The Rising Cost of Health Care Insurance

Explore Your Options

AS HEALTHCARE COSTS CONTINUE TO RISE, fewer insurance carriers are entering the marketplace, limiting competition, and escalating this expense. While the healthcare industry responds with evolving medical delivery options, employers are exploring alternative funding options to offer robust benefit programs that do not adversely affect the bottom-line.

Traditional employer sponsored health plans are fully-insured. The employer pays a fixed premium to the insurance carrier, which is adjusted monthly, based on the number of employees enrolled. The insurance company pays healthcare claims and employees pay deductibles and co-pays as defined in the benefit program. Rates and terms are set annually by the insurance carrier based on the claims experience of the entire large-group population.

Self-insurance plans give employers greater control by structuring rates based on employee population and offer the flexibility to design customized plans that meet specific objectives, eliminating unnecessary benefits. Self-insured employers are empowered with greater control over the plans assets, allowing them to mitigate insurance company overhead charges, commissions, profit margins and premium taxes. Most importantly, self-insured programs give employers access to claims data and allows them to implement targeted wellness and plan design initiatives.

The viability of a self-funded benefits program is determined by evaluating the fixed and variable costs. Fixed costs include administrative fees and stop-loss premiums. They are billed monthly by a Third-Party Administrator (TPA) or the insurance carrier based on current enrollment numbers. Variable costs include the payment of health care claims. You can expect these costs to fluctuate from month to month, based on the utilization of healthcare services. To protect the program from catastrophic loss, employers purchase stop-loss insurance for any claims that exceed a predetermined level. Stop-loss insurance is procured to cover catastrophic claims for one covered person or to cover claims that exceed the actuarially predicted level of claims for the entire group.

The original the self-insurance model, designed for large employers, is now available for groups with as few as 75 covered employees. There is also a consortium model that allows groups with a minimum of 50 employees to purchase stop-loss insurance in a group purchasing model. Captive self-insurance enables employers to self-insure while pooling funds with other employers to cover a portion of high cost risks of the group and layer-off the top portion of catastrophic risk to a stop loss carrier.

A popular self-funded entry option for companies with employee counts of 50-250 is a level-funded program. Here, premium is leveled out throughout the policy year, claims are capped, stop-loss limits are lower, and any remaining claim fund dollars are shared between the employer and carrier.

Not all companies dive right into fully self-insured or level-funded programs. There are partially self-funded plans that can be integrated with a fully insured, traditional group policy. Some partially self-insured health plans increase the group plan deductible and self-insure the difference with an integrated Health Reimbursement Arrangement. The employer HRA contribution reimburses employees for a portion of their deductible. These programs tend to have lower premiums up front because of the high deductibles utilized.

No matter what the program you investigate, there is no better time to look at all the options that the market will bear. You owe it to your company, your employees and the bottom line. ■

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