Targeting Employee Benefits for a Forward-Thinking Workplace:

How Self-Funded Employers can Achieve Cost Savings, Employee Retention, and Satisfaction by Enhancing Family Benefits

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Background

Whether you're a 50+ person business that builds cars, writes code, or bakes pies, the law requires that you provide for your employees' health. For a commercial baker, in addition to baking fluffy crusts, you must also manage provider networks, quality of care, utilization management, case management, health care analytics, and more. In today's healthcare environment, affordable and effective coverage requires pulling every available savings lever.

The United States is unique in its expectation that employers take on responsibility for their employees' health. How we got to this place sheds light on the healthcare decisions employers face today.

A Brief History of Employer-Sponsored Health Insurance

In response to the labor shortage during World War II, Congress passed the Stabilization Act of 1942 to control escalating wages. The Act froze wages and salaries but, hidden in the fine print, it also granted an exemption to let insurance and pension benefits grow in a reasonable amount.

Unable to compete for workers with higher salaries, employers began to offer fringe benefits. The Act also put a lid on corporate profits, but another loophole allowed employee benefits to be expensed – effectively reducing profits. It was a simple calculation: buy health insurance for your employees or pay higher taxes.

After the War, lobbying pressures kept these incentives in place. In 1940, only 9.8 percent of Americans had medical insurance; after the Act, the number grew to just under 30 percent. By the 1960s, nearly 80 percent of the population had some form of health insurance. Today, 49 percent of Americans have employer-sponsored insurance.[1] That number may have dropped due to COVID19.

As health coverage began to take an ever-bigger bite out of corporate profits, large employers moved to self-funded health plans.

Today, 49% of Americans have employer-sponsored insurance

Currently, 39 percent of all private employers and 91 percent of firms with 5000+ employees offer a self-insured plan – up from 28.5 percent in 1996. Self-funding allows employers to custom design their plans, better manage cash flow, avoid certain taxes, access claims data to manage costs, choose the providers and networks that best fit their needs – and save anywhere from 5 to 15 percent on healthcare costs.

As the complexities of managing a self-funded plan grew, a hybrid approach emerged using Third-Party Administrators – aka Administrative Services Only (ASOs). Self-insured plans are essentially a contract between the ASO entity (typically a major health plan) and the self-funded employer. With an administrative-services-only contract, the insurance company administers claims, and the employer assumes the financial risk. The first ASO was written in 1970 for the 3M company.

Stop Loss for Self-Funded Employers

Stop-loss insurance emerged to help self-funded sponsors protect assets and make costs predictable – especially for smaller groups or those with modest cash reserves. While the frequency of NICU cases is low relative to total births, they are often complex and costly. In a Sun Life study, the average stop-loss claims were *liveborn with complications*: $316,800, and *congenital anomalies*: $216,100 – both in the top ten for all stop-loss claims.[2]

In another study, 7.7% of insured infants born preterm accounted for 37% of $2.0 billion spent by participating plans on total newborn cost – $78,000 more per preterm infant during the first year of life.[3]

Fertility treatments have increased the occurrence of multiples, which also increase preterm births –both in costs and health risks. Delivering twins is five times more costly than a single delivery, and triplets are 30 times more expensive – mainly due to increased NICU admission rates and more extended stays in that facility.[4]

In general, working women are waiting longer to start families. Even though the overall pregnancy rate has declined by 2 percent, it fell for very young women (18-24) by 12 percent and increased by 9 percent for older women ages 35-44.[5] Genetic risks in pregnancy increase with age, as do miscarriages and stillbirth. Other risks include gestational diabetes, placenta previa, breech positions, emergency C-sections, and preterm birth.[6]

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Flexibility and Control for Self-Insured Plans

While controlling costs is a significant reason to self-fund, employers specifically seek more targeted methods of cost containment along with greater flexibility in plan design. Even with the ability to customize, most self-funded plans resemble traditional (fully-insured) health plans. That's because major health insurance carriers have become the leading ASO providers. In a typical scenario, an employer may move from a traditional "Blues" plan for health insurance to a self-funded plan where one of the Blues Plans functions as their Administrator (Administrative Services Only – ASO).

As a result, the employee may not see much difference in their benefits offering when the company moves from fully-insured to self-funded. Employers don't mind; they prefer a smooth transition without stirring up resistance during open enrollment.

