

## SEATS, INC. SHARES THE GAINS OF EMPLOYEES' HEALTH CHOICES



### Seats' Advice for Managing Health Costs

- > Access and analyze health care data through self-funding.
- > Share data with employees.
- > Explain how health decisions impact health costs and the organization's overall financial performance.
- > Adjust employees' share of costs to reflect significant cost shifts.
- > Participate in initiatives to improve health care quality.
- > Encourage employees to be proactive about wellness.

### Seats, Inc. Profile

Reedsburg, Wis.  
500 employees

Manufacturer of seating products for heavy-duty trucks, school buses and industrial vehicles

Self-funded health insurance since 1982

Employee gainsharing program since 1984

Member of The Alliance since 1994

Talking openly with employees about the impact of their health care decisions makes it possible to share the gains – and the costs – of health choices.

Seats, Inc., shares the benefits of workplace initiatives through its employee gainsharing program. As a result, the 500 employees of the Reedsburg, Wis.- based manufacturer of seating products understand that spending less on health care leaves more earnings to allocate to other forms of employee compensation.

### Understanding Cost Increases

Seats has been determined to improve its understanding of what drives health care costs since the early 1980s, when the company began experiencing health insurance premium increases of as much as 53% in a single year.

The company's executives wanted to learn more about what was driving those cost increases, but were continually frustrated by insurance companies' reluctance to share information.

"Every time we went to get a quote we were not successful in getting much information because we were pool-rated," says Jerry Ward, vice president of operations. "We knew our experience was better than we were getting credit for, but we could never get enough information."

Determined to gain access to detailed information about the health care industry as well as its own health care costs, Seats switched to a self-funded plan in 1982. At that time, it had just 80 employees.

Two years later, the company launched its gainsharing program. Over time, it became apparent that the bottom line was significantly impacted by health care costs.

"If we line up our cost of operations, our biggest expense is the material we use to build our product," Ward says. "Our second biggest line item is the cost of labor. Our third item is health care costs. We spend more on health care than on research and development, technology or administrative costs."

### Measuring Gains

Seats' gainsharing formula compares all current expenses and revenues for the current quarter to a historical model. Gains are then shared with employees in a quarterly payout that can reach as high as an extra 50 cents per hour, with an average payout that is the equivalent of 30 to 35 cents an hour.

Since health care costs are a major component of expenses, increases in health costs reduce the dollars that are available for gainsharing. Employees also feel the impact of health cost increases in the employees' contribution to health premiums, which are set at 30% of the company's cost per insured individual. If the actual costs fall outside a range of plus or minus 5% of the 30% target, the amount paid by the employee is adjusted in the following year.

*“Participating in The Alliance has helped Seats keep its cost per insured individual below national averages.”*

“If our costs go up, the employees' contribution the next year goes up,” Ward says. “If our costs go down, we then lower the employees' contribution the next year. We believe that's an integral part of getting employees involved. It allows us to stand up in front of our employees and say, “If you help us control health care costs, you are going to benefit!”

## Using The Alliance Approach

Communicating openly with employees is vital to gaining their cooperation. For Seats, good communication starts with good data that the company can use to educate employees.

The desire for better data led Seats to join The Alliance in 1994. Ward has been a member of The Alliance Board of Directors since 1999.

“We felt that to make wise decisions on how to purchase health care and how to design benefit plans, we needed good data,” Ward says. “The fact that The Alliance processes all its claims through its database allows us to get that. We felt it was critical.”

Participating in The Alliance has helped Seats keep its cost per insured individual below national averages. It also allows the company to participate in local initiatives to improve the quality of care. Finally, membership in The Alliance helps Seats discuss the drivers of health care costs with employees.

“A lot of what we've done is involving our employees by providing good information so they can make wise purchasing decisions,” Ward says.

“It's our opinion that there are dollars to be spent or saved by making simple decisions every day. For example, if I have an earache at 7 p.m. tonight, I have some choices to make. I can go to urgent care and pay one price for care. I can wait to get treatment until after 9 p.m., but then I have to go to the emergency room and I'll pay a higher price. Or if it's not urgent, I can wait until the doctor's office opens tomorrow and pay a lower price.”

Employees often share information about experiences with specific health care providers and how they handle health

care problems at employee “rap sessions,” a give-and-take discussion between management and employees about company initiatives. PowerPoint presentations and monthly newsletter articles also explore health issues.

## Becoming Proactive

In recent years, wellness initiatives reflect Seats' desire to be more proactive in controlling costs. While wellness participation is not directly tied to gainsharing, employees recognize that better health means lower costs.

“We've done a pretty good job of squeezing out costs,” Ward says. “Now we're focusing on trying to do things that will change utilization as a result of a healthier workforce.”

All employees are encouraged to participate in an annual, voluntary health risk assessment (HRA). Participation is rewarded with a \$50 deposit in the employee's tax-sheltered account for health expenditures, with another \$50 deposited if a spouse covered by the health plan also participates.

An on-site nurse evaluates the HRAs, helps participants interpret results, and makes referrals when needed. The nurse also works with participants to assess health problems.

An annual health fair provides on-site screening for blood pressure, cholesterol and other services. A summer walking program adds an element of fun by encouraging employees to track their virtual progress toward reaching a destination within 250 miles of Reedsburg, with prizes for those who reach the goal.

While it's too early to measure the outcome of these efforts, Seats believes continuing to invest in employee health will eventually produce bottom-line results that will benefit employees.

“Initially, an argument can be made that you're spending money on wellness without a measurable return,” Ward says. “But we believe it's like investing in a facility. You need to make the investment to ultimately gain the return.”



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