

PSI Health Plans offer flexibility & cost savings

BY GARY LEFKOWITZ

Businesses throughout the tri-state region are citing high costs of employee health insurance as one of their biggest impediments to growth.

There are some options.

Recent changes in insurance regulations now allow a small business with 50 or more workers to access a self-funded form of health insurance to provide employee health-care benefits that previously was reserved for the corporate "big guys." The coverage is essentially the same as full-funded health-care insurance (FFI) programs. The difference is in the way the programs are set up and what you can and cannot do with them.

The federal government surveyed businesses and discovered self-funded insurance programs are significantly underutilized. The latest data indicate only 25 percent to 48 percent of companies with 50 to 999 employees are using these plans, while 85 percent of the "big guys" are (Medical Care Research and Review, Vol. 57, No. 3).

In the past, taking advantage of this alternative approach involved accepting higher levels of risk. This has been resolved with program refinements that make partial self-insurance (PSI) health insurance an acceptably safe alternative to traditional FFI.

The ability to control costs through PSI is a good reason for managers charged with acquiring quality health-care coverage to be looking into it. These plans are also exempt from many of the state regulatory mandates and taxes that increase the cost of FFI.

FFI prevents management from responsibly managing this vital cost center. This is due to the way these programs are set up. With FFI, you request a quotation for insurance coverage with



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set benefits for your employees and you're quoted a premium cost. If the premium is too high, you may opt for a lower-cost program with less generous coverage. Beyond this, you receive no further information.

Once the program is set up, you have no control over it.

With PSI, you receive the information necessary to manage and administer health coverage. You design the benefits program and then contract with a reputable third-party administrator to give you the same services an insurance company would provide. You will be able to analyze the cost-effectiveness of the various elements of the plan.

PSI also gives you flexibility. Plans can be designed to fit your actual usage and you can make adjustments. Managers receive monthly claims reports broken down into various medical categories all within federal HIPAA compliance so they can be evaluated for midterm corrections in terms of usage.

PSI offers the potential for saving employers significant sums of money while utilizing a quality plan. If claims

come in less than expected, you keep the money, not the insurance carrier.

The major difference often cited between PSI and FFI is the risk factor. With PSI, the employer assumes all or part of the risks of insurance coverage for employees. The employer puts money directly into a plan, which then pays for the covered benefits when claims are submitted rather than paying insurance premiums as in FFI. Of course, if a self-insured company ends up with unhealthy employee statistics, or employees with catastrophic claims, it's liable for the total cost. That's where the term "partial" becomes critically important.

You may limit your risk by purchasing additional insurances from a reinsurer for aggregate stop-loss for total claims, specific stop-loss for individuals or dependents, and cash flow. This is what changes a self-insured insurance program into a partial-self-insured insurance program.

When PSI was first introduced to the small-business community (with 50 to 999 employees), there was a rush to take advantage of its potential cost savings. In the "rush" some plans were poorly designed and others were improperly explained. Many of these firms failed to implement protective measures and suffered the consequences.

The PSI environment is much different today. The programs have matured and the forms of protective insurance cover the "what-if" contingencies. Responsibility begins with a good, thorough, analyzed plan design. Then you'll be able to manage your health insurance benefits to achieve the most value for the least cost.

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