

## How Trachte Used Self-Funding to Build a Better Health Plan



Trachte Building System's total cost for self-funding its employee health benefit plan has decreased every year since 2012. During that same period, its workforce has more than doubled.

Achieving and maintaining that success meant Trachte had to change almost everything about its health plan. The process began when Trachte learned that its first year of self-funding in 2010 resulted in a 46 percent increase in health care program costs.

### Early Missteps

Health care costs were going up every year when Trachte decided to self-fund its employee health benefit plan. Self-funding was expected to reverse that trend and produce savings. It didn't work that way.

"When we first went to a self-insurance program for health benefits in 2010, we saw the company's costs go up 46 percent," said CEO Jeff Burbach, who joined the company in October 2010. "Management had no idea what they were getting into. Nobody here knew anything about running a health care program, and nobody here had reasonable expectations of our outside resources."

Trachte's management first sought advice from the "outside resources" of its broker and third-party administrator (TPA). The "outside resources" proposed to solve Trachte's self-funding problem by charging enrollees more for coverage through higher premiums and out-of-pocket costs.

Trachte, which is fully owned by the Trachte Employee Stock Ownership Plan (ESOP), rejected that idea.

"When you're 100 percent ESOP-owned, you run the company for the employees," Burbach said. Just as important, transferring the costs would do nothing about managing overall health care costs.

"You have to be committed to reducing the cost of health care, not just pursuing a burden shift. Management also has to want to be intricately involved in designing and running a health care program. If management doesn't want to run the program, the company should not be self-insured."

### Trachte Building Systems Inc.

Based in Sun Prairie, Wis., Trachte has three lines of business:

1. Designing, engineering, fabricating, and erecting light gate steel building packages mainly used in self-storage facilities.
2. Making steel curtain doors, such as the doors used in self-storage facilities. The doors are also sold to door dealers, yard barn providers, carport providers, building material retailers, and other building companies.
3. Designing, engineering and fabricating public safety training buildings. These structures are used by fire departments, military, and law enforcement for training exercises that replicate real conditions.

## Essential Changes

As costs spiraled, Trachte asked its broker and TPA to sum up the cost control measures that were already part of the self-funded plan. There were none.

Standard claims screenings were not all being done. The “reasonable and customary” health care charges - used to determine what the plan would pay providers - were set based on current charges in the Sun Prairie zip code. In other words, whatever local health care providers charged was “reasonable and customary.”

Trachte’s leaders knew effective change was required. Those changes included:

- 1. Picking a new health benefits broker.** Initially Trachte asked for a new representative at its existing firm; over time, Trachte moved to a new firm with a more proactive approach.
- 2. Enlisting the TPA in making a series of changes** in how the health plan is designed and administered. Eventually, Trachte shifted to a TPA that had complete expertise in self-insured programs and better resources to guide employees to high-value care.
- 3. Using a 30-mile radius around Madison** as the basis for determining “reasonable and customary” charges.
- 4. Identifying high-value providers** for the top 25 procedures used by enrollees. High-value providers offer quality care at a lower cost, so enrollees’ out-of-pocket costs are set lower for these providers. When enrollees choose a provider who is not on the high-value list, they pay the difference in costs out-of-pocket. Trachte’s TPA provided a concierge service to guide enrollees to high-value care. As the Alliance has developed its programs to identify high-quality, reasonable-cost providers, this list of procedures has expanded.
- 5. Educating employees** about the impact of self-funding on the company’s bottom line, as well as their out-of-pocket costs. An annual health fair helps educate and/or remind employees of the concierge service as well as the company’s wellness program.
- 6. Getting the employees to have “skin in the game’.** Trachte created two healthcare plan options. One was designed along traditional healthcare plans with the normal premium, deductible, and copay structures. The other was a high deductible health plan (HDHP) with a health savings account (HSA). This is a straightforward plan that pegged the employee out of pocket costs at the same HSA funding annual maximum allowed by federal law, and the company matched employee contributions at 100 percent until the HSA was fully funded at the Federal limit. Over 90 percent of Trachte employees have chosen the high deductible plan with the HSA. Trachte and its broker has done an audit that has shown in all past cases, employees on the traditional health insurance plan would have been better off on the HDHP with the HSA and company match.

