

Blue Ocean Benefits & Consulting

Consumer Guide to Small and Mid-Size Business Employee Benefits

How to navigate the expensive, frustrating and dangerous waters of buying health, dental and life insurance for your business

Provided as an educational resource by:
Blue Ocean Benefits & Consulting, LLC

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BENEFITS & CONSULTING

If your company has fewer than 500 eligible employees, you'll want to read this guide!!!

You'll discover:

- 7 ways to avoid paying too much (or how to avoid getting ripped off!)
- 7 costly myths or misconceptions
- 8 mistakes businesses make when choosing a broker or consultant
- The importance of value versus price and how it affects employee morale
- Why you want an online portal for enrollment
- 5 ways to keep the Feds and State Regulators off your back
- 3 ways to make your employees happier for little or no money

Dear Fellow Business Owner or Decision Maker:

Your company's Employee Benefit Package is one of your biggest expenses. And choosing the right plans, the right carriers and employee contribution levels isn't easy.

Why? Because insurance is complicated and not intuitive. Because insurance contracts are vague and short on information. And because it is the one place in your business where your own employees are your customers – and most of them have different needs and expectations from you and each other.

So what should you do? Well, most companies find a broker or consultant they trust and allow that consultant to do much of the heavy lifting. Sure, you pick the plan, but did you pick it because your broker said it was the best choice? Did you pick it from the three plans your broker showed you? How do you know it is the best way to go? And how does it fit into your overall strategy of hiring and retaining the best people?

The truth is, most small business owners and decision makers can't really answer those last two questions. Many companies don't know for sure what they are buying is the best, but they do it because they like their broker. Many brokers in this business are "people-people." They know how to make friends and say the right thing. And while they might know a lot and have a lot of expertise, there is an equal chance that they are only good at making you think that.

So what do you do? You can educate yourself about Employee Benefit best practices and strategies. Doing this will help you know what to do not just this year, but every year.

We wrote this guide to show you how to make informed decisions. Use it and you can save your company money and put that money right in your pocket. Or spend that money on something else and make your employees happier, so they make you more money for your pocket. Or impress your boss and save her money so she gives you a raise and a promotion.

Jump on in and see how easy it is to understand how to make your company's Employee Benefit Plans work for you!

Happy Reading!

Matthew Roy
President
Blue Ocean Benefits & Consulting, LLC.

About Blue Ocean

Blue Ocean Benefits & Consulting opened its doors in 2011 and is located in Red Bank, NJ. Our firm is an independent agency that specializes in employee benefits, life insurance and individual health insurance. We can also provide other types of business and personal insurance through our exclusive partnerships.

As an independent agency, we are able to shop the markets for you and provide objective analysis of each carrier's offering. We can tell you what is happening in real time that might affect your choice, such as hospital network negotiations, regional rate increases from a specific carrier or new Federal or State regulations. Many times what works for your business does not work for the business next door, and you need to be sure you have professionals who understand your needs.

Our Mission Statement

The mission of Blue Ocean Benefits & Consulting is to provide expert advice and recommendations that help businesses and individuals implement the insurance program and strategy that is best for their unique situation. We will do this using customized solutions for each client that provide the most value for the money and by providing continued service and support that consists of proactive advice and solutions.

About Our Founder

Matthew has been in the insurance industry for more than 25 years and started Blue Ocean Benefits & Consulting because of the need he saw for a higher level of expertise in the small and mid-sized markets.

Prior to starting Blue Ocean, Matt was as a Senior Account Executive for Savoy Associates, a regional General Agency headquartered in New Jersey with offices in Philadelphia, New York City and Delaware. There he managed a Business Development Team that handled more than \$100 Million in premium and was responsible for supporting producers' retention efforts on their existing blocks of business as well as their efforts to increase their new business sales.

Matt has extensive experience in both the small group (2-50) and mid-sized (51-500) markets, including self-funded business and alternative funding arrangements. He has been involved with the decision-making process for thousands of groups as a sales person manager and consultant, and understands the various needs of almost any type of decision maker when it comes to employee benefits.

7 ways to avoid paying too much (or how to avoid getting ripped off!)

1. Shop your coverage regularly, but not too often.

Insurance carriers pricing is cyclical. That means that the lowest-cost carrier today may not be the lowest priced carrier tomorrow. There are a lot of reasons for this that we would be happy to detail for you, but suffice to say you should not stay with one carrier or plan without thoroughly reviewing others. In the case of a small group (under 51 employees), you might want to do that every year. It doesn't mean you have to change every year, but you should know how your plan stacks up against the market at all times. Some types of coverages you should shop less often, especially if the carriers in your market think you are just a "looker" and not a potential buyer. An agent or consultant who knows the market you are in should know whether this applies to the carriers you are considering.



