Controlling the Rising Costs of Human Resources:
5 Ways to Lower Expenses While Navigating PPACA Benefits Changes

Presented by:
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About Tom Jacobs

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- Works with over 50 physician affiliated organizations
- Current administrator of endoscopy center
- MBA, University of Notre Dame
About John Merski Jr.

- Executive Director of Human Resources
- Responsible for more than 1,000 employees at client facilities
- 30 years of experience in HR
- Master’s of education with a specialization in administration, Bowling Green State University
What’s at Stake?

- Facility Costs: 5–10% of Revenue
- Surgical Supplies: 15–20% of Revenue
- Human Resources: 30–40% of Revenue

- Bad News: New ACA requirements could drive costs higher
- Can solve by cutting costs or increasing volume – but increasing volume adds additional HR costs.
Good News

Typical center: $5 million revenue

Institute proven HR cost-saving measures

5% Bottom Line Improvement
ACA: Death by 1,000 Cuts

Looking Back

Here are key health reform changes that went into effect on or before December 31, 2012:

- Accountable Care Organization (ACO) requirements
- Appeals provision*
- Dependent coverage up to age 26
- Limitation on Flexible Spending Account (FSA), Health Reimbursement Account (HRA) and Health Savings Account (HSA) coverage for over-the-counter medications
- Medical Loss Ratio (MLR) rebates
- Patient-Centered Outcomes Research Institute (PCORI) Fee
- Patient Protections*
- Preexisting condition protections for persons under age 19
- Preventive services as well as an expanded list of women’s preventive services with no cost-sharing*
- Quality bonus began for Medical Advantage plans
- Removal of lifetime and per-beneficiary annual restricted dollar limits for EHB
- Summary of Benefits and Coverage (SBC), the Uniform Glossary and 60-day advance notice of material modifications

*Not required of grandfathered plans
Taxes & Fees (The Deepest Cuts)

- Patient-Centered Outcomes Research Institute (PCORI) Fee
- Excise Tax (A.K.A. Cadillac Tax)
- Pharmaceutical Manufacturers Fee
- Insurer Fee
- Transitional Reinsurance Fee
- Risk Adjustment Fee

And, of course,
- Fines on businesses (>50 employees) that fail to offer adequate coverage
- Fines on individuals who fail to enroll in health insurance coverage
- Medical device taxes (Democrat-led Senate passed a repeal of the 2.3% excise tax in March 2013)
• What’s Coming in 2013?

- Flexible Spending Account (FSA) Limits
- Exchanges – Online Insurance Markets
  - Public Exchanges
  - Private Exchanges
  - Each State is Different

Exchange Decision

- Default to Federal Exchange
- Declared State-based Exchange
- Planning for Partnership Exchange

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What’s Coming in 2014?

- Employer Mandate
  - Requirements and Penalties
- Individual Mandate
- Adjusted Community Rating Will Apply to All Small Group Health Plans
- Removal of Pre-Existing Medical Condition Restrictions on Individuals
Don’t Wait on Washington
• PPACA Damage Control

- Understanding the medical loss ratio, W-2 reporting, benefits coverage, and notice of state exchange
- How to avoid retroactive coverage termination
- How HCM impacts the pay or play system
- What defines "affordability of coverage"
- Understand full-time and full-time equivalent calculations
- How to properly administer FTE testing to avoid penalties
HR Case Study

HR Services at $5MM Revenue ASC:
1. Employee Benefits & Compensation strategy
2. Source/Hire “A Players”
3. Coaching and mentoring for front line supervisors, including discipline process
4. Employer Risk Management
5. Automation for everything else

Results: $250,000 increased operating income
• Optimize Benefits and Comp

- Benefits:
  - What is my loss ratio? (MLR)
  - Jumping too often not a great strategy
  - Encouraging healthy lifestyles

- Compensation:
  - FMV – understanding your marketplace
  - Creative scheduling
  - Pay for performance

- Case Study on Fixing Benefits
  - Employee contributions too high

- Case Study on Fixing Compensation
  - Salaries off by 20%
Hire and Keep Your “A” Players

- Cost to Replace High Performing Employee:
  - 12 Weeks Productivity

- Turnover rate?
- Hiring tips
- Retention tips
- Ongoing evaluation
- Ways to make employees happy that don’t involve more money
Training and Mentoring

- Common issues related to poor/no training
- Money at risk for patient satisfaction
- Customer Service training (smiles and cookies)
- Cross Training: Redundant for all critical positions?
• Risk Management

- Root cause of escalating cost of insurance coverage
  - Correlation between claims and premium
  - “Claims drive premium”
• Risk Management

- How many times have you held your breath and crossed your fingers
  - OSHA injuries
  - Employee arguments hostile work environments
  - Sexual harassment
  - Hands washed
  - Cell phones in restricted areas
  - Sexual relations at work

- Discipline
- Work Environment
- Challenging Unemployment
Automation and Measurement

- How much productivity time spent doing paperwork that should be automated
  - Change deductions for federal or state taxes (should be done online)
  - PTO request
  - Paid for tuition reimbursement
  - Will company reimburse me?
  - Complaints can be filed online

- Credentialing deadlines
Case Study Summary

- Improve Satisfaction and EE Turnover
  - 25% reduction = $55,000 savings

- Improve Productivity
  - 3% improvement = $110,000 savings

- Reduce Employment Practices Risks
  - 50% realized reduction = $45,000 savings
  - = $40,000 savings

- Reduce Costs
  - $250,000 increase in operating income
• How Do We Get There?

- In-House
  - FTE
  - Payroll service
  - Benefits broker
  - 30 other vendors

- Outsource
  - ASO
  - PEO
  - Staffing company
Thank You