Restructuring Employee Contribution Formula for Healthcare Premiums

Company Overview

This is a New York based client with 160 employees, specializing in data security.

Key Challenges

In a recent renewal meeting, where the client was facing a 7% increase in their health insurance premiums, leadership requested a way to cut employer costs that would provide a balance between affordability and sustainable benefits coverage.

MBA Solution Presented

Our team proposed a three-pronged approach to solving this challenge.

1. Instead of a flat percentage level for the employee's contribution schedule, we proposed a tiered structure based on salary levels. Lower income employees would contribute 10% of their premiums, mid-level employees would contribute 20%, and senior employees would pay 30%.

2. Employee who completed an annual wellness exam and biometric screening would receive a 5% discount on their premium contribution.

3. Employees whose spouses had access to their own employer-sponsored healthcare paid a $100 per month surcharge if they chose to stay on our client's plan.

Measurable Results

Within one year of implementing our proposed plan, the lower paid employees were appreciative of the reduced financial burden, improving retention and morale. Additionally, the 70% participation in wellness incentives was projected to lead to an increase in employee health and a reduction in claim costs, saving $80,000 in long-term expenses. The spouses opting out of the company benefits program resulted in an additional savings of $50,000 annually.

By restructuring the employee contribution formula, participation incentives and strategic plan adjustments, this client achieved significant savings while maintaining a competitive and affordable benefit program for its workforce.