

# RENAL PHYSICIANS ASSOCIATION



2017 ANNUAL  
MEETING March 17-19

*Nashville*

**RPA**  
Renal Physicians Association

# A Strategic Approach to Your Benefits

Michael Worsman

Senior Vice President, Marsh & McLennan Agency

*Nashville*

RPA 2017 ANNUAL MEETING

# Agenda

1

## **About Us**

Credentials and Approach

2

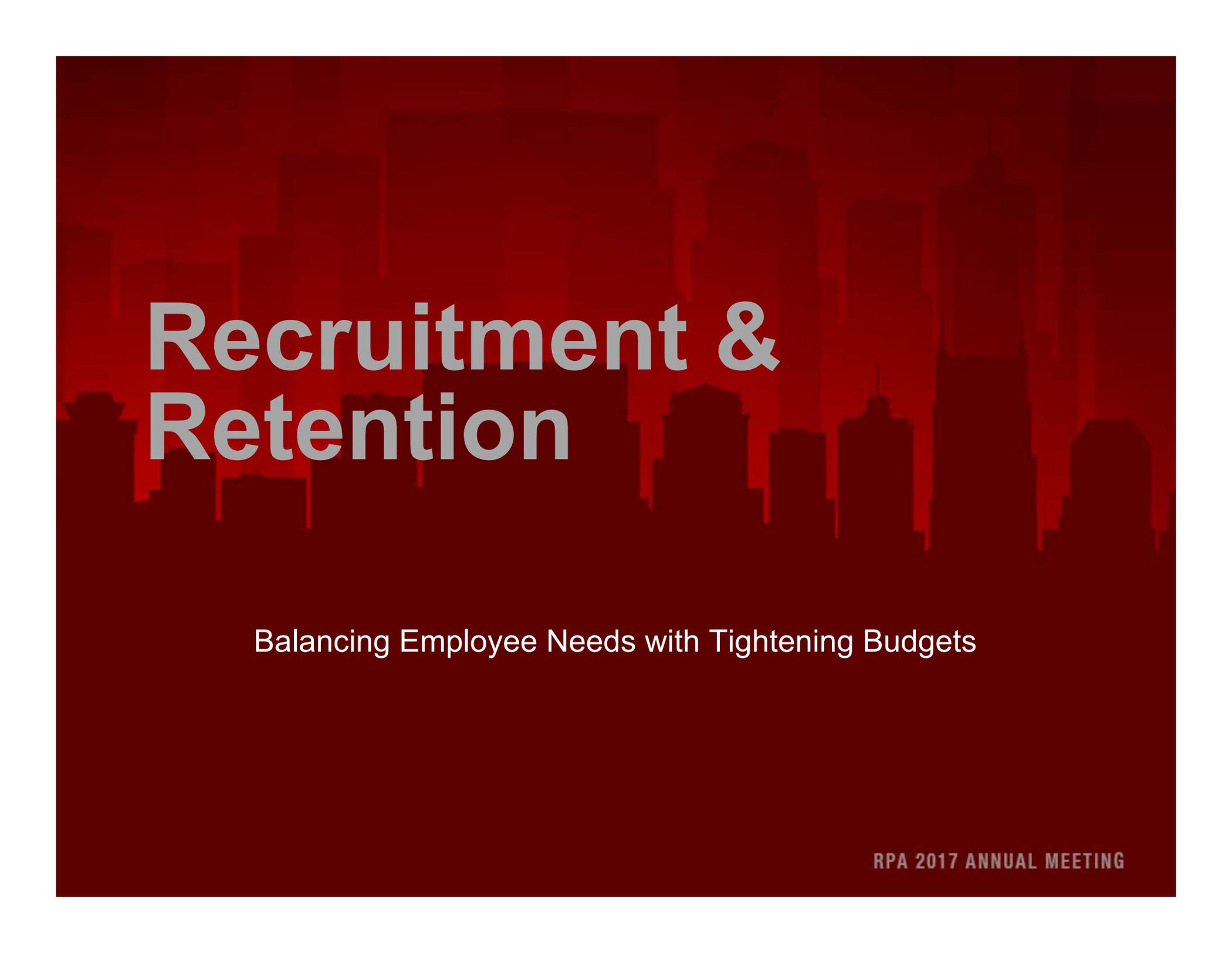
## **Balancing Budget with Employee Recruitment & Retention**

Ensuring you maintain top talent

3

## **Strategic Forecasting**

Having a plan for your business



# Recruitment & Retention

Balancing Employee Needs with Tightening Budgets

# Who is the Most Productive

Which of these employees do you want on your team?



