

Use Metrics to differentiate your approach to Health Care Expenses

Health care expense per full time equivalent (FTE) is calculated by taking all health care costs and dividing that number by the number of FTEs. Total health care expenses include employee and company-paid premiums, stop-loss insurance and administrative fees. These expenses do not include dental costs.

$$\text{Health care expense per FTE} = \frac{\text{Total health care expenses}}{\text{Number of full-time equivalents}}$$

For all industries, the average 2004 health care expense per FTE was \$4,750. Calculating the costs against all FTEs spreads out the health care expense for all employees, and therefore, this number is lower than if the expense was calculated for covered employees only. If prior year health care increases are any prediction, it is likely that double-digit increases in health care expenses will persist unless there are changes in the way employees and employers use and administer their health care benefits. Continued increases in health care costs are expected to be a significant concern because they bring higher structural costs that undercut U.S. competitiveness in the world economy.

Health care benefits are usually part of a larger set of employee benefits plans, such as paid leave, retirement, life insurance and disability insurance. Although part of an entire benefits package, health care coverage is a benefit that has the most influence on employee job satisfaction. For this reason, health care benefits can serve as an attractive recruitment and retention strategy. As industries compete for talent from the same applicant pool, benefits packages can be effective lures for top candidates, particularly when organizations have lower paying salaries but offer richer, more comprehensive health care plans.



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