



Society for
Design
Administration

An Affiliate of The American Institute of Architects

June 2009

skyLines



How Does SQAT Affect You and Your Employees?

By Josh Lluch

Your renewal quotation for your employee benefits has arrived and you have received another increase. Scrambling, you call your broker for other options. "Is there another company out there? Are there any alternatives with our current insurer?" You struggle with the vision of telling your employees that, yet again, you are switching insurers, and/or cutting some benefits, as well as increasing their contributions. You think to yourself, there surely must be a better way than "Simple Quoting And Tweaking." Great news! A better way does exist. Employee benefits costs are probably your largest monthly expense after payroll and rent. Despite the high cost, you still struggle to provide the right benefits without breaking the company. Each year, with spreadsheets in hand, you have three choices, one grimmer than the next: 1. Cut benefits 2. Have the company pay more, or 3. Require your employees to contribute more to the premium cost.

It is entirely possible that you will have to "tweak" or do all three. Moreover, you may have to change insurance companies, causing an administrative burden for your firm. Worse still, your employees may be forced to change doctors in order to incur the smallest amount possible of out-of-pocket expenses (by staying "in-network").

Each year, you select an option (or combination of options) and hope your employees will learn to like the new benefits (or insurance company), or that they will quickly forget about the increases in their contributions (at least until next year).

These are the symptoms. What is the cause?

Looking at spreadsheets and quotations will only result in similar costs and benefits and increases year after year. Your broker can inform you of what a deductible increase is going to save you, but what you will not find out is what that "tweak" means to people who actually use the plan.

The better way: There is only one way to guarantee that your company has the right coverage and is making the best investment. Start from scratch in finding out more of what your employees use and value most. Are there components not being used at all or are they underutilized? Instead of paying thousands of dollars in employee contributions no matter how they use or don't use the plan, would they rather have other coverage? Your employee benefits package is comprised of dozens of costly pieces. Determine what pieces matter and purchase the benefit design which "fits" your employees' usage.

Armed with a more in-depth understanding of your employee demographic, you can make an informed decision about which insurance company matches your risk profile best and offers the most cost effective benefit structure and pricing philosophy. Now, you are truly on your way to customizing your company's health insurance. This is especially critical for smaller groups (those businesses providing

health coverage for up to 200 people). For these "small" groups, insurance companies are often reluctant to share any claims experience or risk data. This gives the insurer an upper hand during the renewal process and your company (the insured), no options to look at things differently—except maybe drastic concepts like self-insurance, which may not be suitable.

Determining your employee benefits should not be a shot in the dark. The old way of *Simple Quoting and Tweaking* leads to buying an off-the-shelf product and hoping that it works economically, long-term, for your situation. The new way is to invest in the process upfront to understand your needs rather than guessing. Your employees will have better benefits, be more accepting of change, and you will ensure that you are not giving them "SQAT."

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