PHOTO: NORM BETTS/BLOOMBERG VIA GETTY IMAGES



# What Influences Employee Engagement and Productivity



# The Disconnect Between Traditional Benefits Design and Business Performance

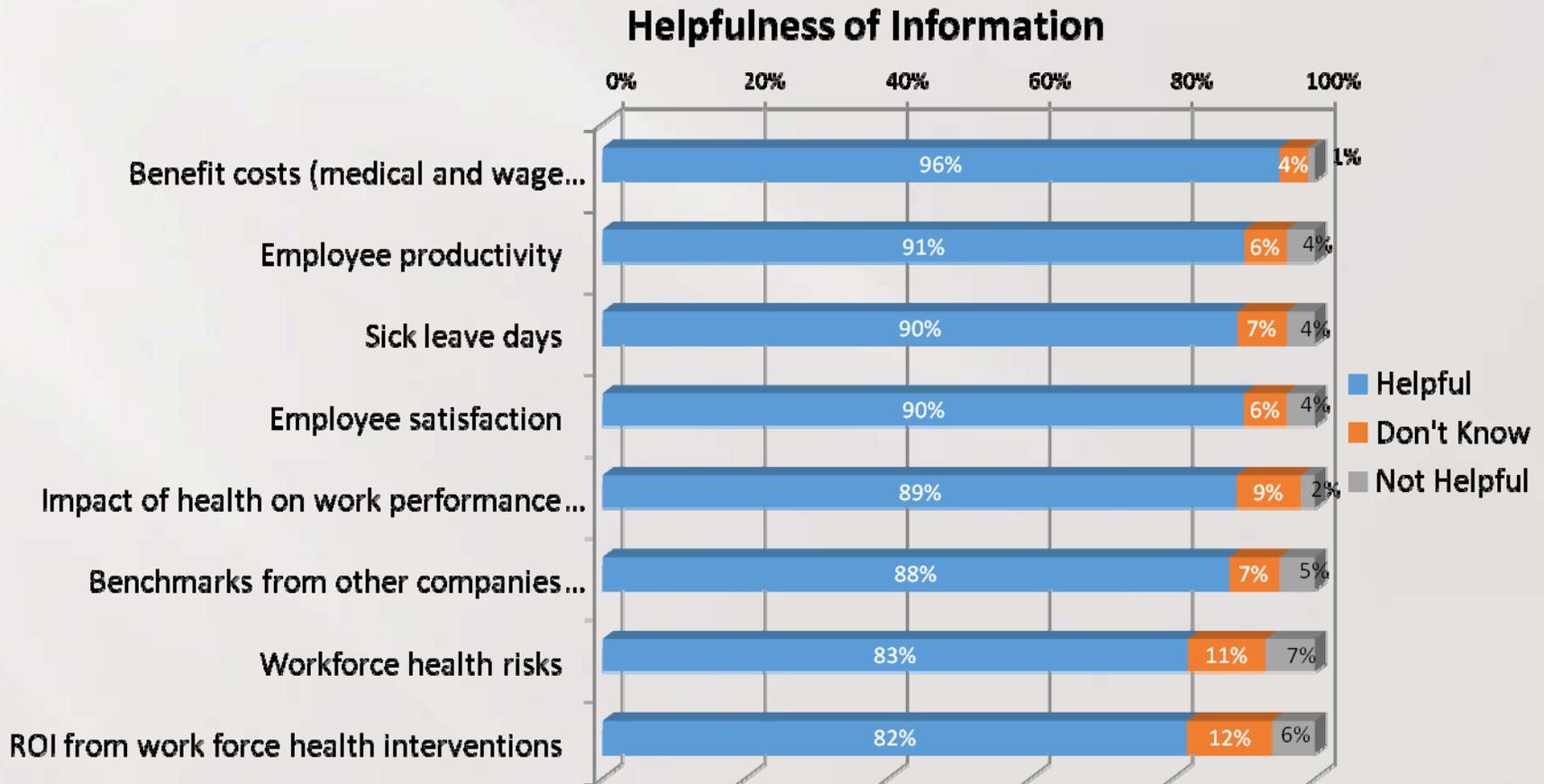
Leadership and Business Managers don't always speak the same language

