

CUSTOMER SUCCESS STORY

Mattress Firm rests easier: consumer-driven plan scores with employees while saving employer up to \$75,000 annually



NEW IDEAS FROM THE FRONTIER OF HEALTH CARE SM

Great-West[®]
HEALTHCARE

COMPANY PROFILE

Founded in 1986, The Mattress Firm entered the retail market with its first store in Houston, Tex. Today, the company is one of the leading specialty retailers of conventional bedding with more than 300 stores coast to coast. Mattress Firm attributes its success to unmatched professional service to customers and a stimulating, family-oriented culture for employees. The 24 Mattress Firm locations in Colorado, Illinois and Missouri fall under a Denver-based franchise, which employs 86 people.

“We wanted to get employees more involved in their health care. Most of our employees are under 30, and they very much want to keep their costs down. With the Great-West Healthcare Consumer Advantage plan, they are empowered to keep the costs down for themselves and the company as a whole.”

Heather Grimard, Controller,
The Mattress Firm

BENEFITS NEEDS

Mattress Firm's commitment to employees has been essential to its success, according to the company. To attract and retain top-quality employees, the Denver-based franchise offers an extensive employee benefits package. To properly maintain the benefits program, Mattress Firm needs a company that can provide maintenance and detailed reports on utilization and costs – all features that the previous, fully insured health insurance carrier did not provide.

Customer: The Mattress Firm

Employees: 86

Benefits needs:

- The Denver-based, 24-store Mattress Firm franchise needed a plan to keep premiums low and to cover employees across multiple states – two objectives that were challenging to maintain with the franchise's previous carrier

The Great-West Healthcare solution:

- Employees' copay and out-of-pocket expenses are now lower than before
- The first year on the Great-West Healthcare Consumer AdvantageSM plan, the franchise saw cost savings even greater than anticipated – approximately 11 percent. Mattress Firm was even more pleased with a renewal rate increase of 2.5 percent
- With savings of approximately \$5,000 every month over their previous carrier, the company saves between \$50,000 and \$75,000 annually
- Lower costs allow the company to keep employee premiums at just \$36 per month

THE GREAT-WEST HEALTHCARE ADVANTAGE

PelitonBenefits, LLC, the franchise's broker, introduced Mattress Firm to the Great-West Healthcare Consumer Advantage plan, a consumer-driven PPO plan that offers proven savings by combining innovative approaches to drive down benefits costs. The model lowers claims costs and premiums by engaging members when it makes sense – when they have time to explore the quality and cost of discretionary services and make better, more informed and cost-effective health care decisions.

Because the Great-West Healthcare Consumer Advantage plan's design is familiar, enrollment is traditionally higher than with other consumer-driven health plans. On average, 37 percent of employees enroll in the Great-West Healthcare Consumer Advantage plan when it is offered alongside a traditional PPO buy-up plan. The national average for enrollment in consumer-driven health plans is 7 to 11 percent.¹

The company further saves by self-funding its health plan through Great-West Healthcare. Rather than paying a fixed monthly premium as it would with a fully insured plan, the franchise pays actual claims up to a set stop-loss amount along with a set cost for claims administration and stop-loss insurance. With a relatively young workforce, the franchise expected to reduce claims costs by at least 8 percent the first year.

The concept of reducing its costs and premiums for its employees, as well as expanding the network for employees across all three states, made the plan from Great-West Healthcare a fit for the Denver-based franchise.

“We wanted to get employees more involved in their health care,” said Heather Grimard, controller at Mattress Firm. “Most of our employees are under 30, and they very much want to keep their costs down. With the Great-West Healthcare Consumer Advantage plan, they are empowered to keep the costs down for themselves and the company as a whole.”

