



Simplicity Health Plans Brings Consumerism to Vieira Bakery, Inc.

As healthcare costs continued to spiral out of control and the recent recession causing enormous burden on most small businesses, Vieira Bakery, Inc. was forced to shop for a more affordable healthcare solution that would help them keep their employees, not cut into their bottom line and provide an affordable benefit plan without sacrificing quality.

Vieira Bakery, Inc. is located in Newark, New Jersey and has been in business since 1969. The owner, Carlos Vieira, began his dream by buying a delivery route for five hundred dollars and delivered bread from house to house out of his 1969 Ford Maverick. Since then, the business has grown in popularity and success and Vieira's Bakery products are now sold nationwide.

Vieira Bakery employees are diverse-the majority of employees speak Portuguese and English as a second language. The introduction of a full-replacement, high deductible health plan with a Health Saving Account would prove to be a challenge, but one Vieira Bakery was willing to take given the potential savings that Vieira and their employees would be able to achieve.

Vieira Bakery selected Simplicity Health Plans as the administrator of their full-replacement CDHP plan. The reasons were simple; given the cultural and language barriers, Vieira needed a simple plan design that would be easy to communicate to their employees and provide consumer and transparency tools that would assist Vieira Bakery employees with saving money. The Simplicity Health Plans innovative, patent pending point-of-service technology eliminated the debit card and the paper hassles typically associated with current industry CDHP programs, reinforcing the simplistic nature of the plan design and ease for implementation. Vieira Bakery was able to save enough money in premiums in the first year and decided to fully fund their employee's Health Savings Account, thereby providing a "zero deductible" plan. The plan rates for the first two years are as follows:

First Year Plan Coverage	Rate
Single	\$328.25
Employee + Spouse	\$592.79
Employee + Child	\$460.19
Family	\$783.40

Second Year Plan Coverage	Rate
Single	\$390.33
Employee + Spouse	\$725.42
Employee + Child	\$543.74
Family	\$949.66

In the first year, Vieira Bakery experienced a medical loss ratio (MLR) of about 91.5% which is pretty typical performance for a group of their size. However, by the second year, the communication and education about their benefit program paid off and the group's MLR ran an



amazing 18.9% (claims incurred through end of plan yr 6/30/11). Vieira's Bakery's is in the process of renewing with Simplicity Health Plans for a third year.

In addition to the group plan performance, the Vieira employees were able to use the Simplicity Health Plans consumer tools that showed them actual cash savings based on their health behavior change which resulted in more pretax cash in their Health Savings Account (HSA). In fact, the Vieira Bakery employees had an average aggregate HSA savings in the first year (2010) \$42,856 and those aggregate balances increased in 2011 to \$50,659 (balances at the end of plan year 6/30/11). At this rate of increase, Simplicity Health Plan is projecting that the Vieira employees will have an average aggregate HSA savings of \$89,000 by the end of the third year.

For these individuals, the HSA savings becomes a valuable asset for future medical expenses or for retirement—money that they were not saving before.

Many employers are often reluctant to go full-replacement CDHP with “blue-collar” workers because they have come to believe that a consumer directed health plan is a “white collar” benefit program.

When we look at how Vieira Bakery performed with a full-replacement plan and consider the wealth that their employees have been able to accumulate in their Health Savings Account, tax free, it becomes evident that a Consumer Directed Health Plan with an HSA (designed in a self-funded model) offers employer affordability, employee wealth and can be successful in a “blue collar” culture.





Self-Funding Accomplishes Employer Savings with a Full Replacement CDHP Benefit Design

COMPANY ABC Corporation manufactures and markets automotive suspension, engine, and wheel components. The company's products include transmission, chassis, and oil supply system components. COMPANY ABC Corporation was incorporated in 1988 and is based in Ohio and employs 180 employees. COMPANY ABC had to re-examine their health benefit plan in order to reign in their claims and at the same time continue to focus on the personal well-being of their employees. In addition, COMPANY ABC Corporation was also faced with how healthcare reform would impact their business. To this end, COMPANY ABC decided to explore a self-funded benefit solution that would provide quality healthcare benefits, lower their annual premiums and continue to promote employee health and productivity.

COMPANY ABC needed a benefit plan design that would address the root cause of their medical trend issues and change the health behavior of its employees. The solution was simple, CDHP with HSA. A benefit design that promotes consumerism and results in individual health behavior change by as much as 25% as well as increased engagement in preventive care services by as much as 30%. Since ERISA offers self-funded programs the advantage of not being controlled by state laws nor recent healthcare reform legislation that relates to the fully insured market, COMPANY ABC migrated from a fully insured plan to a self-funded plan in order to control their own risk as well as eliminate any potential threats to their business due to healthcare reform.

COMPANY ABC Corporation selected Simplicity Health Plans to administer their self-funded, full replacement CDHP with a Health Savings Account and StayFit Plan wellness program. Simplicity Health Plans is a transaction integrator that uses its patent pending point-of-service payment system coupled with a CDHP benefit plan backed by American National Insurance Company's (ANICO) Standard Life and Accident Division, A+ rated carrier to provide a comprehensive, seamless benefit plan that can be easily implemented and is completely paperless. Simplicity's service suite includes TPA, COBRA, Banking, PBM, PPO, UR, Medical Case Management, Employee Portal, Real-Time Employer Reporting, Discount Services, Telephonic Physician Consults and a Wellness program. Like its name, Simplicity Health Plans offers one simple plan design with five deductible options. The plan design also includes first dollar coverage for preventive care. To further support the high deductible design, COMPANY ABC also created an employer advance account within the Simplicity Health Plan administrative model that supports employee healthcare expenses as they begin to build their HSA funds during the benefit enrollment and implementation phase.