Business View of Productivity	Benefit Management Strategy
Production costs – office space, equipment, overhead, payroll, benefits	Cost of health care, cost of other employee benefits
Revenue produced per hour worked	High cost disease containment
Patients/procedures per day	employee wellness programs
Return on investment	Reduction in absenteeism (?)
Increase in owner value	Employee recruitment and retention (?)
Return or contribution to equity	Employee satisfaction (?)

# The Financial View

A 2012 IBI survey of CFO's on health and productivity

Finance Leaders are looking to link benefit plan information with business results.



# Questions from our leaders

## **What Leadership is Asking: “Benefits are a cost of doing business.....How does our benefits package impact the productivity of our employees?”**

- Does our health plan incent employees to take responsibility for our health care costs?
- Do employees utilize the health services provided to stay healthy and productive?
- Is our wellness program improving the health of our work force?
- Does “good health” translate into “higher productivity”?
- What’s the “ROI” of our benefits investment?

## **What leadership should be asking?**

- ✓ Does our culture fully promote employee engagement to perform at the highest level?
- ✓ Do our employees value our brand and believe in our mission?
- ✓ Are our employees “connected” internally and externally?
- ✓ What is the impact of work force health on our business results?

# Today - Silo'd Mentality

We continue to evaluate and track performance in various silo's with very little analysis how they all fit together.

## Health Related Benefits

- Health care costs/utilization
- Catastrophic costs
- Disease prevalence
- Health care benefits design
- Wellness program initiatives
- Health risks/Biometrics
- Disease/condition management

## Absence & Disability

- PTO/Vacation
- Incidental sick utilization/costs
- FMLA utilization
- STD/LTD utilization/costs

## Risk Management

- Workers Compensation utilization/costs

## Business Metrics

- Gross margins
- Cost of goods sold
- Revenue per hour worked
- Return on investment
- Return on equity
- Change in share price

## Performance Management

- Employee performance appraisals
- Employee engagement survey
- Employee turnover
- Recruitment
- Retention

# Excerpts from a client's annual report

One metric was cited in measuring these goals

**Talent Management** – “Our leaders serve as coaches to others to improve their skills.”

“They also serve as role models for these behaviors. As indication of this dedication, our ratings on whether our leaders modeling our enterprise values *rose eight points* this year”

**Performance Management** – “Our philosophy of performance management includes aligning priorities for the year, valuing, measuring and rewarding results and behaviors, and coaching early and often. We measure both performance (results) and the way in which it was achieved (values).”

**Rewards and Recognition** – “Leaders are given training, tools and support to identify what matters to individual employees and how to adjust development, career planning and work assignments accordingly. Presidents awards, Chairman’s awards, e-card recognition and Premier Plant programs are used to recognize employees whose performance contributes to clients key strategies.”

**Improving Employee Health and Wellness** – “The well-being of our employees is a priority at XYZ Group, Our Health Progress program is designed to improve the health status of our employees, which strengthens the company’s competitiveness through increased productivity and decreased health care risks, This is a win for employees and client.”

# Excerpts from a client's Annual Report

## Health and Safety Management had metrics sited

“We focused on improving our health and safety programs in a number of key areas last year. Through data analysis, we identified and completed assessments to reduce or mitigate high-risk activities. We identify the programs and activities that prove successful in one location and standardize that program across the company.”

Lost Time Incidence Rate				
2013	2012	2011	2010	2009
0.16	0.22	0.24	0.28	0.28
46% Reduction since 2008				

The background of the slide is a dark red color. Overlaid on this background is a silhouette of a city skyline, featuring various skyscrapers and buildings of different heights and shapes. The text is centered and rendered in a light gray or white color.

