Three Key Strategies to Maximize ROA

A checklist for credit union executives

Earnings pressure will likely continue for Credit Unions indefinitely. Combining earnings pressures, declining ROAs, and future uncertainty creates a challenging situation for CU leaders. The following three strategies are proven to quickly enhance ROA and maximize net income.

STEP 1 - Stop Paying in Advance

If you are paying a monthly premium to an insurance company for your employee health plan, STOP. You don't pay your electric or gas bill in advance. Why would you pay for your employee healthcare before you know how much was used? Imagine being able to add $2,000+ per employee in net income this year without reducing staff, without cutting services, and without any additional product sales.

Healthcare is consistently a top three organizational expense. Most Credit Union executives simply believe there is nothing to be done, but the first key strategy is to stop paying for healthcare that is not used. The traditional approach to healthcare requires premiums to be paid for projected claims that never actually occur. The result is paying for healthcare that may never be utilized.

The alternative is a “pay-as-you-go” approach to funding your healthcare costs. With this method, you can not only ensure you don’t waste dollars on healthcare that is never needed, but you also enhance your cash flow.

STEP 2 - Be Accountable

What good is providing health insurance if it's too expensive for your employees to utilize? The affordability of healthcare has been a challenge for many years now, but fortunately, there are proactive methods to substantially reduce the overall cost of healthcare - here are three:

1. Leverage aggregated risk to lower (and control) costs. Other leading credit unions across the country have aggregated their risks together to substantially reduce the level of risk which in turn directly reduces costs.

2. Hold your healthcare dollars accountable by working with a benefits consultant that manages the four main categories of your cost: hospitals, prescriptions, outpatient procedures, and doctor visits. Most brokers lack this skillset.

3. Provide more choice to employees. Healthcare plans must match the needs of the employees. With a multi-tiered set of options, employees can choose what they want and need leading to better affordability as well as more appreciation and satisfaction.

STEP 3 - Create a Benefits Strategic Plan

Since the occurrence of most large claims are largely unpredictable in any given year, it makes it difficult to have a strategic plan that spans only a single year. Therefore, a good benefits strategic plan will provide a 3 to 5 year blueprint to guide senior management, outline implementation, and establish budgetary requirements. Without such a plan, CUs risk continuing the status quo of ever-rising healthcare costs, grinding through the renewal process, and making decisions based only on the next twelve months.

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