2. Be open to alternative funding or alternative ideas

The subjects of self-funding, level-funding and deductible reimbursement (MERP, HRA, HSA) are very complex and merit their own booklet (which we will surely write eventually so look for it on our website)! Here is the best way to say this here—There are three things you should never say to your agent or consultant or for that matter, even to yourself until you've really considered an alternative funding proposal that is presented by a consultant who really understands the concept:

- “That sounds too complicated so I’m not interested”
- “My employees won’t like that because they will be confused”
- “I don’t want to do all they additional paperwork and math”

Why should you refrain from those three phrases?

Because they will **COST YOUR BUSINESS A LOT OF MONEY.**

CASE STUDY: Our client with 62 employees bought a level-funded plan. Not only did they improve the plan design overall, over the next three years they saved \$257K over renewing as is at 5% each year. PLUS, they got a \$53K rebate this year. So they saved at least \$310K over three years on an annual premium of around \$850K.*

Guess what they would have saved if they told us the concept was “too complicated?” The amount rhymes with Hero but means zip. Nada. Zero.

* We can provide EXACT financial detail on this and other transactions (no names or identifying information, of course). Just call Matt at 732-759-2836 for the details.

3. If your agent or consultant says, “There is nothing cheaper,” ask them to double-check – or do it yourself.

If your agent is on the ball, you will know if this is true because you will have a high-deductible plan that he or she will show you is at the bottom of the cost continuum and you will have an agreed-upon strategy that surrounds that plan. Plus, a short conversation with another expert can confirm this easily.

If your agent is lazy or not primarily an Employee Benefits Specialist, you will only know “there is nothing cheaper than your current plan” if you double-check. We just spoke to a woman whose agent told her this and told her he was in the same boat – paying out the nose just like her. Not only did we find something lower for her – it was with the same carrier, same network of providers and had better benefits!

4. Don’t let fear keep you with a certain carrier or plan.

We run into clients all the time who want to stay with a certain carrier out of fear of change (they don’t want to upset employees) or fear that it is the only carrier worth using. This is not a sound business strategy. Don’t let your emotions or your fear of the work involved in a change make you spend more for employee benefits. After all, we always tell our clients we are not in the health business – we are in the “who pays for it when something bad happens” business. Insurance is about money. And there are likely several carriers in your market that can provide you with an adequate network and great coverage.

5. Don’t confuse lowest price with the best value.

Most clients who have trouble with #4 don’t have trouble with #5 and vice versa. That’s because while staying with the “best” plan or carrier no matter what isn’t a good idea, neither is changing carriers every year or always going with the cheapest plan regardless of network or out-of-pocket maximums. Employees get nervous, feel cheated, and then spend a lot of work hours figuring out the new plan each year or finding new doctors and labs to see. Peace of mind and understanding how your plan works can be worth a lot of money sometimes, so changing for a few bucks will end up costing you more in lost productivity and good will.

6. Use a consultant who knows the market.

We haven’t met too many insurance agents who will tell a client that they aren’t really an expert in the area the client is inquiring about. Don’t ask your Business or General Liability Agent or your Life and Disability person to be your Employee Benefits Consultant unless you are sure they are extremely knowledgeable in this volatile area. They may have your best interests at heart and be honest and ethical, but if they don’t know something because they just don’t have enough experience in that area, that isn’t helping you.

7. Audit your bills and payroll deductions regularly.

This may sound obvious, but we have had clients pay too much because they didn’t realize someone was still on the plan or they were not charging an employee the right contribution. Talk about flushing money down the toilet. Most carriers will only go back 60 days unless you can prove it was their fault. Anything longer and you’ll end up paying for coverage you shouldn’t have. Check your bills and the adjustments every month.

7 costly myths or misconceptions

Myth #1

Health care benefits are an expense on my P&L

Okay, so technically this is only a half-myth. Yes, Employee benefits are an expense. But really, they belong in payroll and compensation. If you are using them correctly, they are a way to retain the best you have, attract more just like them and make everyone feel like your company has their back. They are not an entitlement. If your employees are complaining that your benefits suck, the money you are spending is a big waste. If they love their benefits, they may just work harder and step up to the plate more often. Since that is what most C-suite execs and business owners are looking for, it pays to view your benefits as a lot more than just an expense to be held down every renewal.

Myth #2

Our company is just not big enough to offer better coverage or get good rates

These days, this is a load of you-know-what. We can give you a plan that impresses your employees and doesn't kill your bottom line. You just have to make sure you are considering the best strategies and ideas.

