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Maximize Your Health Insurance Plan ROI

With prior consideration and planning, law firms can guarantee both employees and the firm will get the most out of the coverage they offer.

The Affordable Care Act may not require law firms with fewer than 50 employees to provide health insurance; yet a number do — including the Pennsylvania-based Law Office of Ahn and Sinowitz.

Owner Min Hwan Ahn says the immigration law firm’s half-dozen staff members being able to access the associated plan benefits has had encouraging productivity and other effects.

“Offering health insurance has definitely helped in recruiting and retaining employees,” Ahn says. “It demonstrates that we value our team and their well-being, which has contributed to a positive work environment and higher employee satisfaction levels.”

In today’s tight talent market, offering comprehensive health insurance coverage can be a way to strengthen an employer’s brand.

A small- or midsize firm might, for instance, offer employees a choice of plans that includes a highly subsidized option — setting it apart from larger firms that take more out of employees’ paychecks for health insurance, according to Eric Gulko, JD, President of Innovo Benefits Group, an employee benefit consultant that works with legal and other professional service firms.

“It’s similar to nonprofit employers,” Gulko says. “They often can’t pay as much as a for-profit company, but nonprofits are known as having a focus on benefits and the employee experience. A firm can say, ‘We won’t require quite as many billable hours [as a large firm]; we won’t offer the same sort of cash compensation — but we’ll offer you pretty rich benefits.’”

“Employees simply do not want to worry about what may happen if they become ill and need to seek medical attention. To obtain the best talent, any business owner needs to offer paid — either full or partial — health insurance to its employees. It is a cost of doing business in 2023.”

CRAFTING THE IDEAL OFFERING

To ensure companies include benefits employees actually want and will use in their plan, Gulko says organizations sometimes issue online surveys and host roundtable-style focus groups.

“The benefit of those [methods is] you’re getting buy-in from your employee base before you’re making decisions,” he says. “The one risk you run is you’ve got to be prepared to respond to the results. If you hear or see feedback that is not positive, you need to receive it, and if you can, do something about it.”

He recommends law firms also try to gauge what type of coverage employees have at other local firms of about the same size.

“You want to talk to your benefits broker,” Gulko says. “If they have access to data about other law firms, evaluate all your benefits compared to [that] benchmark — so you have not only a qualitative understanding of what you should be offering from employee surveys and focus groups, but also a quantitative analysis of what other firms are offering.”

After Ahn’s firm researched employee health insurance best practices in preparation for its 2015 launch, it reached out to a health insurance consultant that specializes in legal industry plans for assistance designing and implementing its coverage.

“Working with a consultant was extremely helpful,” Ahn says. “They provided valuable insights into the various plans [that were] available, helped us understand the legal requirements and guided us in selecting the most suitable plan.”

The firm currently offers medical, dental, vision, prescription drug and mental health service coverage. It opted not to include some potential provisions, Ahn says, such as coverage for cosmetic surgery and chiropractic care, because those items weren’t deemed to be essential for employees’ well-being.

“We continuously monitor and evaluate the plan to ensure it remains effective and relevant to our employees’ needs,” he says. “We have made some minor adjustments since implementing it, such as adding telemedicine services to better serve our employees during the COVID-19 pandemic.”

METERING EVERYONE’S OUTLAY

Health insurance costs can be a concern for both firms and employees.

Employer-sponsored insurance plan premiums across a variety of industries have increased at a faster rate than inflation and wage growth during the past decade, according to a 2022 report from the Center for American Progress — and it isn’t because employees have been using more services.

Approximately two-thirds of per-person medical and pharmacy claim-related spending from 2015 to 2019 was due to rising health care prices. Employees pay a fair amount, too, for coverage — roughly 20% of single and 32% of family premiums.

Health benefit costs for legal industry employers, on average, are \$433 for employees’ individual coverage and \$1,032 for family coverage premiums, which is generally in line with other sectors, according to data from insurance broker search platform Mployer Advisor.

