How to convince the CFO to invest in a corporate health plan

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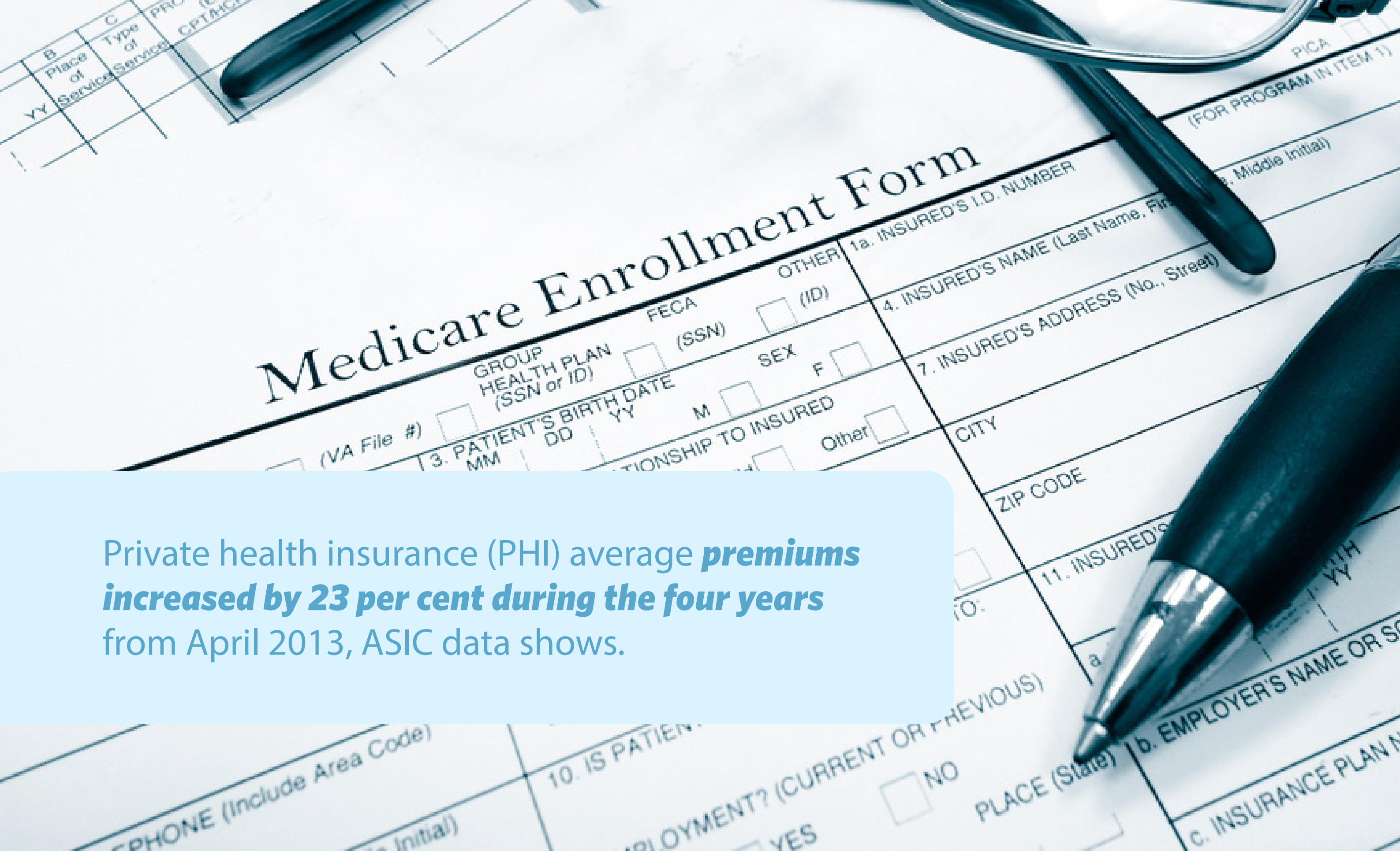

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Private health insurance (PHI) average premiums increased by 23 per cent during the four years to April 2017, ASIC data shows. As these premiums and the complexity of PHI policies increase, corporate health plans become more attractive to companies looking to inspire loyalty and attract new talent. Their ability to increase staff retention and employee goodwill, as well as foster a focus on wellbeing, are considerable and will only improve as PHI becomes more expensive.

Despite those facts, the savviest Chief Financial Officers (CFOs) make decisions primarily based on empirical evidence and statistical fact. Deciding whether to offer corporate health insurance is no different - your CFO needs real proof that such a plan will be affordable, low risk and show good return on investment (ROI).

