

Case Study: Paul B. Zimmerman, Inc. family of companies

Health Rosetta Advisors: Brad Forney & Tina Wilt, BCF Group

KEY RESULTS

AVERAGE INCREASE

3.5%

OVER 3 YEARS

AVOIDED

\$450k

LASER

RECEIVED

\$108k

IN RX REBATES

Paul B. Zimmerman, Inc. (PBZ) is a family owned business in Lancaster, Pennsylvania. PBZ wanted to continue to offer excellent healthcare benefits to its employees and their families but was facing double digit increases every year, despite having an Administrative Services Only (ASO) arrangement through a local Blues plan.

The company had three main goals:

- 1) **save money on healthcare spending**
- 2) **provide attractive benefits**
- 3) **maintain affordable per-pay employee contributions**

In one of the years prior to changing its plan, the group's insurer owned stop loss carrier delivered a 200% increase at renewal. PBZ was forced to increase their specific deductible risk to mitigate the rate action. Furthermore, the ASO administrator capped Rx rebate credits at \$8.00 pepm or approximately \$19,200 annually.

Approach

BCF Group began working with PBZ in 2018 to qualify whether a group healthcare captive approach would benefit them. PBZ was already aware of the benefits of self-funding, but needed more control over cost and benefit design. Brad and Tina formed a transparent advisor relationship and used supply chain management concepts to increase efficiency and improve the health benefits plan. BCF Group and PBZ's HR personnel, CFO, and executive management team took part in charting a new way forward.

Client Profile

Paul B. Zimmerman, Inc. *family of companies*

Paul B. Zimmerman, Inc. family of companies includes PaulB Hardware, PBZ Manufacturing, Keystone Coating and PaulB Wholesale.

Location

Lititz, Pennsylvania with locations in Mifflintown and Belleville

Industry

Various - Retail, Manufacturing

Size

Employees: 315
Employees on health plan: 215
Lives on Plan: 605

Funding Type

Self-funded

Annual Healthcare Spending

Per Employee Deductible:
\$1,500 (\$0 Deductible Opportunity)
Per Family Deductible:
\$3,000 (\$0 Deductible Opportunity)
Office Visit Copayments:
\$30/\$50/\$50 (\$0 Primary Care Opportunity)
Rx Copayments:
\$10/\$35/\$50 (\$0 Copay Opportunity)

Case Study Dates

01/1/2018 through 01/01/2020

Approach (continued)

Brad and Tina helped PBZ join the Pareto Captive in April 2018 where shared large group purchasing immediately impacted savings. Captive members collectively purchase \$240M of stop loss protection resulting in better pricing and improved contract terms over what a small employer can purchase on their own. At the same time, BCF Group assisted PBZ to contract with an independent TPA and implement Pareto's expertly negotiated pharmacy contract that strips away hidden fees and returns 100% of any rebates to the Plan sponsor.