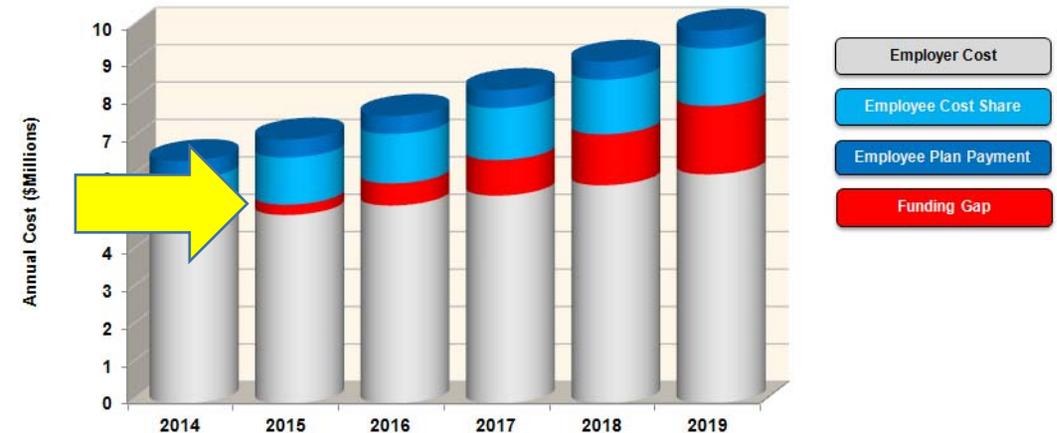
# Strategic Forecasting

Planning ahead with your benefits

RPA 2017 ANNUAL MEETING

# The Funding Gap

Given growing healthcare expenses without a shift, there will inevitably be a funding gap that arises.



<u>Status Quo</u>	2014	2015	2016	2017	2018	2019	5-Year Total
Annual Enrollment	500	500	500	500	500	500	
Total Cost	\$ 6,000,000	\$ 6,576,000	\$ 7,207,000	\$ 7,899,000	\$ 8,658,000	\$ 9,489,000	\$ 39,829,000
Employer Cost	\$ 4,800,000	\$ 5,040,000	\$ 5,292,000	\$ 5,557,000	\$ 5,834,000	\$ 6,126,000	\$ 27,849,000
Total Employee Contributions	\$ 1,200,000	\$ 1,260,000	\$ 1,323,000	\$ 1,389,000	\$ 1,459,000	\$ 1,532,000	\$ 6,963,000
Total Employee Surcharges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Employee Plan Payment	\$ 480,000	\$ 480,000	\$ 480,000	\$ 480,000	\$ 480,000	\$ 480,000	\$ 2,400,000
Funding Gap	\$ -	\$ 276,000	\$ 592,000	\$ 953,000	\$ 1,364,000	\$ 1,831,000	\$ 5,016,000

<u>After Changes</u>	2014	2015	2016	2017	2018	2019	5-Year Total
Total Cost	\$ 6,000,000	\$ 6,576,000	\$ 7,207,000	\$ 7,899,000	\$ 8,658,000	\$ 9,489,000	\$ 39,829,000
Employer Cost	\$ 4,800,000	\$ 5,040,000	\$ 5,292,000	\$ 5,557,000	\$ 5,834,000	\$ 6,126,000	\$ 27,849,000
Employee Contributions	\$ 1,200,000	\$ 1,260,000	\$ 1,323,000	\$ 1,389,000	\$ 1,459,000	\$ 1,532,000	\$ 6,963,000
Total Employee Surcharges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Plan Payment	\$ 480,000	\$ 480,000	\$ 480,000	\$ 480,000	\$ 480,000	\$ 480,000	\$ 2,400,000
Funding Gap	\$ -	\$ 276,000	\$ 592,000	\$ 953,000	\$ 1,364,000	\$ 1,831,000	\$ 5,016,000
Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Modeling and Data Analytics



