FEATURE

Jump-Starting the Talent War

WITH A REINVESTMENT OF HEALTH CARE SAVINGS, CLASSIC AUTO GROUP IS POISED FOR A COMPETITIVE LEG UP DURING AN AIR-TIGHT LABOR MARKET

Written By Bruce Shutan

For nearly a decade, Classic Auto Group's employee health care benefits weren't firing on all cylinders. The group of 19 mostly independent automobile dealerships in Texas, Oklahoma and Florida struggled to offer high-quality care that also was affordable.

Affordable is the operative word, especially for lower-paid employees who often will ration or skip care, altogether. When the Affordable Care Act passed 10 years ago, Bently Durant was optimistic that there would be a larger and more diverse pool of Americans with health insurance coverage that would benefit his family run business.

"But then we saw the prices on health care services starting to skyrocket," says the chief operating officer and general counsel who also handles HR and employee benefit duties for the network of dealerships his father started. "By 2015, with 15% and 30% premium increases every year, we were getting very concerned that we wouldn't be able to afford health insurance, and we'd have to dump all of our employees onto the exchanges as the only affordable means to get health insurance."

It turns out that 2018 was one of those critical years. "We try to make more money and increase salaries every year, but the car business was declining," he recalls,


Steve Kelly

noting the need to offer larger discounts on products and services to attract customers. "That's when we started researching [more meaningful solutions]."

SHALLOW POCKETS

One big mistake that many employers frustrated by rising health care costs make is passing along annual increases to their employees, explains Steve Kelly, CEO of ELAP Services. It's being exacerbated by a pandemic that has triggered what one leading academic described midway through 2021 as the Great Resignation. Between unusually high quit rates and about 11 million recent U.S. job openings, employers are struggling to retain top talent and grow their businesses.

"Health insurance is a form of compensation, so when the costs come out of the employee's pocket instead of the employer, it's really a cut in pay," he says. "So we ask employers to look at this as a quality-of-life issue. By taking a firmer stance on payment to become a little bit more proactive, they can actually do a lot of good for the workforce. They take some of the savings realized from reference-based pricing [RBP] and reduce deductibles, copays and premium contributions." As part of that strategy, employers may declare a premium "holiday" wherein employee contributions are not deducted from their paycheck for several pay periods.

But that's just a baseline. In some instances, Kelly sees employers providing ride-sharing services to help their employees. "If you're working in Chicago, for example, you may be allowed three Uber rides a month to work on the coldest day," he says. Other gestures may include handing out daycare bonuses to recognize employees for a job well done and show they're valued.

"When you're in a competitive market for labor, these kinds of things really resonate with the workforce, and people feel good about that," Kelly says. "We've seen some employers get very creative with these kinds of approaches in terms of providing perks and benefits from the savings of a reference-based pricing plan that they then pass on to the workforce."

Classic Auto Group has taken the lead when it comes to mining health plan savings and reinvesting dollars back into the workforce. Durant says the first step to controlling health care costs was turning employees into more health-conscious consumers. It began with health savings accounts that the company matched dollar for dollar. This way, employees didn't have to rely on their health insurance to pay for everything.

But the change didn't come without pain points. Premiums totaled $12 million in 2018 as a group, with a $3 million increase proposed at renewal time. "That's a lot, even for a large group of people like us," he says.

A year later, employees didn't understand how to purchase services without a brand-name network, though they were unencumbered by any health plan restrictions. Providers also know what to make of it. That made the first year rather rocky.

"To some extent, we're still trying to figure that out because our current benefit package has several networks for different items," Durant reports, referencing drugs, doctors, hospitals, labs and imaging as part of a single network under the Imagine Health brand.

SWITCHING GEARS WITH RBP

Switching to RBP allowed Classic Auto Group to keep premiums flat since that first year, while co-pays also have remained unchanged. Members ended


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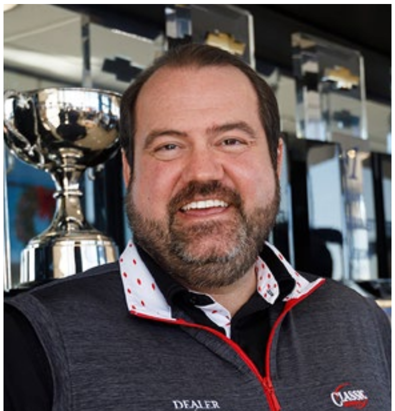

Bently Durant

up being much happier because of fewer balance-bill issues, plus deductibles were cut in half at a time when the cost of insurance was increasing for most Americans.

“My premium plan had a $2,000 deductible, and if you were using your Imagine Health services instead, going in network it was a $1,000 deductible,” Durant says. “I think it was 2004 the last time I had a plan with a $1,000 deductible.”

