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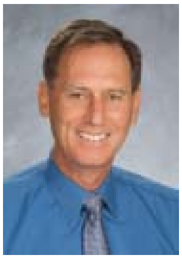
Insurance & Benefits

By Paul Breslau



Dual Option Health Plans and Save

Difficult economic times demand creative solutions from businesses, professionals, and nonprofits. This is particularly true in the insurance and benefits arena. Today we discuss how health insurance dual option strategies can help. Agents and their clients will work harder to implement these programs but will be rewarded with savings.

Dual Option Objective

The dual option objective is to reduce costs for both employer and employees by not forcing all employees into the same plan. Everyone wants excellent benefits *and* low premiums. However, if you had to choose excellent benefits *or* low premiums, which would it be? Not everyone makes the same choice. A properly-structured dual option health insurance plan will help your organization reduce costs for everyone.

Employer Contributions

The way to structure a dual option program is dependent on the employer's contribution strategy. Group health insurance companies require the employer to pay a minimum of 50 percent of the employee-only rate. At the other extreme, an employer can contribute 100 percent of employee and dependent rate. Employer contribution alternatives are discussed below because they must be factored in to optimize the boost attainable from a dual option health insurance program.

High-Low Dual Option

This traditional dual option puts two similar health insurance plans side by side. For example, a $500 deductible 80 percent PPO Plan with copays is an excellent plan but expensive. A $2,000 deductible 70 percent plan with copays has reduced benefits and lower premium. A traditional dual option like this is effective if the employer pays half of the employee only rate. Many employees would rather have a low-cost plan for themselves and their families and keep the money in their paycheck.

The contribution for this traditional high-low dual option can be worked several ways. Most commonly, the employer pays a percentage of the lower plan with employees buying up. Occasionally, the employer will contribute a percentage of the higher plan or the same percentage of both plans.

Health Savings Account - PPO Dual Option

The Health Savings Account (HSA) concept is excellent and catching on. Combining a Health Savings Account eligible plan in a dual option with an HMO or PPO plan allows the concept to be introduced to employees in a voluntary and positive way. The HSA premium savings are significant for employer and employee. The HMO or PPO plan is there for those reluctant to change. Depositing some of the premium that would have been sent to the insurance company into your own bank account helps many choose the HSA eligible plan.

Mini Medical - PPO

For employers with struggling finances, a dual option with a mini-medical alternative may be attractive. These are also known as limited benefit plans, and they are first dollar programs. The second half of the dual option is a PPO plan where the deductible is raised to $2,000 or more and other benefits are stripped down to get a very low PPO premium.

Employer and employees save on the reduced PPO premiums. The mini-medical plan is introduced to cover the hospital deductible and other first dollar costs that were removed from the PPO plan. The mini-medical can be pure voluntary where the employees pay the entire cost or the employer can contribute.

One Example

Let's use real numbers from an active Aetna renewal. This account has the best Aetna HMO plan and the employer pays 50 percent of the employee-only rate. The newly-received monthly renewal rates are going to $450 employee, $940 couple, $936 children and $1,547 family. The owners and several of the families with many children like the rich HMO. However, does everyone in the company want to pay the new higher rates for that rich a plan?

One of the Aetna Health Savings Account (HSA) eligible plans pays 100 percent after a $2,300 deductible. The new rates for this plan are $230 employee, $482 couple, $479 children, and $793 family. If the employer would contribute the same to the HSA, the employee portion of premium cost is $5 per month. If the employee deposits the $220 per month, they would have contributed to the HMO into their HSA bank account; at the end of the year, they have $2,640 in their account. The math on the family shows $9,048 of annual premium savings. There is no downside since the savings exceed the deductibles. As a kicker, most HSA plans have provisions for wellness covered at 100 percent.

Inertia Versus Change

In reviewing hundreds of benefit programs for Arizona employers over many years, it is interesting to see the variety of strategies and programs in place. Many are structured in a particular way only because that is the way it has always been done.

This year, work with an agent that specializes in group health insurance and consider implementing or updating a dual option health insurance strategy. Concurrently, review your contribution strategy. The additional work required to implement new programs is substantial, but everyone will be rewarded. ■

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