



Health insurance contingency disaster plan

By Paul Breslau

In late 2018 and into 2019, a health insurance contingency disaster plan should be a topic for small Arizona businesses and nonprofits, thanks to the ongoing health insurance market trends I will describe. Also, business health insurance will be impacted by Affordable Care Act (ACA) changes resulting from the repeal of key components.

Please note there are many issues with health insurance, health care, hospitals, government health programs, etc. as well as myriad causes for these issues. This article is just focused on the small business area of my expertise. The larger realm of causes and possible solutions for the big picture are left for another day.

Small Employer Market

For health insurance, the Arizona small employer market is defined as businesses with two to 50 employees. According to some experts, this market is next on the chopping block. Small employers are going to take a beating similar to the high premiums and limited options now pervading the Arizona individual and family health insurance market.

For Arizona small businesses, health insurance companies use published, gender-neutral Community Rates. There are age limitations that increase younger employee rates and reduce the older employee rates. There's no medical underwriting allowed so all businesses are enrolled regardless of medical conditions. Industry adjustments can't be made so bankers and miners have the same rates.

The first trend is, businesses with younger and healthier employees are enrolling in limited self-funding plans, aka level-funded plans. These insurance policies escape the Community Rating rules of the Affordable Care Act. Specifically, level-funded rates can account for gender, age impact, industry, and health conditions through medical underwriting. This drains the Community Rating pools of the best young and healthy business participants. The result is future Community Rates will need to be adjusted upward.

A second trend is adding many small businesses with two to 10 employees to the

Community Rate pools. Eight years ago, many of these smallest businesses used employer group plans. Due to market conditions at that time, many of these businesses were moved to individual and family health insurance plans. Now only one Arizona health insurance company provides individual and family health insurance using expensive HMO policies. These smallest businesses are doctors, lawyers, plumbers, electricians, and other independent business owners. Many have started their own businesses after careers working elsewhere. Therefore, these businesses tend to have older employees, often with medical conditions. Once again, by adding these smallest of businesses into Community Rated plans, the rates will need to be adjusted upward.

To summarize, the pool of small businesses in fully insured Community Rated ACA plans will more and more consist of those with older employees and those needing more medical care. Therefore, the Community Rates will need to increase significantly from already high levels. Compounding the problem is that businesses that previously moved to level-funding and had catastrophic claims will likely be moved back onto the fully insured Community Rated plans on their renewals, when they experience huge rate increases.

What to do for a health insurance contingency plan?

Don't wait until November and December 2018, when thousands of Arizona businesses receive their January 2019 renewals. Start considering options in September and October.

January 2019 rates for fully insured plans must be delivered by November 1. Have a contingency plan ready for December 1 implementation but peek at the fully insured renewal November 1 to see how they look.

Those few remaining businesses with renewals throughout the year have a more stable market situation. Community Rates change quarterly. The first quarter of 2018 is not a problem and the impacts described here will be in the first quarter of 2019.

Get opinions from more than one agent that specializes in small business health insurance.

Level-funded plans take into consideration the health of your business population and for many groups, that might lower costs. When you move to a level-funded health care plan, it gives business owners flexibility in plan design, delivers high levels of cost transparency to business owners so you know where your health care dollars are going, and if managed effectively, lower your health care costs year over year. Consider applying and going through medical underwriting to see the specifics for your business.

Try the Aetna-Banner initiative and other initiatives from the major health insurance companies that will be coming to market.

Many of my business clients are working with Redirect Health, an emerging national health care company based right here in the Airpark. Redirect Health offers a comprehensive strategy to help companies reduce health care costs, with plans built specifically for each business. My employer groups report an exceptional member experience, unlike anything they previously had in health care – with 100 percent renewing their plans.

Take advantage of first dollar benefit indemnity plans. Combine a high deductible traditional health insurance plan with indemnity hospital, cancer, and critical illness insurance. This can lower both monthly premiums and out-of-pocket costs.

Ask your broker about new innovations and ideas that are coming to the market.

If you own or manage an Arizona small business or nonprofit, please feel free to reach out to me to discuss how these issues might impact you. Hopefully, the actual small business health insurance market disruption will not be as dramatic as predicted in this article, yet a contingency disaster plan is recommended nevertheless. ■

Paul Breslau, Registered Health Underwriter (RHU), Registered Employee Benefit Consultant (REBC), Chartered Life Underwriter (CLU), Chartered Financial Consultant (ChFC), Chartered Advisor for Senior Living (CASL), is President of Breslau Insurance & Benefits Inc. Contact: 602-692-6832; www.HRaz.com; Paul@HRaz.com.