

Insurance: Time for tiers

Health coverage options multiply as the cost goes even higher

Employers looking for ways to save health-care insurance costs are giving their workers' spouses the eye.

Confronted with significant premium increases every year, employers are fiddling with coverage for husbands and wives to trim their insurance bills.

Nothing in employee benefits is sacred anymore, says Jake Flaitz, a health care consultant with William M. Mercer in Rochester. "Employers are sitting back and asking themselves, 'What is our obligation?' We are only obligated to cover the employee," Flaitz says.

Business owners are approaching the situation from several angles. Goldman Titanium of Buffalo chose to adopt tiered rates offered by BlueCross BlueShield of Western New York.

Like many insurers, BlueCross has expanded the traditional options of coverage for singles and family to include singles plus one. Tiers extend coverage to a husband and wife, for example, at a rate cheaper than they have been paying under family coverage. Some of the plans also offer a single-plus-two tier, which would include a couple with one child.

"The savings from having employees in the second or third tiers, has to outweigh the increases included in the traditional family contracts. We've had as many where it's worked out and where it hasn't," Gannon says.

The difference was attractive to Goldman Titanium. Company treasurer Charles Koven said when company leaders first saw their premium increases last year, they thought they would have to back out of Blues insurance all together. But

savings from the tier plan allowed the small business to offer health insurance for another year without asking employees to contribute to the cost.

"The coverage was exactly the same," Koven said, "except we aren't paying for full family coverage when there were only two people."

The arrangement is fairer to couples who for years have been subsidizing families, Flaitz says. Put another way, tiers give Fred and Ethel a break from Brady Bunch

The region's health insurers have offered tiered rates for years, but with relatively fewer takers. Koven claims they're not marketing the option aggressively enough, because its not profitable for them. But the insurance industry says few employers qualify because their demographics have to be just right to benefit from the tiered option.

Less than 10 percent of BlueCross' employer groups are enrolled in tiered plans. At Independent Health, just 5 percent partake in tiers. Univera Healthcare reports that 10 percent to 15 percent of subscribers are in plans outside of a tradition single/family plan. The low number suggests that most people fall into family cohorts, said Pam Pawenski,

region vice president of sales at Univera. Tiered plans, meanwhile, are designed for very specific employer groups.

"The reason why employers offer tiered plans is they recognize in their employee base that there are a lot of young couples and empty nesters," Pawenski says.

Here's how it works:

A company opting for common health insurance options would be charged, for example, \$198 for each single employee and \$506 for each family. If that company opted for tiered coverage, it would continue to pay \$198 for the singles, but pay \$377 for each employee-with-spouse combination. Under this plan, the cost of a family group jumps to \$585.

Because it costs more to cover families under tiered plans, employers must have a clear picture of their employees' household size in order to make tiers work. Employer costs could increase if few employees fit into single-plus-one tiers. Family coverage tends to increase between 15 percent and 20 percent in tiered plans, says Kevin Gannon, president of Niagara Benefits Group in Amherst.

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Another option is known in insurance industry circles as "spousal carve outs" or

"working spouse provisions." It requires that if a working spouse is eligible for health insurance through his or her employer,

then the spouse must enroll in that plan and is not eligible for coverage under the spouse's employer.

Around for 20 years or so, the requirement has not taken off in New York. However, local industry experts say that Western New York employers are encouraging workers in that direction. That encouragement might be an incentive of several hundred dollars in cash to send a spouse to his or her own workplace for insurance. As a disincentive, some employers impose an expensive surcharge if a worker brings a dependent spouse along.

By far, most employers are asking workers to ease the company's health care costs by paying for a portion of the premium. On average the rate

workers are paying has increased from 15 percent to 21 percent. For family coverage, the employee's contribution has jumped to 30 percent from 20 percent, Flaitz says.

Some are asking workers with spouses and dependents to pay the difference between single coverage and family coverage, he says.

"We certainly expect that that trend will continue

to increase and employee will be paying a greater share for dependent coverage," Flaitz says.

Back at Goldman Titanium, Koven wonders how long the company might be able to offer employees health insurance at no cost, tiers or not. Even the savings from a tiered health plan won't decrease overall costs of employee benefits, which are growing to more than 50 percent of the workers' salaries. The company expects to someday ask employees to make contributions in the future.

"Undoubtedly, we will reach that point," he said.

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