

Health Benefits Case Study

ZIEGER & SONS

Bending the Cost Curve

Health Benefits Challenge

Four generations of Ziegers have owned and managed a wholesale florist business started in 1910 by Ernst Zieger, when he purchased a greenhouse business in the Germantown section of Philadelphia. Next year marks



Zieger & Sons' 100th anniversary of providing the retail florist community with the highest quality products and dependable services. Like most small businesses, the company has struggled in recent years with the cost of healthcare.

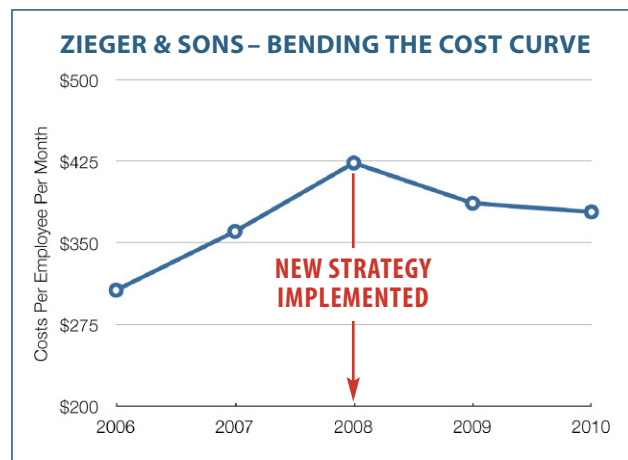
Zieger & Sons' success is also driven by a healthy, productive, and service-oriented workforce. The company has consistently provided generous health benefits to its employees at company expense. By 2008, Zieger & Sons was still providing its workers with a rich health maintenance organization (HMO) plan and paying 92.5% of the premium. The company had used the same health insurance carrier for the last 15 years, despite rising premiums.

A Change in Strategy

Concerned about health benefit costs, the Ziegers attended the 2008 National Federation of Independent Business (NFIB) Small Business Day at the state capital in Harrisburg, PA, to lobby their elected representatives. Soon after, Zieger & Sons began working with Risk Management Partners LLC to implement a multi-year strategy to control healthcare costs. This strategy consists of the following elements:

- A "Carrier Agnostic" approach that shifts the balance of power from the health insurer to Zieger & Sons.
- Establishing a health savings account (HSA) base plan with full company funding of the high deductible (\$1,250), and an employee option to a "buy up" to a traditional HMO-like plan.
- Keeping employee contributions to their health insurance constant for the base plan.
- Implementing consumer-driven strategies that reward employees for positive lifestyle decisions and cost-effective use of healthcare services.

A change in strategy yields Zieger 13.1% reduction in health benefit costs without cutting employee's benefits: a win-win.



Results

In the first year of this new strategy, 2/3 of Zieger & Sons employees elected the HSA option. In choosing this option, employees were able to obtain better benefits for less out-of-pocket costs. This was a "win-win" for the company and its employees, as the company realized **a 13.1% decline in the annual cost of health benefits** (for the 2008-2009 policy year).

During 2009 and leading up to the company's next policy renewal, Zieger & Sons monitored the cost and utilization of services received by its employees. The data showed that most employees were spending at levels below the amount of HSA bank funding and, therefore, would be carrying over a balance to the next policy year. With modest adjustments to its high-deductible level and employee contributions, but no change in carriers, Zieger & Sons continues to provide its employees with comparable benefits while **saving an additional 1.9% in health benefit costs for the 2009-2010 policy year**. Zieger & Sons has outperformed the market in 2008 and 2009—and are positioned to do so again in 2010.

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