Myth # 3

My employees are lucky we offer a plan to them at all

Actually they are not that lucky. According to a recent white paper by Met Life**, 13% of employers pay 100% of their employees' premiums, and 17% say they pay the "lion's share." 11% share the cost equally, and a whopping 69% pay more than half the cost. So while you sit around and say things like, "we are really generous" and "our employees know how good they have it", your employees may be out talking to a competitor who has a better package. And, just so you know, the above average employees are the ones that will leave. Your below average performers will stick around. Make sure you KNOW whether in your industry, you are average, below or above in the generosity department. The quality of your employee group will ultimately reflect that.

** Open Enrollment at a Crossroads: White Paper by Met Life Institutional Business

Myth #4

Insurance Companies make tons of money, are incompetent and don't pay providers.

Insurance companies are easy targets, in part because they ask for it. They are big, move slowly, and deny claims and services people care about. But the reality is, insurance companies are not the REAL problem - the COST of healthcare is. With the ACA, carriers in the small group markets (up to 100 lives) are limited to what they can make on their products. So if you took 15% or 20% off of your premiums, the amount left is about the amount that those carriers pay out to Hospitals, Pharmaceutical Benefit Managers, Labs, Medical Device Companies and Doctors. Do the math on your current premium and see for yourself how much of what you pay goes right out the insurance companies' doors for medical services. Then call me and convince me that we don't have a problem with how much things cost. Sure, insurance companies are part of the problem, but bellyaching about them just makes your employees dislike the carrier you selected to protect them. No one ever talks about the millions of dollars paid out each year to help people get well. So stay positive about your carrier and your employees will value their coverage more.

Myth #5

Plans that offer limited networks are not something I should even consider.

Try this: Offer the same plan with three different networks to all of your employees and let them pay 100% of the difference in premium for the better networks. Watch how many take the lowest-cost, smallest network you offer. Even if only a few do, you are now letting them choose what is important to them. Any good consultant can show you a plan that lets you view this idea for yourself if available in your area.

Myth # 6

Providers know what the plans pay them and how they work.

One of our employees has a daughter in medical school. Prior to that, she got a job as a receptionist at an Urgent Care Center. Within two weeks, she was in charge of calling insurance carriers and then telling you (while you try to control a vomiting child) what you owe. I can tell you one thing for sure, she didn't know the first thing about insurance copays, balance billing or HRAs or HSAs when she took over this important role at the front desk. NEVER assume the person at a provider's office understands how your plan works. NEVER agree to care unless you are sure you will not get stuck with a BIG bill. And ALWAYS use a consultant willing to train your employees about what to ask and one that has a team willing to talk to the them when they need a little advice. When you trust the word of the 23-year old receptionist at a provider's office that you only owe \$35, it is usually too late to negotiate that real \$425 charge once it has been billed and denied by your insurance carrier.

Myth # 7

It doesn't matter which Pharmacy my employees use.

Did you know that almost all pharmacies have different prices and that carriers just get a discount off of those prices? You can sometimes see these prices online or call and ask. If your prescriptions are subject to a deductible (as they would be with an HSA), you can save hundreds of dollars every year shopping around. A great consultant can tell you how to do this in your market.

7 mistakes Businesses make when choosing a Broker or Consultant



Mistake # 1

Assuming all agents get the same prices in small group so it doesn't matter who I use.

So, this is like saying "all builders use the same wood." True, but not really relevant. Recently, we sold a plan with three options. The owner and his brother took the "low" plan instead of the buy-up plan. You might be surprised to learn that the owner thinks his plan is "better" than the one that many of his employees paid extra out of their paycheck to be on.

When you work with an experienced Employee Benefits Consultant, they have ideas that go way beyond the spreadsheet.



Mistake #2

Thinking big brokers have more clout - and know more - than smaller shops.

The big question is will a big agency use that clout for YOU?

Questions you should ask a big agency or shop:

- What is your minimum-sized client?
- Will you assign our group to a tele-center rep who has 300 other clients?
- Will you actually use your clout for me or do you reserve it for clients with 500 employees?
- Will you shop our plan at our renewal or wait for me to ask?

As far as knowing more, we meet folks who work at big shops who have no idea how to write a plan for a small group. If you are impressed when a big carrier brings six people in business suits to your office for a meeting when they want your business, knock yourself out with the big agency approach. But keep track as to whether you ever see any of those six folks - except for maybe the customer service rep. - ever again.



Mistake #2a

Believing a bigger brokerage will service our group better because they have enough staff.

This mistake is very common. We see clients ask these questions: "how many people do you have in your agency? How many will work on our account?"

