

UNLIMITED OPPORTUNITY:

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I live in Texas where the state slogan says it's "like a whole other country." In many ways that's true, but when it comes to the plight of the uninsured, I have to admit Texas is right in there with the rest of this country. And it's nothing to be proud of: the national statistics are bad and getting worse.

- Forty-seven million people don't have health insurance—and the vast majority of them belong to a family with at least one working member.¹
- The uninsured are heavily concentrated in the 18-34 age group, when workers may be most likely to have young families to take care of.²
- Although 60% of private businesses offer medical care benefits to their employees,³ barely half of small businesses with fewer than 100 employees do.⁴

Why this is happening is the subject of plenty of debate, especially in an election year. But I see three main reasons for the growing numbers:

- Rising health care costs are pricing smaller employers out of the market. Premiums for employer-sponsored health insurance in the U.S. have been rising four times faster than workers' earnings since 2000.⁵
- Many employers are now subsidizing only the employee's coverage and contributing nothing toward coverage for the employee's spouse or children.
- Many larger businesses have significant numbers of regular workers who aren't eligible for the company's health insurance plan. As America trends toward a service economy, possibly using more part-time workers, these numbers could grow even more.

Challenge = Opportunity

For those of us whose livelihood and passion it is to help employers be more competitive and grow their businesses, this issue presents an opportunity to provide new benefits solutions for them and their employees. One way to meet the challenge of providing health coverage to more employees is through a limited-benefit medical plan.

A limited-benefit 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

**Limited-Benefit Medical Plans Provide
New Health Care Access for the Uninsured,
New Market Opportunity for Producers**

benefit amount. These plans typically offer the five basic components of most medical plans:

- coverage for doctor's office visits
- preventive care
- diagnostic tests and x-rays
- hospital confinement
- prescription drugs

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- and part-time workers who don't have access to major-medical insurance and need some coverage for basic, routine medical expenses.

"We sell a lot of limited-benefit medical plans, and our renewal rate is about 88%," says Steve Jones with Homeland HealthCare based in Dallas. "That speaks pretty highly for the product."

Unlimited Success

How can you take advantage of this opportunity? I think there are three steps to success in the limited-benefit medical plan market:

1. GET EDUCATED. Limited-benefit plans are not major-medical insurance, although some plans look and feel a little bit like them (see sidebar). They should never be sold as a replacement or substitute for major medical. Be sure you understand the differences not only between major-med and limited-benefit plans, but also between different types of limited-benefit plans. "You have to understand more than the benefits," Jones warns. "You also have to understand what the policy says."

2. GET FOCUSED. Limited-benefit medical plans aren't for everyone, but there are many markets where they're a great fit because of employer size or employee demographics. For example, there's a huge need in industries such as hotels, retail and nursing homes.

These industries traditionally don't offer their employees access to group major-medical plans, partly because they tend to employ so many part-time workers. And these are big industries. Texas alone employs more than 936,000 people in sales and related occupations, more than half of them as cashiers and retail salespeople. Another half a million are employed in construction trades. The Lone Star State also boasts 140,000 home health aides, nursing aides, orderlies and attendants⁶ That's a lot of potential employees who may need coverage.

But don't forget the smaller employers. An indemnity-based limited-benefit medical plan is typically simple to enroll and administer, making it perfect for small businesses that don't have specialized HR staff. And there are a lot more small businesses out there than large ones. Of the approximately 5.9 million employers nationwide, 3.8 million—65%!—have fewer than 10 employees.⁷

3. GET THE RIGHT CARRIER. To really make a limited-benefit plan an effective part of your client's benefits

package, you need to partner with a carrier that not only has a competitive product but also offers enrollment capabilities. Consistent, clear communication through group and one-on-one meetings with employees helps ensure they understand what their plan covers and—perhaps as importantly—what it doesn't. Self-enrollment and self-educated delivery gets very low participation and often leads to employee dissatisfaction.

"Benefits communication is huge," Jones agrees. "It's very important employees understand what they're buying and how to use it, so they're engaged in the process. If customers know up front what they're buying, they're not going to be disappointed with how the product works."

Two types of limited-benefit medical plans:

- **Indemnity-based** — A predetermined flat dollar amount is paid for each benefit. For example, a plan might pay \$50 for a doctor's office visit, whether the doctor's actual charge was less or more. 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. For example, a plan might pay 60% of the doctor's fee and a deductible might be required. These plans operate more like traditional major-medical insurance and, in fact, are sometimes called "mini-med" plans.

A bonus of working with a good voluntary provider to implement a limited-benefit medical plan: the ability to package the plan with other voluntary products to provide additional coverage options. Offering voluntary products such as disability, cancer or critical-illness insurance alongside the limited-benefit plan can help workers secure additional, affordable protection for their families.

The uninsured worker issue may be, as we say around here, "bigger than Dallas," but new solutions such as limited-benefit medical plans are emerging that can provide a workable alternative. Take advantage of this market opportunity by learning all you can, finding the right markets to sell in and partnering with a carrier that can provide the product and support you need to be successful. ■

1 California Health Care Foundation, 2005

2 "Income, Poverty and Health Insurance Coverage in the United States: 2005," U.S. Census Bureau

3 "Employee Benefits in Private Industry," Bureau of Labor Statistics, U.S. Department of Labor, August 22, 2007

4 "Growth Potential of Small Business Markets," LIMRA, 2006

5 Henry J. Kaiser Family Foundation, 2006 Employee Health Benefit Survey, September 26, 2006

6 "OES State Occupational Employment and Wage Estimates," Bureau of Labor Statistics, 2000 (latest available)

7 "Statistics of U.S. Businesses," U.S. Census Bureau, 2004