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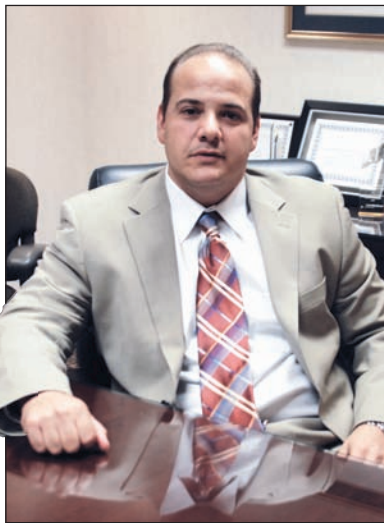
Benefits expert sees many hurdles to controlling costs

BY MARION DAVIS
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It's not as bad as it was just a few years ago, when double-digit annual health premium increases were the norm. But health insurance has gotten so costly that few employers have been able to avoid premium co-shares, high deductibles and benefits cut-backs. And from 2000 to 2005, the share of uninsured Rhode Islanders nearly doubled, from 6.2 to 11.8 percent.

In this environment, benefits brokerages and consultancies such as Cornerstone Group have become increasingly important resources for employers. Cornerstone has been a leader in educating businesses about health savings accounts, and on Aug. 23, it is hosting a forum on the new, lower-cost HEALTHpact plans for small businesses.

Robert F. Calise, a founding partner of Cornerstone, spoke with Providence Business News about the state of the market and the hopes for improvement.



PBN PHOTO/JULIE AHN

ROBERT F. CALISE, co-founder of Cornerstone Group, says the current cost saving options in health insurance will only go so far.

some employers who are studying and ready to implement that with smoking, where if you're a smoker and you don't participate in a smoking cessation program, you get the base plan, which is maybe a \$1,000 deductible, but if you're a nonsmoker, you maybe only have a \$250 or \$500 deductible, or if you're a smoker and participate in a program, you're back to that lower deductible. That type of mentality is becoming definitely more widespread as employers try to get their hands on the true drivers of health care costs. A lot of it has to do with behavior and how we treat our bodies and how we use the system.

PBN: Does it work?

CALISE: We have seen

high success rates where employees will participate in smoking cessation because this type of program exists. There hasn't been enough information long-term to say, 50 percent of smokers are now nonsmokers. We don't have enough information to know whether it has a lasting effect, but we're seeing more people who are willing to participate because it means maybe \$500 or \$1,000 in costs out of their pockets.

PBN: Will it save money for the employers?

CALISE: It's a difficult thing to put your hands around. If they're a small group, they're community-rated; their rate is not driven by their own claims. ... So they can do anything they want to do and they can still end up with a rate increase that is not favorable. But if you get enough people in the pool who are participating in these programs, you start to bring down the overall pool, and that's really when it will start making a bigger difference.

PBN: Are you selling HEALTHpact plans yet?

CALISE: No, it's only available [for coverage effective] Oct. 1. ... We don't even have rates yet. We can't even price the product. We haven't seen benefits summaries. None of that stuff is available yet from the carriers.

PBN: How do you feel about the Costantino bill that passed this year, to allow employers who'd stopped covering workers to offer a really stripped-down coverage at a lower cost?

CALISE: I think there's a place for it. The more choice we have, the better off we are. There's a place for plans that are somewhat stripped down, that don't have all the bells and whistles. ... We're seeing those types of programs from carriers in other markets. There's a big push in mini-med plans, where the benefits are really limited – it covers everything, but it's capped at maybe \$25,000, so at least people are going to have some coverage to protect themselves.

PBN: What are some of the strategies you have seen be most helpful to employers?

CALISE: Some of the plan designs that we have seen work are where there's a larger upfront deductible, where the employer self-insures a portion of that deductible – not through a [health savings account] but through a [health reimbursement account, which is funded and owned entirely by the employer]. That's definitely where the market has shifted in our book of business.

We probably have 35 percent of our client base on some type of an arrangement like that. And it's saved them money, but that's a short-term Band-Aid. That's going to work for a few years and then what? Unless we can control medical inflation, the inflation in the cost to deliver care and the increase in medical technology ... costs will keep going up. ■

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INTERVIEW

Robert F. Calise

POSITION: Founding partner, Cornerstone Group

BACKGROUND: Before co-founding Cornerstone in 1993, Robert F. Calise was an insurance agent with Penn Mutual Insurance Co. for four years. At Cornerstone, he helps clients control the costs of employee benefits by focusing on consumer-driven strategies and taking advantage of available tax saving tools. He is also a member of the Blue Cross & Blue Shield of Rhode Island Broker Advisory Board, UnitedHealthcare of New England's Broker Advisory Board, and the Rhode Island Business Healthcare Advisors Council. In addition, he is a member of the National Association of Health Underwriters, the American Health Insurance Association and the Employers Council on Flexible Compensation, as well as various human resource associations.

EDUCATION: B.S. in finance, 1990, Bryant College

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