

## Tifton Firm Finds Right Prescription To Cut Health Costs

By Pam Baker

When it comes to health-care costs, most employers feel as vulnerable as a patient draped in a backless hospital gown. As if providers and drugs aren't costly enough, now some state courts are finding employers liable for the failings of their health-care plans, and juries are awarding millions to plaintiffs.

"Employers are trying their best to offer good, competitive products for their employees," says Helen Mills, senior vice president of AON Consulting of Atlanta, a global human resources consulting firm. "This new employer liability in some states is an unexpected consequence and one that is very troublesome."

Despite multiple attempts to cover both employee health needs and corporate exposures, climbing costs — even in the age of managed care — have left loose ends flapping in the wind. Tired of being prodded beyond endurance, U.S. companies are desperately seeking ways to control a health-care process they neither want nor dare do without.

One Georgia company may have found the answer to the greatest dilemma facing self-insured and partially self-insured companies: how to offer employee health benefits without emptying corporate coffers.

Just two years ago, the partially self-insured Stafford Development Company faced a day when its health-care account nearly ran dry. Based in Tifton and with offices in Atlanta and across Georgia, the 400-employee company operates restaurants, motels, equipment dealerships, truck stops and real estate development companies.

"Our health-care costs had escalated to the point that we were facing some very serious problems," says President DeNean Stafford III. Tired of writing checks for amounts he could not control and exasperated by the constant drain on resources, Stafford decided it was "high time for a change."

"I even thought about just giving employees a set amount of money per year and letting them go acquire their own health insurance," he says. At least that way, thought Stafford, he'd know exactly how much he was paying out each year and could plan accordingly.

Join the crowd. For years, companies statewide and nationally have watched premiums climb and benefits steadily decrease. To add insult to injury, employee complaints about unpaid claims and insurance hassles are at an all-time high. Companies offered health insurance in the first place to attract and retain good workers, but complaints about managed care companies — once hailed as the saviors of health care — undermine that basic goal.

Stafford decided enough was enough. "Health care was our second largest



Sheila Ridley with VP Eric Frazier and DeNean Stafford (seated).



## Wow your clients.

In the highly competitive world of business presentation, it's important to stay a step ahead of your competition. Never underestimate the power of a spectacular presentation. Technical Industries, Inc. designs, builds and maintains boardrooms, conference rooms and executive briefing centers for some of the world's most recognized companies. We can help you wow your clients!

For the brightest, most advanced and user friendly Sanyo projection technology, call us for an onsite consultation.



**TECHNICAL INDUSTRIES, INC.**  
An MCSI Company

800•554•5440  
www.techind.com

Projection technology by: **SANYO**

expense, behind only payroll, and we knew less about that expense than any other we dealt with," he says.

To tame the money-hungry beast, an internal audit and analysis ensued. The results were mind-boggling.

For starters, communication among suppliers, providers and internal management was nearly non-existent. And when it did exist, it was often incorrect and inconsistent. There were no checks and balances, no accountability, no control. Problems ran the gamut from COBRA issues to claims mismanagement to outright fraud.

In case after case, thousands of health-care dollars were wasted. One employee, who had been terminated from the plan for nine months and never made a single COBRA payment, collected \$37,000 in health-care claims. In another case, Stafford was paying, through a third-party administrator, a provider in Florida that was nothing more than a post office box and certainly had never treated anyone.

"Everybody talks about Medicare and Medicaid fraud," says Sheila Ridley, vice president of operations for Sovereign Solutions LLC, the new division Stafford created to address its dilemma. "But (the government) has the resources to investigate abuses. There was no one guarding our camp."

Meanwhile, employees were complaining of collection agencies dogging them for legitimate claims that should have been paid by the company.

**T**o rectify these problems and gain control over costs, Stafford Development searched for a system that could track activity, gather data, and interact with suppliers and providers. The resulting software has cut costs by 20% or more, saving a company averaging \$4 million a year in such expenses in excess of \$800,000.

Since that fateful day two years ago, Stafford Development Company has increased benefits while holding the line on premiums. Stafford is partially self-insured: annual claims totaling over \$700,000 go to a re-insurer.

"Employees are happy now," says Ridley, who has 25 years of experience in the health-care business. "For the same premium they were paying two years ago, they now have premium health care, full dental, and short-term disability benefits."

All told, everybody wins. Providers get paid more quickly. Employees get benefits most insurance plans would automatically deny, such as finer diabetic needles that cost \$40 more a year than their larger, more pain-provoking cousins. The company cuts costs by budgeting according to actual employee medical needs and by buying in bulk.

Case in point: One diabetic on the plan uses an insulin pump. The contraption and its related supplies cost \$3,000 a year, making it an automatic no-no for most insurers. Stafford Development, through Sovereign Solutions, negotiated the amount to \$1,560 a year by buying the supplies a year in advance rather than month-to-month.

The added care retains good employees, who hesitate to leave the company for fear they'll be herded into health

## Health Inflation *Heats Up*

The patient is back in intensive care.

Double-digit increases in health-care costs are confronting large employers for the first time since the 1990s, according to Towers Perrin, one of the world's largest management and human resources consulting firms.

Towers Perrin surveyed 228 mainly Fortune 1000 companies across the country in November, among them Atlanta giants BellSouth Corp., Southern Company, Delta Air Lines and Emory University.

Driving costs are rising demand for prescription drugs, greater use of health facilities by an aging population and Medicare cutbacks that have shifted costs to employers.

The average U.S. company offers 19 health plans, with some offering up to 200.

"Due to the tight labor market, most employers are taking on a proportional share of the health-care cost increases in 2000 to attract and retain key talent," says Jack Holton, a principal in Towers Perrin's Atlanta office.

Average costs nationally for employee-only coverage is \$195 per month (\$2,340 annually) and \$545 per month (\$6,540 annually) for family coverage. Employees contribute an average of \$40 a month (21% of costs) for single coverage and \$123 a month (23%) for family coverage.

Dental plan costs average \$24 a month for single coverage and \$69 a month for family.

The survey found HMO rates vary by as much as 30% from market to market across the nation.

plans that do not treat them as individuals nor safeguard their quality of life.

Such company involvement may also prove helpful in preventing legal problems should Georgia ever join the list of states holding employers liable for health-care delivery.

"We were so impressed with the results of our new system, we decided to make it available to other companies," says Stafford. Though the system had been successfully tested by Stafford Development for over a year, services were not offered to other companies until Stafford formed Sovereign Solutions LLC last October. The company made its official launch in January.

Even so, companies are lining up for the service and Sovereign's cash registers have been ringing steadily. The cost per company is a one-time fee of \$35,000 to \$40,000 for the basic claims processing system. Other modules and various bells and whistles are available. Officials say the modular set-up allows employers to customize packages and recuperate their investment in the first 12 to 14 months, on average. □