



Transition to CDH: Keying off employee communications

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You're a small business with an eye on keeping and retaining talent. You know that a generous health plan is a sought-after benefit, but full-coverage HMO and PPO plans are either distant pipe dreams or increasingly draining your bottom line dry. Like a growing number of companies, you wonder whether a consumer-driven health plan might be the answer.

Herzog Contracting, a mid-sized construction company (500 employees) in St. Joseph, Mo., asked that question and ended up transforming its full-coverage plan into a health reimbursement account, enrolling 400 employees right out of the chute. The initial process started about a year and a half ago, according to Herzog Benefits Manager Kamara Roach.

"Basically senior management, as is likely the case everywhere, wanted to start cutting costs," Roach explains. "They were very interested in the idea of adopting a CDH plan that gets employees more involved in their health care decisions and the process while at the same time saving both them and the company money."

Herzog's existing plan was through Blue Cross Blue Shield of Kansas City. Since they were comfortable with BCBS, they stuck with the company after talking with a few other vendors. However, the Blues didn't offer health savings accounts at the time, so BCBS of Kansas City decided to go with a new HRA.

"We're actually the guinea pig for this particular plan," Roach says, noting that this plan was initially just an internal plan for BCBS employees, making Herzog to first outside company to sign on. "It's been a learning process for them as well as us."

Information and incentive

Roach had heard employee communications consultant **Dennis Ackley** speak at the 2003 Benefits Management Forum & Expo in San Diego, Calif., about the importance of communications in implementing a CDH plan. Ackley signed on and agreed to help Herzog with its CDH plan rollout strategy.

"The printed communication consisted of a letter from senior management followed by three newsletters," Ackley says. Later, fully detailed enrollment materials were distributed in May 2004 before the actual plan rolled out on July 1.

These initial newsletters kept it simple, breaking down the current state of health care, reasons for increasing costs and a clearer idea of the true costs of health care.

"We basically explained the details of our plan, called Your Health Care Buying Program," Roach says. "We diagrammed it out for them so they could see exactly what it would look like."

This was coupled with a contest to create more incentive to sign on. Five winners got \$200 each for answering a series of health-care related questions.

"We tried to make communications a big part of this because this was not offered as an option; it was all or nothing," Roach says.

Herzog's new personal care account, or PCA, consists of a separate prescription drug plan, preventive care benefits that are paid 100% before the deductible, and a major protection PPO plan. Herzog puts up \$1,000 annually for single employees and \$2,000 for families. Once that is used up, Herzog picks up the full tab after the employee exceeds the \$1,000 deductible.

The previous traditional PPO plan had maximum out-of-pocket expenses at \$2,000 per year for singles and \$4,000 for families; the new plan basically cut those costs in half. "Their premiums were also reduced," Roach says. "For example an employee who has family coverage is now saving \$1,400 in premiums alone."

The key to it all, she emphasizes, was those initial communications. On-site follow-up meetings with power-point presentations helped to further underscore the finer plan details at Herzog locations in Texas, Florida, California and New Jersey. "So far the response has been very positive," Roach says. - S.B