Those are smart questions, but don't automatically assume that the higher the number, the better it will be for you. You may get lost in the shuffle or bounced around.



Mistake #3

Thinking it's okay to use a neighbor or friend as our agent or broker.

Insurance is an intangible product - which means you can't touch it or test it out to see if you got what you paid for. So it is really, really important to trust your agent or broker. Make sure if you use a neighbor or friend that they have a specialty in benefits (see mistake #4).



Mistake #4

Thinking it's okay to use my life or P&C agent because I trust him or her.

Same as Mistake #3. As mentioned earlier; most agents are sales people and rarely say no to business -- even if they are not experts. That doesn't mean they are bad people or trying to trick you, but maybe they are over-confident in their ability to navigate the complexities of coverages they don't service too often. Employee Benefits are different than any other type of business or personal insurance. Make sure your agent understands the complexities unique to these lines.

Mistake #5



Believing that technology companies from all the way across the country who offer free software in exchange for your account know just as much about insurance as a local shop.

This is the latest trend in Employee Benefits. A company with a clever name and a bunch of millennials for employees (most of whom work for peanuts and stock options in hopes the company becomes the next google) calls you and offers you HR software for free as long as you make them your agent. They promise everything is automated and smooth. Problem is, they are a technology company selling benefits to pay for their technology.

Technology is never a sustainable advantage. There is always something else coming along that puts the software you use now to shame. So be careful throwing all your eggs in one basket for online-onboarding.

A good benefits agency has this sort of software available. And we think the software is a really good idea (see “Why you want an online portal for enrollment”), too. We just want you to get the expertise AND the software.

Mistake #6



Assuming that since my agent is a great person, I have to trust them.

See mistakes #3 and #4. Same problem, different reason. Most agents are personable, friendly, and able to talk to anyone about anything. That is why they have been successful, but that doesn't mean they are an expert. If you have a sneaking suspicion your agent or broker is all talk and doesn't really know much, you are probably right.

Mistake #7



An agent should be able to give me a quote without having my current plan or its price.

In many small group markets, it is possible to get a quote without showing your current premium. But most of the time, that is because the rates are not negotiable in that market. And even if they are, we know of NO really high quality agents who will quote a group that doesn't provide the current rates and plan design. Most really good employee benefit agents or consultants want to design a plan that has all the good things about your current plan and less of the things you don't like.

So your “current situation” is really important. We want to know if your employees will have to pay a lot more for a new plan. We might use an HRA or other funding mechanism to match the current benefit for less. Or we think what you have is a really good value already. Bottom line, we can't get creative or analyze something properly without knowing where to start.

The importance of value versus price and how it affects employee morale

Price is what you pay. Value is what you get.

So you probably tell your clients this all the time about your products and services. We all know we should not pay too much but neither should we go for the lowest price at all costs.

So how does that apply to Employee Benefits?

Simple. Employees are emotional about their benefits. They either know that you offer a really good plan or they think you are being cheap and “screwing them over” (their words, not ours!). So that means that really what you want is a plan that makes them feel like you are taking care of them.

For example, one strategy is to offer three or four plans. That way everyone gets what they want (and what they are willing to pay for). Another is to use alternative-funding or reimbursement plans. A third is to improve the network where your employees live and seek care so the change seems like a step up because “all the local doctors accept the insurance.” Adding a plan that has providers nationwide might make employees feel more protected, because they could then access care anywhere in the country if they have a serious illness.

Another “trick” we use is to make sure that when a client changes carriers, something about the plan is an improvement. So we can say, “yes, we changed because the rates for your old carrier went up, and yes, the plan is a little different, but look at this feature that might really help you!” This makes people feel like you have given the change a lot of thought and are not trying to save money on their backs.

So maybe to some of you that sounds obvious. The point is, we rarely mention plan design when we discuss value. Because the simple fact is that plan design, while important, is not the only way to measure a plan’s value. Your employees care more about access, ease of use, support and choice. Yes, we all care about what we pay and we all want to get our money’s worth. But people want to feel rewarded and respected, and employee benefits (when done correctly), can be part of the way you as an employer can do that.

So there is no question that you should strongly consider a portal for the reasons shown here.

But what system is right for you? For many clients, portals bring up more questions than answers:

- What hidden fees will the portal charge after you’ll all set up?
- Will your HR staff really use it as it intended?
- Should you use a portal for PTO tracking?
- Do you need just Ben Admin or HRIS?
- Do you want the portal connected to your payroll company?

Why you want an online portal for enrollment

Whether you have 15 or 500 employees, Benefit Administration portals are the future. A portal allows you to track all your employees and transactions, offer employees benefits in a timely, accurate and verifiable manner and increase morale and productivity.

