



# The Associated General Contractors Construction Risk Management



Presented by: Banasky Insurance

# Red Hollingsworth

VP, Risk Management & Work Comp

- CIC, CRM, PWCA, WCIP
- 40 Years Experience
- National Faculty for National Alliance for Insurance Education & Research
- Adjunct Professor Risk Management BYU
- National Recognized Expert on W/C, Construction Exposure



## Services

- Construction Contracts Review
- Risk Management Analysis & Implementation
- Specialist Making WC A Profit Center
- Financial Analysis

**2020**

What Challenges Do You Face?

# 2020

Finding and Getting Credible  
Expert Advice?

# Good Economy vs Bad Economy

- ▶ Subcontractor Market
- ▶ Labor Shortage vs Jobs
- ▶ Fat Overhead
- ▶ Good Margins
- ▶ Private Work is High

- High Competition
- Thin Margins
- Job Shortage vs Labor
- Private Work is Minimized

# Better Outcomes

“I believe too many businesses manage risk and purchase insurance in a way that is detrimental to their business”

Most Businesses feel the only way to control insurance cost is by buying the cheapest policy!





**Isn't this how  
you see your  
Insurance  
Agent?**

# Create **VALUE** Out of Insurance

Insurance Agent



Payroll



Accountants



Bankers



Attorneys



Joint Ventures



Sub-Contractors





**CONTRACT**

**TERMS OF AGREEMENT**

*[Faint, illegible text representing contract terms]*

**SIGN HERE**

X \_\_\_\_\_

# Construction Risk Management

Three Ways To Generate Value:

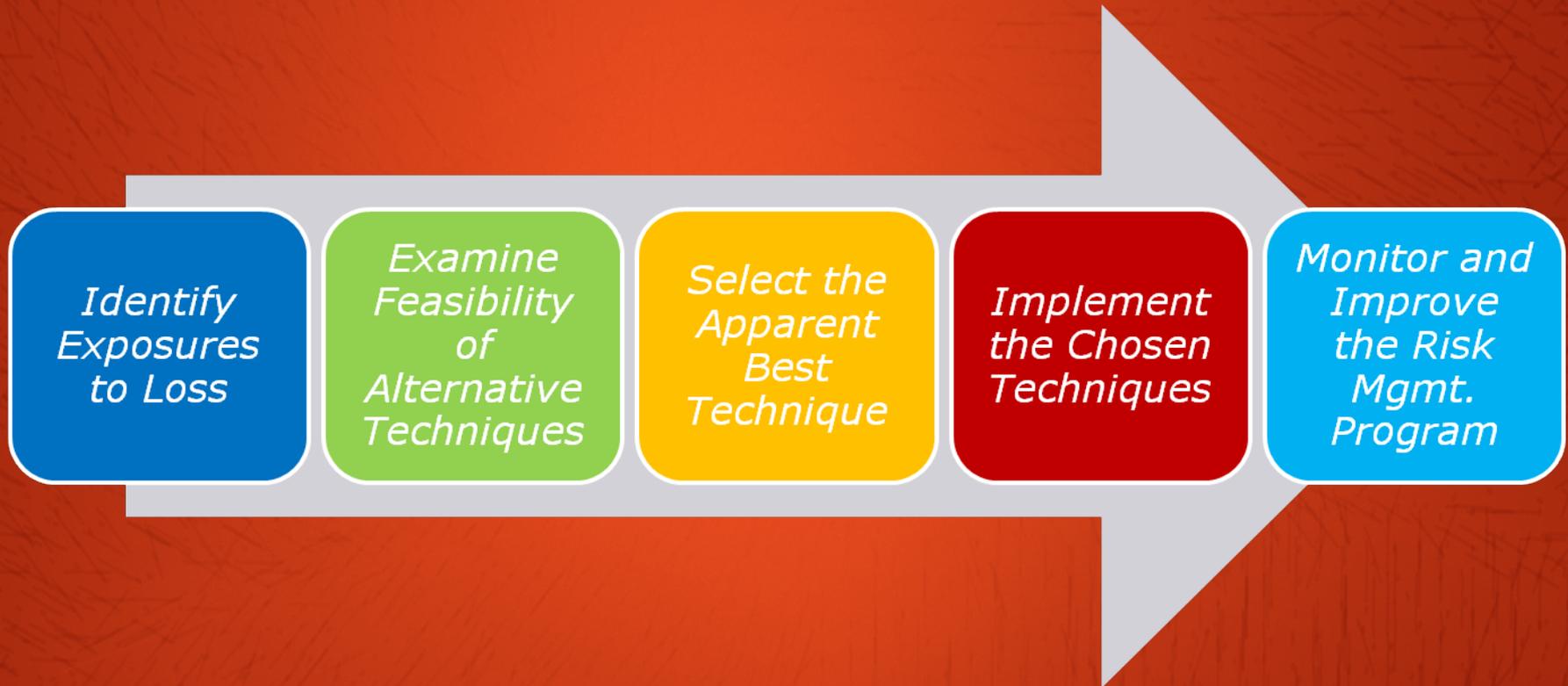
- Risk Management
- Insurance Services
- Construction Contracts

# Risk Management

▶ WHAT IS RISK MANAGEMENT?

# Risk Management

▶ Process Defined:



# Risk Management

▶ Exposures to Loss:

- Property
- Personnel
- Net Income
- Liability

# Commercial Insurance

## Definition of Commercial Insurance:

A **contract** under which one party, the insurer, agrees—in exchange for the payment of a premium—to pay for specified losses the insured may suffer, up to specified amounts, under conditions specified in the insurance contract.

