

# **BENEFITS SOLUTION**

## **Plan Design Process**

**Frank Goitanich, MBA, CMA, GBA**

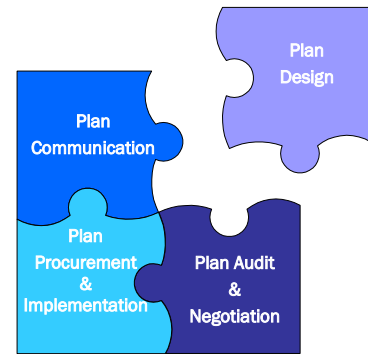


**Professional Guidance  
In Benefits Management**

© 2005 Benemax Financial Group Inc.

Plan design provides the underlying architecture of your benefits program. Design influences the plan's short- and long-term costs, soundness, effectiveness and appeal.

Excellent design cannot be left to chance. Our *Plan Design Process* makes sure that we constantly revisit and adapt your plan to changing circumstances and needs.



## OUR PLAN DESIGN PROCESS

At Benemax, we believe that effective plan design is your best weapon against escalating benefits costs; it also generates the highest possible return on your benefits investment. To be effective, plan design must be constantly revisited; too many plans remain largely unchanged years after they have been put in place. This is the equivalent of benefits malpractice.

## OUR PLAN DESIGN REVIEW

All new Benemax clients receive our *Plan Design Review*. This comprehensive report assesses all aspects of your plan, including:

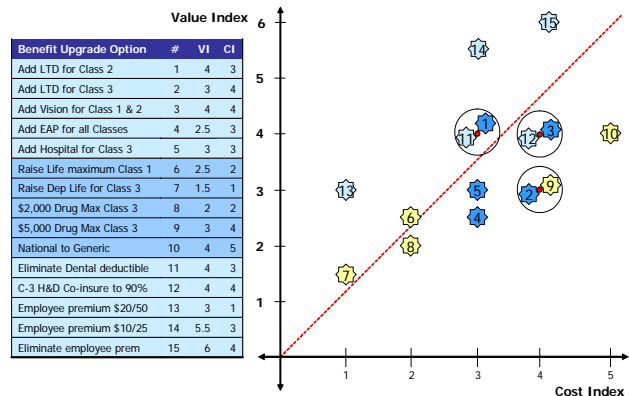
- Funding arrangement (insured or self-insured)
- Benefits offered versus industry benchmarks
- Co-payment arrangements, including tax effectiveness
- Benefit maximums, characteristics, exclusions, etc.

In addition, we outline a wide range of options that can be used to manage plan costs, enhance coverage, or both. Each option is fully costed. We provide you with evaluation tools to help with the difficult task of deciding among competing alternatives. Our process equips you with the insights required to make the choices that will guarantee the long-term viability of your plan.

Plan design doesn't end there. We hard-wire plan design reviews into our *Audit and Negotiation Process*. Three of our quarterly reviews examine and evaluate plan design. You are continuously informed of industry developments and opportunities for improving the effectiveness of your plan.

## ASSESSMENT TOOLS

*One of the biggest challenges in designing a plan is comparing the value of different benefits. This tool standardizes cost and value and helps assess the relative merits of one plan design option versus another.*



Maximum on drug benefits paid?		All		1 - 150 Employees	
# of respondents	190	%	97	%	
Yes	30	15.8%	15	15.5%	
No	160	84.2%	82	84.5%	
<b>Maximum Offered</b>	<b>26 respondents</b>		<b>13 respondents</b>		
Under \$2,000	5	19%	3	23%	
Over \$2,000	21	81%	10	77%	

## BENCHMARKING

We provide clients with insights into what other employers are offering in the market, keeping the plan competitive and making it a useful recruiting and retention tool.

Strategy	Class	Monthly Savings	Value Impact	Gains Impact
Implement \$6.50 dispensing fee cap	All	\$78	Minor	Moderate
9 month recall on dental		\$80	Minor	Moderate
24 month limit on glasses (children)		\$13	Variable	Significant
Oral Hygiene once per lifetime		Minimal	Minor	Minor
Fluoids for children only		Minimal	Minor	Minor

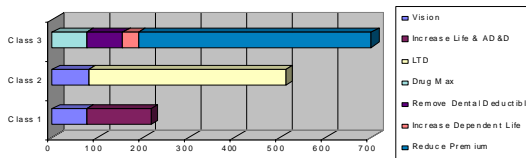
## DESIGN CHANGE OPTIONS

We identify an extensive list of cost management and plan enhancing alternatives. Every option is costed and accompanied with an assessment of its long-term claims impact.

	Class 1	Class 2	Class 3
Add Vision	75	80	
Increase Life & AD&D	140		
Add LTD		430	
Increase Drug Max			74
Remove Dental Deductible			80
Increase Dependent Life			35
Reduce Premium			510

## INVESTMENT ALLOCATION

We help clients allocate their benefits budget among the many classes of employees through the use of various analytical and evaluation tools.