Development of a multi-year health care strategy



Interactively illustrate probable future plan costs



Observe the trend without change

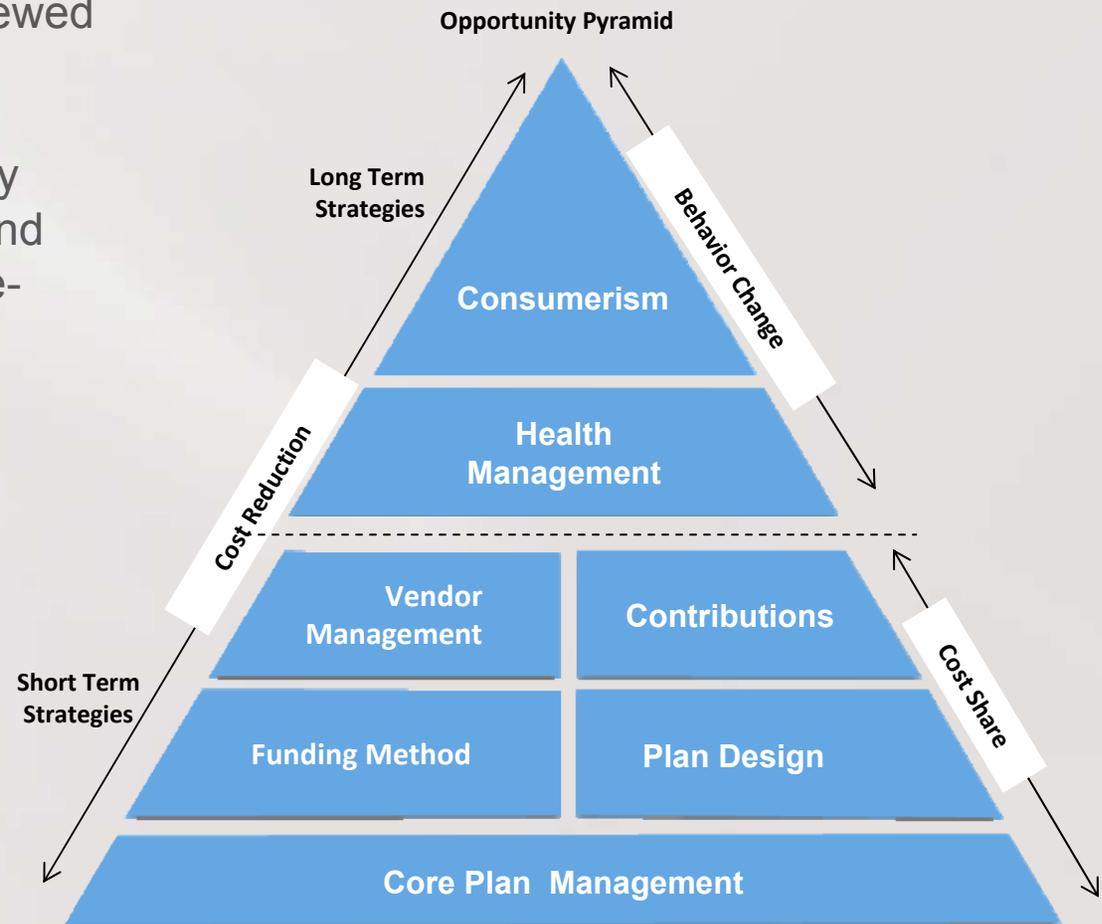


Create a plan

# Tools in the Belt

Strategic changes should be viewed in 3 to 5 year periods.

Each cost management strategy category has multiple options and associated cost impact data pre-loaded.



# Key Strategic Initiatives for Practice Leaders



## Funding Method

- Evaluate funding, if fully insured, option to reduce cost based on risk and tax / fee savings
- Evaluate pharmacy aggregate purchasing consortiums for better underlying financial terms
- Negotiate and market stop loss
- Increase SSL threshold (based on evaluation of risk and predictive modeling using Verisk)



## Plan Design

- Align value-based design with health improvement initiatives
- Consider CDHP design options to drive consumerism and cost awareness
- Balance current plan designs with benefits philosophy & objectives



## Vendor Management

- Market all vendors to leverage MMA national agreements and competitive landscape
- Measure and evaluate current disease and large case management programs



## Contribution Strategy

- Use contribution credit incentives in health improvement strategy
- Evaluate dependent tier contribution strategies
- Consider defined contribution approach with or without Private Exchange option



## Strategic Communications

- Establish/reinforce both benefits and health improvement branding
- Reinforce the importance of good health and value of personal lifestyle behavior change
- Make employees aware of company sponsored benefits and health improvement programs & resources

# Strategic Forecasting: Long Term Benefit Planning

## CASE STUDY

### The Client:

Integrated System  
1300 employees

### The Objective

Develop a multi-year benefit budget that accurately depicts annual cost increases.

