

Written By Philip Qualo, J.D.

A Case Study in Savings: How The Phia Group Is Offering Employees Free Healthcare

The Founder and Chief Executive Officer (CEO) of The Phia Group, LLC, Adam V. Russo, Esq., made an announcement at our most recent Christmas party that caused a reaction that could be heard all throughout the New England region.

An overwhelming explosion of applause, screams, and in some cases, tears and sobs, shook the entire venue as the CEO described a major milestone that made Phia history. What was this groundbreaking announcement? The Phia Group has joined the ranks of only a handful of employers in the United States that offers free healthcare... yes... FREE... healthcare coverage to their employees!

Despite astronomical increases in healthcare and prescription drug costs throughout the nation, and soaring insurance premiums, Phia now offers free healthcare coverage to all employees who have been enrolled in the group health plan for a period time. We did this without raising out-of-pocket costs or employee contributions!

Six months before this announcement, when the CEO first considered offering free healthcare, I was tasked with identifying other employers that offer free healthcare, and more importantly, how they did it.

Although identifying employers that offered some variation of free healthcare was an easy task, since there are approximately only ten or eleven employers currently doing this, what we could not find was information on *how* they did it.

Consistent with our stated mission to reduce the cost of healthcare through innovative technologies, legal expertise, and focused, flexible customer service, we have decided to break away with this tradition of mystery and intrigue and share with the world how we accomplished this milestone. This is how we did it...

TO INSURE ... OR SELF-INSURE?

Our journey started many years ago when we decided to self-insure our employer-sponsored group health plan. We realized early on that choosing the right type of health insurance would be an essential part of the growth and long-term success of our company.

The Phia Group started with a handful of employees twenty years ago, and now, we have several offices throughout the country. But when Phia was still a seedling, we knew that the key to our success hinged on not only attracting top talent to our workforce, but more importantly, retaining them.

As healthcare is one of the top factors that employees consider when they assess their employment satisfaction, we knew the key would be to offer a robust health plan that would appeal to a wide demographic of diverse individuals. With healthcare costs skyrocketing, however, we weren't sure how to accomplish this without annihilating our budget.

Ultimately, we decided to take the risk and self-insure our group health plan. We realized that by self-insuring our own group health plan, we could avoid the off-the-shelf price tag sticker shock of a fully-insured plan, and have the flexibility to customize our benefits to meet the specific needs of our growing employee population.

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Unlike traditional health insurance plans which require employers to pre-pay for potential claims through monthly premiums, self-insuring our health plan provided us with a wide range of saving opportunities as we were only required to pay claims as services were rendered.

By choosing a benchmark that met the needs of our workforce, we were able to cut out the wasteful benefits we do not need to keep our costs low. The savings allowed us to add more desirable benefits to our health plans that kept our employees not only healthy, but more importantly, happy. Healthy and happy employees are more likely to be more productive and stay with their employer even in the most competitive of job markets.

MAXIMIZE SAVINGS

So we decided to self-insure ... what next? Since our goal was to enhance our savings potential, with the hope of one-day passing along the savings to our workforce, our next step was to develop the most effective and clear plan language that would minimize our risk and liability while keeping our expenditures low. We wanted to accomplish this, however, without stripping our plan of the benefits are employees have grown to enjoy.

To meet this goal, we developed our own plan design and incorporated the most innovative cost-containment techniques, working within the boundaries of our network agreement, and integrated them into our group health plan in easy to understand language aimed at educating our participants to ensure they utilize the high quality lower cost healthcare options.

For example, our plan rewards employees for making cost-effective decisions by waiving co-pays when utilizing the reasonably priced yet effective facilities, generic prescription drugs and other low-cost alternatives. Finally, to avoid the financial pitfalls of excess or erroneous payments, we created and adopted some of the strongest subrogation plan language in the country that further empowered our plan to identify more claim recovery opportunities as well as maximize those recoveries.

EMPOWER THE PLAN ... EMPOWER THE EMPLOYEES

Another benefit of self-insuring that played a role in our ability keep our costs low was access to our claims data. In the fully-insured world, carriers traditionally raise rates annually with little to no explanation.

Since carriers are not required to provide employers with claims data, fully-insured employers are basically left powerless to develop strategies to keeping their premiums low. Information is power. Because we self-insure, we enjoy





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complete access to our claims data and rely on this vital information to identify wastes, high expenditures, and develop innovative and unique ways to save costs on an annual basis. However, we were still not satisfied.

As an industry expert in the self-insured arena, we knew there was more we could do as a plan sponsor to maximize our savings even more, but we knew we could not do this alone. We realized that without the support of our employees, our efforts to enhance our group health plan savings could only go so far.

Without employees, a group health plan is nothing but a Plan Document/ Summary Plan Description. So how do we get employees interested in, and more importantly, excited about keeping plan expenses low by opting for high quality low cost options? We wanted to be able to maximize options for our employees without dictating their healthcare needs or placing restrictions on our health plan.

The lightbulb went on – rather than dictate or limit healthcare options – we decided to incentivize our employees towards high quality low cost care options. We developed a broad range of employer cost-containment incentives aimed at educating our employees about their healthcare options with an irresistible incentive – a percentage of the savings!

For example, by simply consulting with our Human Resources department before selecting a provider for certain procedures, a participant is eligible to receive a percentage of the savings that may result from the consultation. We also created a plan option with a Direct Primary Care (DPC) feature that is paid for company and completely free to our employees – no copays and no out-of-pocket when utilizing our DPC – ever!

As an employer invested in our workforce, we always strived to keep our employee contributions low. However, by incentivizing employees to make cost-effective decisions about their healthcare needs and keeping their contributions low, employees not only became interested in keeping our health plan costs low ... they became obsessed! In their mind, they were in it for the incentives – extra cash for picking the best care at the lowest cost? Why not?

PASSING IT ON

What our employees did not realize until our most recent Christmas party, however, is that by utilizing our cost-containment incentives we covertly evolved into a work culture with a shared commitment – keeping our health plan costs low.



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Free Healthcare

To our employees, our incentives were just opportunities to get some extra funds or save some money while still accessing the best healthcare. With a strong group health plan, and plan participant's eager to reap the rewards of our cost-containment incentives, our dream became a reality. Our group health plan savings had maximized to a point that we are now able to offer our employees a benefit that few companies provide ... free healthcare coverage. ■

Philip Qualo, J.D., joined the The Phia Group, LLC in June 2018. In his current role as a Compliance and Regulatory Affairs Consultant, Philip provides consulting services to employers, third-party administrators, brokers, and vendors on an array of topics focused on Human Resource and group health benefit plan compliance. He earned his J.D. from Villanova University School of Law and his B.A. in both Philosophy and English from Loyola University Maryland. Philip's professional experience has ranged from practicing employment law, specializing in disability litigation, to managing federal grants.



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There's no simple way to overcome the rising claims trend in today's market. But we know that incorporating smart practices into our business model is helping us to gain more control of the situation. We're making informed decisions based on data analytics and industry knowledge; using the insight of in-house experts to create thoughtful solutions; and choosing our cost containment partners wisely as we work to protect our clients' financial well-being.

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