

Health Insurance

Why Employers Need To Provide Health Coverage:

- In an environment in which the labor force is shrinking and becoming more diverse, employers need a well-rounded benefit package to attract and retain top talent, and stay competitive

Why Employees Need Health Coverage:

- The cost of health care in the United States is extremely expensive. Routine visits can often generate hundreds of dollars of charges. Treatment of more serious illnesses such as cancer and heart disease can cost tens of thousands or even hundreds of thousands of dollars.
- Covering yourself and your family members on a health insurance plan brings piece of mind that your medical needs will be met.

Fully Insured Vs. Self-Funded

- Fully Insured
 - The carrier fixes the premium rate based on fixed costs and expected claims. The carrier bears all the risk of the actual claims exceeding the premium collected.
 - The employer may or may not be provided with data illustrating actual claim costs.
- Self-Funded
 - The plan administration is generally out sourced to a Third Party Administrator (TPA)
 - The employer pays the fixed costs of administration plus actual claim costs.
 - Most self-funded medical plans are actually “partially” self-funded as there is an insurance component.
 - Specific Stop Loss Insurance is generally purchased to cover claim costs over a specific dollar amount for any individual covered on the plan.
 - Aggregate Stop Loss Insurance is generally purchased to cover the group’s cumulative claim costs over a specified dollar amount.
 - The employer is able to identify where every plan dollar is spent.

Health Insurance Definitions

- *Co-Pay*-A co-pay is a flat dollar amount that the policyholder is required to pay for certain services. For example, most physician office visits will require the policyholder to pay a co-pay of \$10 to \$25.
- *Deductible*-A deductible refers to a dollar amount that the policyholder is responsible to pay prior to the medical plan paying benefits. If, for example, your policy has a \$500

deductible and you were hospitalized, you would be responsible for paying the first \$500 of the hospital bill before the policy would pay benefits.

- *Co-insurance*-Co-insurance refers to a percentage of the bill that the policyholder is responsible to pay. For example, if your plan has a 10% co-insurance and you are hospitalized, the policy would pay 90% of the bill and you would be responsible for the other 10%.
- *Out-of-pocket Maximum*-The out-of-pocket maximum refers to the point at which the policy will pay remaining expenses at 100%. The policyholder reaches the maximum by satisfying the deductible and co-insurance requirements. A plan with a \$500 deductible and 10% coinsurance may have a \$2,000 out-of-pocket maximum. Once you have paid the deductible and \$1,500 in co-insurance, the policy would pay services at 100% for the remainder of the calendar. Co-pays may or may not accumulate toward the out-of-pocket maximum depending on the health plan.
- *Pre-Tax Deduction*-Employee contributions toward health insurance premiums are generally eligible for pre-tax deductions. The premiums are deducted from your pay before the taxes are calculated and deducted. This results in a savings of approximately 25% of your premium.

Health Insurance Funding

Fully insured carriers and stop loss or reinsurance carriers will generally not require a minimum level of funding by an employer, however, they will often require a minimum level of employee participation in the plan. Health insurance costs in the United States have been trending upward at approximately 12% annually causing substantial financial strain on employers and employees. There are many strategies to minimize cost such as utilizing Health Reimbursement Arrangements (HRA) or Health Savings Accounts (HSA).

It is important, however, to recognize that increasing claim costs are ultimately responsible for increasing premiums. Incorporating plan components that reduce claim costs will often have the most impact on reducing overall costs. Wellness programs, predictive modeling, utilization review/management, and employee assistance programs are all examples of plan components that can put downward pressure on claim cost drivers.