

Board Source

Creating a Culture of Innovation with Employee Health Care

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Nonprofit boards play a critically important role in employee health insurance purchasing.

There is one incredibly important question you should be asking yourself and your leadership team at your next board meeting. Are our employee health benefits as equitable and valuable as they possibly can be for the amount of money spent on them?

Board members and leadership teams often shunt this question – and the whole process of choosing employee health care – to human resources departments, who are usually so busy that renewing plans year-after-year without exploration of alternatives often becomes the standard response. But passing the buck on this critical decision-making process is a significant missed opportunity for boards to be involved in one of the biggest financial spends a nonprofit makes each year.

According to the National Council of Nonprofits, "Board members are the fiduciaries who steer the organization towards a sustainable future by adopting sound, ethical, and legal governance and financial management policies, as well as by making sure the nonprofit has adequate resources to advance its mission." With employee health care benefits typically one of the largest spends of a nonprofit's overhead budget, board members have an ethical and fiduciary responsibility to be intimately involved in the process before signing off on budget approval. This becomes even more imperative when you consider the financial impact of productivity loss due to an employee's illness or injury, not to mention how crucial health benefits are in the recruitment and retention of talented staff. Did you know replacing a staff member can cost 20 percent or more of their annual salary? And that health care is ranked the number one most important benefit by employees across all industries when looking for a job or deciding to stay in their current position?

So the question really becomes: How am I, as a steward of this organization, ensuring that our health care benefits are as equitable and valuable as they possibly can be for the money we spend?

We need to start making employee healthcare purchasing a priority for our boards. No more shifting the responsibility in its entirety to HR managers. Instead we must create a new way to explore this major budgetary item utilizing the strengths of everyone on the leadership team – board members, CEO, CFO, COO, and HR – as one collaborative unit. This likely will require a major shift in thinking for every person involved, moving away from "This is how it is, I can't change it" to "This is how it is now, but how can I make it better?"

So how do we do it? How do we make employee health care purchasing an in-depth, creative, and collaborative process? Well, it starts with us, the board of directors. There is no doubt in my mind that board members need to be more proactive in understanding the ins and outs of employee health care and in driving these critically important conversations. This should be one of our

primary responsibilities each year. In fact, the government's health center program requirements mandate that FQHC boards be actively involved in benefits and salary decisions, and this should be no different for any other nonprofit. The initial conversation needs to happen among our group, in our meetings, with our CEOs – all with an open dialogue that creates an opportunity for discussion and further exploration. Some questions I have been thinking about and encourage my colleagues and peers to consider include:

As a board member, do I understand my role and authority with regard to making decisions about employee health care, and do I go beyond simply "rubber stamping" approval of this annual spend?

What do I believe my financial and ethical responsibility is regarding employee health care purchasing?

Are our employee benefits robust enough for what we are spending, or are we simply spending a large amount of money for lackluster services that don't meet employee needs?

What have we done to better understand employee needs when it comes to health care, and have we explored all possible insurance options that will meet these needs?

How has our broker encouraged us to think "out of the box" when it comes to meeting our employee health care needs, and what options have they presented beyond the status quo? You may not know it yet, but there is a world beyond the increasing costs and stagnant benefits of traditional fully-funded health insurance. Self-funding and partial self-funding are taking off among small-to-midsize organizations due to the cost-savings opportunities. Companies like

Collective Health, Zane Benefits, and Nonstop Administration and Insurance Services have created unique approaches to self-insurance – some designed specifically for nonprofits – allowing for premium savings and better support for employees. But knowing about and understanding these alternatives to traditional care won't happen unless our boards take a more active role in this process. Innovation starts with us.

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