



## **The Limited Benefit Medical Plan Movement: A Solution To Reduce The Number of Uninsured In The United States**

### **Out of Options:**

Since the mid-'80s, employers across the United States have increasingly struggled to manage skyrocketing healthcare costs. For many businesses and organizations, there seems to be no relief in sight as healthcare premiums continue to rise each year. Today, average health plans are predicted to exceed \$7,000 per employee, per year, and by 2010, those costs are expected to nearly double.

For most executives, especially those affiliated with small businesses, healthcare costs have become much more than a headache, they are stunting overall business growth. The growing trend, which seems to be an easy and instant solution, is to sever employer-sponsored health insurance plans or transfer costs to employees.

What decision makers do not realize is that this solution ultimately has a negative impact for several reasons. A company that doesn't offer healthcare benefits suddenly becomes less attractive to current and future employees, increasing turnover rates significantly. Not only do employees want healthcare benefits, they expect them.

Some tangible costs associated with employee turnover, include

- ◆ separation costs
- ◆ replacement costs
- ◆ training

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Intangible costs related to employee turnover, include

- ◆ increased workload on remaining staff
- ◆ increased customer dissatisfaction
- ◆ rising stress and tension
- ◆ decline of morale
- ◆ loss of expertise
- ◆ decreased productivity
- ◆ slow growth achievement.

All of these areas can prevent business growth.

In addition to damaging their own financial health, companies that do not offer insurance plans or turn the costs over to employees ultimately increase premiums across the board. While major medical plans might work for top-level executives, lower and mid-level employees, who are more likely to live paycheck to paycheck, might not be able to afford the additional costs and out-of-pocket expenses, forcing them to opt out of coverage. As more healthy employees opt-out of insurance because they feel they are less likely to need it, the risk pool of unhealthy employees goes up, which results in higher premiums for everyone. One viable solution to closing this growing gap in the number of uninsured workers is to offer limited medical benefit plans.

According to research released by the U.S. Census Bureau in 2004, the number of uninsured Americans stands at 45.8 million, an increase of 15.7 percent over 2003. The number of uninsured working adults, ages 18-64, rose to 19 percent and of this group, 24.3 percent earned less than \$25,000 per year, according to the same research. Today, 40 percent of companies do not provide insurance and 80% of the 46 million people uninsured have full-time jobs.

“These findings are disappointing, as they follow three years of successive deterioration in health insurance coverage,” said Robert Greenstein, executive director of the Center of Budget and Policy Priorities, one of the nation’s premier policy organizations working at the state and federal levels. “It is sobering that six million more people lacked health insurance in 2004 than in 2000,” he said.

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## **Consumer-Driven Healthcare Drives Need For Options**

Because healthcare costs have resulted in employers either not providing health insurance at all or shifting some of the costs to employees, consumer-driven healthcare has emerged as a trend that requires plan options and choice. High deductible health plans are also more prevalent now. This movement might be fine for the CEO or executive management, but what about lower income employees or those employees just starting their careers? Shouldn't they be able to have access to health coverage and physicians of their choice? As the consumer-driven healthcare movement starts putting consumers in charge of how and where to spend their healthcare dollars, employees need greater options and flexibility in their health insurance. The key is for companies to find a balance that is financially reasonable without forfeiting the health of employees – the solution is the limited benefit medical plan.

## **The Limited Benefit Medical Plan Movement**

More and more employers are starting to segment employees based on income to provide healthcare options that will better meet the needs of their employees.

Designed to offer the most coverage for basic medical services, such as routine doctor visits, in-patient hospital and emergency room visits, intensive care and anesthesia, wellness services, surgical procedures, prescriptions and accidental death and life coverage, limited benefit medical plan premiums range from \$50-\$150 per month. This is much more financially manageable when the average cost of someone on a comprehensive major medical company-sponsored healthcare plan is \$335. While limited benefit medical plans do not cover catastrophic events, such as terminal illness, they help provide mainstream insurance solutions for those employees with tight budgets where affordability and low deductibles are critical.

Currently the fastest growing segment in the health insurance market, this industry is expected to reach \$4 billion in the next two to three years.

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## **Enter Century Healthcare, A Proven Industry Leader**

Founded in 2002 and based in Texas, Century Healthcare (CHC) is the only full-service third-party administrator (TPA) with a sole focus on highly-customized limited benefit medical plans. Aimed at full-time employees of companies with employer-sponsored health insurance, CHC plans offer more options for affordable health insurance, lower costs, simpler administration and competitive advantage.

“We had only 13 percent of our employees utilizing our major medical coverage because of the expense,” said Candice Mendenhall, senior vice president of human resources for Ratner Companies, an operator of nearly 1,000 hair-salon chains with 14,000 stylists. “After offering CHC’s limited benefit medical plan, our participation rate has grown to 70 percent and the lower premiums enable the company to pay 100 percent of those costs for our employees. This has been a significant competitive advantage for us when many companies are cutting back on health insurance and raising premiums.”

Employers can minimize the high cost of turnover by offering a limited benefit medical plan. A large national service employer documented a 30% reduction in turnover once a modest benefit plan was implemented.

In fact, it doesn’t take a big reduction in turnover to make employer healthcare contributions a winning strategy. For example, if an employer can reduce turnover by just one out of ten employees, the company has more than covered its contribution costs for all employees.

For employees, CHC plans offer affordable, quality physician care, guaranteed issue, flexible plan costs, stellar customer support and peace of mind. CHC plans are not the plans of the past with strict limitations. For example, CHC plans call for five to nine doctor’s office visits per covered person per calendar year and the emergency room benefit covers three visits for injuries and one visit for sickness per person per calendar year. Plus, employees are not forced to seek care from overcrowded county hospitals but can see a physician of their choice and get their dignities back. They can now have the care that major medical plans offer, with options that meet their financial needs.

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“CHC is closing the gap in the number of full-time, uninsured workers in the United States. Americans have a choice in everything else except their healthcare and limited benefit medical plans help provide a choice. These plans will be the standard in the next 2- 3 years for employers.” said Derek Peterman, CEO for CHC.

For more information, visit [www.chctpa.com](http://www.chctpa.com).

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