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Enhancing the Benefit: How successful limited-benefit health plans answer the demand for a more robust product

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Much has been written on limited-benefit plans in trade and industry publications, including the Reinsurance News article, “Limited Medical Benefit Plans—What Insurance Companies, Employees and Reinsurers Need to Know,” published in August 2008. This was an in-depth article with valuable information, and I would like to add to the discussion by providing my thoughts to Reinsurance News.

ACCESS GRANTED

With the current economic instability of domestic and global markets resulting in shrinking budgets across all industries, now more than ever employers and employees are looking at alternative options to absorb another national crisis—health care for the working uninsured. CIGNA HealthCare research estimates that over one million people are covered by limited-benefit plans. From Fortune 500 businesses to mom-and-pop shops, more companies have begun making them available to their eligible employees.

Why the interest in this product? With the medical insurance market once again experiencing health care inflation in excess of 10 percent, employers, employees, broker producers and insurance carriers are looking at alternative options. Politicians and regulators are as well.

According to the 2008 Census Bureau report, 45.7 million people in the United States are uninsured, and more than 37 million of them are in working families. Limited-benefit health plans serve the working uninsured and are never intended to replace a traditional comprehensive major medical plan. Limited-benefit health plans provide income protection for workers, rather than asset protection provided by major medical plans. The majority of these workers are hourly and part-time employees, without any other viable health care options. These employees are struggling to pay for necessities and often health care is a low priority. Limited-benefit plans serve as an affordable solution, only costing the average worker one to two hours of their weekly wage, while granting them access to the health care system.

For example, a worker making \$5.85 an hour with a weekly gross pay of \$234, would spend nearly one-third of his or her income, an estimated \$76.75, on major medical insurance, according to the AHIP Center for Policy and Research. After additional deductions the worker’s net pay would be only \$139.35. The same worker enrolled in a limited-benefit health plan would only pay less than five percent, \$10.95 to be exact, for a weekly net pay of \$205.15.

Limited-benefit health plans have a distinct membership, the working uninsured, and leading plan providers within the industry have listened to their membership and marketplace by implementing an expanded and more robust plan. This feat has been accomplished while keeping plan administration to a minimum, thus creating a flexible, easy-to-manage product valued by insurance carriers, employer clients and employee members.

IN A MARKET OF ITS OWN

The voluntary benefits marketplace is full, and often confusing, to even those within the industry. Often mistaken for the ‘mini-med’ product, a successful limited-benefit health plan offers valuable education to the consumer regarding the health care system and access to benefits, not just a discount for certain services and prescriptions.

As actuaries and underwriters, we have been trained that certain industries are a challenge.

Limited-benefit health plans are tailored to those industries with high turnover that have been a challenge for traditional major medical plans to underwrite, sell and service successfully. The hotel, retail and restaurant industries—deemed headaches by the industry, are satisfied consumers of the limited-benefit health plan. Their satisfaction originates from their employees’ access to an expansive PPO network, learning the proper use of the health care system while becoming a more efficient health care consumer. Businesses prosper from an increased level of recruitment and retention, limiting training expenses and absorbing fewer unscheduled absences. Many companies in the staffing,

construction, manufacturing and landscaping industries also provide limited-benefit health plans to their employees.

With an established record of success across these once thought 'hard-to-reach' industries, it is vital to note that the limited-benefit market continues to grow. This growth is matched by ongoing research into the demographic of limited-benefit plan members, allowing a successful niche product to expand its benefits to answer the market's needs.

SERVING THE MEMBERSHIP

Accommodating a membership with defined needs should be the motivation behind the plan design and expansion of a successful limited-benefit health plan.

Limited-benefit plans tend to serve a younger population with a lower participation rate. These employees are typically in their mid- to late-twenties and value regular doctor visits more than in-patient coverage for hospital stays.

For groups with limited-benefit plans, there are several challenges that need to be managed.

For most members, enrollment in a limited-benefit plan is their first access to health care coverage, so initial member communication through an easily understood plan design is necessary. Recently a series of focus group tests were conducted to determine the needs of this significant demographic.



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// BY OFFERING AN EXPANSIVE PPO NETWORK TO LIMITED-BENEFIT PLAN MEMBERS, THEY LEARN TO BECOME PROACTIVE, RESPONSIBLE USERS OF THE HEALTH CARE SYSTEM. //

The testing showed that the focus group of hourly and part-time workers needs enhanced benefit value and member communications, resulting in:

1. Simplified content on enrollment and marketing material

The majority of limited-benefit plan members are not college-educated:

2. 24-hour nurse line for urgent requests

Members work non-traditional hours in service industries and are used to emergency room treatment as their only form of urgent care;

3. Employee assistance program

Access to a limited-benefit health plan is the first experience with the health care system for the majority of members.

These communication strategies set the foundation to answer the demand for a more robust limited-benefit product. Effective client and member communications leads to a higher participation rate, and combined with ongoing member education, maximum benefit value can be reached.

MEETING MARKET NEEDS

The advantage of incorporating a PPO network is to provide additional discounts to individuals who utilize in-network (contracted) providers.

By offering an expansive PPO network to limited-benefit plan members, they learn to become proactive, responsible users of the health care system. There are financial incentives for members staying “in network,” and no significant penalty (i.e. benefit differential) if they select from outside the contracted network.

Since most hospital stays are brief, an enhanced limited-benefit plan does not include daily coverage caps for in-patient care. By catering to a membership base that tends to be healthier with shorter hospital stays, the best plan design allows members to receive a larger amount of benefits up front instead of a minimal amount over a longer period of time. The same market need has been met through a pharmacy benefit that allows members to receive a discount at point-of-sale instead of submitting claims for reimbursement.

The cornerstone of a successful limited-benefit plan is preventive care, so an expanded wellness benefit is essential for members to attain maximum plan value. Often included in this benefit are annual wellness exams, discounts to wellness programs and incentives, along with access to health education.

This multi-faceted effort to meet market needs has resulted in a top-quality product that has benefit enhancements in place to meet demand, while keeping administration low-maintenance with turnkey features that benefit the broker producer and insurance carrier.

ADMINISTRATION EASE

Seamless administration is also a critical purchasing requirement since employers implementing a limited benefit plan for the first time do not budget for the potential maintenance and headaches that may come with these kinds of plans.

Ease of administration is valued by all parties in the implementation of a limited-benefit plan. The administration process is often as important as the actual cost of a plan. The ability to create an efficient administration process allows all parties to focus on important business activities instead of repetitive administrative tasks.

This has been accomplished by offering numerous turnkey features to streamline the administrative process. The entire process is highlighted by the effective use of technological resources, including electronic file transfers for rollover accounts and automatic biweekly payroll deductions. These administration solutions demonstrate that limited-benefit plans need not require a significant amount of ongoing administrative work.

TAKE A SECOND LOOK

These solutions to the common problems endured by limited-benefit health plans can serve as a detailed case study for the industry. Limited-benefit plans have become a more attractive product to businesses by embracing a higher level of commitment to serve current and potential members through research and added plan value. At the same time, limited are also addressing one of our nation's most urgent problems—serving the working uninsured. ■

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