RBP offers self-insured employers a much better look into what they are actually paying a medical provider for rendered services, according to Kelly, whose firm specializes in this area. “We’re always struck by the fact that employers are good at containing costs in every area of their enterprise, except for health care,” he notes, blaming the PPO model for failing to contain costs or improve quality.

Rick Stephens

But there’s no cookie-cutter way to crafting such a program. “One of the things that I’ve learned is that not all reference-based pricing companies are created equal,” observes Rick Stephens of Higginbotham, the largest independent brokerage in Texas, who has handled the Classic Auto Group account for about eight years. Among the distinguishing characteristics that he suggests to have in place: a single entry point and simplified instructions for health plan members, as well as plan designs that steer toward desire utilization and outcomes. Beyond offering patient advocacy that involves a nurse navigator or concierge, he suggests also having to have a streamlined, automatic legal support component.

For many years the knock on RBP was it created friction among health plan members who realistically cannot be expected to shop wisely for their health care coverage when they need hand-holding, much less understand their benefits. But Kelly says that point is overstated.

“I’m certainly not denying that balance bills occur,” he says. “But balance bills occur under any benefit model.” It’s a problem that most employers very easily can manage if proper advocacy and support are in place.

When balance bills do occur, Kelly says there are several courses of action to pursue. They include defending and supporting the plan member with patient advocates who are not only trained to be empathetic, but also can reach out to medical providers and settle a bill. “Behind all of that, if necessary, we have to be able to provide legal support,” he adds.

RBP’s impact is particularly dramatic in certain parts of the country such as Indiana because the managed care climate isn’t good for the employer community and providers routinely charge higher multiples of Medicare, Kelly explains. That means Indiana might save as much as 35% vs. a traditional PPO model, whereas other states might save in the 10% to 15% range. “We consistently see an average of 20% to 25% savings across the country in the first year from reference-based pricing,” he reports.

CARVING OUT RX

When Classic Auto Group’s per-employee-per-year (PEPY) cost was $7,693 in 2018 and its renewal was climbing to $9,686, Stephens knew that his client had to do something differently. Those efforts included an RBP solution with ELAP Services and drug carveout, paving the way for more robust benefits for roughly 1,800 employees made possible by reinvested dollars.

A COMPETITIVE EDGE

Meanwhile, Classic Auto Group has reinvested its health care savings into telemedicine, which it made free during the pandemic for full-time, part-time, covered and non-covered employees because it was so critically important. More private medicine options also have been added in the form of medical tourism, stem cells transplantation and other areas to help patients with life-changing injuries that require surgery.

"Our first investment was to reduce the out-of-pockets, and some point, completely eliminating them," he explains, noting that there hasn't been a premium increase since 2018.

Under Classic Auto Group's RBP initiative, surgeries and imaging are available at no charge to plan members so long as they're scheduled at standalone service facilities. In terms of the Rx area, a thoughtful strategy was built around the "fiduciary" or "transparent" pharmacy benefit manager model, which allowed the company to retain 100% of drug rebates. It also featured a coupon program that saved about 25% on specialty drugs and overlay program with international pricing that are about 50% less than U.S. price tags.

After three years with RxBenefits, the company switched to CVS for additional savings that are projected at anywhere from $268,000 to $578,000, depending on the programs it decides to implement. Stephens says the move reflects a more aggressive stance toward trying to control the prescription drug spend.

Other significant results include a first-year PEPY of $6,236. "That's an immature year, so we knew it was going to go up," Stephens reports, noting that it hit $7,131 in 2020. However, the PEPY was still more than $540 cheaper than it was on a previous UnitedHealthcare plan. What's more, his client is dealing with a medical trend that's tied to Medicare, whose increases are in the 3% or 4% range vs. traditional insurance, which can fluctuate anywhere from 7% to 12%.

One possible next step is a medical stop-loss captive, which Stephens describes as logical given that the current approach is just three years old.

While not a recruitment tool per se for marginally paid employees, Durant believes the beefed up health care coverage will help with retention, which will lower turnover. "I don't have to recruit as hard because I'm not losing people," he explains, "and my retention has been very high, despite this very tight labor market."

Other areas of improvement to help attract or retain talent include a higher minimum wage, doubled vacation pay for salespeople, increased holiday pay, a lowered tenure requirement for higher pay levels and signing bonuses. "We're certainly looking at the 401(k) and ways to improve that and encourage participation," he adds.

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Kelly can't help but think about Warren Buffett's famous quote on how "medical costs are the tapeworm of American economic competitiveness," lamenting how it's holding back business growth. "So, if we can drop a million dollars to the bottom line of a school district, that could be additional educational programs," he says. "If we can drop a half million dollars to a machine shop, that makes them more competitive versus other markets." ■

Bruce Shutan is a Portland, Oregon-based freelance writer who has closely covered the employee benefits industry for more than 30 years.