

Benefit Insights

Association Health Plans: Pros and Cons

Small- and medium-sized businesses often struggle to provide adequate health care coverage to their undersized pool of employees. Therefore, President Bush has introduced Association Health Plans (AHP). The main goals of AHP legislation are to better control costs and improve access to healthcare coverage for small businesses, and even individuals, nationwide.



Unlike employers who are large enough to pay directly for health care services utilized by their employees, small businesses cannot self-fund their benefits and are forced to purchase coverage from a state-regulated insurance company. AHPs remedy this by grouping together individuals and small businesses, and enabling participants to take advantage of pooled buying power.

As a result, AHPs offer a variety of advantages, including consistent regulations, reduced administrative costs, and marketing efficiencies. Furthermore, these plans help stabilize the market by avoiding the underwriting cycle of premium spikes and dips that plague the fully insured market today, enabling even the smallest employer to give employees a choice of health plans.

AHPs already exist with regulations varying from state-to-state. The Bush plan would allow AHPs to become certified under federal law, effectively sidestepping 50 sets of state regulations. As such, state insurance commissioners and some state-based insurance companies are opposed to the plan. With Bush's proposed AHPs, state regulators lose authority. Some state plans that operate in single states and avoid multi-

compliance issues will be adversely affected by the changes. It remains to be seen, however, whether fewer state mandated benefits are an advantage or disadvantage.

Critics further argue that AHPs will select only healthy groups for coverage, leaving the unhealthy to be insured in the regular insurance market. They also argue that AHPs will drive down the number of people in the insurance pool.

On the contrary, federal law already requires "guaranteed issue" of health insurance for all employer groups and limits waiting periods for preexisting conditions. AHPs would also encourage more pooling of risk, with the forming of hundreds or even thousands of small employers in each pool.

Critics also argue that Bush's AHPs could drive up administrative costs by creating an additional layer between the employer and the health plan. Experts say this simply is not the case, and they are quick to point out that administrative costs are typically 25 percent to 40 percent of small employers' premiums, with as little as 60 cents of every dollar actually applied to health care costs. By contrast, self-funded, larger employers generally pay only 5 percent or 10 percent in administrative costs.

Critics also maintain that the U.S. Department of Labor is not capable of overseeing AHPs. Advocates of AHPs argue this by pointing to the department's track record that shows the Department of Labor has successfully regulated tens of thousands of self-funded employers for nearly 30 years.

Regardless of which side you are on, it's easy to see that AHPs will not solve all problems associated with providing health care coverage for small businesses and individuals. AHPs will not make health care cheap, nor will they drastically reduce the number of uninsured. Instead, they will bring more competition to the market, effectively reducing administrative costs and make health care more affordable for smaller groups, without new federal subsidies.

Benefit Strategies, Inc. is pleased to present our quarterly newsletter which contains important information on current and/or emerging employee benefit topics.

Ultimately, our goal is to provide you relevant benefit information that will enable your organization to fulfill both its financial and benefit objectives now and into the future. As always, we welcome your thoughts and suggestions.

We appreciate your confidence in us and thank you for allowing us to serve your organization.



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Cause and Effect – How Everyday Consumer Choices Can Impact Health Care Costs

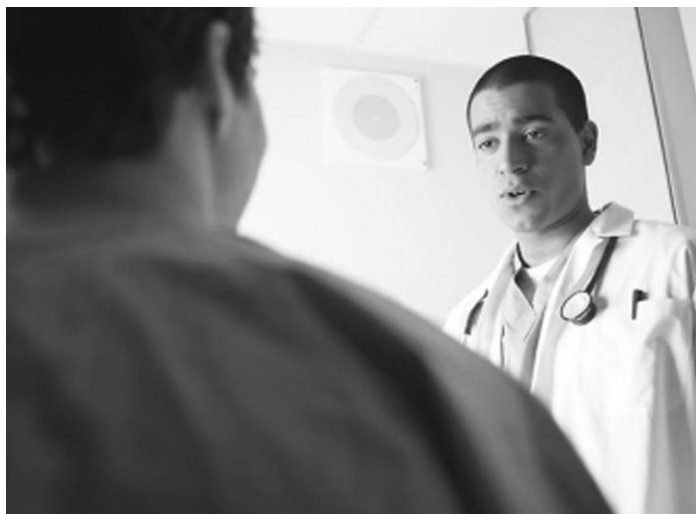
Employers and employees sometimes feel powerless in the face of rising health care costs. Each year employers spend months trying to figure out how to deal with increased premiums. Employees dread insurance renewal time too, anxiously anticipating the additional financial burden that will find its way to them in some form.

