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McGrory Glass, Inc. – Benefits Analysis

Part I: Benefits Matrix

Part II: Inventory of Benefits

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Part I: Benefits Matrix

Loss Exposure	Covered?	Coverage Benefit Provided
Medical Expenses		
Hospital/Physician	Yes	Keystone Direct POS, IBC Personal Choice PPO
Dental	Yes	Aetna Freedom of Choice
Vision	Yes	IBC Vision Program, Keystone Eyewear Benefit
Prescription	Yes	Select Drug Program through IBC and Keystone
Long Term Care	No	None
Retiree Health Care	Yes	Medicare, COBRA
Loss of Income due to Death		
Non-Accidental, Non-Occupational Death	Yes	MetLife Group Life, UNUM Voluntary Term Life, OASDI, 401(k)
Accidental Death	Yes	MetLife Group Life, UNUM Voluntary Term Life, OASDI, AD&D, 401(k)
Occupational Death	Yes	MetLife Group Life, UNUM Voluntary Term Life, OASDI, AD&D, Workers Compensation, 401(k)
Loss of Income due to Unemployment		
Unemployment	Yes	New Jersey Unemployment Insurance
Loss of Income due to Disability		
Short-Term, Non-Occupational	Yes	STD through UNUM and state of NJ, AD&D, OASDI, Medical LOA, Paid Time Off/Sick Leave
Long-Term, Non-Occupational	Yes	MetLife LTD, OASDI, AD&D, Medical LOA
Short-Term, Occupational	Yes	Workers Compensation, AD&D, OASDI, Paid Time Off/Sick Leave
Long-Term, Occupational	Yes	Workers Compensation, MetLife LTD, AD&D, OASDI
Loss of Income due to Retirement		
Retirement	Yes	401(k), OASDI
Other Exposures		
Educational Assistance	Yes	Tuition Reimbursement Program
Work/Life Exposures	Yes	Employee Assistance Program (EAP), Travel Assistance Program, Family Leave, Smoking Cessation Program, Jury Duty Pay, Work Clothes and Work Boots reimbursement
Dependent Care	Yes	Childcare and Eldercare Assistance through EAP
Property-Liability	Yes	Professional Liability Coverage just for top management
Legal Expenses	No	None

Part II: Summary of Benefits				
Benefit Plan	A.M. Best Rating	Financing	Funding	Eligibility Office/Sales EE's*
Keystone Direct POS 3	NR	Contributory	Fully Insured	Employees and dependents eligible 1st of month after date of hire**
IBC Personal Choice PPO 3	NR	Contributory	Fully-Insured	Employee and dependents are eligible 1st of month after date of hire**
Aetna Freedom of Choice Dental	A (Excellent)	Contributory	Fully-Insured	Employee and dependents are eligible 1st of month after date of hire**
Keystone Eyewear Benefit	NR	Contributory	Fully-Insured	Employee and dependents are eligible 1st of month after date of hire**
IBC Vision Program	NR	Contributory	Fully-Insured	Employee and dependents are eligible 1st of month after date of hire**
Keystone Select Drug Program	NR	Contributory	Fully-Insured	Employees and dependents eligible 1st of month after date of hire**
MetLife Group Life and AD&D	A+ (Superior)	Non-Contributory	Fully-Insured	Employees eligible 1st of month after date of hire**
UNUM Term Life Insurance and AD&D	A (Excellent)	Employee-Pay-All	Fully-Insured	All employees working at least 35 hours each week in active employment, and their eligible spouses and children (up to age 19, or to 26 if they are full-time students)
UNUM Short Term Disability	A (Excellent)	Employee-Pay-All	Fully-Insured	All employees must be employed at least 6 months to be eligible, and are eligible at open-enrollment in November.
Zenith Workers Compensation	A (Excellent)	Non-Contributory	Fully-Insured	Employees are eligible upon date of hire
Family and Medical LOA		Non-Contributory	Fully-Insured	Employees are eligible when after they have worked 1,000 or more during the preceding 12 months
Paid Time Off/Sick Leave	N/A	Non-Contributory	Self-Insured	Employees are eligible to receive 12 days of paid time off if they have been employed for less than 5 years, and are granted 5 more days for every additional 5 years with the company (capped at 4 weeks)
MetLife Long Term Disability	A+ (Superior)	Non-Contributory	Fully-Insured	Employees are eligible 1st of the month after date of hire**
MetLife Employee Assistance Program (EAP)	N/A	Non-Contributory	Fully-Insured	Employees are eligible 1st of the month after date of hire**
Principal Financial Group 401(k) Plan	A+ (Superior)	Contributory	Fully-Insured	Employees 21 years of age or older must have completed 1 year of employment with 1,000 hours
Travel Assistance Program	N/A	Non-Contributory	Fully-Insured	Employees are eligible 1st of the month after date of hire**

