan design adjustments, the team advised the client on strategies for lowering costs while improving employee engagement in their benefits, including:

• **Negotiating vendor contracts.** Gallagher's analysis showed the client was missing out on significant network discounts in some cities. Therefore, Gallagher moved the organization to a new carrier for its health plan and negotiated favorable terms and conditions. By renegotiating the client's contract for out-of-network medical claims, savings were immediately generated without reducing services to employees.

• **Improving employee wellness.** From a wellness program analysis, Gallagher discovered the client was paying significant sums for employee biometric screenings, but ultimately the data was not being used to improve employee health. Moreover, the Gallagher team learned of many employees going to the emergency room for health issues that had not been managed appropriately.

In response, Gallagher created a new wellness program — with a new vendor — to incentivize employees and their spouses to visit their doctor for preventive health screenings. Called “Go to the Doctor,” this back-to-basics campaign is helping to manage small health issues before they become large and expensive.
• **Managing employee health risk.** In addition to addressing wellness for the entire employee population, Gallagher helped the client focus on the approximately 20% of employees who were causing nearly 80% of claims costs. For example, to improve case management for high-utilization employees, Gallagher worked with the new carrier to implement a system that notifies the client when an employee goes to the hospital.

• **Educating employees.** Not only did the benefits design change, Gallagher also changed the way employees felt about it. The team launched an extensive communication campaign — including email, online videos, graphics and postcards — to raise employee awareness of the benefits and highlight the value of the package.

### Results Delivered

Gallagher’s contract negotiation for out-of-network claims produced immediate savings of nearly $1 million, while the switch to the new medical carrier is expected to reduce costs by $4 million per year.

In addition, employee participation in the wellness program has increased from 20% to 70%, which is helping the client manage employee health risk and reduce costly emergency room visits. Meanwhile, Gallagher’s communication campaign has significantly improved employees’ satisfaction with their health benefits.

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