

Comments on Cost Savings for Clients

I have been asked recently, 'how much have you actually saved clients when you're building plans this way?' The answer is 'plenty', as shown below. But first a few comments.

Keep in mind that this is not primarily about saving money. You need your plan to achieve something for your business, and for your employees. So it's about the value, much more than just the savings involved. If we can't achieve any value for you within a savings focus, then we haven't achieved anything worth having.

Given a whole bunch of variables involved, I proceed to analyse one of our longer-term clients to provide 'Bill' with some information he could use on potential savings.

The Client Example

The client has been with us for about 21 years now, and has been both a 'big insurance' client, with Architype as the agent, and more recently a hybrid client with part of their plan from big insurance, and part from Architype Benefits. I chose this client because they have both types of plans in place at the same time, and over the same period, which means the parallels are pretty much exact, and the relationship between the two plans is highly relevant, and highly accurate.

The client is in the Fraser Valley; is in the auto repair and service industry; has about 6 employees on average over the 10 year period we're looking at; and has reasonably good, competitive benefits features. The employees were all male, and mostly younger, so typically not heavy claimers through this period, with the exception of one older management employee. About 12 years ago they shifted their dental coverage to Architype Benefit, but left their extended health coverage with big insurance, for understandable reasons. But over that period, two very different trends evolved.

- 1) **The Architype Benefits, dental plan** had a 0% rate increase over that period. In fact it was actually a negative increase over time. All employees were funded at a specific rate, in order to provide their plan with a specified level of funds for each year. But at each year's end, there was always money left over in most employee's accounts, which carried forward to the succeeding year. That carry-forward, reduced the subsequent year's cost, so premiums paid were actually were below the full cost of coverage in every year after the initial one.
- 2) **The 'big insurance' Extended Health coverage**, over the same 10 years showed average annual rate increases of 9.71%. As well, those rate increases created a cumulative premium cost difference between health and dental of 98.8% through the 10 year period.
- ★ 3) **The estimated cost savings:** by our calculations, we saved this client over 38,000 on the dental care program alone, which works out to about 6,300 per employee over the past 10 years. And remember, that's only on the dental program. Logically that would approximately double if we had managed both parts of the plan, leaving them with a potential savings of over 12,600 per employee, over a 10 year period.
- 4) **Currently:** circumstances for this client have changed, and we have proposed 3 different ideas for the extended health coverage, all of which improve their total benefits package, and reduce the costs of 'big insurance'. And note that the employer's mandate given to us is still, *"make sure we have enough coverage to do the job, so my guys don't lose out."* (The value component is still the priority.)