



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll stuffer.

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Cost Sharing The Benefits of Employees Sharing in Benefit Costs

Benefits are an important tool in attracting and retaining high quality employees and as we all know, the costs continue to be a major component of our employees' total compensation. We also know that employees place a high value on benefits as they provide coverage that would not otherwise be available on an individual basis.

The downturn in the economy, however, has put even more pressure on these costs. As such, employers are looking for ways to mitigate some of these cost increases while continuing to offer benefits to their employees.

The need to cost share

When employees participate in the cost of their benefits, it increases their awareness of the value of these benefits. Further, it may get them thinking about the appropriateness of their level of coverage.

By sharing in the costs of their benefits, employees will want to explore their options. In particular, employees should consider if it is necessary to have duplicate coverage under Extended Health Care (EHC) and Dental plans. They will also want to review their provincial health coverage (in BC).

Opting out

Employees who have alternative coverage through a spouse's plan can "opt out" of EHC and Dental coverage. This will save money for both the employee and the employer.

Two approaches that encourage employees to review the necessity of duplicate EHC or Dental coverage are:

- To ask the employee to pay for the dependent cost of coverage.

- To put money into a Health Spending Account (HSA) for those who opt out of EHC or Dental coverage.

Who pays for dependents?

Many employers believe that they are responsible for the employees' welfare, but that the employees are responsible for any dependents. The cost of health and dental benefits for those employees with dependents is at least two-and-one-half times that of a single employee. Therefore, some employers share the cost of the employees' benefits only, and ask the employee to pay the full cost of dependent coverage.

Compensation for opting out

Many employees do not opt out of coverage "just in case. . .". This means just in case the spouse's plan doesn't cover something. Keeping duplicate coverage gives them a sense of comfort and security.

To encourage employees to consider opting out of duplicate coverage, some employers have offered compensation to those who opt out. One way to do this is for the employer to contribute a pre-determined amount to a HSA. The employee can use this money to pay for any services not covered by the spouse's plan.

Any other creative solutions?

Certainly, as governments continue to shift costs from their budget to ours, employers are considering ways to contain their long-term costs. This may involve innovative ways of cost sharing. Has your company devised a cost sharing arrangement that you think is novel or creative? If so, we would appreciate hearing about it.