

Selling in the benefits market ▼

Unlimited Potential of Limited Benefit Medical Plans

by Bob Bisceglia, CLU, ChFC, CLF, LUTCF

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If you have all the business and income you can handle, put this magazine down now. You have better things to do, like calling your travel agent for a well-deserved vacation or making a tee time at your favorite links.

But if you're interested in tapping into a market of tens of millions of customers that is only four to six percent penetrated, keep reading.

That market is the working uninsured, now numbering 13 to 18 million, and that's just counting those actively working. When you include their family members and others who don't have health insurance, the number balloons to 47 million. The vast majority of these uninsured belongs to a family with at least one working member.

One way to meet this large and growing need is by offering your customers a limited benefit medical plan. Surprisingly, only about 750,000 employees nationwide are currently enrolled in such plans. That leaves a huge coverage gap over the country and creates a strong market opportunity for you.

WHAT'S A LIMITED BENEFIT MEDICAL PLAN?

Limited benefit medical plans have been around for a few years but are still a relatively unknown, and often misunderstood, solution for employers who can't afford to offer health coverage or who have employees who don't qualify for the company's plan. A limited benefit medical plan is an insurance product to help pay for noncatastrophic medical expenses. It's not major medical insurance, nor is it a substitute for major medical coverage, but it does pay for a limited set of benefits with a fixed benefit amount. These plans typically offer the five basic components of any medical plan: benefits for

doctor's office visits, preventive care, diagnostic tests and x-rays, hospital confinement and prescription drugs. Limited benefit medical plans do not provide comprehensive coverage or catastrophic coverage and many have a cap on total annual benefits paid that is much lower than that of a major medical insurance plan.

There are two main types of limited benefit medical plans:

Indemnity-based — a predetermined flat dollar amount is paid for each benefit. These plans typically have negotiated discounted fees with health care providers through a preferred provider network. Indemnity-based plans tend to be simpler to understand, enroll and administer.

Expense-based — a percentage of the actual charge is paid for each benefit, and a deductible might be required also. These plans operate more like traditional major medical insurance, and in fact are sometimes called "mini-med" plans.

With either type of plan, employees usually receive a card identifying them as plan participants that they can show to doctor's offices and pharmacies. Premiums can be employer- or employee-paid, or a combination of both. Offered through the workplace at group rates, these plans can meet the need for affordable, limited and clearly defined health benefits for full-time and part-time workers who don't have access to major medical insurance and need some coverage for basic, routine medical expenses.

WHO NEEDS A LIMITED BENEFIT MEDICAL PLAN?

If this product sounds like something that fits only mom-and-pop operations, companies perhaps too small to be on your cold-call list, think broader. It's true we see a big need in suburban and rural areas where smaller employers have yet to offer any kind of health coverage, yet they know they need to offer some kind of benefits to be competitive. However, consider that almost a third of U.S. businesses have fewer than 100 employees. That's a pretty big market to ignore.

But the opportunity doesn't end there. In the northeastern states

where I'm based, we see a trend of employers moving away from traditional health plans because of the rising costs, yet these employers still want to be able to offer their employees some kind of protection. In businesses that do still offer health insurance, many employers are now subsidizing only the employee's coverage and contributing nothing toward coverage for the employee's family. And many larger businesses have significant numbers of regular workers who aren't eligible for the company's health insurance coverage. Some of the industries where we're finding a positive reception to the limited benefit medical plan solution include:

Manufacturing companies

We met recently with a potato chip manufacturer that was forced to eliminate the health plan for its 800 employees three years ago. The company wanted to bring back some type of coverage and found a limited benefit plan was a good solution. So did a smaller, 110-employee plastics manufacturer.

Health care providers

One of our new customers is a 900-employee health care facility where nearly a third of the employees work part time or are otherwise ineligible for the organization's major medical plan.

Auto dealerships

We're working with a dealership that was recently part of a buyout and offers no benefits at all. Installing a full major medical plan was cost-prohibitive for this employer, but he knew he needed some kind of benefits to keep good salespeople in this high-turnover industry.

HOW CAN YOU TAP IN?

Likely by now you're making a mental list of your client base and ticking off those who could benefit from this solution. So how do you find the best carrier with which to partner? Here are a few key points we've found hit hot spots for employers:

Product design

Indemnity-based plans tend to be simpler to understand, enroll and administer. This leads to greater satisfaction for both the employer and the employees.

Benefits communication and enrollment

A well-designed plan should be simple to understand and use, but many carriers rely on self-enrollment for these plans. Self-educated delivery gets very low participation and sometimes leads to dissatisfaction from workers who don't understand what their plan does and doesn't cover. A top provider can meet one-on-one with each employee to explain the plan and help employees select the best coverage plan for their family's needs. That way, employees understand, appreciate and take advantage of the benefits of the plan. A provider that can enroll all employees, including other core benefits, also

removes a major hassle for the employer.

Voluntary benefits

Limited benefit medical plans aren't intended to provide coverage for catastrophic events, but offering voluntary products such as critical illness, cancer or disability insurance can help employees secure additional, affordable protection for their families. A single-source carrier for both voluntary products and the limited benefit medical plan help solidify your presence in the account.

Group size

Many plans require 50 or more employees, but some cover groups as small as five. This flexibility opens even more doors.

COBRA eligibility

Individual health insurance plans that employees purchase on their own can be hard to find and qualify for, not to mention prohibitively expensive. The COBRA option in a group limited benefit medical plan can be a strong selling point for the employer.

If you're ready to bring your customers new solutions and tap into a new market with growing potential, a limited benefit medical plan should be part of your portfolio. Find the right carrier to partner with and you could find yourself with all the business you can handle, and that vacation reservation or tee time waiting. ❖