

# Bates Container Employee Benefits 2011-2012

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Conference

# Agenda

- Historical and Projected Costs of Bates Container Medical Benefits
- Challenges and Choices for 2011
- Review of New Benefits and Changes

# Historical & Projected Costs of Medical Benefits

- Bates Container Medical Benefits
  - Company has traditionally provided rich benefits to employees
  - Current insurance plan compares favorably with other plans
- Healthcare expenses to rise with passing of new regulations
  - In 2011, Bates Container will spend over \$2.3M on healthcare and this is projected to increase in 2012.
  - Bates Container must respond

# Challenges and Choices 2011

- Given the historical costs and the projected cost increases, our choices were tough this year.
  - Options we considered:
    1. Maintain current plan but greatly increase all out of pocket expenses & charge more for employee/dependent coverage.
    2. Change the current plan benefit structure.
- OR.....**
- ★ 3. Adopt a new type of program called **Cost Plus** that would allow us to:
    - **Keep employee contributions the same**
    - **Provide the same rich benefits as our current plan**

# What is Cost Plus?

Cost Plus is a relatively new and radical approach for administering payments to **HOSPITALS** and other **OUTPATIENT FACILITIES** (Cost Plus doesn't impact doctors and prescriptions).

## Cost Plus works by:

- Separating medical providers into two levels: Hospitals & Physicians
- Removing Hospitals from the PPO network
- Auditing all hospital and outpatient facility bills (catch significant mistakes) by a third party administrator called ELAP, Inc.
- Paying all hospital and outpatient facility services at Medicare rates plus 20% . Paying claims this way can potentially reduce the over cost for a hospital stay or outpatient facility by 200%.

# Overview of Cost Plus Benefit Program

- Changes for employees:
  - Eliminates PPO network - now have access to any hospital, surgery center, dialysis clinic or ER.
  - Copay per confinement for Inpatient and outpatient services at hospitals, surgery centers and mental health/substance abuse facilities.
  - Emergency Room Copay only.
  - Only responsible for Level 1 services copay amount.

# NEW Cost Plus Benefit Program Effective July 1st

## EXAMPLE of Hourly Employee In-patient Hospital Admittance Expense (Knee Replacement Cost \$50,000)

2010 Benefits / Your cost in-network	2011 Benefit / Your cost
Deductible : \$500	Copay: \$500
Coinsurance: 20% up to \$2500	Coinsurance: -0-
Your total cost: \$3,000	Your total cost: \$500