

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



Presented by:

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Resources



# About Tom Jacobs

- ▶ President of Med HQ
- ▶ 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

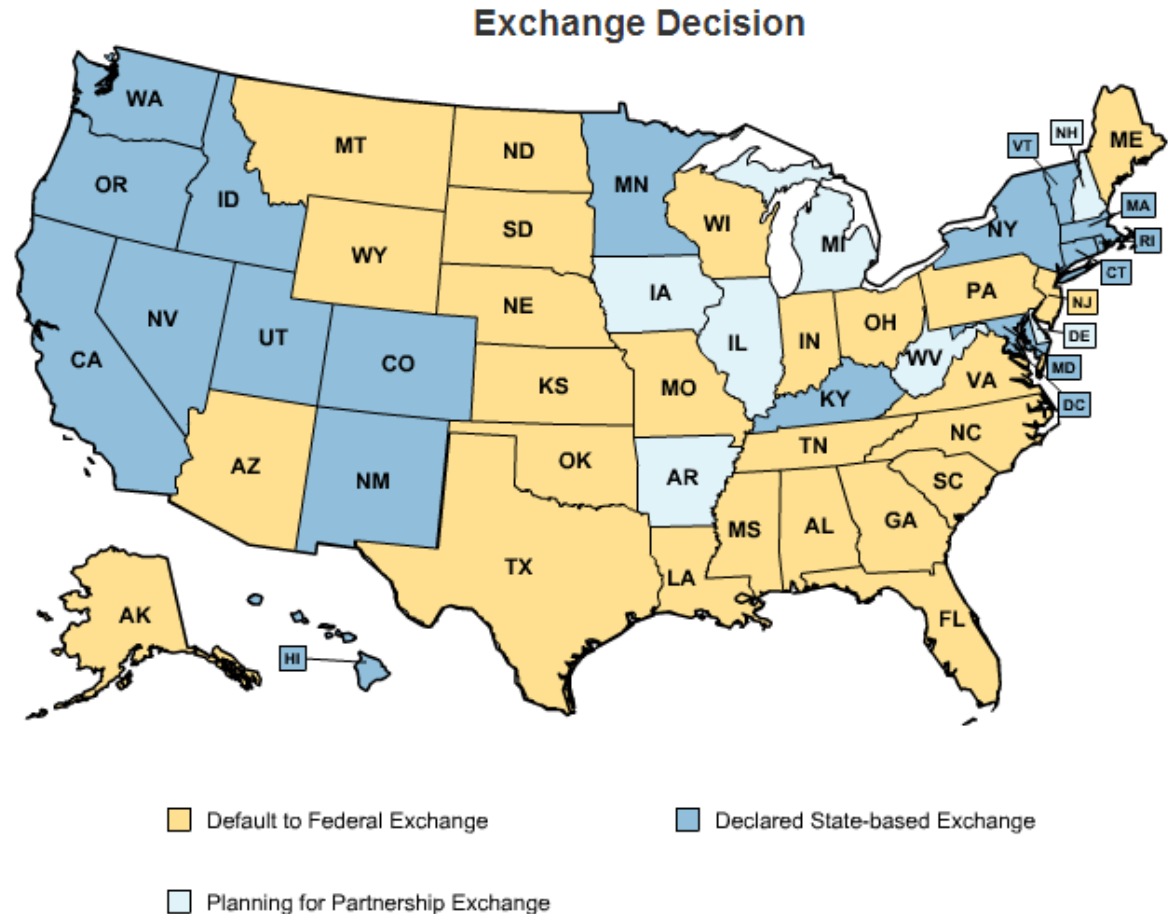
\*Not required of grandfathered plans

# 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





# 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**

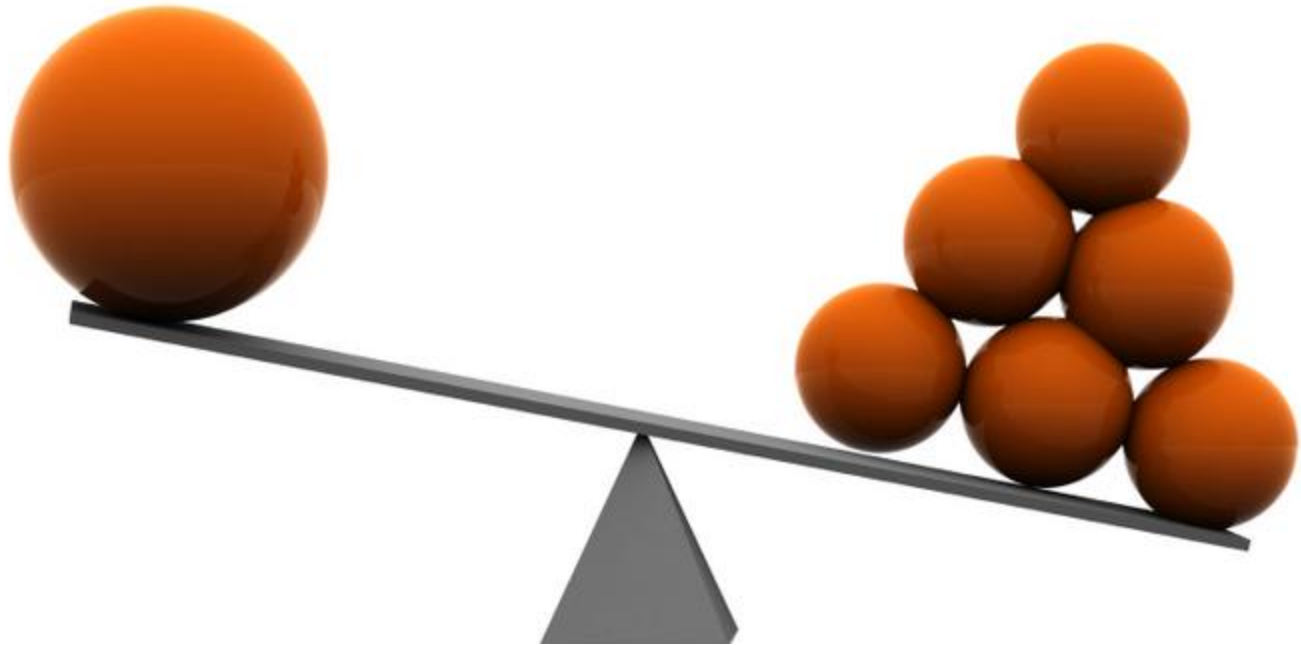
- ▶ Turnover rate?
- ▶ Hiring tips
- ▶ Retention tips
- ▶ Ongoing evaluation
- ▶ Ways to make employees happy that don't involve more money

# •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
  - ▶ Improve Productivity
  - ▶ Reduce Employment Practices Risks
  - ▶ Reduce Costs
- ▶ 25% reduction = \$55,000 savings
  - ▶ 3% improvement = \$110,000 savings
  - ▶ 50% realized reduction = \$45,000 savings
  - ▶ = \$40,000 savings
- 
- \$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



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