*** McGrory Glass, Inc. currently only employs full-time employees who are categorized by office/sales and manufacturing employees**. **Eligibility for Manufacturing EE's is 1st of month after 2 full months of employment.

Inventory of Benefits

Introduction to the Healthcare Plan

McGrory Glass, Inc. offers a collection of employee benefits to its active full-time employees, spouses, and their dependents. Full-time employees are separated into office/sales employees and manufacturing employees. Eligible dependents are defined as legally married spouses and legally dependent children up to age 19 or 26 if considered full-time students. In the state of New Jersey, same sex marriage is legal, and therefore McGrory recognizes same-sex spouses as dependents. Office and sales employees must wait until the first of the month following their date of hire for plan eligibility, whereas manufacturing employees must wait until the first of the month after being employed for two months to be eligible.

Medical Expenses

Keystone Direct POS, Independence Blue Cross Personal Choice PPO

To cover medical expenses, employees are offered a choice between a Keystone Direct POS plan and an Independence Blue Cross Personal Choice PPO, which are both fully-insured and financed on a contributory basis. McGrory contributes approximately 90% of their health plan costs, leaving the employee accountable for roughly a 10% contribution. The PPO does not require employees to choose a primary care physician or obtain referrals, and gives the opportunity to maximize coverage by accessing care through Personal Choice's network of hospitals, doctors, and specialists, or by accessing care through preferred providers in the Blue Card PPO program. The POS plan requires employees to pick a primary care provider and referrals are mandatory for routine radiology/diagnostic, podiatry, spinal manipulation, and physical/occupational therapy. Employees are able to maximize their coverage if they access care from a Keystone participating provider, but are also able to access care from a physician who doesn't participate in the network but results in higher out of pocket costs for the employees. Out of network coverage for both plans feature a $500 deductible for the employee alone or a $1,500 family deductible following that the plans pay 70%. Out of pocket maximum is $3,000 for the employee and $9,000 for a family.

Dental and Vision Coverage

Full-time employees and their dependents are given the options of dental and vision coverage both paid on contributory basis. Dental insurance is offered through Aetna Freedom of Choice, and employees are required to contribute 25% of the plan's costs, with the employer covering the remaining 75%. Vision coverage is covered through the Keystone Direct POS and the IBC Personal Choice PPO. The Keystone Direct Eyewear Benefit option reimburses employees and their dependents $100 annually for eyeglasses including spectacle lenses and frames at participating and nonparticipating providers, and contact lenses. The Personal Choice Vision Program option includes all of the coverage in the Eyewear Benefit program, in addition to any eye exams required.

Prescription Drug Coverage

Both the Personal Choice PPO and Keystone Direct HMO offer the Select Drug Program, but the coverage is identical. The member cost sharing is as follows:

Member Cost Sharing for Prescription Drugs

	Retail Pharmacy	Mail Order Pharmacy
Generic Formulary	$10 Copayment	$10 Copayment (1-30 Day Supply)*
Brand Formulary	$20 Copayment	$20 Copayment (1-30 Day Supply)*
Non-Formulary Brand	$35 Copayment	$35 Copayment (1-30 Day Supply)*
***EE can double the copayment to double the supply by mail order only**		

Loss of Income: Death

MetLife Group Life and AD&D, UNUM Voluntary Term Life and AD&D, Principal Financial Group 401(k) Plan

