Insurance and wellness programs for your company

Business

Many companies do not like risk because sometimes the management of the company may decide to be risk averse rather than risk neutral or risk takers.

The stillness of mind that comes from considering being shielded against loss is capable of carrying a price in private markets just as more tangible economic good do. A company investing in loss prevention for employees in health insurance reduces risks. The company can decide to reduce health risk for its employees by shifting the burden of anticipated losses to others rather than by preventing the possibility of loss. Hall (1994) continues to say that tax laws and labor market conditions encourage employers to purchase health insurance on behalf of its employees. Health insurance policies cover hospitalization, surgical, regular medical, major medical, dental and disability for employees within an organization.

According to (Mckenzie, 2007) the types of health insurance coverage remains constant, however several trends associated with them and the products they offer are emerging. Reddick & Coggburn (2008) says that in a recent survey it was established that despite a declining percentage of workers in the last years who take up the health insurance benefit when it is offered by an employer over 60% percent of all workers remain covered by employment based health plans. Reddick & Coggburn (2008) continues to indicate that employer provided insurance is cheaper than the employee could get on his or her own and therefore the majority of employees prefer obtaining insurance through the employer rather than individually securing it. This means the employer health insurance plan increases employee retention within an organization. Reddick & Coggburn (2008) established health insurance policy within the company promotes the well being of the workers.

Reddick & Coggburn (2008) determined that “ these policies will enable company mangers to compete with other public and private employers in the appropriate labor market or markets to attract highly qualified applicants and retain high quality employees” (p. 95). The company will not find serious challenges in finding sufficiently skilled employees to fill critical positions especially management positions. Because the health insurance benefit remains the most highly valued benefit for employees, the level of the health insurance benefit may directly affect the quality of applicants and employees. In addition to attracting and retaining employees, Reddick & Coggburn (2008) says that “ the provision of sufficient health insurance cover for the company will come with many positive outcomes for employers such as increased employee satisfaction with the employer, reduced turnover, increased retention and productivity, and opportunities for retirement decisions that can benefit employers” (p. 95).

Insured workers over the long term have better health and longevity than those who do not. The management of the company should bear in mind that there is a provision of cost sharing between the company and employee. According to Reddick & Coggburn (2008) the more that the employees bear the costs of health insurance and out of pocket expenses the less is the expense to the employer. A major benefit for the company to provide health insurance for the employees is as out of pocket costs for any plan design decrease for the employee, plan cost increase. Reddick & Coggburn (2008) continues to say that even when employee out of pocket costs increase, the company may choose to provide additional money or compensation for these employees out of pocket expenses through various medical and health savings account instruments. Aaron et al (2008) noted that health insurance paid for by the company is a tax free fringe benefit.

Also health insurance tax breaks for employers have worked in one sense; employer sponsored insurance covers more than two thirds of workers and their families. This means that the company will increase employee retention. Another advantage as indicated by Aaron et al (2008) is that employment within the company may effectively pool health insurance risks because people choose employment for many reasons other than their expected use of health care. Pooling for company has an advantage in that administrative and marketing costs will be lower for the company. Aaron et al (2008) continues to say that “ collecting premiums as a part of payroll processing will be less expensive for the company than direct billing and may also be an effective way to encourage participation because individuals like to break up large expenses into small automatically collected pieces” (p. 42).

Because of the large group of employee the company is considering to offer the health insurance for the management will have an upper hand in bargaining power to lower costs when dealing with insurers and providers. In this context health insurance increases the extent that workers can count on long term employment with the company because it provides more protection against premium increases than an individual plan (Aaron et al, 2008). Committee on Employer-Based Health Benefits, Field & Shapiro (1993) says that when the company takes all health insurance and administrative functions, it shoulders risks of directly paying claims, negotiating with health care providers and auditing payments and utilization. To facilitate this company is likely to have specialized staff responsible for health benefits. The company can choose to work with outside consultants who offer a variety of technical services such as audit or analysis of health claims data and advice on benefit plan design (Committee on Employer-Based Health Benefits, Field & Shapiro, 1993).

The company may purchase services from other organizations which vary in scope from broad to narrow. Committee on Employer-Based Health Benefits, Field & Shapiro (1993) says that this may include utilization management organizations that review the necessity or appropriateness of health services. These services are essential for the company because it may enable the management to review the performance of utilization management organizations and therefore promoting the performance of the employees. When the company purchases insurance for its employees it can have premiums established in a variety of ways which in turn can enable significant sharing of risk with the insurer and other insured groups (Committee on Employer-Based Health Benefits, Field & Shapiro, 1993). On the other hand, under the so called a minimum premium arrangement, the company can deposit money to cover a defined portion of its expected claims expense into a bank account from which the insurer acting as an administrative agent pays the health insurance claims. The major merit of this feature is that the amounts may be exempt from state premium taxes and can earn investment income that is actually paid to the company not the insurer (Committee on Employer-Based Health Benefits, Field & Shapiro, 1993).

The company may also establish another type of partial health insurance arrangement for the employees wherein it covers claims expense up to a defined level and purchase stop loss insurance for expenses above that level (Committee on Employer-Based Health Benefits, Field & Shapiro, 1993). The company will engage in one objective and in better management and coordination of health care and administrative costs. Committee on Employer-Based Health Benefits, Field & Shapiro (1993) continues to indicate that through this the company will eliminate any incentive for workers facing increased cost sharing and limits on provider choice in their health benefit programs to claim that their health problems are work related and thus compensable under the sometimes less restrictive workers compensation programs. In this case the company will cut costs associated with these employee compensations. Considering that it is expensive for the company to reform its workers compensation, it is also costly to establish a single benefit program to cover medical expenses for injury and illness whether incurred on or off job. Committee on Employer-Based Health Benefits, Field & Shapiro (1993) thus says that adopting an integrated health insurance program would apply the same provider payment, health promotion and managed care concepts to either sort of medical expense.