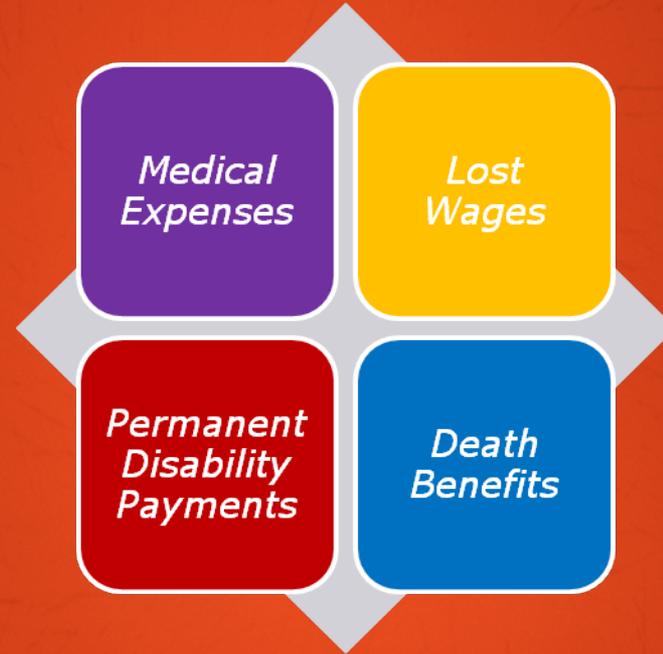
# Commercial Insurance

## Types of Insurance Contracts:

- Workers' Compensation
- General Liability
- Automobile
- Property/Contractor's Equipment
- Property/Builder's Risk
- Umbrella or Excess Liability
- Professional Liability
- Management Liability

# Commercial Insurance

## ▶ Workers' Compensation Coverage:



## ▶ Workers' Compensation Costs:

$\text{Premium} = \text{Payroll} \times \text{Rate} \times \text{Experience Factor}$

# Commercial Insurance

## Workers' Comp Experience Rating and Mod Formula

Compares an employers' actual workers' compensation losses to their expected losses.

**$< 1.0 = \text{Better than Average}$**

**$1.0 = \text{Average}$**

**$1.0 < = \text{Worse than Average}$**

# Achieving Better Outcomes Start With an Emod Audit

## Is your Emod correct?

### WHY?

Because nationally 55% to 65% of all Emods are incorrect

0.09		(D) - (E)			(H) - (I)			
"W" VALUE		15,029	19,518	4,489	89,127	13,375	99,127	10,000
A	B	EXPECTED EXCESS	TOTAL EXPECTED	TOTAL EXP. PRIM.	ACTUAL EXCESS	"B" VALUE	TOTAL ACTUAL	TOTAL ACT. PRIM.
		C	D	E	F	G	H	I

# Limited loss.  
s Subrogation  
or other special loss.

16
ARAP
1.00
if applicable

Experience Modification Calculation	11	12	13	14	15
PRIMARY LOSSES		STABILIZING VALUE	RATABLE EXCESS	ADJUSTED TOTALS	EXP MOD
ACTUAL	(I)	$(C) \times (1 - A) + (G)$	$(A) \times (F)$		(J) / (K)
	10,000	27,051	8,021	45,073	1.37
EXPECTED	(E)	$(C) \times (1 - A) + (G)$	$(A) \times (C)$		
	4,489	27,051	1,353	32,893	

*Your statistics are touched by several different organizations and dozens of people all of them have to be 100% accurate*

# Actual Results



Manufacturing 1.07 to .73, 34 points lower  
**\$75,000** @ 1.07 **\$39,000** @ .73

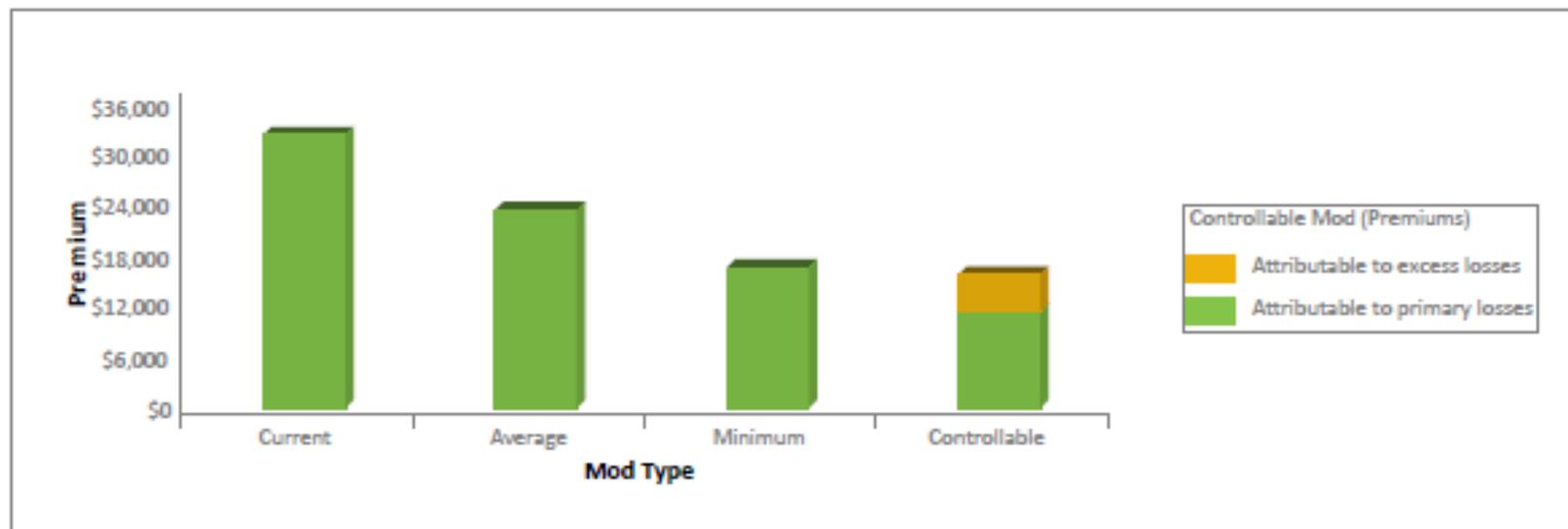
Construction 1.27 to .79, 48 points lower  
**\$40,000** @ 1.27 / **\$24,000** @ .79

Skilled Nursing 1.35 to .82, 53 points  
**675,000** @ 1.35 / **\$363,000** @ .82



Ski Resort 1.79 to .87, 92 points  
**\$342,000** @ 1.79 / **\$164,000** @ .87

# Your Mod and Potential Premium Savings



Mod Type	Mod Value	Premium	Description
Current	1.38	\$32,430	Your actual mod and estimated premium.
Average	1.00	\$23,500	The average mod is always 1.00. This premium represents what the average competitor in your industry is paying.
Minimum	0.71	\$16,685	The lowest mod and premium you could achieve if you had zero losses in the experience rating period.
Controllable	0.67	\$15,745	The mod points and premium amount you could have saved if you had zero losses in the experience rating period.

