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How do you pick which health insurance plan is best for your business?

Question: My employees have asked me to provide health insurance. We hear so much about HMO policies, but I know there are other options. How do I pick coverage and how do I decide what I can afford to pay?

Answer: It is often of great benefit that you offer a health insurance program. If you want to attract and retain high quality employees, you will want to offer an attractive health care plan. There is no doubt that people consider benefits a high priority.

When you analyze your choices for your business, the final decision will usually come down to how much you get for the dollars you have available. It becomes important to determine what you can afford.

Usually a plan should cover most of these services:

- Doctor Visits
- Prescriptions
- Accidental injuries
- Surgeries
- Hospitalization

As you consider your options, you must consider how much you will pay, how much your employees will contribute including the levels of co-pay, co-insurance and the deductibles that will apply. The higher the deductible (the amount your employees pay out of pocket before the benefits kick in) the lower your premium, creating the popularity of the Consumer Driven High Deductible Plans (CDHP).

The cost of health care has continued to increase each year to levels that has made it difficult to give employees all of the options and coverage they may want. The goal is to at least cover the most challenging worst case scenario situations and then build upon that plan design by adding additional coverage and options for added value considering your combined financial goals. An open dialogue about the cost of the insurance you are providing is essential so that your employees understand the value and options.

What is available in the market place? You will need a Trusted Advisor or qualified insurance broker to assist you in reviewing which plans will meet your goals. They do the initial homework based on understanding your goals, needs and options. They will secure pricing associated with your plan and present the information to you for consideration. They should provide non-biased information. If you personally work directly with just one insurance company, you are negotiating with their own employee and you are not provided multiple carrier options to make the best decision. Additionally, in California where prices are regulated when you have under 50 employee lives, the commission for your advisor is

built in to the pricing and designed to help you review. They do not reduce the premium when you negotiate directly and therefore increase their profit margins.

Your insurance cost is determined based on the type of business you have, the number of employees, the region they live in, the type of plan (PPO, HMO, CDHP) and then the underlying co-pays, co-insurance and deductibles. Insurance carriers build commission in to their pricing assumptions along with their premium taxes, administrative fees and claims cost projections.

Here are examples of Plan Types available in the market today:

Traditional fee-for-service PPO plan – You will pick a deductible amount and a coinsurance your employees will pay when they use the plan. A PPO network will also be included for the best plan benefits. If they employees seek services outside of the PPO network, they will incur higher cost but it is their choice. The lower the deductible and co-insurance amounts for both in and out of network services will affect increase premium cost.

The benefit of a fee-for-service plan is the simplicity and flexibility. If someone needs to receive care, they seek care. The employee chooses their doctor; they don't require referrals and they can choose the hospital. Their main consideration is to make sure the care giver is in the network for the best coverage possible.

Health Maintenance Organizations (HMOs) - An HMO plan requires that insureds receive all of their care from the doctors and facilities in their network. With an HMO you choose a "primary care" physician within the HMO network who would be the starting point employees see first when they have medical issues. He or she is the doctor who refers patients to specialists.

One real advantage of HMOs over fee-for-service plans is the wide variety of care available, including counseling, maternity care, specialists and wellness programs. A perceived benefit is that the co-pays and co-insurance are usually low for the employee but the cost is often much higher today than other plan options because of the rich benefits. Some HMOs offer another subset of very limited number of doctors that limit access further to reduce the insurance company costs yet again but this issue may then become the ability to even be seen when you need help. The jury is out on the benefits of this lower premium, less access option.

The known disadvantages include that it is harder to see a specialist and may take a while to get an appointment to see a doctor. The HMO providers are provided incentives to reduce cost which some believe reduces the amount of care you might receive.

Another major difference between an HMO and a PPO is that with a Traditional Fee-for-Service PPO you don't have to choose a primary care physician. You go where you feel you need to or where your care takers suggest is most appropriate for which you will bare more cost.

Point of Service Plans (POSS) - Another type of managed-care system, when using a POS, (similar to a PPO) the patients can go to providers who aren't in network, but they will pay. Other benefits include no deductibles, low co-pays and no referral required to see outside specialists.

Exclusive Provider Organizations (EPOs) - An EPO has similar qualities of the HMO. Patients pick a primary-care physician that will provide most of their health care and who regulates their access to the system. The difference is that EPOs offer even fewer providers, so the costs are somewhat lower, too. The important thing then is to be sure that the EPO provides enough different types of care so that your employees can get the medical attention they may need.

For more information on setting up your plan or saving money on your current plans, contact Nancy Young, RHU, Integrated Solutions for Benefits based here in Corona, CA at 951.479.1680, nancy@is-benefits.com or www.integratedsolutionsforbenefits.com.

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