Smaller firms aren’t always aware they can offer multiple plans, as a number of larger firms do, at no additional cost, Gulko says. That can give employees more control over the monthly premium they pay.



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Some might include a health savings account choice among their plan options — which allow participants to reserve money on a pre-tax basis to use on certain medically related payments, such as coinsurance.

In addition to various age demographics within a firm, health savings accounts (HSA) may appeal to equity partners who might not be eligible for some health reimbursement arrangements, Gulko says, but can generally take an above-the-line deduction for HSA contributions.

“The young and healthy look at HSA-compatible plans as a way to spend less out of their paycheck for a benefit they might not value as much [if] they just go for checkups,” he says. “The mid- and later-career people like being able to put aside money pre-tax. It’s not just an opportunity for an employee; an employer can also contribute [to employee HSA accounts] — it’s a tax break for a law firm.”

While firms with fewer than 100 employees generally don’t have access to their claims data, Gulko suggest ones that do review the information to see if a partially self-funded health coverage option like a level-funded plan, where the insurance carrier examines employee claims and the underlying administrative expense, might be an advantageous option.

“At the end of the year, if the claims run well, the firm can get some money back,” he says. “It’s sharing the risk a little bit more. If you have an overall demographic where you feel like your claims would probably be somewhat under control, it might be worth [it].”

ADDITIONAL COVERAGE STRATEGIES

Another employee cost-control technique for firms with a reasonable enough cash flow to be comfortable with inconsistent monthly bills is to raise plan deductibles, Gulko says. They can then offset the expense by having a third-

party administrator draw from a bank account the firm establishes to reimburse employees for deductible-related items.

Gulko says that type of program can potentially be as low as \$5 per employee a month, on average, to run because data sharing and assessment occurs electronically, without much need for manual intervention.

“The third-party administrator sees employee X had a claim,” he says. “The administrator will cut a check to the employee, [who] then uses that money to pay their bill. That’s a common method for smaller employers, including law firms, to bring down the cost of the insurance.”

Other firms factor health insurance premium costs directly into employees’ pay.

When Hunter Garnett opened Garnett Patterson about a year and a half ago, he quickly discovered health care for himself, his wife and one employee would be his largest expense, other than payroll.

As the firm expanded, Garnett structured the growth to meter insurance-related costs. He utilizes offshore providers for tasks like paperwork — making an annual \$1,000-per-person payment to fund health insurance and other payroll-type costs for independent contractors he works with in the Philippines — and hires part-time employees when possible.

Two who currently work for him came on board with fairly inexpensive coverage they’d obtained through a cooperative-type plan; he’s since bumped up their hourly rate slightly to balance out what they pay.

“My office manager [works] 30 hours a week, so we didn’t even talk about benefits [when she was hired], because she’s not full-time,” Garnett says. “But when it came time for her first raise, she said basically, ‘Here’s how much my health insurance costs, and that’s what I want for a raise.’”

Personal injury firm Nadrich & Cohen has taken another approach to offset insurance costs. Since its 1990 start, the firm has paid 100% of its employees’ health insurance premiums.

While that may not be an option for all employers, in the wake of the COVID-19 pandemic highlighting the uncertainty that sudden sickness can present, firm Co-Founder Jeffrey Nadrich says job candidates — at law firms and other organizations — today generally expect a firm will at least offer some type of health coverage.

“It is the standard, as far as benefits packages are concerned in our industry,” Nadrich says. “Employees simply do not want to worry about what may happen if they become ill and need to seek medical attention. To obtain the best talent, any business owner needs to offer paid — either full or partial — health insurance to its employees. It is a cost of doing business in 2023.”