Compared to your average competitor, your company is at a: \$8,930 disadvantage.

# Workers' Comp is Financing

In most cases your claims will cost you 2 to 3 times what the Carrier paid out?

State	Claim Number	Injury Date	Loss Type	Incurred Loss	Primary Loss	Mod w/o Loss	Impact on Mod	Premium Costs	
								1 yr	3 yr
UT	Grouped Losses	2/1/2011	MED	\$4,350	\$1,305	0.9514	0.0050	\$1,705	\$5,115
UT	3418755	1/31/2012	SEV	\$34,977	\$13,500	0.8835	0.0729	\$24,859	\$74,577
UT	Grouped Losses	2/1/2012	MED	\$7,122	\$2,137	0.9482	0.0082	\$2,796	\$8,389
UT	UB3526762	11/12/2012	MED	\$2,893	\$868	0.9531	0.0033	\$1,125	\$3,376
UT	UB3526767	11/26/2012	SEV	\$43,251	\$13,500	0.8755	0.0809	\$27,587	\$82,761
UT	UB3763685	12/27/2012	SEV	\$18,471	\$13,500	0.8994	0.0570	\$19,437	\$58,311
UT	Grouped Losses	2/1/2013	MED	\$1,121	\$336	0.9551	0.0013	\$443	\$1,330
UT	250393	2/1/2013	SEV	\$169,650	\$13,500	0.7859	0.1705	\$58,141	\$174,422
Grand totals:				\$281,835	\$58,646		0.3991	\$136,093	\$408,279

Return to Work is vital to lowering claims cost, if they can count paper clips they can RTW.

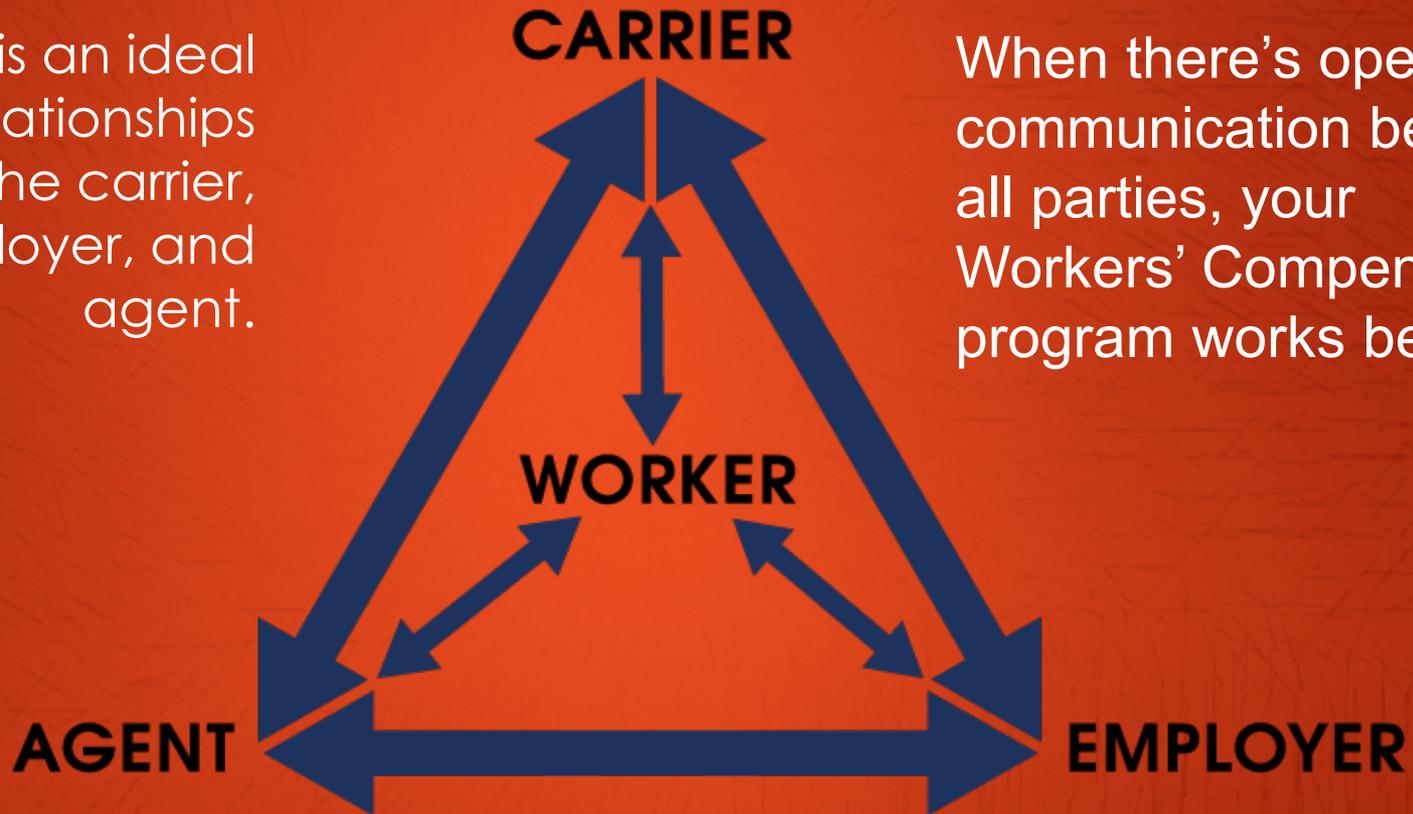
# Workers' Compensation

1. Experience Modification Factor
2. Controllable Premium Increased rather than decreased
3. Claims by Days to Report
4. Claims by Age
5. Claims by Lost Time
6. Communication on Claims Process
7. Meeting and Working with Carrier