The MetLife Group Life and AD&D offered to employees is fully-insured and financed on a non-contributory basis, with a benefit amount of $35,000 Life and $35,000 AD&D for manufacturing employees, $100,000 Life and $100,000 AD&D for office/sales employees, and $250,000 Life and $250,000 AD&D for owners. The UNUM Voluntary Term Life and AD&D is financed on an employee-pay-all basis, and offers benefit amounts up to 5 times salary in increments of $10,000 for employees. For spouses, coverage is up to 100% of employee amount in increments of $5,000, and coverage for children is up to 100% of employee amount in increments of $2,000. UNUM coverage is not to exceed $500,000 for any of the previous three coverage options. If the employee dies, any 401(k) contributions will be awarded to eligible dependents. Details of employee contributions will be explained in the Loss of Income: Retirement section.

Loss of Income: Disability

UNUM Voluntary STD, STD through state of NJ, MetLife Long Term Disability

UNUM Voluntary STD covers 24 hour sickness and non-occupational accidents only, and also offers accident coverage for specified injury and catastrophic injury benefits. In STD offered through the state of NJ, employees contribute .38% of their taxable wage base, with a maximum yearly deduction of $119.70. If eligible, employees will be paid two-thirds average weekly wage up to a maximum amount of $595. McGrory offers long term disability coverage through MetLife Insurance Company to employees on a non-contributory basis. The benefit is 60% of monthly earnings to a maximum benefit $5,000.

Paid Time Off/Sick Leave, Family and Medical Leave of Absence

Paid Time Off/Sick Leave is self-insured and non-contributory, with eligibility requirements as seen above in the Part II table. Family and Medical Leave of Absence is financed through payroll deductions from the state of NJ, and each worker contributes .08% of their taxable salary. The maximum yearly deduction is $24.24. McGrory requires employees to exhaust any paid time off prior to filing for LOA insurance, and employees may receive two-thirds of average weekly wages, up to $572 for six weeks in a 12 month period.

Loss of Income: Retirement

Principal Financial Group 401(k) Plan

Employees eligible to contribute to the Principal Financial Group 401(k) plan can do so on a pre-tax basis, deducted weekly from their paycheck. An employee may contribute 1 to 15% of his or her pay, and McGrory will match the first 4% of employee contribution 100% through salary deferral. In the event of retirement, the employee's savings from this account will be accessible.

Other Work/Life Exposures

Employee Assistance Program (EAP), Travel Assistance Program

The Employee Assistance Program offers employees and eligible dependents three consultations with a licensed clinician per incident, per individual, per calendar year. Such consultations include financial services, child and elder care assistance, identity theft recovery services, legal services, and daily living services. These consultations can be done through telephone, web-video, or in person appointments. The Travel Assistance Program offers world-wide medical, travel, concierge, and financial assistance services 24 hours a day to mitigate employee travel issues ranging from lost prescription drug refills to dinner reservations. Both programs are offered through MetLife as an endorsement to the group life insurance programs.

Tuition Reimbursement Program, Jury Duty Pay, and Work Clothes/Boot Reimbursement, Smoking Cessation Program

The Tuition Reimbursement Program offered to employees has a maximum reimbursement of $5,250 per year. McGrory offers employees absent for Jury Duty full compensation for up to two weeks. Manufacturing employees are offered work uniforms annually, including 5 tee shirts, 5 pairs of work pants, and a work jacket or sweatshirt, and reimbursement up to $80/year for work boots. Employees are also offered a Smoking Cessation Program free of charge.

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McGrory Glass, Inc. – Benefits Analysis

Part III: Analysis of Decision-Making and Plan Design

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Introduction

McGrory Glass Incorporated is a leading specialty glass fabricator and consultant to the Architectural glass industry. This family owned and operated company was founded in 1984 in Chester, PA but as the company grew it required more space, moving to Aston, PA in 1996. In 2008, McGrory made a final move to Paulsboro, New Jersey where they currently have one of the largest architectural glass show cases in the United States. They offer a wide assortment of imported decorative, patterned, laminated, and radiation-shielding glass. McGrory proudly represents products from companies such as Technical Glass Products, Glas-Trosch, Laminators, Inc., and Corning X-Ray Glass. McGrory Glass employs over 60 employees who have a generous employee benefit package designed and implemented by their Human Resource Manager, Marianne Rafter. She took over the job when the founders John and Mary McGrory passed away in 2011 and 2009, respectively. Since establishment, the owners held employee's health and well-being as a top priority. The company has developed rapidly, and their employee benefits plan has grown into the comprehensive package offered today.

