

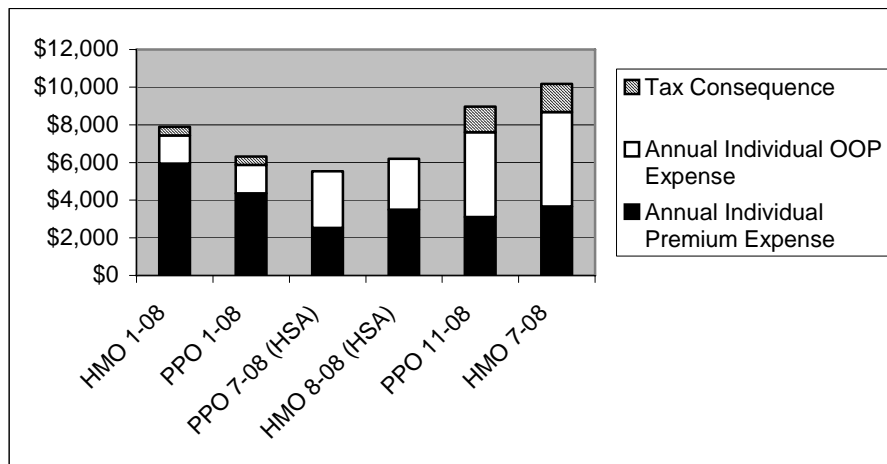
May 2008 Edition

Topic: Purchasing Health Insurance at the Lowest Cost of Entry

Have you every wrestled with a health insurance purchasing decision? Perhaps you have experienced this at renewal when you find yourself staring at a seemingly endless series of plan options to choose from. Should you pay more for a plan with less out-of-pocket costs? Should you buy a less expensive plan with a higher deductible and hope to not get sick? Is there a way to identify which plan will give you the best price while limiting the out-of-pocket costs associated with deductibles and co-insurance? The answer is yes; it is simply a matter of math.

The Math

A small group in Maine, with regards to health insurance, is defined as a company with less than 50 employees. Small groups are community rated, which means that the rates are set and filed with the Bureau of Insurance quarterly. Small groups do not negotiate rates separately. To your small business this means that the rates are the rates. As a broker, I cannot improve the rates you choose from, I can only help you select the plan that best meets your needs or desires. There are, however, plans that mathematically and financially are to your advantage.



The graph above represents typical small Maine group rates from Aetna. First look at the black bars. This represents premium or what I would call your best-case scenario. The premium represents your fixed cost with no claims resulting in additional out-of-pocket expenses. The white represents your out-of-pocket costs through deductibles and co-insurance. You also have to consider tax consequences, represented by the striped sections. Though premiums are generally paid with pre-tax dollars, out-of-pocket costs are generally not. The left two bars represent typical rich plan designs with higher premiums but limited out-of-pocket exposure. The two on the right represent less expensive plans with higher deductibles and co-insurance. The middle bars represent plans that are HSA compatible. These plans are advantageous in both best and worst case scenarios. In addition, out-of-pocket costs are paid with pre-tax dollars giving you an even greater advantage.

Call NWBG to review HSA quotes for your company.