# Ideal Working Relationship

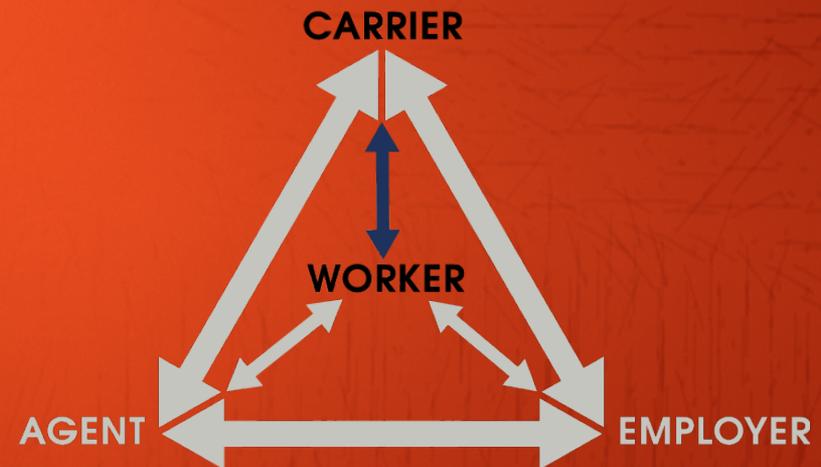
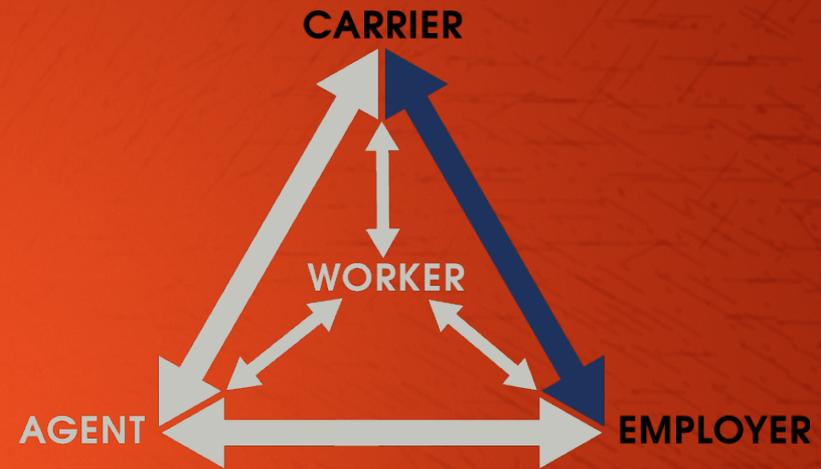
▶ This is an ideal working relationships between the carrier, employer, and agent.

When there's open communication between all parties, your Workers' Compensation program works best.



# Who's in Control

▶ When communications breakdown between all parties (including the clinics and doctors) the Carrier & Worker end up controlling the claim; spend the Employer's money. The agent becomes the messenger bearing the news of higher premiums.



# Days to Report # of Claims vs Cost

## Cost of Reporting Claims Late

4 to 7 Days Increase Cost by  
average of 18%

15-28 Days Increase Cost by  
average of 30%

# Team Communication

Monthly Review:

Open Claims

Days to Report Claims

RTW

# Specialist Bring Value

Do you like steak? Most people love a good Ribeye Steak; if you give a great cut of aged beef to a lousy chef, you will likely end up with a piece of leather on your plate.

Bringing in Professional  
Chef or Work Comp  
Specialist will always  
make a difference



# Commercial Insurance

## ▶ General Liability Coverages & Costs:

- Bodily Injury, Property Damage,
- Personal Injury & Advertising
- Third Party Damages
- Defense Expenses
- Settlements, Awards

*Premium = Payroll/Sales x Rates x Experience*

# Commercial Insurance

## ▶ Automobile Coverages & Costs:

### *Third Party Damages:*

- *Bodily Injury & Property Damage Liability*
- *Hired and Non-owned Liability*
- *Medical Payments*

### *First Party Damages:*

- *Uninsured and Underinsured Motorists*
- *Comprehensive and Collision Coverages*
- *Hired Physical Damage*

*Premium = Vehicle Type, Usage and Cost x Rates x Experience*

# Commercial Insurance

## ▶ Umbrella or Excess Liability Coverages & Costs:

*Third Party Damages:*

Extends Limits Over Underlying:

- General Liability
- Auto Liability
- Employer's Liability

Premium = Limits Selected and Underlying Premiums x Rates

# Commercial Insurance

## ▶ Professional & Cyber Liability Coverages & Costs:

*Third Party Damages:*

- Professional Errors & Omissions
- Directors & Officers
- Defense Expenses
- Settlements, Awards