Here is an alternative strategy that does not involve determining how the burden of increased costs will be divided. Introduce employees to cost savings approaches that reduce the overall health care bill for the company and keep discussions of jobs versus benefits off the table.

New Approaches for Purchasing Medication

This list of everyday choices can save money for members and for the company.

1. When a physician suggests a new drug, ask for an initial “sample” supply. (Pharmaceutical manufacturers deliver drug samples to most doctors as a marketing technique.) You and the doctor can determine whether or not the new drug works for you before making a commitment. For example, your doctor gives you samples of Celexa for your depression. You determine that the Celexa is creating weight gain, which certainly is not helping your depression and is creating other medical problems. You switch to a sample regimen of Lexapro, which seems to have the appropriate anti-depressive effect without unworkable side effects. (Celexa and Lexapro each cost \$100-\$125 per prescription. You avoided the cost of the Celexa and the first prescription for Lexapro. Possible savings to you and your insurance plan - \$200-\$250)



2. Explore non-steroidal anti-inflammatory (NSAID) choices carefully. The NSAID class of drugs contains a range of choices from generic medications like ibuprofen (brand names such as Motrin, Advil) and sodium naproxen (brand name Naprosyn) to new drugs like Vioxx and Celebrex. Different NSAIDs appear to have different levels of effectiveness, depending on the disorder and the individual patient. Therefore, there is a great deal of variability in choice. Work with your doctor to find the most effective NSAID for your situation at the most affordable price. For example, you discover that your arthritis pain responds just as well to Diclofenac (brand name Voltaren) as it does to Vioxx. (You will save the difference between the generic and brand co-pay.)

3. Ask your doctor to order on-formulary whenever possible. Many doctors have a limited group of medications that they tend to prescribe and may need to be prompted to consider alternatives that will save you and your insurance plan money. For example, your doctor prescribes Prevacid for your high cholesterol instead of Lipitor, his usual choice. Lipitor works well. (You will save the difference between the preferred brand co-pay and the non-preferred brand co-pay. The company will save any cost difference between the preferred brand and the non-preferred brand.)



4. Take your medicine correctly and reliably. It may be cheaper in the short run to skip your anti-hypertensive and cardiac drugs but everyone will pay dearly in the long run, financially, physically and emotionally, if an untreated condition leads to an acute medical crisis. (The plan may save tens of thousands of dollars in hospital care; you may save your own life.)

Company Must Share Savings

These recommendations can help members make more cost-effective choices. However, these strategies require motivation and energy to undertake. Members will be most incentivized to employ these techniques if they have confidence that any health plan savings will be shared with them. Otherwise, most members will decide it is just not worth the hassle.

All examples in this article are for purposes of illustration and should not be construed as medical advice. Prices are estimates based on current retail market value.

Help Your Plan Members Communicate Better with Their Doctors

The Commonwealth Fund's 2002 International Health Policy Survey reported that:

- 33 % of study participants left the doctor's office without getting important questions answered.
- 20 % said their doctor never made clear the goals of their treatment.
- 21 % said their doctor had not reviewed their list of medications in over two years.

Each of these problems can precipitate serious health consequences. How do your plan members fit into these statistics? Is there a potential drug interaction medical crisis waiting to create an outlier cost for your company to bear? Here are some pointers you can pass along to your plan members to keep the medical communication lines open and constructive.

