



ONE CALL DOES IT ALL

IAA One Minute Read

IAA One Minute Read: Summer Fun

Newsletter Date: July 22, 2010

This is not intended to be legal advice.

Self-Insuring Medical Plans

IAA's Services Include Cost Saving Ideas Too!

COBRA and HIPAA Administration
Consumer Directed Services:

HRA's, FSA's, HSA's

Self-insurance Administration

Plan Document Preparation

Excess-loss Insurance

Government Compliance: Health
Care Reform, Form 5500, NY Sur-
charge



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Self-funded Employer Health Plans Continue To Evolve!

Many of our clients that self-insure their medical plans now offer their members two levels of benefits.

Core Plan: Often a Health Savings Account Qualified Plan.

Buy-up: Often out-of-pocket PPO plan.

Providing employees with choice including a wide variety of voluntary benefits creates a secure work and home environment. Everyone is more productive when they don't have to worry about providing for their family and their families health.

If you would like to see a sample of one of our programs, please call: 856.470.1161 and ask for Paul.

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 customer 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.)

The employers benefit plan can access Preferred Provider Organization and wellness programs, just like an insurance company does.

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