



How to deal with rising cost of benefits

Steve Sanghi

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Microchip Technology Inc. Chief Executive Officer Steve Sanghi offers practical help for your real-life business challenges.

Question:

I'm a plant manager for an international company with \$2 billion in annual sales. This is the time of year when our employees are offered open enrollment for medical and other benefits. Once again, costs to the employee are going up. I'm concerned that my yearly explanation that medical costs are going up everywhere is not going to sit well with the employees. The increased costs will essentially wipe out all raises given last year. And, for employees on the lower end of the wage scale, it will cost them a good portion of their take-home pay.

How can I sell this to the employees? And, is there a way to contain health-care premium costs?

- *Shawn, Casa Grande*

Answer:

Health-care cost inflation is one of the biggest issues facing our corporations and our nation as a whole. Health-care costs have been rising at double-digit rates-well above the rate of inflation.

There are really no tricks in how to sell this to employees. The best way is to show the employees that you're doing everything possible to contain the cost increases.

All your company can do in the short term is to take a larger share of the increase to keep employees' costs manageable. Additionally, you can play with deductibles, control expensive prescriptions and promote the use of generics. But, these are all tricks that your benefits manager may already know.

The next step is to look into self insurance with a rider for catastrophic stop loss. With \$2 billion in sales, your company is large enough to insure itself. Any insurance company will charge you equal to what it would cost you to self insure; plus a healthy profit for the insurance company. By self insuring, you are saving via acting as your own insurance company. You should buy a rider for catastrophic stop loss, so that in case of serious one-time illnesses or accidents, your company is financially protected.

The next thing to do is to aggressively shop for a medical group and negotiate deep discounts from that group. Then, you should limit the choice of doctors to the ones available in this group. Many groups with deep discounts have excellent doctors. I've found that most of the doctors that employees see are already in those groups.

The final area is to look into having an onsite health clinic. We at Microchip Technology opened an onsite health clinic

with a nurse practitioner in May 2007, and the response has been overwhelmingly positive. I was surprised to see how cost effective the clinic is, and it saves employees significant time traveling to doctors offices and delays in the waiting rooms. Visits to the clinic are free to employees and their covered spouses. This gets them in to see a doctor early, before major complications and significantly higher costs, thus saving Microchip and our employees money over the long term.

The onsite clinic idea only works if you are self-insured. For information on establishing an onsite health clinic, contact Michael McGranahan, Clinical Resources Group, Phone: 480-945-2188. E-mail: mmcgranahan@davison benefits.com

Have a happy and healthy Thanksgiving weekend!

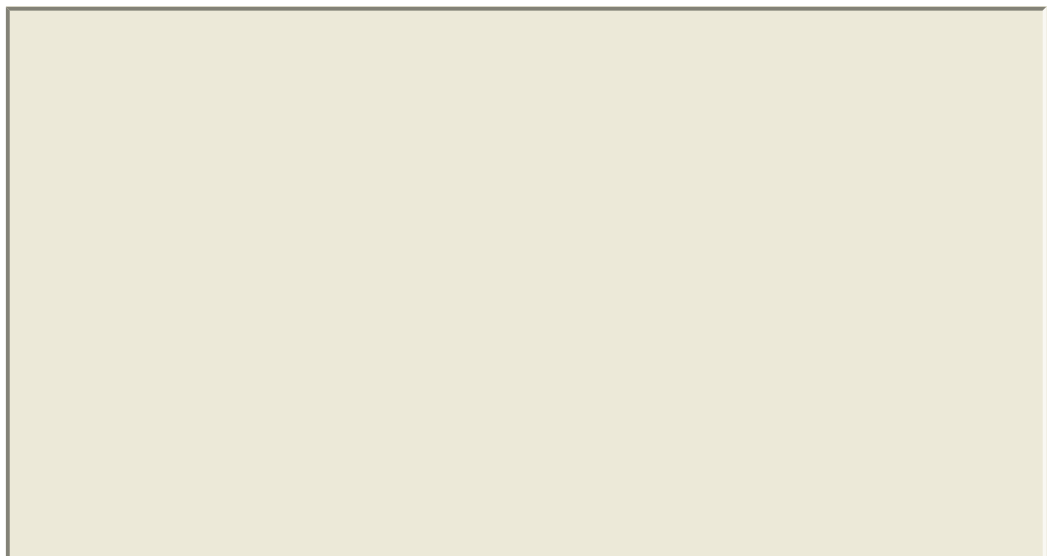
Ask Steve by writing to steve.sanghi@microchip.com.

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