1. Write down the names of all the medications you take, the dosage and schedule. Even if you feel that you have this information clearly organized in your mind, it's not unusual to confuse bits of data when you're trying to give information quickly or feel anxious during your doctor's visit. You can also hand the doctor your list and he can quickly extract the information he needs.



2. Think about topics that you and your doctor will discuss at this visit. For example, if you are diagnosed with high blood pressure, your doctor may have prescribed an anti-hypertensive medication, suggested restricting salt, getting more exercise and eliminating cigarettes. He will want to know what your progress has been. Write down what you plan to tell him.
3. Write down the questions you want answered as well. It's much easier to think in the comfort of your home than while you're sitting on crumpled paper wearing a threadbare gown.
4. Be on time for your appointment. If you're flustered because you're late and the doctor is annoyed because his schedule has been delayed, no one is going to communicate well.
5. Remember that your doctor is neither a god whose opinion is always right, nor the enemy, deliberately ignoring

your needs. He's a highly trained professional who is trying to maintain your health in partnership with you. You may feel that he sometimes forgets the point of his job; that's why you have to be prepared to help him stay on course.



6. At the start of your face-to-face time with the doctor, let him know that you have questions. In fact, it's useful to show him your list. He'll know that you are taking responsibility for your care and that will encourage him to pay attention to your issues.
7. Don't be offended if the doctor refers you to his nurse for information. Office nurses are also well-trained in the disorders the doctor treats and are very good at explaining medical information.
8. Write down the answers to your questions as well as any new instructions you receive. It's hard to remember everything that goes on during a medical visit, particularly if you are given new or surprising information.
9. Call the office if you later realize that you are confused about instructions or don't remember everything you are told. It is much better to get the information straight right away than to make mistakes in your care and medication routine.
10. Pay your bill. A doctor's office is a business. If you fail to keep up the business end of the relationship, your medical relationship can suffer. Most doctors work very hard to be sure that they are not thinking about money when dealing with their patients and are generally successful in separating business from medicine. But, doctors are only human and if your name keeps coming up on the delinquent pay list, it may have a negative effect.

Overall, encourage your members to be responsible partners in their medical care.

Recent Survey Shows Employees Value Health Insurance More Than Higher Salaries

A recent national survey by Stony Brook University, indicates that more Americans are willing to take a lower paying job offering health coverage than a job with a higher salary but no benefits.

The Health Pulse of America, conducted by Stony Brook's Center for Survey Research, shows just how important a role medical benefits play in the job selections people make today. After researchers conducted telephone surveys with 865 adults, they found not only are employees increasingly valuing comprehensive medical coverage, they are also wanting more vacation time from their employers. These are the two major findings of the SBU survey, which also addresses other work-related issues.

When asked if they had to choose between a job with health coverage and a lower salary, and a higher paying job that lacked health benefits, 71 percent would take the lower salaried job with benefits, while only 24 percent would take the higher paying job with no coverage.

Even when asked to rate the two issues separately, the result was equally surprising: 73 percent rated good health care benefits as very important, while only 37 percent rated a higher salary as very important. Good retirement benefits and job security also ranked higher than salary, with 66 percent and 71 percent, respectively, rating these as very important.

Respondents are also overwhelmingly stressed out at work. More than 40 percent of those polled believe that increased paid vacation time would improve Americans' health. This perception is equally common among current workers and those out of the work force, and is especially pronounced among people aged 49 and younger. Nearly 50 percent of Americans polled believe that extended vacation time would not have a negative impact on the economy, and about one third believe it would help.

The survey also found that 50% of respondents with employer-sponsored health insurance have concerns that their employers will reduce their coverage next year, and 29% have concerns that they will lose their coverage; 50% of respondents said that they could not afford to purchase health insurance on the private market. However, respondents were "generally satisfied" with their current health insurance and other benefits, the survey found. About 60% of respondents with employer-sponsored health insurance said that they would prefer a raise over improved coverage in the next year.

The survey is available online at:
<http://ws.cc.stonybrook.edu/surveys/HPAAug03.htm>.

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