

## Executive Summary – The CFO’s Guide to Health Insurance Finance

Smell that? It’s the invisible fire in your P&L. Health insurance costs are at a dangerous tipping point. Monthly per employee premium costs will double and easily cross the \$1000 mark this decade. That means almost \$4000 for a family. For an average plan. This contrasts with 20 years ago when premiums were \$150/\$500 for the something that was likely better.

Current corporate processes for evaluating employee health insurance and benefits are weak at best. Most mid-market companies don’t treat the process with the seriousness it deserves, leaving a stressful annual dance under time constraint each year as last-minute renewal decisions are made to “get it off our plates” as rapidly as possible, with the hope that next year won’t be so bad.

Well, Hope Isn’t a Strategy. In the next 7 years health insurance premiums will double from an already high number. To wit, assuming a 9% annual increase, a firm with only 250-employees (not counting family) with \$2.5MM in health insurance premium today (if they’re lucky) and will be looking at \$5MM by 2030 with zero ROI. Or worse. What else could you (or your employees) do with that extra \$2.5MM?

Human Resources historically owns benefit decision making processes, but they are swamped with so many other issues of the day and the economics and solutions are complex. It’s time that the CEO, CFO, and finance team steps in to lend a strong assist or lead the benefits process. How?

- It starts with a 3-5 year strategic plan developed with the necessary stakeholders. You’ll define the sacred cows, and then have the data to make the changes necessary to keep your health plan sustainable and not ruin your P&L.
- There are many innovative ways to flatten the cost curve. We know that wellness programs didn’t do it. Moving to high deductible health plans didn’t do it. Adding carrier choice didn’t do it. It makes sense to consider other solutions like HRA’s, partial self-funding, fully self-funding, captives, reference-based pricing, pharmacy carve outs etc.
- It’s important to understand your employee population and not just buy them health insurance, but provide a plan customized for their needs and engage them on how to use it to make them real stakeholders.
- You also need to carefully vet your current broker to see if they have the real skills to help you or find one that does.

This white paper will lay out the knowledge you need to start an internal conversation and make good decisions. It will challenge you to question the status quo. It will educate you as to how you got here. It will make you scrutinize how you fund health care today and what options you have for the future. It will make the case to carefully evaluate the advice you receive, who you receive it from, and what you pay for it.

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