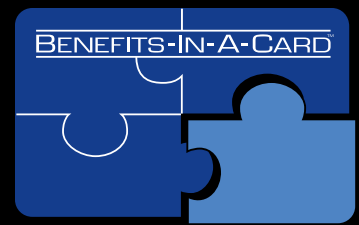


# Limited Medical Plans: Here and Now. Why and How?

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**A**lthough limited medical plans have been in existence for over 25 years, they are just now starting to realize a significant increase in popularity. There are many factors driving this trend, most of which are a result of economic cutbacks. As employers continue to be forced to reduce overall corporate spending, health benefits are diminishing and employees are finding themselves unable to provide health insurance for themselves and their families. Current estimates indicate that roughly 46 million Americans – approximately 15 % of the US population – do not have health insurance. By establishing fixed maximum payouts for various medical services (doctor's visits, hospital stays, diagnostic testing, prescription drugs, etc.), limited medical plans are offering a viable alternative to employees who are not eligible for their employer's traditional major medical plans.

Limited medical plans have always been popular among temporary and part-time workers (e.g., employees at fast food restaurants, retail workers, casino employees, temp agency personnel, and other seasonal or hourly employees) because of their restricted access to the conventional employer-paid health insurance. Now these limited coverage plans are becoming more and more appealing to small business owners as their primary plans because they can no longer afford the high monthly premiums associated with major medical group coverage. Another reason for the growing number of employers offering limited medical plans is that they lack the customary waiting periods for employees to obtain coverage. In an effort to minimize direct and administrative costs, employers in high-turnover industries are extending waiting periods for group eligibility coverage by considerable amounts. Customary waiting periods that once ranged from 60 to 90 days are now being stretched to intervals as long as 1 to 2 years. Limited medical plans have the capability of providing employees with critical coverage until they become eligible for the group plans. Having this stopgap available—regardless of the waiting period—benefits everyone involved. Employers are able to offer their employees a workable solution to coverage lapses while at the same time increasing the retention of valuable personnel.

An additional health insurance option considered by many employers today is a combination high-deductible major medical plan and health savings account. Although HSAs are generally popular, this offering does not suit low-income wage earners. It's simply not feasible for someone making \$20,000 a year to spend several thousand dollars to meet his or her annual health plan deductible. A better option is to have a good limited benefit medical plan that offers capped, but substantive, coverage for only about 1 to 2 wage hours per week.

While evaluating the merits of limited medical plans, it's important to keep in mind that, like all major medical plans, maintaining lower rates is contingent upon keeping the number of plan participants at higher levels. Maintaining a solid pool of employees enrolled in the plan is crucial to ensure a stable sick-to-well ratio. In order to issue payments when sick employees submit claims, adequate funds must be available to cover the expenses. The fewer the number of employees contributing to the pool, the higher the chances that plan funds will dry up before covering all medical expenses. Then the only option left for the insurance provider is to raise rates so that claims can be satisfied. The best way for employers to maintain a stable pool of plan participants is by ensuring that all parties involved have a thorough understanding

of each healthcare plan available. Limited medical plan administrators (or their brokers) need to sit down with employers and explain in detail the benefits and details of all proposed plan options. Trustworthy plan administrators and brokers will also provide written literature that substantiates their verbal claims and allows the employer to refer back to forgotten details during the decision-making process. It is critical that employers fully understand the differences between limited and major medical plans at this initial stage and not after they have made an uneducated decision. Likewise, it is also equally important that employees receive this same level of written and verbal communication so they have a clear understanding of plan details and coverage limitations before they make their final choices. Full disclosure to all participants should be required of any limited plan administrator or broker.

Other things to consider when evaluating limited medical plans include the following:

**1. A supervisor that handles all administration**

As in any industry, some companies are better at customer service than others. In the limited medical insurance field, it is advantageous for administrators to assume 100 percent of all administrative duties, including explaining benefits to management and personnel, offering payroll deduction enrollment, providing 24/7 customer service support, and notifying the company and its participants of rules and regulations that may affect their policy.

One sure sign of a quality administrator is if it offers more ways than one to transmit information and/or payments, such as password protected web site, phone and email. It's also a plus to have an administrator that has a live call center so that when a plan participant calls with a question or claim, they are greeted and taken care of by a real person whose first language is English.

**2. A plan with a wide range of benefits from which to choose**

Employees have a variety of needs. Therefore it is beneficial to offer two or three limited medical plans in addition to other coverage options involving prescription drugs, dental, vision, short term disability, term life, accident, and critical illness. Also be sure that the plans chosen qualify as creditable coverage.

**3. Honest assessment of the benefits**

If you are confused about the benefits presented, question the person explaining them to you. If the representative is credible, he or she should never leave you feeling confused. In fact, they should ask you to reiterate your interpretation of the plan just to be sure that you have a complete and accurate understanding.

**4. Outstanding customer service**

Few things in the workplace are as confusing as insurance, so HR personnel and employees should expect to work with a company that will explain plan policies and procedures not only in detail, but also in verbiage that is easily understood. With a commodity like insurance, customer service is often the only dissimilarity you'll find among the many plans available. You owe it to yourself to work with an administrator that walks the walk when it comes to reliable and conscientious customer service.

**5. Online enrollment**

The ease of online enrollment is a good indicator of the level of customer service your plan administrator is capable of providing. Having an easy access, user friendly enrollment process is critical to making an employee feel good about the decision he or she has made in choosing a limited medical plan. Of course, providing paper and telephone options for enrollment is equally important for individuals who may not have ready access to—or be comfortable with using—a computer. Make sure your plan administrator provides a variety of enrollment options. (It's also a plus to have an administrator that has a live call center so that when a plan participant calls with a question or claim, they are greeted and taken care of by a real person whose first language is English.)

Employers and employees need limited medical plans now more than ever. It is clear that for a majority of the nation's temporary and contract workers, limited medical insurance is the only affordable means to critical healthcare coverage. By offering more robust plans, providing a wealth of additional benefit options, and maintaining exceptional customer service, plan administrators and brokers can make limited medical insurance a superb option for those who desperately need it.



*Carl Stecker is President and Chief Executive Officer of Benefits In A Card, one of the country's leading administrators of limited medical insurance. His company, which has been honored by AllState Insurance as the country's #1 administrator of its limited medical products, is a major sponsor of Worksite Magazine's Mini-Medical and Limited Medical Sales & Marketing Conference in October. Mr. Stecker serves on a number of professional and civic boards and is an active member of the American Staffing Association and Staffing Industry Analysts.*