Burbach emphasizes the importance of finding a proactive broker and TPA willing to help an employer make the right changes.

“You get from a resource what you demand of it,” Burbach said.

“ We’re not interested in the company paying less and employees paying more.  
- Larry Pribyl, CFO



## Refining the Plan

Chief Financial Officer (CFO) Larry Pribyl said Trachte continued to refine its plan to encourage employees to become educated consumers. The goal is to help employees understand that they can change their health - and what they pay for health care.

“What we’re trying to do with our health plan is provide the design and features such that the employees are as healthy as we can possibly help them be,” Pribyl said.

“Basically Trachte, with the HDHP and company matching HSA in a big way, has its employees putting skin in the game,” Pribyl said. “All of a sudden, they’re spending their own money.”

## Pursuing Better Options

Concierge services are paired with advance utilization reviews to help employees make cost-effective provider choices. Trachte also offers programs that provide incentives for employees to use high-value care. One example is The Alliance’s *QualityPath* program that designates providers who meet quality measures and offer savings on selected services and tests.

Trachte also began to steer employees away from the emergency room (ER). Each time employees use the ER for a health care service that is later determined to be a non-emergency, the expense does not count against their deductible. Post-deductible charges are still covered under the health plan’s terms.

Trachte’s employee wellness program reinforces the importance of being a smart health care consumer, which includes taking care of your health before problems arise. Weekly premiums are waived for employees and spouses who participate in health

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- Jeff Burbach, CEO

screenings, and when recommended by the health screen results, touch base with a health coach once per quarter. An employee wellness committee helps Trachte select fitness activities to promote to employees.

Employees who combine the HDHP with HSA plan and the wellness incentive face a potential maximum out-of-pocket cost of \$3,500; many families have multiple plan years when they have little or no out-of-pocket costs while their HSA continues to grow. That helps Trachte use its health plan to recruit and retain its workforce in a tight labor market.

## Using Purchasing Power

Managing health care costs remains a focus. Trachte is now working with its broker to develop a program to identify employees who may be taking too many prescription medications. Burbach describes this effort as answering the question, “Is there anything to help me identify when I’m getting a medicine cabinet that looks like Elvis’s?”

The Alliance cooperative is another important tool for Trachte. Using the combined purchasing power of The Alliance’s 250 member-employers means Trachte pays significantly lower charges for employee health care. The Alliance also helps Trachte analyze its health plan data to understand how employees are using health care and where changes are needed.

Pribyl joined Trachte in 2012 and has been a member of The Alliance board since 2014, serving as board chairman in 2019. Taking part in Alliance leadership and attending Learning Circle events helps Pribyl and Trachte stay current on health care issues. That’s essential for making wise choices in a self-funded plan.

“You need context to manage a health care program,” Burbach noted.

Burbach adds that Trachte’s health plan turnaround was one piece of employee/owner engagement that played an essential role in improving the company’s bottom line. In 2010, Trachte sold \$30 million in products, and its cash flow was in the negative by \$1 million. In 2018, Trachte had more than tripled its sales and was a very profitable company. For the Trachte employees, the value of their ownership has increased from \$0 to large amounts paid during retirement.



## Bucking the Trend

Gaining health plan context enables Trachte to filter the advice it gets (from the resources it uses to help manage and administer its health care program) that runs counter to its goals as an ESOP-owned company. Those goals include helping employees use the health care that offers “the best chance of success,” Pribyl said.

Today, Trachte’s efforts rely on educating employees and their families, which include guiding them to high-value care; and offering an HDHP with HSA to encourage employees to be smart health care consumers.

“We’re not interested in the company paying less and employees paying more,” Pribyl said. “We’re very interested in employees getting high-value health care and staying well because if they stay well, that’s the best solution of all.”