Migrating to a full replacement CDHP with HSA resulted in a \$1.5M premium savings to COMPANY ABC compared to their previous carrier solution in the first year. This savings allowed COMPANY ABC to transfer roughly \$375,000 tax free to their employee HSAs which was equivalent to their deductible amounts. This employer contribution essentially provided a "zero deductible" plan for all COMPANY ABC employees. In addition, employees will now earn tax free interest on their HSA dollars (1.2% interest and no banking fees). At the same time COMPANY ABC saved about 8 cents per dollar on the \$375,000 in payroll taxes.

As the COMPANY ABC employees begin to change their health behaviors and engage and adopt healthier lifestyles, they will begin to see their HSA dollars grow, funds that can be used for future medical expenses or for retirement. In a time when many people have not saved enough for retirement, the HSA savings becomes even more valuable to employee financial well-being.

The Simplicity Health Plans model makes the transition to full replacement CDHP "simple". The innovative technology platform embraces the "right to know" by providing complete transparency; at the member, employer and provider level. Because the benefit plan is completely automated, employees never get EOB statements, no debit card hassles, and most all transactions to providers are completed in 3-5 business days when submitted via the Internet.

Employees have access to the Simplicity Health Plans website that provides them with all of the tools and resources they need to be good healthcare consumers, check their HSA balances, engage the StayFit Plan health and wellness programs, and forecast their health savings for their future using the Health Index Calculator.

COMPANY ABC Corporation has wisely implemented a self-funded benefit plan that has saved COMPANY ABC millions of dollars in healthcare costs, provided their employees with a quality benefit plan and allowed employees to earn substantial equity.

For more information about **Simplicity Health Plans** contact us at **877-747-1113** or visit us at www.simplicityhealthplans.com

PBM Corporation Implements a Self-Insured Employee Healthcare Benefit Plan

The company that created the innovative point-of-service healthcare transaction system implemented its own self-funded healthcare benefit plan to their employees. “The decision to offer Simplicity Health Plans to my employees was two-fold. As the CEO of Simplicity, the first reason is obvious; I built it, believe in it and I know it works. The second reason, like any other small business owner I wanted to provide a quality health benefit to my employees and save money on healthcare costs, the choice was simple.” **Gregory J. Hummer, MD—CEO Simplicity Health Plans**

Background

PBM Corporation is a Cleveland, Ohio based company. PBM is the creator of a patent pending, web-based application that serves online applications for insurance companies, TPA's, MCO's, self-insured and state funded employers, providers, and government agencies. Launched in 1998, PBM has earned notable industry praise and its software is utilized by over 45,000 employers, TPA's, MCO's nationwide. PBM's vision focuses on how they can use the most powerful and effective technology to build integrated solutions that will help their clients lower costs, improve productivity, increase profits, and meet regulatory or governmental compliance.

The Opportunity

As healthcare costs continue to escalate, and the fact that PBM had perfected its point-of-service technology, PBM decided it was time to implement Simplicity Health Plans as their healthcare benefit plan of choice. The plan design was simple—one plan, a high deductible option with a Health Savings account that would save PBM thousands of dollars in healthcare costs, promote the health and wealth of its employees and enable PBM to become self-funded.

The Solution

Simplicity Health Plans was created to bring healthcare affordability to business by using a high deductible health plan with a health savings account, ERISA

The Solution is so Simple:



legislation, technology and significant tax saving that creates a self-funding benefit plan option even for the small employer. The literature and statistics on CDHP and consumerism is overwhelmingly positive and has demonstrated as much as 25% change in health behaviors as well as 15-17% savings in medical trend. The self-funding model offers further advantages to small business through a very low risk aggregate attachment and an A+ rated stop loss carrier. For PBM, becoming self-funded meant only having to pay for healthcare claims incurred for



their own employee population, not an entire risk pool, and because the plan falls under the ERISA legislation, the plan pre-empted state and federal regulations relating to fully-insured programs eliminating any requirements and/or mandates from the new healthcare reform laws. Lastly, the Simplicity Health Plan consumer tools allowed plan members to visualize cost savings for their health behaviors and helped them locate cost effective procedures enabling members to save more pretax cash in their Health Savings Account (HSA) compared to other traditional consumer directed health plans. Average savings were \$90 to \$100 more per member per month using the Simplicity Health Plan consumer solutions.

The Results

By implementing a Consumer Directed Health Plan with a Health Savings Account, PBM was able to provide its employees with a quality benefit plan that included first dollar coverage for preventive services, \$10/\$25 Prescription co-pays after the deductible, 100% benefit coverage of the allowed plan amounts after the deductible and a full suite of health programs and wellness tools that empowered their employees to actively engage in their healthcare decision making. First year plan rates for employee only was \$270.21 and family coverage was \$550.35. The first year group performance included a medical loss ratio (MLR) of zero and an average HSA balance of \$2,812.95, well above industry average of \$1,500. The group renewed with a second year increase less than 8% of the medical inflation rate. Second year plan rates for employee only was \$292.59 and family coverage was \$646.81. The groups second year MLR remains at zero and the average HSA balance has increased to an impressive \$15,368.16 demonstrating that a healthy population is rewarded through wealth accumulation.