Overall Design Objectives and Considerations for Employee Benefits

Rafter works closely with her insurance brokers from DNE Benefits and WGB Incorporated to fulfill the legacy of offering a high quality employee benefit plan to attract and retain the best sales and manufacturing employees in the glass industry. McGrory has implemented two main strategies in their employee benefit plan design. The most important objective is to keep employees healthy and satisfied because they feel it will be reciprocated by successful productivity and loyalty to their corporation. The second objective of their plan design is to offer a superior benefit package to any other glass companies in the industry. The company holds these two objectives in much higher regard than containing costs through their benefit design, which puts them a step ahead of their competitors in the glass industry. Based on these strategies, the brokers were chosen because they compiled the most sufficient employee benefit options while offering personal assistance with any claim occurrence or regulatory changes that employee benefits so regularly experience. Rafter reported that her broker's availability and willingness to assist her personally was vital in her brokerage choice.

When designing the employee benefit plan, the most important factor to consider is the employees being serviced. At McGrory, the benefit plan is accessed by 31 single employees, 27 with families, 3 with spouses, and 5 employees with children. This group is categorized by those holding sales positions and those holding manufacturing positions. Generally, those in the sales department are older and have more children, subsequently utilizing more medical services than those in manufacturing. With the help of her brokers, Rafter continually analyzes the demographics of the employees, surveys desire for new benefits being offered, and employs benchmarking to ensure that McGrory is offering a superior benefit package than their competitors. To confirm that they are receiving the best rates, Rafter submits requests for proposals quarterly, and uses the bids received to make sure the plan currently implemented is the most cost effective.

Considerations and Design of Health Benefits

Funding/Financing Considerations

In the 30 years McGrory Glass, Inc. has been in existence, the company has offered their medical benefit plans through the Blue Cross and Blue Shield Organization. Rafter states that her reasoning behind this is the Blues' reliability and their ability to provide great coverage for an affordable price. Historically the company offered their medical benefit on a completely non-contributory basis, which is consistent with their overall plan strategy to take care of their employees to the best of their ability. However, employees with spouses often enrolled in both McGrory's medical plan in addition to their spouse's medical plan. Rafter explained that this overutilization was unfair to the company, because they paid for the spouses that had access to medical coverage through their own employers. The company implemented this non-contributory plan up until 5 years ago, when they found that they could have avoided paying claims with overlapping coverage. This overutilization led to premium increases, which were becoming too expensive to endure as the sole contributor. Originally it cost under $100 to insure single employees for healthcare and $400-500 for a family to be covered, whereas the number of children did not affect the premium. Those prices increased to nearly $600 for a single employee and $1,500 for a family, which was when Rafter made the decision to introduce cost sharing. McGrory implemented an employee contribution approach which originally required the employee to pay 5-8% of their total cost of medical coverage, and decided that rate would increase as the company's rate increases. In the past five years, however, the company experienced rate increases that Rafter explained were too large to burden their employees with. They vowed to keep the employee cost sharing below 10% because their ultimate goal was only to discourage overutilization of their health plan.

Medical Plan Implementation

They currently offer a Personal Choice PPO through Independence Blue Cross and a POS-style HMO through Keystone Direct to both their office and manufacturing employees. Until five years ago when the company implemented cost sharing, McGrory only offered the PPO to insure their employees with the best care available. But upon moving to a contributory plan, the company needed to add an option to employees who were not willing to pay for the PPO. Rafter went to her broker at this time to with her dilemma, and the two devised the POS-HMO option. The POS offered more cost effective coverage to those who needed it without sacrificing the company's dedication to caring for their employees. The PPO option was still available for those willing to pay for the highest quality comprehensive plan, but Rafter and her broker tackled the problem of variety by offering the more cost effective POS.