### The Challenge

Sr. HR Officer was not pleased with their reactionary planning to annual benefit cost increases.

The group did not feel that they had the right tools to project future benefits costs.

HR team was tasked by finance to develop a multiyear benefit budget.

### The Solution

MMA obtained the orgs benefit data and loaded our Strategic Forecast Model.

MMA and group agreed on certain trend assumptions.

MMA and leadership group determined the target employer annual cost change.

A formal 5 year pro-forma of costs and the **funding gap** were developed.

### The Result

The client was able to see the different strategies available to them.

Client could observe (real time) the cost impact of each potential strategic change.

Based on these findings, the client developed their strategic plan and used this data to populate their long term benefits budget.



# Tying it all together

Recruitment, Retention, and Budget Management

# Integrated Metrics

Health & Wellness	Absence & Disability	Business Performance
Health Care (actual allocated)	STD incidence rate	Employee engagement survey Overall Score (%)
Rx	LTD incidence rate/100	Avg. performance evaluation score
Absence/Disability	WC lost time incidence rate	Exceeds
Workers Compensation	WC Medical only incident rate	Meets
Total Allocated Benefit Cost	Lost Work Days - Absence	Needs to Improve
Avg. Cost per EE	Lost Work Days - WC	<b>Business Metrics</b>
Wellness Overall Cost	Unscheduled Lost Work Time - Incidental FMLA or Sick	Revenue per scheduled hour worked
Avg Health Risk Score	FMLA overall incidence	Production cost/benefit expense to revenue ratio
Percent meeting incentive	Concurrent	Revenue per share contribution
Wellness Engagement	Intermittent	<b>Other- Financial Health</b>
On - line coaching	Total Lost Work Days	401K participation
Lifestyle/Condition coaching	Avg. Lost Work Day/EE	Average 401K contribution %
Other - challenges		401K loans

# Leveraging Macro Marketplace Trends...

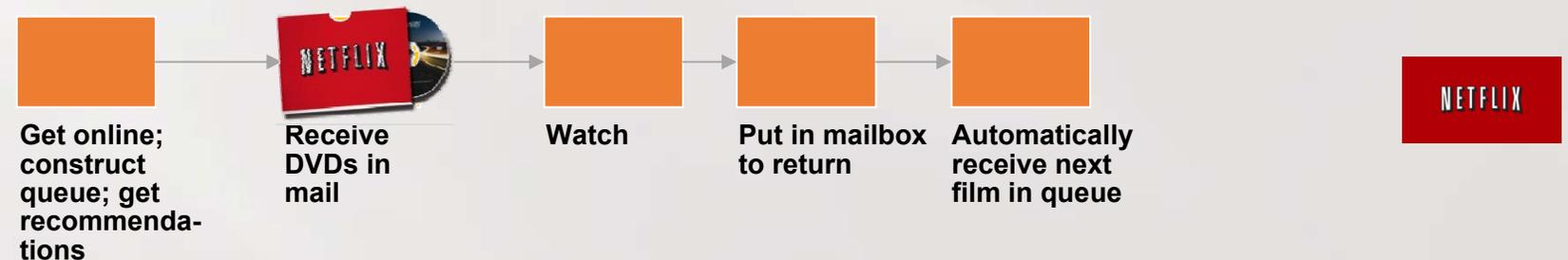
1. More Leverage
2. More Transparency
3. More Efficiency

# Video industry underwent transformation by the removal of significant consumer hassles

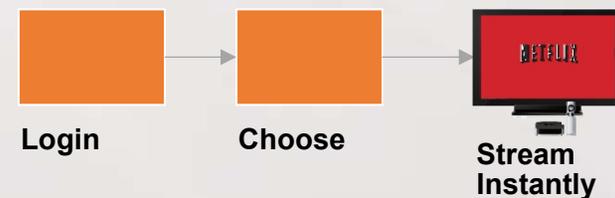
## Before Netflix



## Netflix in 2003



## Netflix in 2015



# Questions





**MARSH & MCLENNAN**  
**AGENCY**

*Nashville*

RPA 2017 ANNUAL MEETING