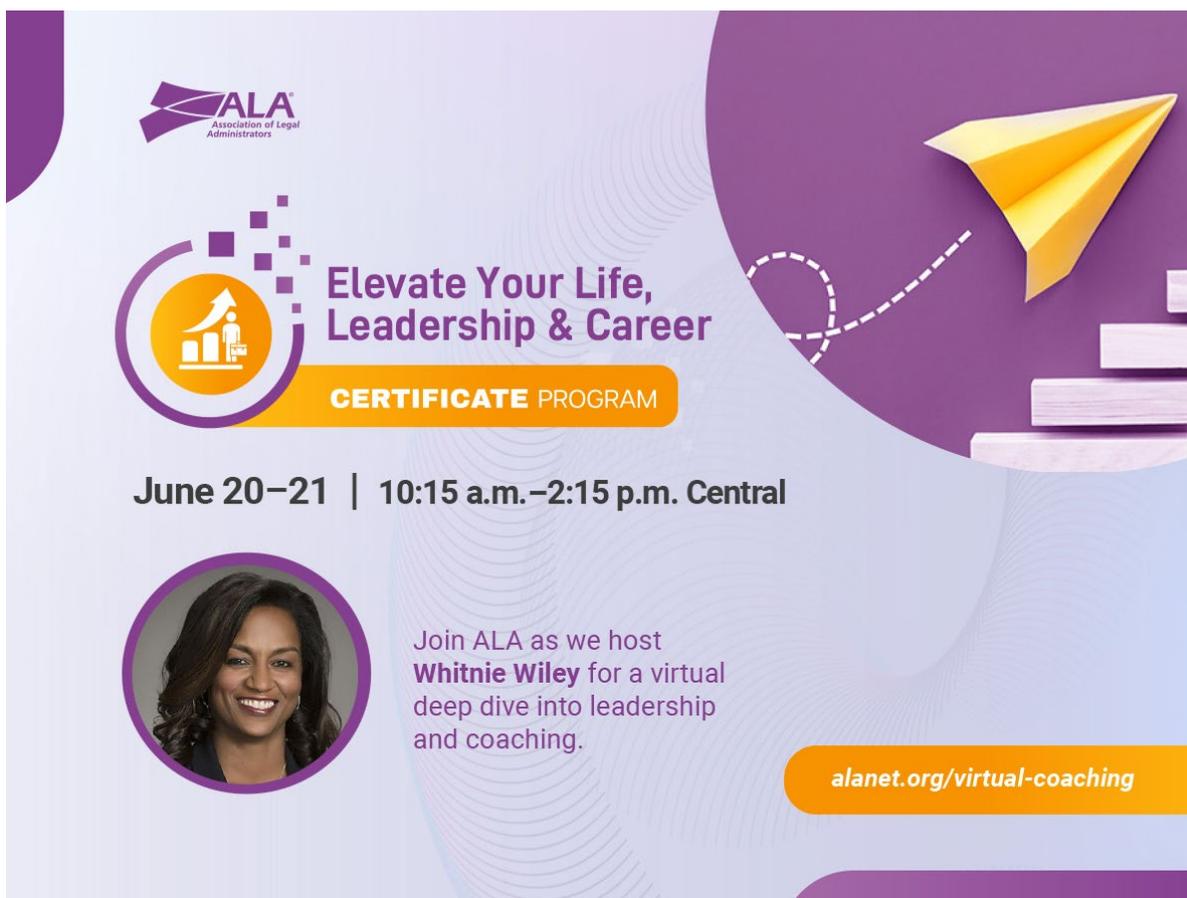
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The banner features a purple and orange color scheme. At the top left is the ALA logo (Association of Legal Administrators). In the center, there is a circular icon with a bar chart and an upward arrow, next to the text "Elevate Your Life, Leadership & Career" and "CERTIFICATE PROGRAM" in an orange box. Below this, the dates and times "June 20-21 | 10:15 a.m.-2:15 p.m. Central" are listed. On the left, a circular portrait of Whitnie Wiley is shown. To her right, text invites attendees to join ALA for a virtual deep dive into leadership and coaching. At the bottom right, a yellow button contains the URL alanet.org/virtual-coaching. The background includes a paper airplane and a stack of books.

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