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Amalgamated ADVISOR

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Brokers Corner–Affordable Care Act Ushers in New Opportunities to Serve Self-Funded Plans

No one would argue that healthcare reform has created new challenges for both consumers and businesses including those in the insurance industry. There is, however, a silver lining to this cloud—new opportunities to serve clients as a true advisor. Particularly for brokers serving the self-funded market, the "Patient Protection & Affordable Care Act" *(Affordable Care Act)* offers the opportunity to help raise the awareness of self-funded plan administrators as to the new law's requirements and likely impacts up the road.

Brokers can be real resources educating their clients regarding what we already know has changed as a result of the *Affordable Care Act*'s passage. In addition to such stipulations as the elimination of lifetime coverage limits and restrictions on annual limits, the provision allowing young adults to remain on their parents' health plans until age 26, no exclusions for pre-existing conditions, and coverage of preventive services at no or minimal cost to patients, the new law has introduced other changes which will have a particular effect on self-funded plans.

They include:

- Heightened scrutiny of self-funded plans to assure that they are not being used to circumvent the new law's requirements;
- Increases in specific stop loss maximums from what was typically $1 million or $2 million to an unlimited lifetime maximum;
- Potential changes in stop loss attachment points (i.e., the point at which stop loss coverage begins);
- Aggregating specific coverage now reimbursing employers/plans only if the total or one or more individual claims over the specific stop loss attachment point exceeds the aggregating specific attachment point; and
- The elimination of various rating characteristics (e.g., average group morbidity, industry, group size) by various states, along with the *Affordable Care Act*'s 3:1 age-rate-limit requirement which is likely to cause premium increases for groups which before the new law's enactment may have had lower than average rates.

In addition to these changes, there are new requirements being introduced at the state level. For example, California has a requirement that stop loss insurance purchased by a business not exclude any employee from coverage due to his/her medical history. Rhode Island has established minimum attachment points for stop loss policies, and Colorado has raised its minimum specific attachment point as well. Many states are taking similar measures to regulate self-funded plans and stop loss coverage.

Along with their role as advisor on the aforementioned changes brought forth by healthcare reform, brokers can use this opportunity to reassess their clients' medical stop loss coverage, as well as their clients' overall health plans and make recommendations for appropriate changes.

Product Spotlight–Medical Stop Loss

The *Affordable Care Act* and, in particular, the new prohibitions on lifetime limits, have made medical stop loss coverage more important than ever. Selecting the right carrier on behalf of your clients, and the right stop loss insurance is critical.

Brokers guiding their clients and plan administrators are well-served to seek out carriers who offer a wide range of Specific Stop Loss options. Chief among them is a flexible claims basis with such options as:

- Run-in protection; stop loss coverage of claims incurred prior to the stop loss contract period,
- Run-out protection; stop loss coverage for claims paid after the end of the contract period, and
- Paid options.

Other key Specific Stop Loss options which should be sought from a carrier are:

- Aggregate Specific Deductible, and
- Terminal Liability option.

Regarding Aggregate Stop Loss options, the selected carrier should offer:

- Corridor set at 125% and others by exception,
- Limit of liability up to $1 million and higher subject to approval,
- Monthly aggregate accommodation, and
- Aggregate Terminal.

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Finally, in addition to these specific attributes of their medical stop loss insurance products, carriers should also be considered based on their overall fiscal performance and claims-paying history. A.M. Best "A" (Excellent) rated carriers have been deemed to have a strong financial condition and claims-paying ability. Look for carriers that have consistently earned this high rating. Other traits to consider when shopping for medical stop loss coverage are the carrier's: discounts for high-performance PPOs, TPAs, and medical management usage by the insured, access to high-quality transplant networks, history of timely disclosure decisions, and claims management services.

► *Voluntary Benefits*

Good Reasons to Offer and Inform Employees Regarding Voluntary Benefits

Did you know that voluntary benefits such as dental, vision and legal services are of great importance to employees? Prudential's "Fifth Annual Study of Employee Benefits: Today and Beyond" found that 52% of employees are interested in a wider array of voluntary benefits from which they can choose and pay for on their own. A good percentage of businesses recognize this and offer voluntary benefits. According to MetLife's "Sixth Annual Employee Benefits Trends Study," 55% of 1,652 companies surveyed currently offer voluntary employee benefits as a way to retain employees and contain their benefit costs.

► *Productivity Impacts*

There are other good reasons for companies to offer and inform their employees regarding voluntary benefits. Research has proven that voluntary benefits have a direct link to employee productivity. According to a Harris Interactive Study, 50% of workers without a legal plan took time off from work to deal with their legal problem. The Harris study also reported that employees without a voluntary legal plan are absent five times more than average, use their sick time twice as much as the average employee, and demonstrate a significant reduction in productivity. By educating employees regarding the value of having a voluntary legal plan, these negative outcomes could be avoided.

► *Greater Employee Wellness*

Voluntary benefits also help employees achieve improved health and wellness. Consider voluntary dental plans. Employees who maintain proper dental health by having regular dental exams have lower incidence of dental problems, undetected oral cancer, heart disease and even diabetes. Their medical and pharmaceutical costs are also contained. It has been shown that employees with diabetes who received regular periodontal care can lower their health insurance and pharmacy costs by more than 10% and their diabetes-related medical costs by as much as 20%.

Voluntary vision benefits also have this effect. The Vision Council of America reports that an estimated 120 million Americans have vision problems which cost their employers approximately $8 billion annually due to lost productivity. With a voluntary vision plan, employees can cost-effectively maintain their vision with regular eye examinations and the proper corrective lenses.

► *Boost Employee Satisfaction*

Informing employees about available voluntary benefits such as dental, vision and legal plans is a step toward demonstrating management's concern for its workforce. This translates into increased employee satisfaction. Multiple studies have shown that employees in organizations where voluntary benefits are offered have a much higher rate of employee satisfaction than those where they are not offered.

By communicating the value proposition of voluntary benefits to employees through well-planned benefit fairs and seminars, businesses can educate their workers regarding valuable protections that they should have which are more affordable when offered through a workplace offering than when accessed individually. When presenting information about voluntary benefits to employees, use the resources of a licensed and experienced benefits professional capable of answering employee questions and articulating the value proposition of each voluntary benefit plan. Prepared plan literature should be readily available and provided to employees so that they can further self-educate themselves and discuss with their spouses and/or other family members as appropriate to make the most well-informed voluntary benefit decisions.

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