Plan Investment Calculator	
Current monthly premium (Chamber's)	\$7,028
Proposed monthly premium (Standard Life)	\$5,737
Potential savings	\$1,291
Amount of savings invested in plan	\$794
Un-invested savings	\$497

# PLAN DESIGN OPTIONS:	Estimated Cost Impact	Implement	
		"y"	Selection
<b>Employee Contribution Options</b>			
1 Class 3 contributions reduced to \$20 / 50	\$180	y	\$180
2 Class 3 contributions reduced to \$10 / 25	\$510		
3 Class 3 contributions removed	\$840		
<b>Life and Disability Benefits:</b>			
4 Class 1 - Increase Life & AD&D maximum from \$50,000 to \$200,000	\$140	y	\$140
5 Class 3 - Increase Dependent Life from \$5,000/2500 to \$10,000/5,000	\$35	y	\$35
6 Class 2 - Add LTD benefit	\$430	y	\$430
7 Class 3 - Add LTD benefit	\$470		
<b>Health Options:</b>			
8 Class 1 & 2 - Add Vision - \$200 (24 mths adults / 12 mths children)	\$168		
9 Class 1 & 2 - Add Vision - \$200 (24 mths adults and children)	\$155		
10 Class 1 & 2 - Remove Hospital	(\$200)		
11 Class 3 - Add Hospital	\$150		
12 Class 1 & 2 - Mandatory Generic Drugs	(\$24)	y	(\$24)
13 Class 3 - Change from National Drug Formulary to Generic	\$220		
14 All Classes - Drug Dispensing Fee Cap of \$6.50	(\$78)	y	(\$78)
15 Class 1 & 2 - Drug Co-insurance - increase from 80% to 90%	\$135		
<b>Dental Options:</b>			
16 Class 3 - Remove \$25/50 Deductible	\$80	y	\$80
17 All Classes - Change to 9Month Recall	(\$80)		
18 All Classes - Reduce Annual Maximum from \$1,500 to \$1,000	(\$50)	y	(\$50)
19 Class 1 & 2 - Reduce Co-insurance from 100% to 90%	(\$160)		
<b>Employee Assistance Program:</b>			
20 Add EAP coverage for all classes	\$224		

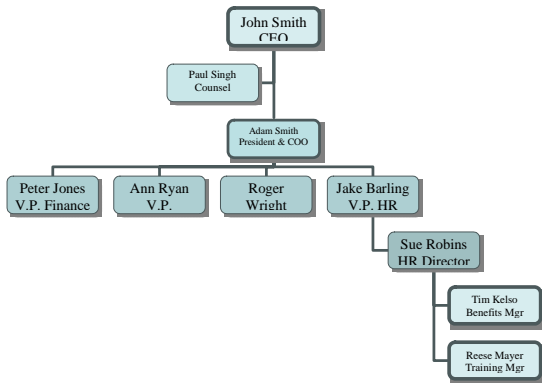
## BENEFITS CALCULATOR

This is just one of the many tools we provide to our clients to test various premium allocation scenarios.

## CLIENT ASSESSMENT PROFILE

Our client intake process includes a *Client Assessment Profile*. This document is indispensable in crafting a plan design that is strongly aligned with the client's corporate culture, strategy and circumstances. While not mandatory, most clients avail themselves of this service and find it extremely beneficial. It reviews such issues as:

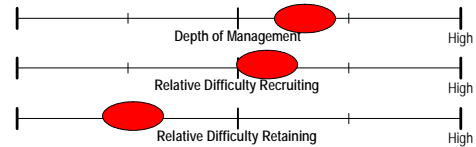
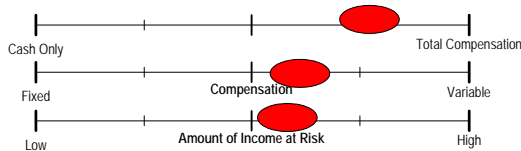
- Company background and workforce characteristics
- Business strategy, corporate culture and organizational structure
- HR infrastructure, compensation philosophy and employee benefits objectives



Issue	Decision maker	Background & Support
Organizational structure	CEO	VP HR; President
Hiring practices	VP HR	HR Director
Training practices	Training Manager	HR Director; VP HR
Employee evaluations	Direct Supervisor	HR Director
Health & disability management	HR Director	Benefits Manager
Compensation strategy	VP HR	HR Director; Benefits Manager
Benefits plan design	Benefits Manager	HR Director; VP HR
Selection of carrier	VP HR	Benefits Manager; HR Director
Move to a new carrier	VP HR	Benefits Manager; HR Director

	Total	Exec/ Mgmt	Salaried	Hourly
Average Age	43	53	44	33
Male/Female	203/42	14/4	46/15	95/71
Family/Single	156/89	12/4	35/26	109/79
ESL %	18%	4%	15%	27%
Annual Turnover	16%	0%	8%	21%
Average Tenure	4.1	6	4.5	3.4

Policy	Commentary
Recruitment	Industry based; only 70 % of offers accepted
Promotions	80% of new positions filled internally; Salaried every 2.5 yrs
Training	Entry level training excellent; moderate follow-up
Evaluations	Prepared annually by direct supervisor & reviewed
Vacations	As per CBA for hrly; professional staff 2-4 wks
Sick leave	Available
Mat leave	Standard



## THE BENEFIT OF PLAN DESIGN

Our *Plan Design Process* ensures that:

- All unnecessary costs have been driven out of the plan
- You maximize the value of your program for your company and employees

Benemax Financial Group Inc.  
 9050 Yonge St., Ste. 201  
 Richmond Hill, ON L4C 9S6  
 T 905.707.0129  
 888.333.8907  
 F 905.707.0130

EMPLOYEE, EXECUTIVE AND  
 SHAREHOLDER BENEFITS