Premium = Type of Professional/Sales/Limits x Rates x Experience

# Commercial Insurance

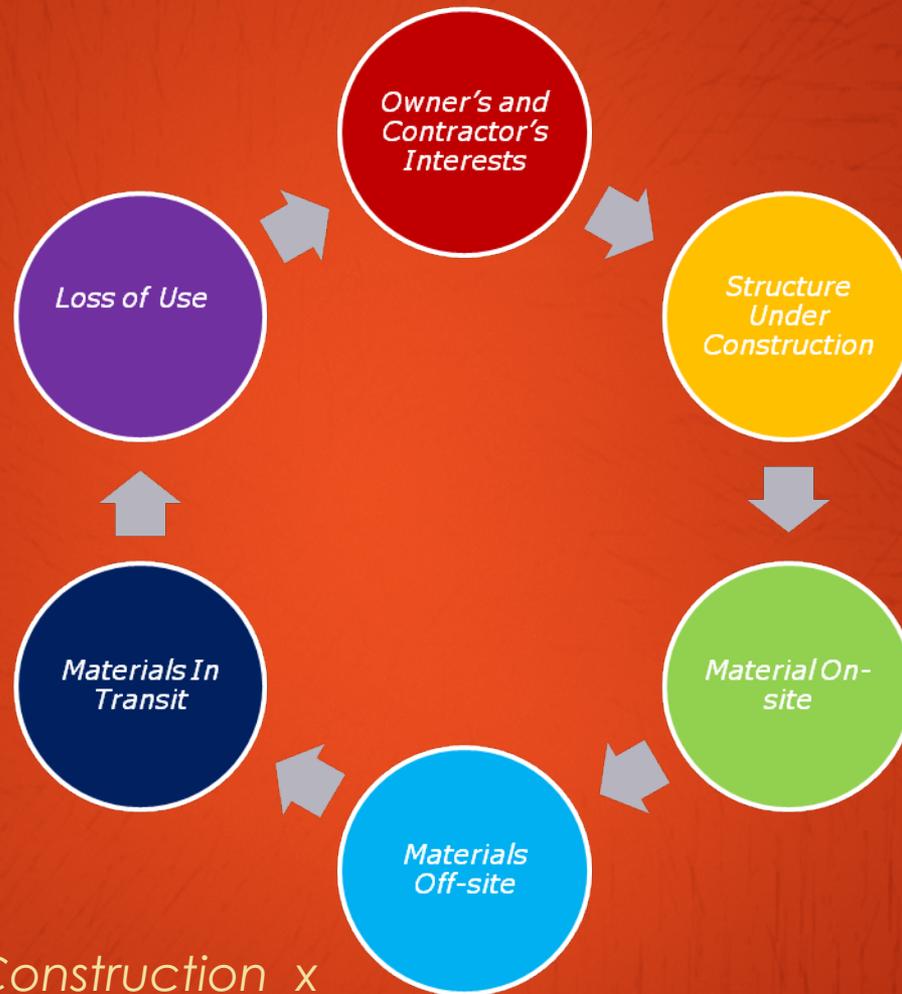
## ▶ Contractor's Equipment Coverages & Costs:

*First Party Coverage:*

- *Mobile Equipment*
- *At Shop*
- *On Job-sites*
- *In Transit*
- *Hired, Borrowed and Rented*
- *Crane Overload*

*Premium = Value of Equipment X Rates X  
Experience*

## ► Builder's Risk Coverages & Costs:



*Premium = Cost of Construction x Rates (type of construction)*

# Construction Contracts

▶ Definition:

*Specify the legal responsibilities and obligations between the project Owner and the Contractor / Contractors (Subs).*

# Sub-Contractor Issues

## Pre-qualified

- Signed Contract
- Certificate of Insurance with Endorsements
  - Additional Insured Ongoing Operations
  - Additional Insured Completed Ops
  - Primary Non-Contributory
  - Waiver of Subrogation
  - 30 Day Notice of Cancellation



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME	PHONE (A/C, H/L, Ext.)	FAX (A/C, H/L)
	EMAIL ADDRESS	ADDRESS	
INSURED	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A:		
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		

COVERAGES      CERTIFICATE NUMBER:      REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSURER	TYPE OF INSURANCE	ADMITTED TERRITORY (INSURANCE)	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
GENERAL LIABILITY	COMMERCIAL GENERAL LIABILITY					EACH OCCURRENCE \$
	CLAIMS-MADE: <input type="checkbox"/> OCCUR					DAMAGE TO RENTED PREMISES (Ea occurrence) \$
						MED EXP (Anyone person) \$
						PERSONAL & ADV INJURY \$
						GENERAL AGGREGATE \$
						PRODUCTS - COMP/OP AGG \$
						\$
						COMBINED SINGLE LIMIT (Ea occurrence) \$
						BODILY INJURY (Per person) \$
						BODILY INJURY (Per accident) \$
AUTOMOBILE LIABILITY	ANY AUTO					PROPERTY DAMAGE (Per accident) \$
	ALL OWNED AUTOS	<input type="checkbox"/> SCHEDULED				\$
	HIRIED AUTOS	<input type="checkbox"/> NON-OWNED				\$
		<input type="checkbox"/> AUTOS				\$
	UMBRELLA LIAB	<input type="checkbox"/> OCCUR				EACH OCCURRENCE \$
	EXCESS LIAB	<input type="checkbox"/> CLAIMS-MADE				AGGREGATE \$
	DED: <input type="checkbox"/>	RETENTION \$				\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY					WORKERS COMPENSATION AND EMPLOYERS' LIABILITY \$
	ANY FROTECTION/WAIVER/EXCLUSION OFFICER/MEMBER EXCLUDED? (If mandatory in state)	<input type="checkbox"/> Y / <input type="checkbox"/> N / <input type="checkbox"/> N/A				E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below					E.L. DISEASE - EA EMPLOYEE \$
					E.L. DISEASE - POLICY LIMIT \$	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES (Attach A-CORD 101, A additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

# Certificates of Insurance

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ices) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

# Construction Contracts

## ▶ Insurance Specifications:

- *Workers' Compensation—Statutory Benefits*
- *WC Employers Liability—limits specified in contract*
- *General Liability—limits specified in contract*
- *Auto Liability—limits specified in contract*
- *Umbrella/ XS Liability—limits specified in contract*
- *Professional Liability—limits specified in contract*
- *Builder's Risk—\$Project Cost, \$Materials On-site, Off-site and In Transit*
- *Certificates of Insurance*
- *Additional Insureds*
- *Indemnification*
- *Waivers of Subrogation*

