CASE STUDY

Creating the Right Self-Funded Health Plan

The Texas-based credit union learned not all self-funded health plans are the same when it successfully left a cost-draining model to create a new self-funded benefits plan that expanded its network while reducing claims and out-of-pocket costs.

There is good reason for the hype around self-funded healthcare plans. Companies that transition to the model from a traditional fully insured plan can save up to 30% in the first year alone. However, as Resource One Credit Union learned, just because your broker converts your health plan from fully insured to self-funded doesn't mean you will automatically pay less for employee benefits. It needs to be the right self-funded plan for your credit union's unique needs.

Challenges

Several years ago, Dallas-based Resource One teamed with a national brokerage to leave its fully insured plan and move to a self-funded model with the promise of reduced costs and better benefits. However, when Mary Beth Spuck joined as CEO a few years

CHALLENGE

Resource One Credit Union's self-funded healthcare plan had costly premiums, a narrow provider network and fixed costs 30% higher than peer institutions.

OUTCOME

By working with CU Benefits Alliance, Resource One lowered employee out-of-pocket costs by 44%.

IMPACT

Resource One's claims costs are down 26%, and employees are thrilled to have the area's most extensive and well-renowned hospital system back in the plan's provider network.

into the plan, she knew something wasn't right with its performance. Employees were paying considerably higher monthly premiums, and their preferred, most convenient healthcare providers were not in the plan's network.

When she probed more deeply, she discovered the employee out-of-pocket deductible was higher than that of peer credit unions, its reference-based pricing system that priced costs at a percentage of Medicare allowable rates was leading to numerous bill disputes with healthcare providers, and employees were deeply unhappy that the area's largest hospital system was out of network.

Process

Concerned about its ability to extract itself from the complicated structure of its self-funded plan, Resource One brought in CU Benefits Alliance to examine the plan. CU Benefits Alliance discovered the plan contained several elements unfavorable to withdrawal.

One problem in particular left Spuck feeling Resource One could be stuck with the inferior health plan. The expiration dates for its stop-loss program (high claims insurance) and its plan year were months apart. If a stop-loss program's plan year ends months before the health plan's renewal date, the employer is left vulnerable to the impact of high-cost claims during that period of time. It can be difficult to find a stop-loss provider willing to cover a short time gap to fix the problem and align the stop-loss plan renewal with the health plan renewal.

Health plan red flags

Per employee, per year (PEPY) medical premium cost was 28% higher than peer credit unions

Projected "expected" claims were 26% higher than they should have been, causing employee contributions to be higher than necessary

The plan's fixed costs were 30% higher than peer credit unions

"We were able to reduce the out-of-pocket costs for employees by more than 30% and give them access to the largest hospital network in our area."

Mary Beth Spuck, CEO
Resource One Credit Union

CU Benefits Alliance took over as broker of record and dismantled Resource One's broken self-funded plan, replacing it with a new self-funded model that works in the best interests of the credit union and its employees. For example, Resource One employees now have access to the local Baylor Scott & White Health system, a network of more than 52 hospitals and nearly 750 primary and specialty care clinics ranked among the best in the nation.

As a brokerage that serves the credit union market exclusively, CU Benefits Alliance used its years of CU-specific institutional knowledge to develop the new self-funded plan for Resource One in a way that would meet the distinct needs of its CU demographic.

"Through our knowledge of CU statistics such as average employee demographics, male/female ratio and risk levels, we can design a better plan that helps credit unions manage risk in the best way possible, and that's what we did with Resource One," says CU Benefits Alliance CEO John Harris. "Rather than just getting thrown into a plan built for another type of employer, we use our CU expertise to fine-tune the health plan in a way that saves the CU thousands of dollars and doesn't feel like it's just a cookie-cutter approach."

Results

In addition to the much-improved network, the plan's numbers are all trending in the right direction. "We were able to reduce the out-of-pocket costs for employees by more than 30% and give them access to the largest hospital network in our area," says Spuck. "Our plan members are delighted to be saving money monthly."

Create the Right Plan for Your CU

While self-funded health plans can offer substantial cost savings without a reduction in quality, Resource One perfectly demonstrates the fact that not all self-funded plans are the same. One of the first signs that a credit union's health plan isn't the right fit is to calculate gross PEPY medical costs. CU Benefits Alliance data show the credit union national average cost is $9,050 PEPY. So if your CU is paying more, you're likely on the wrong plan. Don't settle for less or pay too much. Instead, schedule a consultation with CU Benefits Alliance so we can help your credit union set it right.

For more information on how CU Benefits Alliance can serve as your benefits partner, visit **www.cubenefitsalliance.com**

Savings highlights

Overall claims cost down 26%

Lowered employee deductible from $1,800 to $1,000

Reduced plan's fixed cost by 24%

Employee out-of-pocket cost per paycheck dropped by $50

CU Benefits Alliance successfully lowered the credit union's cost by $1,464 per employee per year!

CU Benefits ALLIANCE

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