A lot of companies lead with their technology, painting a picture that solves all your problems just by logging in.

We believe a portal is a tool to help you be more efficient, more compliant, more organized and less stressed out.

5 ways to keep the Feds and State Regulators off your back

1. Use outside vendors for the tricky stuff.

COBRA, State continuation, HRAs, FSAs are all things that are part of your Employee Benefits portfolio. We run into far too many small companies that want to do this stuff themselves to save a few bucks.

While we sympathize (we are, after all, a business ourselves), we just think it makes sense to delegate transactions that have legal and regulatory consequences to another entity that is willing to stand behind you. Your employees might make a mistake that will cost you hundreds or thousands of dollars or worse yet, dozens of hours of time. That employee could be gone before you even find out about the mistake.

2. Get it in writing.

If you have a question, by all means call your agent or broker. But when you are done having a pleasant chat, ask for the answer in writing if it is a compliance or regulatory issue. Any good consultant has documents that cover the situation you are asking about. They should be able to provide a well-written resource about COBRA, Medicare Secondary Payor Rules or Eligibility or any other complex compliance issue. Click [HERE](#) for an example of this.

3. Get your information from multiple sources.

If you can't get the well-written document mentioned in #1, make sure you use multiple sources. The internet is full of outdated information. We see old, WRONG information all the time on the internet. Sometimes it wasn't wrong when someone put it there, but it is now. Don't gather regulatory information via Google, unless you have multiple sources that you trust saying the same thing.

4. Get checklists.

So this one may sound obvious, but checklists are the way to go when it comes to being compliant. It sometimes seems the government is about checking boxes and filling out forms. Get a list of WHAT you have to do and WHEN from a reputable source gets you 90% to the goal of being compliant.

If you know you have to worry about a letter regarding "Medicare creditability" around the month of October, a really good consultant can explain how to do it. So if you truly want to be compliant, get a list of everything you need to do and start checking things off!

5. Document everything.

This is another seemingly obvious point, but when it comes to employee benefits, if it ain't written down, it didn't happen. You know that employee who didn't want medical coverage? Better have a waiver with his signature on it or when his wife gets sick, he'll tell her and his new lawyer you never offered him the coverage. Carriers will fix their mistakes, but if it is your mistake, well..... The point is, there are big dollars at stake when it comes to medical, life, disability claims, etc. And everyone - both the people paying the claims (carriers) and the people getting the money (your employees) have a lot at stake they won't trade for your word that you did something or offered something. Make sure you have procedures in place like your own election form that employees sign regardless of whether they enroll (or an electronic portal that does the same) and discloses clearly the risks. And make sure you do things the same way every time, so you can show a carrier or Judge that you have your act together. Benefits seems like a big hassle and are very costly, but when one of your employees has a \$400,000 claim in dispute, you suddenly realize how important a clear, indisputable digital or paper trail is.

3 ways to make your employees happier for little or no money

1. Voluntary benefits and extras you never thought about

Voluntary benefits used to get a bad rap. But while the duck on TV may be annoying, your employees like coverages that are optional. Heck, we even see pet insurance being offered at a lot of companies. The fact of the matter is that each of your employees has different needs, and voluntary benefits allow them to customize the package you offer to fit their needs exactly. The only thing you have to do is set up a payroll deduction (which can also be worked around with some new technologies!) and you can have a full package that doesn't break your bank.

2. Vision paid by you

Smaller employers usually don't want to talk about vision coverage. After all, you offer medical and dental and those coverages ain't cheap. But vision costs between \$5 and 10 per month on average for a single employee. This is an extremely inexpensive way to beef up your coverages – and paying 100% for your single employees and allowing those with dependents to pay the difference is a great way to give everyone a nice benefit at a low price. In other words, this is one of the many inexpensive ways to make your benefit dollars go farther – which helps you attract and retain the best.

3. Lots and Lots of choices

Many employers want to limit the choices offered to employees because they don't want the offering to be “complicated.” They say employees complain about being overwhelmed and confused. Based on 25 years in the business and thousands of employee interactions, we think that may be true – but is not the entire story. Lots of options also allow employees to feel like they are in control. Choices allow them to feel they can get what they need at the price they want. And choices make them feel like you put some thought into the offering. So while some of your employees will complain about the confusion, the wiser ones will actually be glad you did it. So consider more choices, not fewer, and figure that some employees just need to find reasons to complain.

Thanks for Reading!

We hope you found this guide helpful. It only scratches the surface and give the basic information that you should be thinking about. If you want to know more, give us a call at 732-759-2836 or send us an email at info@blueoceanbenefits.com .