# Construction Contracts

- ▶ Issues:
  - Indemnification Agreements
  - Insurance Specifications
  - Insurance Compliance/Certificates of Insurance
  - Additional Insureds
    - On Going Operations
    - Products Completed Operation
  - 30 Day Cancellation Notice
  - Waivers of Subrogation
  - Primary Non-Contributory
  - Builder's Risk
  - Safety and Loss Control Programs
  - OSHA Compliance

# Construction Contracts

## ▶ Indemnification Agreements:

*Broad Form—AVOID:*

*Pay any and all damages, costs, expenses - **even for sole negligence of owner***

*Intermediate Form—ACCEPT:*

*Pay bodily injury and property damages if you contributed to the loss in **any way***

*Limited Form—ACCEPT:*

*Pay bodily injury and property damages to the extent of **own** negligence*

# Construction Contracts

## ▶ Additional Insureds:

- *Obligates an insurer to defend and possibly pay claims of another party*
- *ON-GOING (CG 20 10 04 13)*
- *Completed Operations (CG 20 37 04-13)*
- *Primary Noncontributory (CG 20 01 04 13)*

## Waivers of Subrogation:

- *Used to meet contractual requirement that insurance is primary and will not seek contributions from other insurance*
- *Subject to a written contract*
- *(CG 24 04 05 09)*

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY  
CG 20 10 04 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – SCHEDULED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:  
COMMERCIAL GENERAL LIABILITY COVERAGE PART

### SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)	Location(s) Of Covered Operations

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**A. Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" **caused, in whole or in part** by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

**However:**

1. **The insurance afforded to such additional insured only applies to the extent permitted by law; and**
2. **If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.**

**B.** With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

# Signed Contract

## Sub-Contractor Agreement:

- Annual Ongoing contract with additions for each Job or Project (CG 25 03)
- Separate Contract for each job