ROI on your health plan investment

While certain benefits of a corporate wellness focus are easily measurable - such as reduced sick days and increased productivity - increased job satisfaction, improved customer service and a better work culture are not. It's these abstract, but extremely beneficial, changes that make a corporate health plan's return on investment so difficult to accurately estimate.

Despite this, a large body of authoritative research shows that as an integral part of a wellness program, a strategically-structured corporate health insurance plan can show an impressive return on investment.

For example, the Harvard Business Review found that Johnson & Johnson saved $250 million USD on employee healthcare costs over an eight-year period thanks to their comprehensive wellness plan. This constituted a saving of $2.71 for every $1 spent. Data from Aon Hewitt suggested that the ROI for an average plan would be closer to $2.30 for every dollar spent, while Comcare's research shows it could be as high as $5.80.

The same Comcare research shows that health plan ROI comes chiefly from improvements in the following:

- Improvement in employee performance and productivity.
- Reducing sick leave absenteeism by up to 25.3 per cent.
- A decrease in disability management costs by 24.2 per cent.
- Enhancing the organisations' image and reputation.
- Attracting more talented employees and increasing employee retention.

Business costs associated with employee recruitment and turnover are significant. The full costs of recruitment including advertising, recruiting fees, time to hire and dislocation costs, management interviewing time and training, not to mention severance costs should the employee leave, are estimated to be in excess of 55% for an average salaried employee and can be well in excess of this for highly paid and executive staff replacements. Anything that positively impacts this cost should be seriously considered. Employee surveys regularly identify quality health insurance amongst the most highly valued employer provided benefits. An appropriately structured corporate health insurance plan can make a measurable difference to the recruitment and retention of quality staff.

Strategies to improve cost control and certainty

Much of the cost uncertainty around corporate health insurance comes from the tax obligations you may take on as an employer and provider of a health cover (and the changing legislative environment that affects those costs). As one of the leading providers of corporate health plans in Australasia, HICA have developed a range of innovative solutions to give your organisation cost certainty and administrative simplicity by mitigating these costs.

This can help give you valuable competitive advantage over other organisations looking to attract, retain and foster talent using a similar strategy. Health insurance costs will vary from employee to employee, depending on their lifetime cover loading level and rebate tier nomination. Simple strategies can help to smooth out or eliminate these variances and give you more control over the cost of your corporate health plan investment:

- The rebate tiers that your staff nominate vary over time and there's always a chance that a number of your staff will nominate a zero per cent rebate at tier three (including spurious nominations). If this happens under a standard plan structure, you're responsible for covering the full cost. Introduce fixed subsidy levels independent of rebate entitlement/nomination and you'll solve this problem entirely by moving the tax burden back to your employees and deciding how much you pay (instead of being influenced by your employee's tax obligations). You'll also be able to increase or decrease the subsidy levels to align with HR objectives, such as rewarding seniority, or encouraging high performance.
- Standard corporate plans often leave employers liable for Lifetime Health Cover loading of their employees and/or their partners. This may not be a significant cost for one employee, but when several are included it can start to add up. Offering fixed subsidies towards a well-structured corporate health plan will also solve this problem, giving you certainty and full control of cost.

This simple strategy repositions rebates and Lifetime Health Cover as the employee's responsibility, providing separation between the company's health plan and the individuals' tax entitlements. It's just one of countless other small adjustments you may be able to make to minimise and control expenditure when tailoring a corporate health plan to your organisation. With industry leading advice from HICA, and a relevant qualified tax advisor, your plan won't cost a dollar more than you want it to.

Future-proofing your corporate health plan

After you've secured a corporate health insurance plan legislation will change, premiums may increase, and you could hire or fire staff. These changes, among others, could render your plan inefficient and decrease your return on investment over time.

HICA offer a fully realised strategy to avoid these pitfalls: from helping set subsidy levels, to advising on company policy around yearly premium increases. This could include:

- Fixing your yearly subsidy increases to a predetermined index such as the Australian Medical CPI.
- Tying subsidy levels to year of service. i.e. increasing subsidy by 10 per cent after 1st year of service, and 20 per cent after their 3rd year etc.

At the same time, HICA takes into mind where you'd like your plan to be strategically positioned in relation to industry peers and how changes will affect your staff. We can perform regular comparison and benchmarking of your plan's features to ensure it continues to deliver a valuable benefit to your staff, as well as reliable return on investment in the long term.

Here at HICA, our team is comprised of corporate health insurance experts who aim to work alongside your company to tailor a plan to your needs, and help you achieve measurable results. We're not salespeople - we remain involved from the minute you pick up the phone onwards, regularly reviewing your plan, checking in on your progress and fielding any and all questions.

***Get in touch with an insurance expert here at HICA today** to find out more about what a corporate health insurance plan could do for your business.*

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