Because the company's cost for health benefits are not a fixed percentage of payroll but are affected by the age, health status and other characteristics of each employers work force, the company may have an incentive for adopting more aggressive health promotion programs than would exist on grounds of worker productivity and employee relations alone (Committee on Employer-Based Health Benefits, Field & Shapiro, 1993). Ulman, Eichengreen & Dickens (1993) says that the company's willingness to provide significant health insurance to the employees will depend partly on the tax treatment afforded enterprise based benefits. The company through encouraging health insurance coverage promotes social harmony by putting its employees in a position to be grateful to the company and management. Ulman, Eichengreen & Dickens (1993) continues to say that it also acts as a motivation for encouraging a link between social insurance and employment is to provide an incentive to participate in the work force. The company will have a cost advantage in the provision of health insurance. According to Ashenfelter & Card (1999) if the company provides health insurance, the menu of options available to the employee expands to those on the employer budget constraint.

The companies cost advantage will be a leeway for employers to get the wage/benefits bundle wrong and still leave employees better off than they would be if given only wage compensation and left to their own devices (Ashenfelter & Card, 1999). Besides this Ashenfelter & Card (1999) indicated that another potentially important source of the price advantage which can be enjoyed by the company will result from the selection of who is and who is not covered by company provided health insurance. Because health impact the capacity to work the non-employed are likely to have a higher than average incidence of adverse health risks. The demand for health insurance coverage will be impacted by individual preferences regarding the tradeoff between other consumption goods and health benefits (Ashenfelter & Card, 1999). The company will have cost advantage in the provision of health insurance; an overall increase in the demand for health insurance will result in increased demand for the company provided health insurance as well (Ashenfelter & Card, 1999).

The company may nonetheless want to provide health insurance because offering a compensation package comprised of both wages to provide health insurance is more profitable than offering wages alone. Ashenfelter & Card (1999) mentioned that the management may also use the provision of health insurance to motivate certain types of desired behavior for example to reduce turnover or impact retirement behavior. In order to retain its employees, the company can offer employees a compensation package commensurate to that offered by other firms drawing workers from the same labor pool. Ashenfelter & Card (1999) thus says that " in order for the company to remain competitive it should reduce wages by $1 for each $1increase in health insurance expenditures" (p. 3368). The company should understand that employees sort themselves into firms based on the wages/ health insurance bundle that best matches their preferences.

Health insurance coverage improves workers health relative to what it would be if the company does not pay for health insurance. In his studies Pauly (1999) noted that improved worker health means higher productivity and reduced absenteeism leading to improved efficiency. He continues to say that the cost of health care as well as the cost of the lack of access to health care is not measured in terms of the cost of health insurance but on the basis of decrease in productivity. According to Pauly (1999) “ the absence of employer paid insurance for the company will cause employees to forgo other insurance and to forgo care that affects productivity or work loss days and that this decrease in productivity or increase in work loss days will for some reason not be offset by lower wage payments” (p. 16). The company should be motivated to offer health insurance and pay for the coverage because of a personal or morally interpreted obligation to treat their employees well.

Pauly (1999) says that it is important to provide insurance because employees can as well get it on their own. In order to recruit and retain high level/rated employees the importance of health insurance cannot be overlooked. Mckenzie (2007) says that with the high cost of health care today the company may decide to provide health insurance for their employees by deciding to cut their costs and become self insured. The company can decide to become self insured in such a way that the management pays the health care costs of its employees with the premiums collected from the employees and the contributions made by the employer instead of using a commercial carrier. Through being self insured Mckenzie (2007) says that “ the company can use the services of an actuarial firm to set premium rates and a third party administrator (TPA) to administer benefits, pay claims and collect data on utilization” (p. 442).

On top of that many third party administrators also provide case management services for potentially extraordinary expensive cases to help coordinate care and control employee risk of catastrophic expenses. By being self insured the company gets to set most of the parameters of the policy deductibles, co-insurance, fixed indemnities and exclusions. Mckenzie (2007) says that if the management of the company wants to exclude some services from health insurance plan and include others they can. The health insurance plan enables the company also holds on to the cash reserves in the benefits account instead of sending them to a commercial carrier and thus it is capable of getting to accrue interest off of them. Mckenzie (2007) continues to say that through a self insured health insurance plan the administrative costs are less than traditional commercial carriers and in general health insurance costs to these groups have risen at a slower rate.

The alternative is that the company can instead of an employer sponsored group plan the company can consider to offer a defined contribution health benefit plans. In this case Pilzer (2006) says that the company can decide to reimburse the employee, tax free, for the cost of their individual or family policy. Pilzer (2006) says that these lowers the cost of the health insurance up to 50 percent because the company will receive tax deduction and the employee is not taxed on the reimbursed amount. In conclusion, offering this products and services to the employees will keep them healthy to slow the effects of aging and prevent diseases from developing in the first place (Pilzer, 2006). The company should think of getting its employees involved in wellness programs because the health of the employees affects the performance of the company.

Pilzer (2006) says that healthy employees are the most productive employees and also the cost of health benefits for sickness care now exceeds profits for most large business. In addition to saving the company revenues in the long run on health related programs, employees who successfully take lead of wellness programs will be more dedicated to the company.