CUTTING HEALTH INSURANCE WASTE

A PLAYBOOK FOR TECH LEADERS

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Are You Paying Too Much Without Realizing It?

Health insurance is one of the largest expenses your company faces, and one of the most important benefits for attracting and retaining employees. Yet most small and mid-sized tech firms are quietly paying more than they should.

Every year, renewal packets arrive. Rates go up. HR or Finance signs off, and the company locks in another 12 months of rising costs. It feels easier to renew than to ask hard questions.

But here's the reality: doing nothing could be costing you tens of thousands of dollars per year.

The good news? You don't need to slash benefits or frustrate employees to cut costs. You just need to make sure your health plan reflects your actual workforce, not the "average" group your carrier is pricing for.

This playbook shows why tech firms overpay, what employers are doing differently, and how you can avoid being trapped in another year of overspending.

Your Renewal Checklist

If you suspect you're overpaying, use this quick playbook:

1. **Gather your employee census.**
2. **Audit** your current plan and renewal numbers.
3. **Compare** against smarter funding strategies side-by-side.
4. **Optimize plan design** using real utilization (cut waste, keep value).
5. **Decide before deadlines.** Don't let auto-renewals decide for you.

Most tech firms renew January 1.
The time to act is now.

Why Tech Firms Overpay

The hidden problem is simple: your insurance rates aren't based on your company. They're based on a blended pool of groups that may look nothing like your workforce. Tech firms rarely look average - and that mismatch costs you money.

Five Reasons You're Paying Too Much

1. ACA underwriting rules

Under the Affordable Care Act (ACA), rates are mostly based on location. That means your premiums reflect the health risks of everyone in your area, including people with serious, high-cost medical conditions. The ACA limits how much insurers can vary premiums between people. That means healthier groups often end up subsidizing less healthy ones.

2. Demographic mismatch

Most tech companies employ younger, healthier teams that often skew male. This demographic is less likely to need high-cost medical care. Yet because group health pricing is set mainly by geography rather than your actual workforce, you're subsidizing higher - cost employees in other industries. Younger, healthier employees cost insurers less, but because pricing is pooled, your company rarely sees those savings.

3. Default renewals

Each year your broker or carrier sends a renewal with a built-in increase. Many firms sign without comparison. Carriers win. Employers lose.

4. Reducing benefits to lower premiums

Cutting benefits and shifting costs onto employees doesn't truly reduce expenses. In fact, it often backfires. Skimpier plans lead to delayed care, which can turn small issues into expensive, long-term claims. Increased costs mean higher premiums.

5. One-size-fits-all plan designs

Chances are you're paying for benefits no one uses, while the ones employees actually want may be missing.

That's wasted money and misplaced investment.

Quick Self-Test

Ask yourself:

- Do you have fewer than 200 employees?
- Is your average employee under 45?
- Is your workforce mostly engineers or technical roles?
- Are your employees predominantly male?
- Do you renew each year without comparing options?

If you answered "yes" to any or most of these, chances are high you're overpaying.

The Real Cost of Doing Nothing

Every renewal decision comes with consequences. By simply signing the packet and moving on, your company takes on risks that add up quickly.

What Inaction Really Costs

1. Wasted dollars

Each renewal cycle you accept without review can mean tens of thousands of dollars in unnecessary spending. Money that could fund growth, hiring, or product development ends up in the carrier's pocket.

2. Frustrated employees

Employees notice when their paycheck deductions increase but their benefits don't improve. Rising costs without added value erode trust and morale.

3. Talent risk

In competitive industries like tech, benefits are a deciding factor. If a competitor offers better benefits at the same cost, you risk losing your best people.

The Message You Don't Want to Send

Imagine sitting across from your employees and saying:

"Sorry, premiums went up again - nothing we could do."

That message doesn't inspire loyalty or confidence. And yet, that's exactly what most companies communicate when they auto-renew year after year.

Smarter Paths Forward

Forward-thinking tech companies are saving money without cutting coverage. The key isn't slashing benefits, it's aligning costs with reality and making sure your plan reflects the people you actually employ.

1. Align costs with your workforce

Some plans base pricing on your actual employee data instead of a generic community pool. If claims run lower than expected, your company keeps the savings. If claims run higher, stop-loss protection (i.e. insurance for your insurance) ensures your costs don't spiral. It's a smarter balance of risk and reward.

2. Flexible budgets for distributed teams

With hybrid and remote workforces, employees may live in different states with different plan options. Forcing everyone into one "local" plan often raises costs. Instead, you can set a defined employer contribution and let employees choose coverage where they live. This keeps costs predictable for the company and increases satisfaction for employees.

3. Optimize plan design

Why pay for benefits no one uses? By auditing actual utilization, you can identify waste and redirect those dollars into benefits employees truly value. The result: leaner plans that reduce costs without reducing perceived value.

4. Design plans for real medical needs

It's possible, legally and ethically, to use anonymous employee health data to design plans that reflect your team's real medical needs. Data-driven brokers can uncover opportunities to add value, improve health outcomes, and reduce claims over time. Better plan design leads to healthier employees, which ultimately leads to lower premiums.

These strategies aren't about taking away. They're about creating smarter, more efficient coverage that matches the unique profile of your workforce.

A Real-World Example

Case Study: A 25-Person Dev Shop in Chicago

Before audit: Fully insured under ACA rules. **Annual premium: $480,000**.

After audit: Plan aligned to the company's actual workforce profile.

Annual cost: **$385,000.**

Result: **$95,000 in savings (≈20%) with no reduction in benefits.**

What changed?

- Plan funding and pricing better reflected the team's actual risk.
- Networks stayed strong; employee experience improved.
- The firm redirected savings to hiring and product roadmap.

When It's Not the Right Fit

A smart strategy doesn't mean the same strategy for everyone. In some cases, sticking with a traditional plan can be the better move.

Not every company is ready to move away from a traditional plan. The timing may not be right if your workforce:

- Skews older,
- Has a higher prevalence of chronic conditions, or
- Includes **fewer than ~10 employees,** limiting credible data for alternative models.

Bottom line: the best decision is data-driven. A short analysis of your census and claims profile will tell you whether to move now, wait, or optimize your current structure.

Don't Sign Blindly

Most firms don't realize they're overpaying until it's too late. The renewal cycle encourages passivity, and passivity is expensive.

You don't have to cut benefits to control costs. You simply need a plan that reflects your workforce.

That's what we do at DWAI Consulting. We analyze your census, compare funding models, and design plans that save money without reducing value.

Next steps for busy leaders (fast + no fluff):

- **Market Analysis:** Get a state + industry benchmark snapshot for your firm.
- **Census Health Review:** Use aggregated, de-identified data to uncover savings opportunities.
- **Free Cost Audit:** See your side-by-side options before renewal.

Want to see what your company could save? Schedule a **Free Cost Audit** at **dwaiconsulting.com/free-cost-audit** or call (773) 203-6104 before renewal season.

ABOUT **STEVE WILSON**

Steve Wilson, President of DWAI Consulting, has spent more than 25 years helping thousands of small businesses design benefits programs that balance cost and value.

His expertise spans group health, retirement, and executive benefits, with a focus on building plans that help companies keep costs down while keeping employees happy.

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