The downside is that the ASO's "plan-in-a-box" approach means self-funded employers may miss out on targeted programs that could better serve their populations. The irony is that the self-funding promise of flexible plan design loses out if the plan-in-a-box follows a path of least resistance. If a self-funded business wants to be in control of its healthcare, it needs to build a plan that fits the needs of its employees – and update the plan as those needs change.

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Addressing the Needs of NICU Families

For employers with a higher concentration of millennials, plain-vanilla benefits often overlook maternity and women's health-oriented services and benefits that can reduce overall costs, bolster plan effectiveness, and enhance employee productivity and retention.

Today, the United States remains the only industrialized country that doesn't federally subsidize time off for moms to care for their newborn. Nationally, only 12 percent of private-sector employees have access to paid leave, meaning most women (needing a paycheck) return to work too soon. Among the paid 12 percent, many are mothers of premature infants who come home from the hospital with a vastly higher threshold of needs.[7]

Employees who take care of premature and complex newborns face financial, emotional, and logistical challenges that impact their ability to bring their best to their jobs. The preemie parent might have imagined returning to work after eight weeks, but suddenly must care for an eight-week infant that is developmentally equal to a one-week baby. Daycare is impossible because the risk of infection is too great. In many instances, the preemie's mom has no choice but to quit her job.

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12%

of all private-sector employees have access to paid leave

43%

of expecting mothers end up leaving their careers once the baby is born

50%

of new moms that return to work will seek a new job offering family friendly benefits

Supporting Employee Retention

In the U.S., more than 75% of expectant mothers plan to go back to work after giving birth,[8] but once the baby comes home, 43% of them end up leaving their careers.[9] Even if a new mom returns to work, there's a 50% likelihood that she will seek a new job, often at lower pay, to get family-friendly benefits. Employees who fail to return from maternity leave end up costing an employer from 20% to 213% of an employee's annual salary.[10]

To support employee retention, forward-thinking companies – particularly in the tech sector – are increasing maternity leave. Netflix now offers an entire year of leave.

Generous leave policies don't automatically reduce the stress or solve the social determinants of health that accompany both full-term and premature births. Most women want to return to work, but before that can happen, they need stability in their home life and reliable care for their newborns. Most maternity care policies fail to support the transition to parenthood. Absenteeism (not going to work secondary to the emotional stress), presenteeism (being physically present at work, but not fully engaged or mentally present), or quitting the job altogether are the result.

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Million Dollar Babies: The Impact on Employees

Even when employers offer generous maternity benefits, the average out of pocket cost for maternity is increasing. A Truven Health Analytics study found that among women and newborns with employer-provided commercial health insurance, average total commercial insurer payments for all maternal and newborn care with vaginal and cesarean childbirths were $18,329 and $27,866, respectively.[11] Insurance covers the majority of these costs, but employees are responsible for thousands of dollars.

A study published in 2020 found that out-of-pocket costs for a typical birth increased from $3,069 in 2008 to $4,569 in 2015.[12]

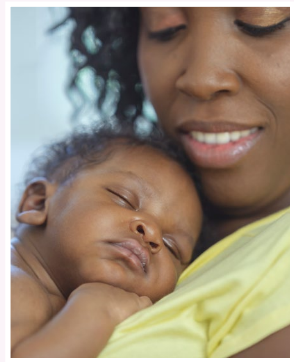
The Guardian reported on the experience of Jen Sinconis, who, after having twins 16 weeks early, required millions of dollars to save her twins' lives, driving her family into debt. She recounts:

> "Our NICU room was billed at $10,000 per day per child, and that was just for the room. Nurses, doctors, specialists, tests, and drugs were additional… One of our vaccines (needed for three years) wasn't covered at all, and it was $3,600 per month.

> "By the time the boys hit 18 months old, we had exceeded the cap on our $2M insurance policy and incurred $450,000 of medical debt. We liquidated our retirement accounts, saving account, sold everything we owned to try and pay it off… We ended up claiming bankruptcy. We were rejected for prescription refills, and my kids ended up back in the hospital with respiratory illnesses that could have been prevented."[13]

Another mother, Stella Apo Osae-Twum, "did everything by the book," but when her three sons – triplets – were born prematurely, the hospital charged her family $877,000 in total. Even though Apo Osae-Twum went to a hospital covered by her insurance, none of the neonatologists who attended to her sons were in-network.[14]

The average out of pocket cost for maternity is increasing



95%

Return-to-work rate after BuzzFeed increased their paid leave policy

Broader Maternal Health Benefits Allow a Return to Work

Even though childbirth is one of the most common procedures in the nation, employees have no idea what awaits or how much it will cost. Will they face financial ruin like Jen Sinconis? Will they become part of the 43 percent who don't return to work?