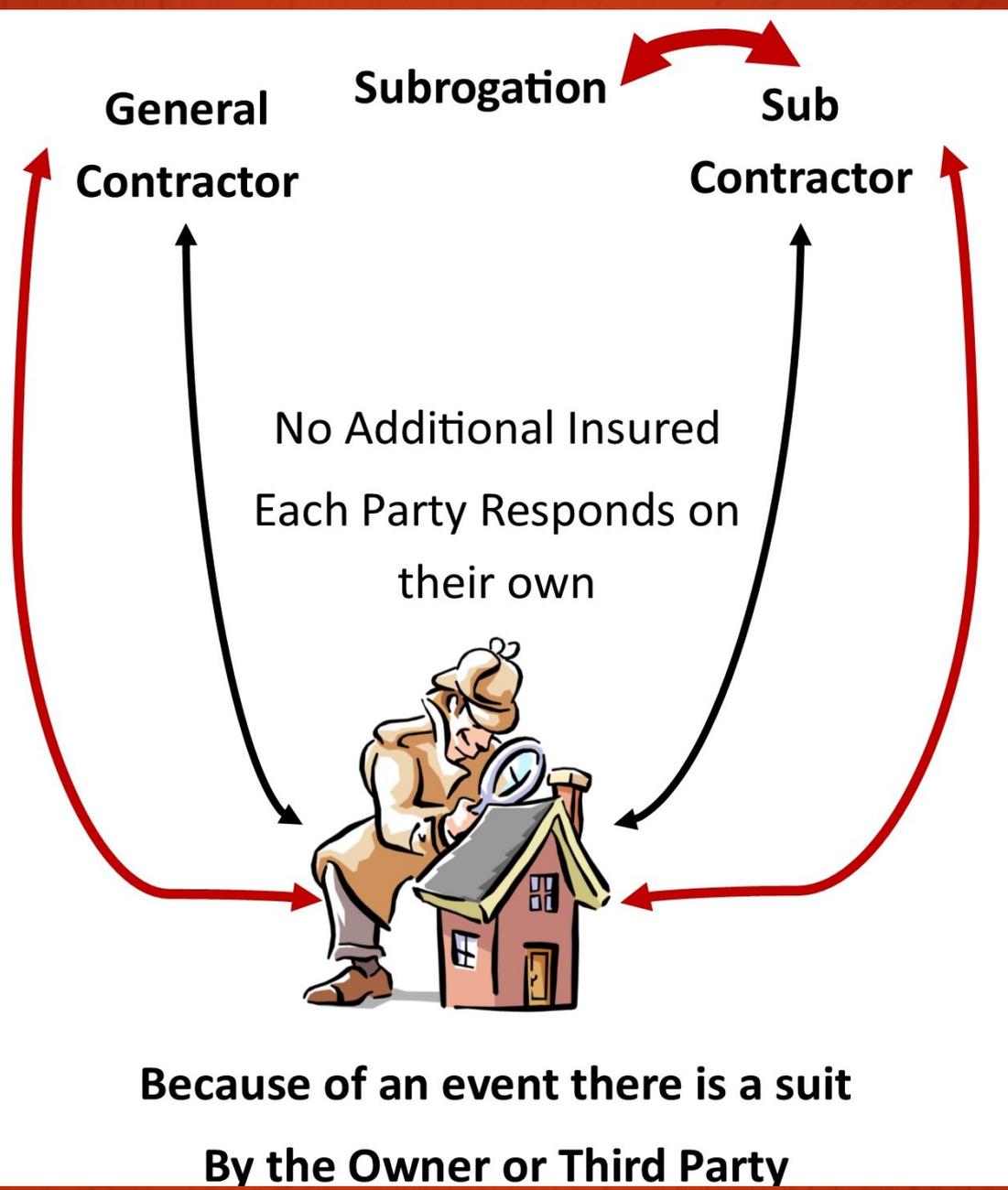
**General  
Contractor**

**Sub  
Contractor**

No Additional Insured  
Each Party Responds  
on their own



**Because of an event there is a suit  
By the Owner or Third Party**



**General  
Contractor**

**Sub  
Contractor**

With Additional Insured  
One Party Responds for  
Both Parties



**Because of an event there is a suit  
By the Owner or Third Party**

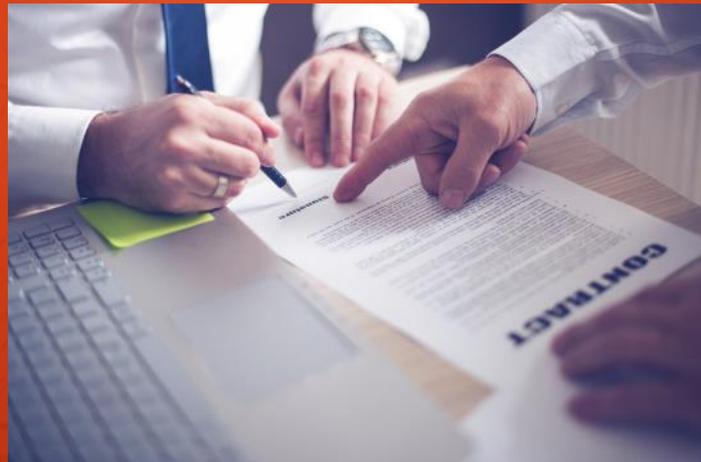
# VAMPIRE CLAUSE



# CG 20 01 04 13

## Primary and Noncontributory – Other Insurance Condition

- Used to meet contractual requirement that insurance is primary and will not seek contributions from other insurance
- Subject to a written contract



# Waiver of Subrogation

▶ **Subrogation:** *The assignment to an insurer, by terms of the policy or by law, after payment of a loss, of the rights of the insured to recover the amount of the loss from one legally liable for it.*

# Subrogation Waiver

*An agreement between two parties in which one party agrees to waive subrogation rights against another in the event of a loss. Generally, insurance policies do not bar coverage if an insured waives subrogation against a third party before a loss. However, coverage is excluded from many policies if subrogation is waived after a loss because to do so would violate the principle of indemnity.*

# CAPITAL IS KING

- The fuel that drives the engines of all business.
- Just because you have money in your account doesn't mean you are making money!!

# Inadequate Capital

- ▶ Large, Long Projects – Tied Up in Uncompleted Work
- ▶ Show Profits Prematurely
- ▶ Diversification into Illiquid Assets (Real Estate)
- ▶ Managing Cash vs Managing Business
- ▶ Over-Leveraging: Too Much Debt, Too Little “Real” Equity
- ▶ Leadership’s Reliance on “Phantom” capital



Health Insurance

# Agenda

- 1. Why do you need health insurance?**
- 2. Key Terms - Health Insurance Coverage**
- 3. Health Insurance Coverage Types**
  - ▶ Traditional Plans
  - ▶ Qualified High Deductible Health Plan (QHDHP)
    - ▶ Health Savings Account (HSAs)
- 4. Available Options to Purchase Health Insurance**
  - ▶ Individual Market
  - ▶ Group Market
- 5. Why do employers offer health insurance coverage?**
- 6. Employer Contributions & Communication**
- 7. What needs to be done to lower healthcare costs?**

# Health Care costs are rising due to price increases



**Total spending per person is now growing at faster rates than prior years**, with 4.6% growth in 2016 compared to 4.1% growth in 2015, which followed 2 years of sub-3% growth from 2012 to 2014.



**Spending growth in each year from 2012 to 2016 was almost entirely due to price increases.** We saw particularly large increases in spending and price for administered drugs, emergency room (ER) visits, and surgical hospital admissions.



**Utilization of most health care services remained unchanged or declined**, both year-over-year and over the 2012-2016 period.

# Examples of High Costs of Health Care in US

- ▶ In-patient Hospital Stay (Surgery)
  - ▶ \$41,702
- ▶ Labor & Delivery (Vaginal Delivery in Hospital)
  - ▶ \$8,946
- ▶ Mental Health and Substance Abuse
  - ▶ \$9,368
- ▶ Average Rx Drug
  - ▶ \$15.03 (17% – 20% Yearly Increases)

**What is the No. 1 Reason Americans File for Bankruptcy?**

**MEDICAL DEBT**

# Health Insurance – Key Terms

## Important Definitions or Key Terms

- ▶ **Copay** – A fixed amount for a covered service, paid by a patient to the physician or hospital. Typically, prior to the deductible.
- ▶ **Deductible** – A specified amount of money that the insured must pay before an insurance company will pay.
- ▶ **Coinsurance** – Cost sharing between you and your insurance company. The **cost sharing** ranges from 80/20 to even 50/50. For example, if your coinsurance is 80/20, that means that your insurer covers 80% of annual medical expenses and you pay the remaining 20%.
- ▶ **Out-of-Pocket Maximum** – The most you have to pay for covered services in a plan year.
- ▶ **Preferred Provider Network** – A network of medical providers, such as hospitals and doctors, that a health plan contracts with. You pay less if you use providers that belong to the plan's network.

# Examples

- ▶ **Sick Child** - You child gets sick you take them to the doctor's office and they require you to pay \$15 dollars.

**What is the insurance term for the \$15?**

- ▶ Copay

- ▶ **Broken Leg (Surgery Required)** - The hospital bill is \$18,450

Your Plan's Schedule of Benefits

- ▶ Deductible - \$1,000
- ▶ Co-insurance – 80% / 20%
- ▶ Out of Pocket Maximum - \$6,000

## How much is your total cost?

- ▶ Deductible - \$1,000
- ▶ Co-insurance  $(\$18,450 - \$1,000) \times .20 = \$3,490$
- ▶ Your Total Cost - \$4,490

# Health Insurance Coverage Plan Types – Traditional (PPO) vs QHDHP (w/ HSA)

	Traditional Plans (PPO)	HDHP Plans (w/ HSA)
PPO Network	Yes	Yes
Preventive Care	Yes	Yes
Office Visit Copays	Yes	No
Rx Copays	Yes	No
Deductibles	Yes	Yes
Minimums	\$0	Self Coverage - \$1,350 Family Coverage - \$2,700
Out of Pocket Maximums	Yes	Yes
Allowed to have an HSA	No	Yes

# Health Insurance Coverage Plan Types – QHDHP (w/ HSA)

**Health Savings Account(HSA)** is a tax-advantaged medical savings account available to taxpayers in the United States who are enrolled in a qualified high-deductible health plan (QHDHP). The funds contributed to an account are not subject to federal income tax at the time of deposit. The funds also grow tax-free and if spent on qualified expenses are never taxed.

