

CUSTOMER SUCCESS STORY

Air Comfort takes a consumer-driven approach, reduces benefits costs by 20 percent

GREAT-WEST HEALTHCARE



COMPANY PROFILE

Air Comfort Inc. is a commercial, residential and geothermal heating, ventilation and air conditioning (HVAC) contractor located in Fort Collins, Colo. Since 1995, the full-service company has outfitted residential and commercial customers throughout Northern Colorado with a range of products, including furnaces, air conditioning, humidifiers and custom ductwork. In addition to service and support of traditional heating and cooling systems, Air Comfort brings expertise in environmentally friendly geothermal systems, an efficient, renewable energy source that reduces costs.

"We've had minimal renewal increases with Great-West Healthcare because we've been able to trim benefits people weren't using, so now we have a well-crafted, tailored plan that hits the needs of employees without unduly cutting benefits."

Randy Fraser, Controller, Air Comfort

BENEFIT NEEDS

Rapid growth in Fort Collins – marked by significant new construction – has spurred considerable expansion at Air Comfort. Yet with more job opportunities in the community, attracting and retaining skilled employees has become a top priority and challenge for the company.

In 2001, Air Comfort found it increasingly tough to balance comprehensive employee benefits with rising costs. At the time, the company's HMO provider announced renewal rate increases of 60 to 70 percent – a huge hit for the small company.

Customer:

Air Comfort, Inc.

Employees:

68

Benefit needs:

- Facing renewal increases of 60 to 70 percent with its previous HMO provider, Air Comfort found it increasingly tough to balance comprehensive employee benefits with rising costs

Our solution:

- The first year with Great-West Healthcare Consumer AdvantageSM, Air Comfort saved approximately \$20,000 over what it would have spent through its previous carrier, representing 20 percent of the company's total benefits spending
- The latest renewal increase came in at just 7 percent, compared to projected increases of 60 to 70 percent with the company's previous HMO
- Detailed reports let the company pinpoint areas where it can adjust the plan to better meet employee needs and further reduce costs



AIR COMFORT

Though Air Comfort employees generally liked their benefits from the HMO, neither they nor Air Comfort could afford an increase of that size.

OUR ADVANTAGE

Air Comfort immediately met with its broker, Suzanne Morine, to explore other options. Understanding the company's goals, the broker presented a few that would best meet Air Comfort's needs. Ultimately, the company selected a self-funded PPO plan with stop-loss protection from Great-West Healthcare, now part of CIGNA, that would keep costs closer to current levels while still allowing the company to offer an attractive plan.

With self-funding, instead of paying set premiums, the company would set funds aside to cover actual claims each month up to a set stop-loss amount. At the same time, the new plan moved Air Comfort a step closer to a co-insurance model, with employees sharing more in health care costs. However, employees embraced the switch from an HMO to a nongatekeeper PPO because the number and costs of office visits would go down without the need to get referrals from their primary care doctors.

The self-funded, consumer-driven plan delivered as expected. Air Comfort saved about \$8,000 on total plan expenses in the first year and saw renewal increases of just 5 to 8 percent each year over the following three years.

ENGAGING EMPLOYEES IN CHOICES, COSTS

On the heels of that initial success, the company added another option for employees – the Great-West Healthcare Consumer Advantage plan, a consumer-driven PPO. With the plan, employees truly share in the costs of their health care, encouraging them to make more informed care and coverage decisions – which typically means lower costs for those enrolled in the plan. In fact, employees enrolled in Great-West Healthcare Consumer Advantage nationwide pay roughly

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30 percent less in premiums compared to a traditional PPO plan.¹

According to Randy Fraser, controller at Air Comfort, Great-West Healthcare's Consumer Advantage consumer-driven approach was a key factor in the company's decision to add it as an option.

"We wanted employees to be involved in the process and realize where costs come from," Fraser explained. "We wanted to say, 'If you want to save money, you can be involved with your health care decisions.'"

To help employees make decisions that will lower their costs and costs to the employer, Air Comfort educates the staff in quarterly and annual meetings about the two plans. With new awareness about the connection between health care costs and their decisions, employees now think about their coverage and health care needs and make better choices.

For example, some employees who had double coverage through a spouse's insurance dropped out of Air Comfort's plan. Others have chosen to use urgent care clinics rather than the emergency room because they only pay a copay for those visits, compared to 60 percent of the total cost for emergency

room visits. As a result, Air Comfort's total emergency room use dropped from five visits to just one over the course of one year.

EMPLOYEES EMBRACE CONSUMER ADVANTAGE

So far, 60 percent of employees are enrolled in the Great-West Healthcare Consumer Advantage plan, which has lowered costs for both Air Comfort and employees. In the plan's first year, Air Comfort spent about \$20,000 less than it would have with its previous carrier, representing 20 percent of the company's total benefits spending. The latest renewal increase came in at just 7 percent.

With minimal increases the past few years, Air Comfort was able to keep employee rates the same for both health plans at their 2005 renewal, which went over well with employees. Fraser largely attributes the savings to the consumer-driven model.

"Great-West Healthcare Consumer Advantage really made our plan healthier and made people think about their coverage," Fraser said. "It's been a good educational process for all employees to get involved and realize their involvement is driving the cost."

DETAILED REPORTING, SIMPLIFIED ADMINISTRATION

Fraser also appreciates other aspects of working with Great-West Healthcare, now part of CIGNA. Every month, the company receives detailed reports, allowing it to track claims levels and covered employees, and plan accordingly. Based on the reports, the company's Great-West Healthcare account manager helps Air Comfort identify areas where it can easily change coverage to reduce costs, while still keeping employees happy.

"With reporting, we can see right away where claims are coming from," Fraser said. "We're able to consolidate that information to give a concise picture to the owners and say, 'Here's what we did well, here's where costs come from and here are places to make changes and save.' We've had minimal renewal increases with Great-West Healthcare because we've been able to trim benefits people weren't using, so now we have a well-crafted, tailored plan that hits the needs of employees without unduly cutting benefits."

Compared to the company's previous provider, which Fraser calls "a nightmare" to administer, the ease of managing benefits through Great-West Healthcare frees Fraser to focus on other aspects of his job. He can add or remove employees easily online. Plus, employees now look up information online, such as local providers, rather than calling Fraser. "It really makes me a lot more effective and more productive in other areas for the company," he said. ■

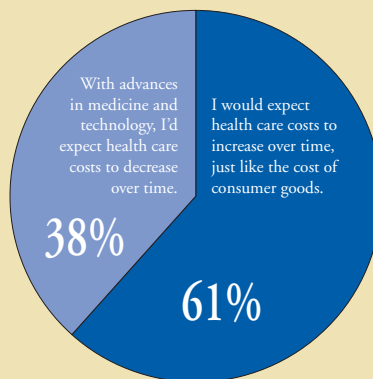
¹ Great-West Healthcare research

PREDICTIONS FOR FUTURE HEALTH CARE COSTS

Which ONE of these two statements BEST describes you?

Sixty-one percent expect health care costs to increase over time, just like consumer goods, such as gasoline and a movie ticket.

Source: Great-West Healthcare research survey, July, 2005



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