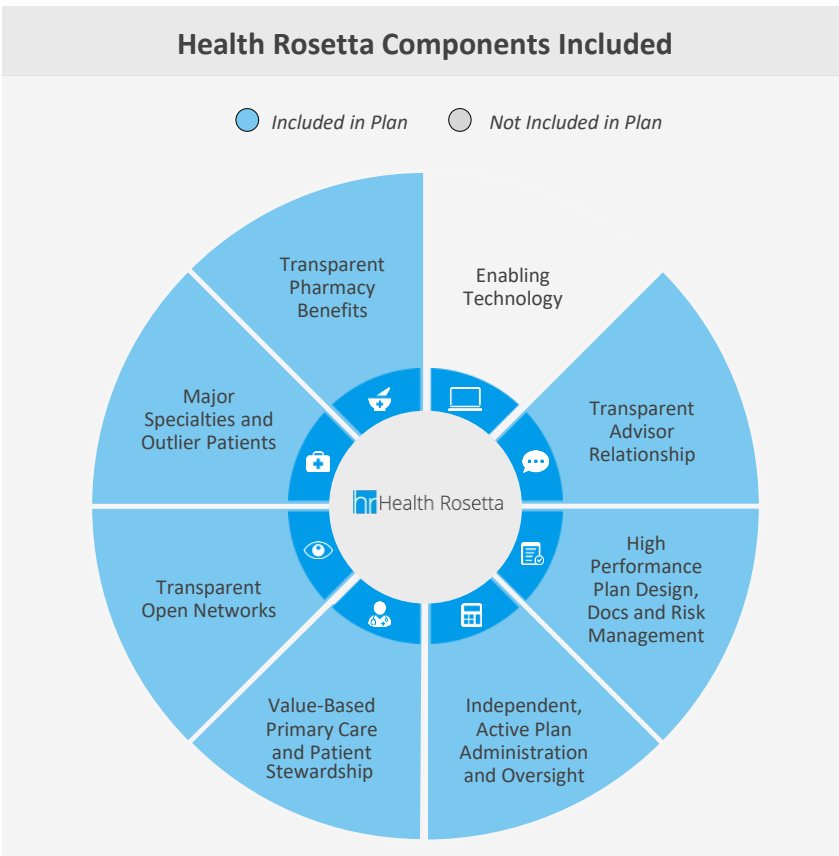
Over the next 8 months, Brad and Tina worked with ERISA experts to optimize PBZ's Plan Documents before undergoing a rigorous vetting process for Direct Primary Care (DPC), international drug sourcing, direct contracting, and bundled procedures. Furthermore, PBZ began to leverage their new claim analytic platform, Springbuk.

BCF Group leads the DPC space locally and offers unique solutions to employers looking to improve healthcare benefits and control costs. Implementing Direct Primary Care improves quality measures and allows a health Plan to control entry into the healthcare system. Quality and cost have an inverse relationship in healthcare, so when quality of care increases, the natural by-product is lower costs.

Also, by retooling how members access common screening procedures, PBZ now has strategies in place for low cost radiology and advanced imaging that, when used, waive any expense for the member.

We recognize that something must be done about the rising costs of employee healthcare benefits. We are tired of the dysfunction of the traditional healthcare system. We do not object to paying a reasonable price for services, but when providers and hospitals shift reimbursement shortfalls to local self-funded businesses, it's clear that the system is broken. While we are still fairly new to purchasing healthcare differently, we are encouraged by the control and transparency it offers. Now we can use our data to offer cost containment programs that lower costs for our employees and our Plan. It's a win win.

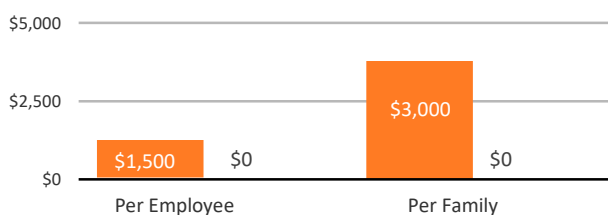
Roger Zimmerman, CFO, Paul B. Zimmerman, Inc.



Top Level Results

Faced with an increase of 18.77% from their Blue ASO Plan, PBZ realized they needed to make significant changes. Brad and Tina helped stabilize PBZ's increasing cost trends by leveraging the Captive's optimized reinsurance contract resulting in a stop loss premium savings of \$75,738. Furthermore, the improved cost factors from the Captive and the promise of purchasing healthcare differently gave PBZ the life-line they desperately needed. Moreover, PBZ started to receive 100% of their Rx rebates, projected at \$89,849 for the upcoming Plan year. Entering the Captive did subject PBZ to an "upon entry" laser that resulted in an increase of 8% over current to their expected costs. Even with the laser exposure, PBZ saved \$263,530 from the proposed Blues ASO renewal. The \$290k laser was subsequently removed at the next renewal and PBZ will remain "laser free" into perpetuity. Since joining the Captive, PBZ successfully avoided the exposure associated with yet another \$450k laser.

