Taking Matters Into Their Own Hands!

After the passage of the Employee Income Retirement Security Act employers began to bypass the insurance industry when implementing employee medical Plans. The industry calls it a “self-funded” medical plan.

Currently about 57% of employers have implemented Partially or Fully Self-Insured Medical Plans. The reasons are many including:

* Lower cost
* Flexibility in plan design
* Uniformed benefits across state lines
* Better employer and member service
* Detailed Utilization Reporting
* Claim Cost Predictive Modeling
* Predictable cost today and tomorrow
* Managed or controlled risk

Most employers today, realize fully funded health insurance premiums include a projected cost of a group's normal medical claims plus a cost to cover the group's unpredictable or catastrophic claims. The employer pays for this cost even if the group has little claim utilization. Next, the insurance company adds to premiums, their overhead and other business related expenses, profits. Insurance companies have restrictions with conducting business over state lines so competition can't work out a solution. Employers realize in that business model, there is little incentive for the insurance company to control cost. It gets worse!

Healthcare Reform and Insurance Companies

The Healthcare Reform Act thinks they solved the problem. Healthcare reform is restricting insurance companies profits by requiring 80-85% of all premiums be used for member claim cost. They have to accomplish this goal while certain medical providers routinely increase their cost of care. This leaves very little money to pay for the cost of doing business. (As a comparison, retailer’s typically double their cost of inventory before they sell it to the consumer; and they have difficulty making a profit!)

Because of this, many industry "experts" see many of the insurance companies leaving the health insurance business.

The Partially Self-Insured Option

This option is growing faster than ever for group sizes of 50-500 employees. This option can also position an employer for necessary change related to healthcare reform.

Why do employers self-insure?

The employers have finally realize the insurance companies include costs not necessarily attributable to their employee base. With this program, employers pay for claims their employees incur. In addition, an employer can purchase excess-loss insurance to protect their company against the potential catastrophic claim. (Insurance Companies have been purchasing Excess-loss insurance for years!)

To keep things easy, and HIPAA compliant, employers hire a Third Party Administrator (TPA) to administer their plan. (Fun Fact: TPA's process most of the healthcare claims in the U.S.)

If you are interested with saving, on average, 20% per year in health insurance cost, send me a note and I’ll send you more information you can review with your insurance consultant. (Paul@iaatpa.com)

Enjoy the rest of your day and stay well!

Paul Kelly, President