CAU in the News

80 West Grand Street, Elizabeth, NJ 07202 908-354-3040 www.caunj.org

February 11, 2010

Nonprofit's director creates health insurance program for employees

By Susan Todd, The Star Ledger

Sidney Blanchard makes those guys in Washington, D.C., look bad. Blanchard, the executive director of the nonprofit Community Access Unlimited, managed to rein in the cost of providing his employees with health care more than 10 years ago.

"Eighty percent of the people who work at CAU are moderate income, minority single head of households,'' he said. "If we did nothing, it was obvious we would have to start cutting benefits and covering singles, not families.''

That was unacceptable to Blanchard, who started running CAU from his car in 1979. He eventually cut his ties to managed care and created a program of self-insurance. Some of his employees pay nothing for their health insurance, while others have monthly costs ranging from $100 to $250, depending on whether they have standard coverage for themselves or a more comprehensive plan covering their spouses and children.

"We are committed to helping the disabled become independent,'' Blanchard said. "We would be hypocrites if we didn't have that same commitment to our employees.''

While Congress takes another stab at reforming the nation's health care system, Blanchard is saving money. Last year, he spent about $1.4 million to provide health insurance to his 250 workers and their families. Being self-insured, he said, saved his organization close to $500,000.

In a recent interview, Blanchard explained his decision to be self-insured, the disadvantages — there are none, he said — and the reason it isn't a more popular choice for businesses.

Q. What drove Community Access Unlimited to set up its own health insurance coverage?
A. We're a social service, not-for-profit. Through the 1980s, we had regular health insurance coverage, major medical and hospitalization, for employees. Like everybody else, in the late 1980s, we started seeing high increases to maintain the same benefits. Managed care started coming into vogue. When we got a 30 percent increase for providing health insurance coverage (in 1989), I said enough is enough. I called in the auditors. I called in a health insurance bro

ker. I found one of the top attorneys in the area of not-for-profits, and I found an accounting firm with a specialist in health insurance and not-for-profits. I got everybody together, I got a big container of coffee and I said we're not going until we have a solution. We basically fired the insurance companies.

Q. Was the health care equivalent?
A. It's the same insurance.

Q. How does that work?
A. We hired a third-party administrator to handle all the claims. They put together a plan and they go out to the market to customize the network we're going to use. They purchase individual stop-loss and aggregate stop-loss insurance, which is the catastrophic coverage. If a family has claims of more than $75,000, that would be picked up by a separate insurance company. If the total claim exceeds a certain number, about $1.5 million, the catastrophic insurance kicks in. They'll also go out and negotiate our customized health insurance plan with third-party health insurance networks. The way health insurance works, no matter what company you use, the networks negotiate with health care providers. Our third-party administrator negotiates with networks that best fit our employees based on where they live. We get to customize what we're providing so that it best meets the needs of our employees. (And) we get reports on utilization. So, for example, drug prescription coverage normally bankrupts companies — huge costs occur traditionally. If there's suddenly some high utilization, a typical program won't necessarily see that. We're able to identify it and make a correction.

Q. So where, specifically, do you achieve the cost-saving?
A. We cut out the middle man, the health insurance companies themselves. We're paying just for the cost of the coverage of our employees.

Q. What prevents small businesses from doing something similar in order to rein in health care costs?
A. Some people have a fear of change. Some have insurance brokers on their boards. Some know of some story of a business that went to self-insurance and didn't have catastrophic. There is an accountability in taking control of your own destiny. To be in the self-insurance plan, you really need at least 50 employees. There's no good reason that companies with more than 50 employees couldn't get into this unless they have two or three years of horrendous benefit history. Once every five or six years, you should expect to have a bad year. If you've had two bad years in a row, I wouldn't advise getting into a self-insured program.

Q. Are there disadvantages to being self-insured?
A. I haven't found any.

Q. Why did you decide to make use of the federal government's Voluntary Employee Benefits Association?
A. In 1999, I pulled the same group of professionals together again. I wanted to know what happens if I'm not here, what was out there to institutionalize the process because it was working. The Internal Revenue Service created VEBA to allow for the creation of a separate not-for-profit for a company to run its own health care.
It was designed mostly for for-profit businesses. For nonprofits, the money that would normally be used to pay for major medical or hospitalization coverage goes into the VEBA and it is used for the benefit of employees. Unlike insurance companies that use that money to pay exorbitant salaries, we're able to take that money and buy better insurance for employees. Since we set up the VEBA, our annual increases have been about 3 percent. Going into 2010, the increase was zero. And I added benefits.