

# **How to Shop for Health Insurance**

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Across the country, businesses are grappling with their health insurance renewals with shock and concern. Shock from the size of the premium increase – typically in the 15% range with many even higher – and concern about how their business can absorb another significant increase. Even with predicted trends for 2007 at 12%, the foreseeable future has the health insurance market with at least another round of double-digit increases that will continue throughout 2007.

There is a sense of desperation, particularly among small business, as the recovery from several years of increasingly tough financial blows attempt to translate into a search for a solution. Even though there are many factors influencing or directly causing the sustained high increases, explanations do not help when serious decisions must be made regarding continued employer-sponsored health benefits.

*The only good news in all of this is that there are things that the employer can do to take action against these increases.*

There are steps that you can take to assure the benefit plan you select is the best option out there for your particular situation. There are also pitfalls to avoid as you go through the decision-making process. The financial impact to your bottom line is such that it warrants careful review of every aspect of your plan.

## **Review and Understand Your Benefits**

Review your health plan to ensure you know the policy benefits, limitations, co-pay levels, out of pocket maximums and coverage for special treatments or services. There may be some important procedures that affect how you receive care and whether or not you have to pay for some or all of a treatment. Knowing the levels of benefits will help you determine what changes could be considered in the effort to mitigate premium increases. Small adjustments in co-pay amounts, especially with prescription drug coverage, often can provide moderate to large premium savings.

Make sure the carrier you have selected has both a strong and broad network of providers. This type of network will ensure employees utilize network providers, which makes your selected benefit plan more cost effective over time. A broad network also protects the amount of additional out of pocket or balance billing the employee may be responsible for if treatment is obtained from non-network providers. The broad network will ensure employees have access to “in-network” providers. You end up with more value for the premium you spend.

Finally, selection of a financially strong carrier will ensure benefits will be offered in accordance with your contract and the carrier will be around to pay claims when they are

needed. There are many strong carriers in the market. Make sure you are with one of them.

After this review of your current benefit program has taken place there may be a decision to shop for competitive prices elsewhere in the market with other carriers or vendors.

### **Advise Employees to Take Control of their Care**

Today's healthcare delivery system requires consumers be more educated and proactive with regard to their own care. Advising employees to educate themselves about what treatment options are available and most effective will only help their satisfaction with the plan. Also, this type of proactive effort often leads to improved health and/or reduced length of illness. Many times these types of proactive efforts result in lower expenditures by employees and lower costs over time for the employer as the plan sponsor.

Advise employees to be prepared to ask their doctor informed questions and make sure the answers are understood. They should take advantage of regular screenings and lifestyle choices that could prevent illness. They should question any tests that are ordered and understand the necessity as well as any associated risks. Consumers should ask if a prescription could be filled with a generic alternative. (Generics offer the same efficacy as name brand drugs but with much lower cost to the consumer as well as to the plan.)

### **Be Realistic with Underwriting**

Health insurance carriers writing small group (2 – 50 employees) health policies cannot, by law, decline groups or employees applying for a quote or for coverage due to pre-existing conditions. However, carriers can, by law, surcharge the group with an amount of up to twice that of the standard rate if the health history of the group warrants the increase in premium. The market works a little different for larger employers who have a little more bargaining power with the carrier due to their size.

Be realistic. If medical conditions within the current enrolled population of your group present a significant history, you may not qualify for the carrier's best rate. Providing health history information at the time of proposal generation will enable the carrier to provide a rate reflective of that specific history. This step will enable you to better assess the market and your resulting best course of action.

Do not be deceived by proposals that seem too good to be true. Many times they are. Ask whether the health conditions of the group have been taken into account prior to the calculation of the premiums offered. Ask what underwriting is left to be done to secure the rates presented in the proposal. Many carriers prefer to issue proposals based upon the fact that all participants are healthy. This assumption on their part may waste your time and money.

## **Review Contributions**

A survey commissioned by Consortium Health Plans found that medical insurance benefits play an increasingly important role for Americans in terms of both their employment choices and job retention. Further, for the first time, almost two thirds of employees surveyed are willing to pay extra for key services including continued access to prescription drugs.

If you haven't reviewed or increased employee contributions within the last couple of years, it is time to do so. Employees are increasingly making the choice to contribute a higher percentage toward their health insurance premiums rather than accepting reduced benefits or elimination of benefits.

The impact of increases in employee contributions is lessened if taken through a Sec. 125 or Sec. 125 premium only plan. These plans provide deductions to be done on a pre-tax basis, which mitigates the overall impact of the increased employee contribution through reduction in taxes paid. The employer also experiences savings through a reduction in taxable payroll.

As you determine your budget for health care, make sure to include the impact of employee contributions and savings through a reduced taxable payroll. These components may make the difference between an affordable benefit package that employees will be happy with and one that barely meets any needs. One caution item in that all carriers have minimum contribution requirements to be eligible to maintain a group plan. Most require a minimum of 50% of the employee cost to be paid by the employer or 25% of the total cost including covered dependents, whichever is greater.

## **Select an Advisor**

Paying for healthcare has become an enormous financial burden for employers of all sizes. Attempting to balance the offer of good medical insurance with its cost is more stressful now than ever before. As a result, business owners need a keen understanding of the health insurance industry, its cost drivers and the anticipated market changes. Further, employers need to be informed and educated as things evolve throughout the entire plan year, not just at renewal.

The selection of an excellent broker or consultant is a critical component in the entire process. A good broker can bring all of the elements described in this article together and clearly lay it out for you. They should be in contact with you throughout the year providing education and assistance with any component of your health insurance plan. A good broker should be an advocate for you and your employees with the carrier and act as intermediary on issues that arise. The broker you choose should be advising and representing you and your interests as you buy insurance, not just selling the plan to you.

By following these basic steps, you should be able to make educated decisions that ensure your goals and objectives are met. Due diligence on your part with regard to this large expenditure is critical to continued success. Your broker, if they are doing the

appropriate job for you, will be a key resource in navigating this process and providing you with options.

*Cheri Gillfillan is a health insurance expert with more than 20 years in the field in various capacities. Cheri and the rest of the staff at One Source Advisors, Inc. are available to discuss strategies, ideas and new approaches to health care. Please give One Source a call prior to your next renewal to see if their approaches to healthcare solutions are able to help. The One Source Advisors, Inc. staff is available toll-free at 866-270-2441.*