Design of Vision, Prescription Drug, and Dental Coverage

Through these two plans, Rafter also was able to offer employees vision and prescription drug coverage. Rafter only had the option to offer or not offer this benefit through BCBS, and chose to stay with Blues coverage for the convenience and reliability. Rafter explained that prescription drugs were not always offered through BCBS. Originally, they utilized independent companies to take advantage of controlling costs through a Pharmacy Benefits Manager, and received the benefit of being able to negotiate and collect rebates based on the use of formularies . As the company grew, however, it became less cost effective and they switched to the Blue Cross prescription plan. Coverage for both vision and prescription drugs are standardized through BCBS, which left no room for negotiation. Rafter expressed her interest in controlling costs through the Pharmacy Benefit Manager and discounts on formulary drugs only to be disappointed by the plan's inflexibility. But, continuing to utilize their independent drug company would have yielded much higher costs, making the inflexibility presented through BCBS a more plausible option for the company.

Aside from these benefits, McGrory made the decision recently to offer dental coverage through Aetna due to the overwhelming requests for this benefit through the benefit plan surveys conducted. Rafter's broker explained to her that dental coverage through Blue Cross was inadequate for the cost, which is why she chose to use Aetna Freedom of Choice. Although Aetna's rates are better for McGrory, they are switching to MetLife's dental plan because Aetna lacks effective administrative ability. The switch will save the company time and money because they are already covered through MetLife for other forms of insurance.

Considerations and Design of Life, AD&D, and Disability Insurance

Historically, McGrory offered their life insurance and AD&D on a non-contributory basis through UNUM Insurance Group, and used the same DNE Benefits broker as their medical coverage. The premium for this insurance was based primarily on the median age of the employees being covered. Rafter explained that after the death of the owners, she was informed by another broker that their life insurance could be supplied at a much cheaper price because of the substantial decrease in median age. This knowledge resulted in another request for proposal for life insurance, but was through this WGB Inc., broker. This broker found the same coverage at MetLife Insurance at a 100% rate decrease, and Rafter switched brokers and placed the coverage through MetLife. She now uses this broker for all disability and worker's compensation insurance, because he is more actively involved in "shopping around" for cheaper rates. Their group life, long term disability, and AD&D through Met-Life is offered as a non-contributory benefit, because it is relatively inexpensive and extremely underused. Rafter explained that although there are opportunities to increase the limits for life insurance, she wanted to offer a minimum level of coverage for those who do not find it important. Since the retention rate is much lower for manufacturing than sales/office employees, their limits for life insurance under MetLife are lower and the eligibility requirements are stricter. The amount of work involved with enrolling these employees with the possibility of them quitting a month later was extremely inefficient, so the eligibility requirement is stricter to weed out those not serious about the job. McGrory has never faced discriminatory issues with this section of plan design because the longer waiting period for manufacturing employees is only in place to address the administrative hassle caused by their low retention rate.

Considerations of Voluntary Options

McGrory also offers a voluntary option for life insurance and AD&D through UNUM Insurance, and this is because Rafter feels that most of the world is underinsured in this category. She explained that although it is too costly for the company to cover high life insurance limits, she wanted as much coverage possible to be available for those who wanted it. As for the long term disability through MetLife, Rafter explained that she offers this on a non-contributory basis because her employees would not seek the coverage otherwise, much like life insurance. She said her and the broker decided on this benefit paying 60% of the employee's salary because it is a sufficient amount to survive while recovering, and that Social Security normally covers this more extensively in the result of a longer-term or lifetime disability. Short term disability is federally mandated for companies with more than 50 employees, and they offer it voluntarily through UNUM because it is cheaper than paying the tax through the state of New Jersey. Worker's Compensation is fully-insured through Zenith Insurance with a much stricter protocol. Since the company is in the glass industry, their premiums are expensive due to the high risk of accidents .Rafter explained that McGrory has a “Return to Work” program that will create less strenuous jobs for those out on worker’s compensation, because the company does whatever they can to get their employees off of Workers Compensation and back to work.