 **MATTRESS FIRM**
Where it's **Easy** to get a Great Night's Sleep!

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REDUCING COSTS FOR EMPLOYER AND EMPLOYEES

Mattress Firm implemented the Great-West Healthcare Consumer Advantage plan as its core medical plan. Employees readily embraced the plan, a 90/70/50 PPO with a \$250 individual deductible, with a copay and out-of-pocket expenses that are lower than before.

By making more appropriate health care decisions, employees can bring costs down further. With an emphasis on employee education, Mattress Firm can see the utilization of non-network hospital and brand-name drugs decrease significantly, while use of lower-cost urgent care facilities has increased. Before Great-West Healthcare, most employees were not even aware urgent care facilities existed in their area.

Those behavioral shifts drove higher-than-expected cost savings and renewal rates. The first year on the Great-West Healthcare Consumer Advantage plan, the franchise saw cost savings even greater than anticipated – approximately 11 percent. With savings of approximately \$5,000 every month over what they would have paid with their previous carrier, the company saves between \$50,000 and \$75,000 annually. The franchise was even more pleased at renewal when it learned that costs would only increase slightly, 2.5 percent or less. That compares to double-digit increases with fully insured PPO plans.

“The cost savings every month are substantial,” Grimard said. “When we have had claims, compared to what it could have been with the previous PPO, it was very much a cost savings.”

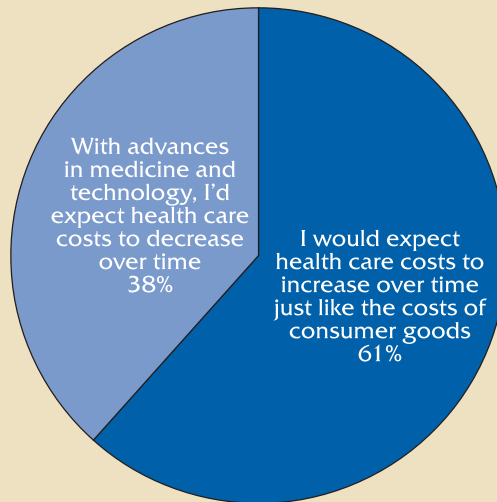
Those savings have allowed the franchise to keep premiums low for its employees. Employees pay just \$36 per month for dental, medical, vision and life insurance – making Mattress Firm’s benefits very attractive and manageable for staff members.

The Great-West Healthcare Medical OutreachSM program has reduced Mattress Firm’s costs by providing information and support to those employees having procedures and/or suffering from specific conditions. For example, employees seeking treatment from non-network physicians were redirected to doctors who are in-network providers. The program also helps parents with pediatric concerns and those with follow-up questions to outpatient procedures, which saves employees time and money and reduced the employer’s costs by reducing unnecessary claims.

PREDICTIONS FOR FUTURE HEALTH CARE COSTS

61% 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



Which ONE of these two statements BEST describes you?

Grimard, recently new to employee benefits administration, appreciates the ease of managing the single plan from Great-West Healthcare. As employees join or leave the company, she uses a simple Great-West Healthcare online tool to add or remove them from the plan in just a couple of minutes.

DETAILED REPORTS SHAPE DECISION-MAKING

Throughout the year, Mattress Firm works closely with its broker, Valerie Boyd of PelitonBenefits, LLC. At the mid-year review and annual renewals, the “team” evaluates the plan and deter-

mines if any changes are necessary. “We couldn’t ask for more from our broker,” Grimard said. “We can go to her and quickly get any answers we need.”

Both Peliton and Mattress Firm review comprehensive monthly reports from Great-West Healthcare that show claims levels and plan use. Reports highlight areas where the company can further reduce costs. “It’s very interesting to track the benefit payout and seeing the flow. If there’s a jump, we can see where it’s coming from and plan for it a little more,” Grimard said.

According to the company, that kind of detailed feedback is instrumental in helping Mattress Firm continuously improve its benefits plan for employees and keep its standing as “America’s top mattress company.” ■

¹ America’s Health Insurance Plans (AHIP) – 2004

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