Employee Benefit News reported how BuzzFeed, a national news site, achieved a 95 percent return-to-work rate (compared to the national average of 57 percent) by offering generous maternity benefits and support:

> "As the media company's employees are mostly millennials, family planning is becoming top of mind," says Hannah Wilkowski, global benefits manager at BuzzFeed. "That's why the company in 2018 decided to implement the maternity benefit Maven, a women's and family healthcare company that provides on-demand care and family benefits through its digital health platform."

> "[Employees] explained how they felt like there weren't enough resources for them during this time." Wilkowski says. "So having a resource to help with this transition was really, really important. We have so much great talent, and it would really be a shame to lose someone because they don't feel supported."[15]

BuzzFeed's success in retaining talent resulted from more than offering a cool place to work. The company took a proactive approach to expand women's and family healthcare benefits. The company discovered that despite a substantial 18 weeks of fully paid leave, too many employees would take leave and not come back. Enhancing maternity benefits made their paid leave policy even more effective for both the family's health and for employee retention.

ProgenyHealth: A Forward-thinking Maternal Health Benefit

ProgenyHealth serves as an example of a forward-thinking maternal health benefit to help retain valuable talent while improving outcomes for NICU infants. ProgenyHealth manages premature and medically complex neonatal cases from birth through the first year of life. Using evidence-based best practices, ProgenyHealth enables timely discharge when the infant is clinically ready, helps infants achieve a healthy outcome through coordinated care, and assists the family for a healthy, safe return home.

The core components include:

- **Utilization Management** – ProgenyHealth uses data intelligence captured by its proprietary platform, Baby Trax® – based on nearly 100,000 NICU cases – to support the clinical decisions made by providers. By managing to an appropriate length of stay, monitoring levels of care, and verifying diagnostic codes, ProgenyHealth optimizes cost savings for self-insured employers while improving clinical outcomes.
- **Case Management** – ProgenyHealth case managers work with families from the time of admission through the baby's first year. They assist with discharge planning, screen for postpartum depression, provide information and clinical support, and help solve the Social Determinants of Health for new families.
- **Payment Validation & Assurance** – ProgenyHealth's Validation & Assurance program helps to prevent inaccurate payments and realize maximum value from the UM/CM services. ProgenyHealth reviews claims based on clinical authorization information in its system to identify improper claims, decrease inaccurate billing, improve coding accuracy, and reduce waste in the payment process.

NICU cases are relatively rare, but often complex and costly. ProgenyHealth's singular focus on this population enables the company to improve health outcomes for premature/medically complex babies and help young families through the first months of life.

ProgenyHealth manages premature and medically complex neonatal cases from birth through the first year of life

"Employees really appreciate the purposeful work ProgenyHealth does for their newborns and their families. Their work is reflected in high patient satisfaction scores year over year."

Engaging Your Employees & Plan Administrator

Finding a job that provides more than just a competitive income is the goal of today's recruits. Self-funded employers who embrace this fact find better talent and keep employees longer. Targeted benefits design requires ongoing engagement with the ASO administrator to ensure that the health plan design addresses the needs of employees.

- **Step one** is to talk to your employees. Ask if they understand the current maternity leave and benefits package. Have they ever given thought to the challenge of a premature birth? Would a comprehensive NICU care management benefit increase their loyalty to the company?
- **Step two** is to look at your entire plan design with your ASO representative. Consider your benefits package as a recruiting/retention tool for your most valued employees. Is it competitive? Does it meet the needs of Millennials? How about Generation Y?

As a plan sponsor, you have the tools to create a custom plan design that attracts and retains the most talented employees while mitigating the risk of catastrophic claims from premature births and other medically complex events.

ProgenyHealth partners with benefits consultants, claims administrators, and employee benefits managers to safeguard self-funded plans from the issues surrounding maternal health in the workplace.

When employees have access to health care, dental and vision benefits, and forward-looking maternal health benefits, they feel confident that they can get the care they need, with fewer sick days, and reduced stress. Better health delivers increased productivity that translates into increased innovation, revenues, and collaboration.

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About ProgenyHealth

ProgenyHealth's 130+ full-time, NICU-specialized physicians and nurses have managed nearly 100,000 cases to date, working collaboratively supporting their colleagues on the front lines of hospitals across the country. The benefit to their plan partners is consistent and accurate authorizations which ensure that each and every infant receives the right level of care in the right setting, based on their unique clinical circumstances and health care needs.

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