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AGENT'S SALES JOURNAL

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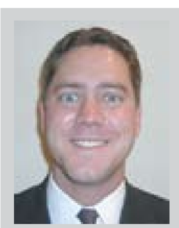
Inside...

Remedy for Rising Health Premiums

BY RONALD C. STROMPLE, JR.



➤ Face the Challenge

➤ Overcoming Out-of-Pocket Expenses

➤ Employer Benefits

Health insurance premiums continue to rise, according to employers. These increases seem to average 15 percent annually with no end in sight. These increases in premiums can be attributed to many things: aging population, chronic diseases, increased prescription drug use, etc.

Many employers are faced with the challenge of how to cope with the rising cost of health insurance. They lack the confidence to manage cost and quality. Employers are increasing employee co-pays and cost sharing, increasing premium contributions and reducing or, in some cases eliminating benefits. In an effort to reduce cost, employers are emphasizing consumerism and disease management. Increasing awareness of benefits and costs will continue to be a focus in the coming years. Simply shifting costs is not a long-term solution. Creating consumerism through health management and awareness is a step in the right direction.

Many employees are struggling with health insurance premiums today. The average single premium now exceeds $3,300 annually with the average family premium being $9,000. The largest reason for personal bankruptcy is unpaid medical bills. Employees and employers cannot continue the low deductible, high premium plans any longer.

Consumer-Driven Health Care

One approach to promote consumerism or consumer-driven healthcare is to include Health Reimbursement Arrangements. This is where employees can utilize employer-funded dollars for IRS-approved expenses. There is a carry over provision to these plans that theoretically could make employees better consumers of healthcare. Currently, less than three percent of employers offer this approach. The downside to the employer is a large financial commitment today that will be realized some time in the future.

The other issue is lack of enforcement relative to the quality of healthcare declining in various communities. Without this information of quality and efficiency of healthcare providers, it would be difficult to expect anyone to become a better consumer of healthcare.

The newest trend appears to be increasing coinsurance and out of pocket expenses, while leaving deductibles at current levels. With these types of plans, one keeps the deductible the same, but maintains the affordability of premiums. This gives employees more “skin in the game.” By increasing coinsurance and out-of-pocket expenses, this can create a “disconnect” from the prior plan.

There is a solution to this “disconnect” — A fully insured product to cover those out-of-pocket

continued…

expenses for deductibles, coinsurance and other out-of-pocket expenditures. Such a solution allows us to make plan changes while improving an employee's net out-of-pocket expenses. There are a few carriers that currently offer this coverage today. Coverage can usually be employer paid, employee paid or a combination. The better producers out there are able to couple such a plan with a low deductible major medical plan with increased coinsurance to achieve enough savings to the underlying medical that the employer pays all of the premiums — including the dependent coverage.

Whether the product is employer or employee paid is not as important as having the following characteristics:

- Guaranteed issue — No health questions
- No pre-existing conditions
- High out-patient benefit amounts (up to $2,500)
- Coverage for routine well baby care
- Ambulance transportation
- No deductible (first-dollar coverage)

When implementing plan changes, employers are given an enormous opportunity for benefit communication. This benefit communication is often times conducted via one-on-one, personalized sessions with a salaried benefit counselor. This professional benefit specialist can review with the employee the current major medical benefits, the employer contributions for these and other benefits as well as give the employee the opportunity to purchase other coverage, such as permanent life, critical illness and vision coverage.

Given that most employers are not in a budgetary position to double their healthcare expenditures in the next seven years, this concept of providing a fully insured benefit to cover the "disconnect" will continue to build momentum.

Ron is president of Comprehensive Benefits Solutions in Charlotte, NC. He began his employee benefits career with Paul Revere Insurance Group in Charlotte in 1993. Specializing in group disability, life, and dental, he was recognized as a top performer, and continued his selling career with Provident, where he worked in the large case market and alternate funding arrangements, Upon the merger of Unum and Provident, Ron focused his efforts on effective communications programs funded with supplemental benefits. These effective communications programs significantly increased cost awareness among employees, as well as appreciation of employer-provided benefits. In 2003, Ron joined a third party administrator where he was director of worksite marketing. In this role, he helped grow sales of two new insured health care financing tools with Transamerica, in addition to self-funded plans. In this position, he was able to round out his product knowledge, thus allowing him the opportunity to assist employers with their underlying benefits dilemma: controlling cost. Ron founded Comprehensive Benefits Solutions in 2005 to fill a need for the underserved benefits buyer. Their mission is to assist employers in creatively financing their employee benefits today and into the future.

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