Other Benefits

McGrory offers a 401(k) retirement savings plan through Principal Financial group, implemented after moving to Aston because it was highly recommended by their brokers. By choosing a 4% matching contribution rate, Rafter explained that this was a key benefit to retain their employees. There are also no discriminatory issues in this plan because all employees are subject to the same conditions and contributions.

Impact of Federal Regulation on Benefit Design

McGrory complies with requirements under ERISA, such as satisfying the communication requirements by issuing required forms in a timely fashion, such as the Summary Plan Description, Summary of Benefits and Coverage, and the Summary of Materials and Modifications. Under both ERISA and the ACA, McGrory successfully communicates all benefit details by mailing hard-copies to employees’ homes and having them readily accessible at company headquarters.

The Affordable Care Act is creating tidal waves in terms of regulatory requirements cost increases for McGrory’s employee benefit plan. Rafter expressed extreme concern with the new rating system implemented by ACA, especially in terms of their health plan’s cost increases. The Affordable Care Act requires employees to be community rated geographically and by age as opposed to experience rated, which will dramatically increase the cost of health coverage for the company. Rafter feels that these increases will eventually eliminate any chance of health coverage being offered by employers. She fears that the act will push all employees into the public marketplaces in hopes to receive affordable health care, which will undermine all the hard work and time that employers have put into employee benefit plan design. It is human nature to fear the unknown, and the Affordable Care Act creates incredibly unknown circumstances. She explained that due to the size of this act that insurance companies, brokers, and employers have little chance to learn enough about it to make remotely educated decisions. In the wake of the huge rate increases, the company is probably going to restructure their health benefits. She discussed the possibility of self-funding medical coverage with her broker but they decided the company was too small and too young to cover their employee's needs sufficiently. They also discussed offering four separate PPO and four POS options, all with different employee contributions and in/out of network coverage limits. This is the only way McGrory can help their employees mitigate the huge rate increases. It provides more flexibility in terms of cost/benefit analysis for employees. Essentially with more plans available, employees can tailor their coverage based on their perceived loss exposures. The more employees feel they will use medical services, the more they will be willing to pay out-of-pocket.

Conclusion and Recommendations

McGrory Glass, Inc. offers a comprehensive package of benefits to their employees that is more extensive than competitors' plans, and has successfully continued the company legacy of keeping their employees' health and well-being as the top priority. They are successful in complying with implemented regulation, and may have more viable options to choose from as the Affordable Care Act continues to roll out additional requirements into the future. As the ACA matures, the health care plan costs are only going to increase for employers. Although their new health plan idea would offer a broader range of sufficient coverage options, it may not transfer enough cost to the employees. It is in McGrory's best interest to either increase the cost sharing limits for these plans or implement Consumer Driven Health Plan options to encourage consumerism for their employees. Although McGrory's strategy has not considered cost contamination heavily, health care inflation is not going away and the company needs to shift more financing onto their employees to effectively plan for rising costs. As the company grows and becomes more comfortable with sharing more costs, consideration for self-insuring worker's compensation and health care coverage should become more realistic options. This would eliminate the extra costs paid to insurers for plan implementation. McGrory offers a generous benefit package to their employees, but with rising health care costs it might be too expensive to keep the business from suffering financially.

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Thank You Letter

from: Nick Ondo <tud14029@temple.edu>
to: Marianne Rafter <Marianne@mcgrory.com>
date: Mon, May 5, 2014 at 3:47 PM
subject: Thank You So Much

Dear Mrs. Marianne Rafter,

Our project is now complete and there is absolutely no way we could have done it without you. Thank you so much for taking the time out of your busy schedule to meet with us over the past two weeks and answer our questions. You've offered such incredible help with any of our requests and have made this experience very smooth. Dan and I are very appreciative of everything you've done for us. We loved learning so much about your company and your thorough knowledge is something we look to emulate in our own professional careers. Thank you again for your ability to help us, we truly couldn't have done it without you!

Sincerely,

Nick and Dan