Cutting Costs Using the "Working Spouse Rule"

A Philadelphia-based tech company with 132 employees.

Key Challenges

During an initial open enrollment planning meeting discussing cost control recommendations requested by one of our mid-sized clients, our MBA Advisor brought up a suggestion to change the company's employee premium contribution strategy.

This client had always provided a solid benefit program to their employees at minimal contribution levels and had resisted a heavier shift in cost-sharing. We had to show them how this change could provide them with the premium relief they were looking for without creating a burden for their employees.

MBA Solution Presented

We proposed that they implement a strategy often called the "working spouse rule" and presented a few different ways they could approach the idea:

- Restrict coverage for health care only to spouses who do not have coverage available elsewhere
- Impose a surcharge for spouses who have coverage elsewhere but want to remain on our client's plan
- Offer a monetary incentive for employees who choose not to enroll their spouse in the health plan

Regardless of the method chosen, the working spouse rule usually only impacts a small percentage of employees and allows a company to potentially save substantial premium dollars without decreasing coverage levels. While we informed the client that as with any perceived reduction in benefit there could be some employee discontent with the change, when presented in the proper context the impact should be minimal. We indicated that the approach should be framed by stating that the client was looking to control costs and chose this method to avoid increasing deductibles and coinsurance or raising the premium contribution formula across the board. After a review of the pros and cons of each option, the client decided to restrict coverage for health care only to spouses who do not have coverage elsewhere.

Measureable Results

The strategy was implemented and announced as part of the open enrollment process. While a few of the employees who had covered working spouses and were taking advantage of the employer's prior eligibility and contribution position balked, most of them indicated that they knew it was a perk that could eventually be eliminated. For the majority of the company's employees, the change received little attention.

The move saved the employer just over $75,000 in premiums on an annual basis.

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