With the help of BCF Group, PBZ has taken steps to actively manage their employee healthcare cost. Rather than continuing with the status quo, PBZ is now betting on themselves to take the necessary steps to lower costs. Since 4/1/2018, PBZ is charting a new path forward. They hired a fee-based transparent advisor, joined a Healthcare Captive, moved to a transparent TPA, leveraged a best-in-class PBM contract and have begun offering programs to ensure the clinical and financial well-being of employees. One such program is Direct Primary Care. It is free to all Plan members who sign-up. Over 50% of eligible Plan participants have enrolled with a DPC provider for primary care.



After implementing Health Rosetta strategies, some PBZ employees pay no deductible costs if they shop wisely and choose high-quality low-cost providers.

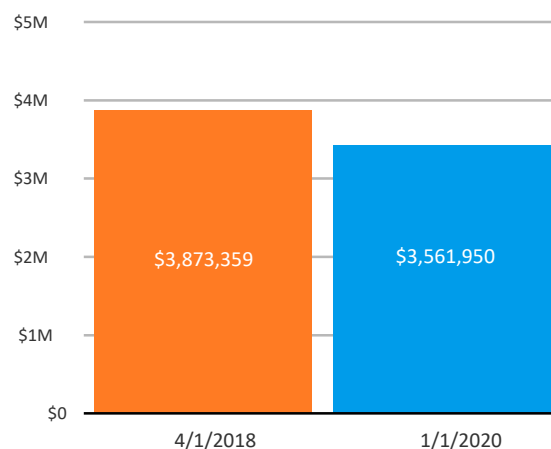
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Simply put, the DPC program has made a big difference in how employees view their healthcare benefits. DPC participants enjoy easy access to their primary doctor for same-day visits and 24/7 virtual care consults.

As a self-funded Plan sponsor, PBZ pays the bills that are presented by the providers within our PPO network without knowing anything about them, so why wouldn't we pay for the services from a local community-based physician who we trust and have a relationship with? This statement speaks volumes about community and a desire the PBZ has for a working relationship with like-minded business partners.

Roger Zimmerman, CFO, Paul B. Zimmerman, Inc.

As DPC was taking off, PBZ announced two additional "zero cost" programs to Plan members. The first program allows members to use high quality providers who agree to charge less for procedures that can be planned, e.g. Colonoscopy, MRI, CAT Scan, etc. The second program allows members to alternatively source high cost brand and specialty medications for a \$0 copay. The combined savings in both programs, within the first 12 months, exceeded \$40,000.



PBZ has reduced its maximum Plan cost by \$311,409 and improved benefits amid a loss ratio spike of 274%.

Change Management Approach - Expect More from Your Advisors

Brad and Tina worked directly with executive leadership. Using the Health Rosetta blueprint for high-performing health plans and nationally recognized cost-containment programs, they began meeting months before change was implemented to create a strong, effective plan.

As part of the planning process, PBZ met frequently with their panel of DPC doctors. PBZ leadership, BCF Group and the DPC doctors together crafted the primary care benefit that would eventually be communicated to employees during mandatory on site open enrollment meetings. The DPC doctors participated in the OE meetings allowing employees to meet and get to know them as part of the election process. The DPC program continues today with steady growth and positive feedback from employees.

Paul B. Zimmerman, Inc. family of companies looks forward to continuing their quest for better benefits at below market prices.

Advisor Backgrounds



Brad Forney, CRM, President of BCF Group, is a second-generation owner who began his career in 1984. Through the years, Brad has helped businesses manage and mitigate their risk. Brad is a Health Rosetta Certified Advisor and is committed to bringing out of the box solutions to group healthcare clients.



Tina Wilt, GBA, PHR, specializes in providing plan sponsors with solutions that maximize value and cost efficiency. As a Health Rosetta Certified Advisor and employee benefits strategist, Tina is passionate about solving problems and helping clients reclaim control over their healthcare costs.

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