

More carriers are bringing limited medical benefit products to market to meet the needs of employers that are being forced to tighten the eligibility requirements on major medical participation requirements in order to mitigate the growing cost of major medical insurance. While limited medical offerings can be confusing for even the savviest of plan sponsors, brokers and consultants, there are guidelines that can help you differentiate between good plans that provide employees with valuable benefits and lesser plans that will provide employers with nothing but problems.

Here are some suggestions to help you evaluate the limited medical programs you might encounter.

Set aside prior experience

Hourly workers or part-time employees that do not meet the eligibility criteria for a company's major medical offering are the most prevalent participants in limited medical plans. Employees in these classes naturally turn over at a higher rate than salaried or professional employee groups. A limited medical plan can help reduce this turnover, but only if it meets your population's needs. Therefore, it is important to understand how limited medical differs from major medical in order to select the right benefit.

As an HR or employee benefits professional, you are accustomed to how major medical insurance policies operate and how they look and feel. Guard against quickly settling on a limited medical plan that looks and feels similar to a major medical plan. In fact, I recommend that you completely remove your major medical hat for a minute and keep an open mind to the possibilities of differing styles of benefits when evaluating limited medical plans.

Limited medical plans are not recommended to replace major medical plans and should not be considered as such. By learning the benefit structure and fully understanding the limits of limited medical plans, you can identify potential frustration points for hourly employees before they happen. For example:

- Does the plan have a pre-existing condition limitation? If it does, and you are offering this plan to a high-turnover group, you have greatly reduced the value of the plan to that population.
- If you are offering a limited medical plan on a voluntary basis, you may restrict the number of people who enroll due to their pre-existing condition. Let's face it, on a voluntary plan, the people who enroll often have a need for the insurance. Why barricade that employee from benefits when it is not necessary? The industry's best limited medical plans do not have pre-existing condition limitations.
- Do you understand the benefits and the limits within the benefits? If a plan has an annual maximum benefit, what is it and what does it take to reach that maximum? Read it yourself and then clarify any grey areas with the carrier. Some limited medical plans are straight forward and simple to understand, while others are not. Put yourself in the hourly employee's shoes: What would make the most sense to

you? If a plan includes a supplemental medical maximum benefit, then understand what the benefit pays for. If it only includes hospital room and board charges, is it really as effective as it initially looks?

- Does the plan have a co-pay and is it a true co-pay? If the benefit says co-pay and includes language stating that the carrier will only pay up to the usual and customary amount, then the benefit is really a per-visit deductible. In some limited medical plans, the employee will be billed the difference between the usual and customary amount, and the allowable amount paid by the carrier. Also, look out for limited medical plans that require the employee to satisfy a deductible for charges incurred at the doctor's office in addition to the doctor's fee (x-rays, lab work, etc.).
- If a PPO network is included, how does it interface with the plan? A PPO network that includes re-pricing may make the term co-pay legitimate as long as your employee is in network. The penalties for employees falling outside the network can be severe. Network discounts can stretch the available benefit dollar, but understand how they work.

Administration is key

A good carrier is important, but the underlying administration component is critical when selecting a limited medical plan.

The high turnover rate in employee classes served by limited medical creates a more complex billing situation. Major medical plans rely upon monthly reporting and have few changes each month.

But in limited medical plans, large groups cannot pay as billed because of the changes that occur due to turnover and the associated timing problems associated with this turnover. Nor can the HR department spend a lot of time reconciling a monthly bill. There are simply too many changes (terminations, new hires, etc.) between when the bill is issued and when payment is due.

Experienced administrators will make this process easier on a company's HR/payroll/IT department by allowing the group to self-report and even pay for benefits on a payroll cycle basis. Good administrators will help you deal with issues like payroll cycle-based billing, missed premium, and proper enrollment strategies.

Not all carriers and administrators have been successful with their limited medical offerings. Be sure to ask if the administrator has ever been cancelled by a carrier. Top carriers have entered and exited this marketplace in the past five years because it was much more complex than they anticipated.

It may seem as if limited medical plans are new, but in reality, the best administrators have been helping employers offer benefits to hourly, part-time and seasonal workers for over a decade. There are limited medical plans available that offer tremendous flexibility

with premiums ranging from \$40 to \$140 per month for employee-only coverage, and they offer the employer the ability to customize a plan to meet their employees' needs.

By offering a limited medical plan that is geared toward your group's needs, you can realize recruiting and retention results that make offering a plan and even paying for it worthwhile to the company.

There is no easy fix for the problem of uninsured, working Americans, and it is risky to leap without closely examining potential solutions.

Solid, proven administrators backed by top-rated insurance carriers are available to help you make informed decisions that will allow you to improve the lives of your employees without being cost-prohibitive and administratively burdensome.