## 2018 Maximum Contributions

- ▶ Self-Only Coverage - \$3,450
- ▶ Family Coverage - \$6,900
- ▶ Catch Up (Over Age 55) - \$1,000

## IRS Qualified Expenses

- ▶ IRS - <https://www.irs.gov/publications/p502>

# Costs – What determines the premiums of a health insurance plan?

	Lower Cost	Higher Cost
Coverage Type	Group	Individual

	Lower Cost	Middle Cost	Higher Cost
Benefit Type	HDHP	Traditional Plan	Traditional Plan
Deductible	\$1,500	\$1,000	\$500

	Lower Cost	Higher Cost
PPO Network Size	Smaller # of Providers	Larger # of Providers

# Available Markets to Purchase Health Insurance Coverage

- ▶ **Individual Plans (Non-group)**
- ▶ **Government Plans**
  - ▶ Medicare, CHIP, Medicaid, etc.
- ▶ **Employer Sponsored (Group) Plans**

# Where do the majority of Americans get their health insurance coverage?

## Health Insurance Coverage of the Total Population



Health Insurance Coverage of the Total Population | The Henry J. Kaiser Family Foundation

Timeframe: 2016

Location	Employer	Non-Group	Medicaid	Medicare	Other Public	Uninsured	Total
United States	49%	7%	19%	14%	2%	9%	100%

# Available Options – Individual

## Individual Health Insurance

Open Enrollment Season – Nov. 1<sup>st</sup> to December 15<sup>th</sup> ( w/o Qualified Life Event)

- ▶ Premiums based on Age, ZIP Code, and Tobacco use.
- ▶ No Pre-existing condition exclusions.
- ▶ No penalty for NOT having health insurance coverage.

1. Purchase Health Insurance direct from a carrier

2. Health Insurance Marketplace or **healthcare.gov**

- ▶ Federal government's official enrollment website
- ▶ **ONLY** Option for Government Subsidy (Financial Aid)
- ▶ What subsidy amount do I qualify for?
  - ▶ Kaiser Family Foundation Subsidy Calculator <https://www.kff.org/interactive/subsidy-calculator/>

# Individual - healthcare.gov Subsidies

## Scenario

A 35 year-old with a 34 year-old spouse and two kids (11 & 9 years old) making \$55,000 a year.

### Monthly Costs

Health Insurance Premium (Silver Plan)	\$1,490
Government Subsidy	\$1,161
Total Cost	\$329

Employers offering affordable coverage cause their employees to be ineligible for government subsidies!

**ONLY EMPLOYERS WITH OVER 50 FULL-TIME EQUIVALENTS (FTE) ARE PENALIZED IF THEY DON'T OFFER COVERAGE**

# Available Options - Group

## Group Insurance

Why is there employer sponsored (group) health insurance?

### **The Birth of Employer-Provided Health Insurance**

During World War II, the federal government was wary of post-war inflation. The administration saw the terrible devastation hyperinflation wreaked on post-World War I Germany and they were determined to hold it at bay through wage and price controls which they instituted during the war. In reaction to the **wage controls**, many labor groups planned to go on strike on masse. In order to avert the strike, in a concession to the labor groups, the War Labor Board exempted **employer-paid health benefits from wage controls and income tax**.

# Why? Employee's Want It

## **Employees #1 Ranked Benefit is Health Insurance**

According to a survey by [Glassdoor](#), employees said health insurance is, by far, the most important benefit they receive from their employer. That's why employers should offer health insurance as their first company benefit, then add on additional benefits over time.

If health benefits are a top priority for your employees, it should be a top priority for you.

# Why? – Boost Productivity

## **Offering It Helps Boost Employee Productivity**

A study from MetLife found that 60% of employers say offering health insurance has led to higher productivity levels. And according to the CDC, employees who prioritize preventive care — like regular checkups — get more accomplished at work.

As an employer, you want your employees to focus on being their best productive and successful selves at work. Worrying about health issues drains their energy and time.

# Why? – Retain Employees

## **Culture of Trust**

From building a healthier, happier team to actually saving money, there are many reasons to take the plunge and offer health insurance to your employees.

Offering health benefits signals that you care, ultimately building a culture of trust.

**EMPLOYEES QUIT WHEN THEY DON'T FEEL VALUED**

# Employer Contributions

## Average Health Insurance Contribution Paid By Employers, By Employer Size

Source - [KFF/HRET](#)

	Small Employers	Large Employers	All Employers
Single Coverage	85% \$5,264/year	82% \$5,142/year	83% \$5,179/year
Family Coverage	65% \$10,720/year	85% \$13,390/year	72% \$12,591/year

# What can be done to keep Health Care costs down?

- ▶ ER Visits vs. Urgent Care
- ▶ Brand Name Drugs vs Generics
- ▶ Utilize Telemedicine Options
- ▶ Preventive Care & Examinations
  - ▶ Annual Wellness Visit
  - ▶ Colonoscopies (Men/Women over age 50)
  - ▶ Pap Smears and Mammograms (Women over age 40)
  - ▶ PSA Test (Men over age 50)
- ▶ Be Better Consumers of Healthcare
  - ▶ Shop Doctors and Hospitals on Price & Quality

**HEALTH INSURANCE PREMIUMS WILL GO DOWN WHEN HEALTH CARE COSTS GO DOWN!**

# Questions and Comments

- ▶ Thank you for your attendance and participation!
  
- ▶ Please rely on Banasky Insurance for all of your construction risk management and insurance solutions.

# BANASKY INSURANCE



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