

## Limited Medical Plans: Not So Limited

By Bruce Leon

*Limited medical plans targeting uninsured workers is a fast growing segment of the employee-benefit outsourcing market.*

Last year, Susanna Pinsh, the Human Resource director at Oshkosh B'gosh, was struggling with a problem inherent at many Fortune 1000 companies. She had over 3000 workers that for a variety of reasons did not qualify for the companies major medical insurance. Many of them were part-time or worked in various positions that were exempt from participants. She searched for an outsourcing solution that would provide some medical benefits without adding a big expense to the company. Ultimately OshKosh B'Gosh contracted with a limited medical insurance outsourcing provider, which gave uninsured employees a basic medical plan at a small cost to the company.

Limited medical plans have been in existence for over 25 years, but their popularity has significantly increased over the last two years. As a matter of fact, one insurer in this market claims its premium growth has exceeded 200% for 2001 and 2002, and will actually outperform those numbers for 2003. There are a number of reasons for the growth according to Mitchell Besuinick of BBI, a NY based company, and one of the largest marketers of limited medical plans in the country that includes a movement of employees to part-time work, three to four years of successive double-digit increases in major medical insurance costs, and overall desire for employers to provide some coverage to employees who are not benefit eligible.

According to Millman USA, the average cost in 2002 to insure a workforce averaged \$5300 per employee. That may only be 5% of salary for a top executive but it's 25% of salary for employees who earn 20K annually. Employers with employees in the lower income ranges are finding benefits as a cost of labor expense to be uneconomical and getting worse.

Linda Tarpo, a 15-year employee benefits consultant from Glenview, IL has spent much time evaluating limited medical plans for corporations. She has analyzed many of the limited medical plans being marketed nationwide and has found that there are side benefits other than attracting and retaining better employees to companies who offer these plans. One is that it protects the core benefit plan since often companies who offer major medical plans to lower paid and parttime employees adversely affect the major medical plans loss experience due to higher risk and lower participants. Furthermore, workers compensation loss ratios show significant improvement after a limited medical plan is implemented because uninsured employers will often use workers compensation as an alternative medical plan. Many workers compensation carriers will lower premiums 10-20% after a limited medical plan is initiated. Tarpo stresses that there are two types of limited medical plans, one that pays benefits based on usual and customary and another that pays on a defined benefit schedule. She favors the defined benefit schedule because of its ease of understanding and the fact that it has virtually no trend inflation.

Typically a limited medical plan offers rich upfront benefits and a generic only drug card with brand name discounts. The daily hospital reimbursement runs between 250- 1500/day and the maximum annual cap is often between \$10,000 and \$25,000 of benefits. This will often cover a 9 out of 10 employees' annual claims but companies must be aware this will not cover the catastrophic claims nor will the policy have the frills like therapy coverage, mental health and chiropractic found on major medical plans. For this reason many consultants stress this is a much easier sale to employees who have never had insurance versus those being downgraded from major medical coverage.

An HR professional who is considering offering a limited medical plan outsourced solution needs to consider the following questions: Who will provide customer service, the TPA or insurance company or a combination of both? Who will do the enrollments? Many prefer telephonic enrollments, some prefer face to face. Enrollment companies must provide employees with a clear understanding of the product and should have a

list full of references. Other considerations should be the ratings of the insurance carriers (A or better is preferred) and is the product fully insured or self-insured.

Providing an outsourced limited medical plan can be a tremendous asset for HR professionals looking to give their companies an extra competitive advantage especially in recruiting. Obviously the fact that corporations like McDonalds, Marathon Oil and Brunswick to name a few that have gone this direction provides notice that this may be a product whose time has come.

## Basic Health - Mini Med Programs

### Basic Health Insurance - Group and Individual Policies

Basic health mini med programs are designed to cover general and incidental medical expenses, such as Doctor visits, filling prescriptions, certain costs associated with emergency room visits and a stated reimbursement amount per day for inpatient hospital care. Basic health plans are not intended to provide catastrophic medical coverage. Group and Individual basic health insurance policies are available. Mini Med programs may also be referred to as "Limited Medical Benefit Plans".

Reimbursement amounts are limited to a lower amount than that available with Major Medical Plans. Premium amounts are also lower than amounts required with Major Medical Plans. No restrictions on choice of doctor or hospital unless PPO option is selected. Insured has choices relative to deductibles and co-insurance.

The following companies offer Group and /or Individual Basic Medical plans through the CorpSavers Healthcare Program: (Click on the company website for more information)

Company	Carrier	Website	Rating
American General	AIG	<a href="http://www.americangeneral.com">www.americangeneral.com</a>	A+
American Protect	Assurity Life	<a href="http://www.assurity.com">www.assurity.com</a>	A-
American Medical Access Plan	Companion Life	<a href="http://www.companionlife.com">www.companionlife.com</a>	A+
Central United Life Insurance	Manhattan Insurance Group	<a href="http://www.culins.com">www.culins.com</a>	B++
Continental General	Continental General	<a href="http://www.continentalgeneral.com">www.continentalgeneral.com</a>	A+
Trans Choice	TransAmerica	<a href="http://www.transamerica.com">www.transamerica.com</a>	A+
Professional Insurance Company	GE Financial	<a href="http://www.gefinancial.com">www.gefinancial.com</a>	A+
Assurity Life	Assurity Life	<a href="http://www.assurity.com">www.assurity.com</a>	A-
American Worker Plan	Nationwide	<a href="http://www.nationwide.com">www.nationwide.com</a>	A+
Pan American Life	Pan American Life	<a href="http://www.panamericanlife.com">www.panamericanlife.com</a>	A+
Star Bridge	Mega Life and Health Insurance Company	<a href="http://www.starhrg.com">www.starhrg.com</a>	A+

### **Limited Benefits Medical Plans**

Allstate Workplace Division offers AHLminimedical®, a limited benefit plan available only through the workplace. This provides a way for employers to offer benefits to their non-benefited workforce in order to attract and retain new hires, and can also help reduce turnover.

AHLminimedical® is targeted towards part-time and entry-level employees who cannot afford a traditional major medical plan. It is a true group health plan that qualifies under COBRA and HIPAA regulations and is Section 125 eligible.

A minimum of 51 enrolled employees is required to initiate a contract. Three standard plans are available for groups under 1,000 eligible employees, and groups over 1,000 eligible employees can customize their own plan design and/or offer a dual option.

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