

Contribution PHILOSOPHIES

Methods of Cost Sharing

% OF PREMIUM

Employer and Employee contribute a fixed percent of premium. *Example: Employer pays 80% and Employee pays 20%*

PRO

Each employee bears same proportion of cost

Once set, percentage may not have to change in future years

CON

Cost of family premiums may be prohibitive

Set percentages may not keep pace with premium increases

TIERED DOLLAR

Employee contributes a fixed dollar amount based on family size, regardless of premium.

Example: Employee pays \$100 for single, \$200 for 2-party, or \$400 for family. Employer pays remainder of premium.

PRO

Employees pay based on family size

Perceived by employees as fair

CON

All employees do not share cost equally

Payroll deductions may not keep pace with premium increases

EMPLOYER FLAT DOLLAR CAP

Employer contributes a fixed dollar amount regardless of premium or family size. *Example: Employer pays up to \$500, Employee pays remainder of premium. (Can also be applied to dependent coverage only.)*

PRO

Employer pays the same maximum amount for each employee's coverage

CON

If the cap is not adjusted regularly, the employee pays an ever increasing share of the premium. Employees will typically migrate to the lowest cost plan which may create an adverse selection and lead to a "death spiral" for the other plan.

EMPLOYEE FLAT DOLLAR

Employee contributes a fixed dollar amount regardless of premium or family size. *Example: Employee pays \$250, Employer pays remainder of premium. (Can also be applied to dependent coverage only.)*

PRO

Each employee pays same amount for coverage

Simple and easy to explain

CON

Employees with families receive greater value

Payroll deductions may not keep pace with premium increases