Are your employees on the right health plan?

I was shocked to hear recently of some employees electing to play a form of “Russian Roulette” with their health.

Popular previously, health care often worked on a “shared cost” basis, ie costs shared between the insurer and the member of the health scheme. What it meant is the member having to come up with a significant portion of their health care treatment costs in the event of surgery or hospitalisation.

Typically this type of health plan will, on the one hand, reimburse a portion of day to day type expenses- things that can and should be dealt with out of cash flow- while, on the other hand, expecting a minimum of a 20% contribution towards what could be major medical expenses.

When you consider that heart bypass surgery could set you back $57,000*, 20% of that is not small change. Not many people have that kind of money sitting in a bank account waiting to be spent. It can mean having to use up some of the equity on your home, dipping into retirement savings, or- as is often the case- going into debt to fund that shortfall.

The other potential “hidden” danger is if that $57,000 is more than the maximum allowed on the schedule. For example, if the maximum allowed was $50,000 then you as the member could be looking at a $17,000 shortfall that you would have to fund.

Prostate cancer surgery could set you back over $31,000*; a hip replacement nearly $25,000*.

Where does the “Russian Roulette” fit in? Simply, employees electing to choose the public health system in order to avoid having to pay these substantial costs. And while there are 280,000 people in NZ requiring elective surgery, 170,000 can’t even get onto the waiting lists. So this approach by employees is not an effective health care management strategy. And it hardly helps you as the employer to benefit from having a private health care plan in place.

What it means is an employee will mostly not get the treatment they need when they need it- if ever- let alone from a provider of their choice.

The more modern approach to health care management is to focus on the “big ticket” items, leaving the day to day expenses to be managed out of cash flow. Changing to such a model can bring substantial benefit to your employees. They might not receive a few $ as reimbursement after a doctor’s visit anymore, but they will thank you after that bypass.

*Health Funds Association of NZ, 2013