



THAYER PARTNERS

Helping a Client Cut Health Plan Premiums by \$95,000 (15%)



Introduction

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As an independent investment management and benefits firm, Thayer Partners provides fiduciary and consulting services to business owners and their employees. We assist clients with personal retirement planning, corporate retirement plans, health insurance plans, long term care, and business valuation.

One of our clients is an accounting firm in Metro Boston with an HMO Blue Cross Blue Shield health plan that has rich benefits (meaning low deductible plan and generous benefits) at \$500 for individual and \$1,000 for family deductible, with no co-insurance. There are 52 employees in the plan.

The annual premiums were \$607,000, and they were facing an 8% renewal increase or about a \$49,000 price hike (2/3 paid by company and 1/3 paid by employee), which is painful for everyone because that's a lot of money.

Our contact, a partner at the firm, was happy with the existing broker and felt it wasn't his fault—it's just the nature of a flawed health care system. At the same time, the client felt cornered—frustrated with the constant premium increases at the annual renewal but reluctant to reduce the level of benefits. He needed to keep offering generous health benefits, or he'd risk losing key employees to competitors.

The Problem

- The client knew that the health plan constituted the second highest expense category, was growing far faster than inflation, and threatened the profitability of the company.
- The client felt cornered with no way to escape the annual health plan renewal increases.
- He was tired of having employees pay more and more out of their own paychecks for reduced benefits—or in some ways worse, having to fork out more in deductibles or co-pays.
- When he put the plan out for bid, all of the major health insurance companies in their market offered similar pricing and benefits with no proposals that would actually reduce health insurance costs without equally cutting benefits



Our Solution

- We recommended a high deductible plan (Blue Cross PPO with \$2,000 individual and \$4,000 family annual deductible) paired with a Health Reimbursement Arrangement (HRA). This reduced the accounting firm's total premiums by \$131,000.
- In order to keep the employee deductible the same (\$500/\$1,000), the accounting firm used a Health Reimbursement Arrangement to self-insure the additional potential claims: \$1,500 (up to the new \$2,000 individual deductible) and the additional \$3,000 (up to the new \$4,000 family deductible). If every employee used 100% of the new \$2,000/\$4,000 deductible, the firm would have to pay \$101,000 in claims through the new HRA.
- But, even if the HRA paid out the full liability of \$101,000, the accounting firm still saves money by locking in savings of \$30,000 because their premiums were reduced by \$131,000.
- The result after 12 months? We reduced the client's total health premiums by approximately \$95,000 per year—\$31,000 in reduced premiums plus another \$64,000 in savings since the HRA paid out only \$37,000 of the \$101,000 liability. This is more than \$1,800 in savings per employee per year.

As a result, there was no increase to employee health insurance premiums at plan renewal, the company's cash flow and profitability increased by \$95,000, and they strengthened their balance sheet by paying off some debt.

Employee retention continues to be good since the benefit package is generous and competitive. With improved profitability, the company is also contemplating a supplemental 401K match to better prepare employees for retirement and a supplemental retirement plan for the senior executives.

Actual performance and results will vary. This example does not constitute a recommendation as to the suitability of any investment for any person or persons having circumstances similar to those portrayed, and a financial advisor should be consulted.

Financial Services

Thayer Partners is an independent investment management and benefits firm, providing fiduciary and consulting services to business owners and their employees. Whether you need assistance with a personal or corporate retirement plan, health insurance plan, long term care, or business valuation, Thayer Partners can give you peace of mind.

We are located in Westwood, MA outside of Boston and serve clients throughout the United States.

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser.

Thayer Partners, LLC

100 High Street Westwood, MA, 617-275-5430

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