Cost-saving Medical Care Alternatives

COVID-19 lockdown-related economic disarray just magnified the importance of existing alternatives to the government's "Affordable Care" program. This paper expands on some of those alternative means of obtaining medical coverage at a reasonable cost.

If you are an individual being laid off, the first thing you need to do is learn about is COBRA. The Consolidated Omnibus Budget Reconciliation Act of 1985 requires employers to offer continuation coverage for individuals losing group coverage due to separation from a company. There are many explanatory sources that describe COBRA benefits; you might start with Department of Labor regulations, here. The process begins with the employer presenting the employee with an offer of continued coverage, including the cost of coverage and time allowed for response.

The offer will normally entail monthly reimbursement of the employer's full cost of coverage, plus an administrative charge of up to 2%. An ex-employee is able to elect coverage for up to 18 months—depending upon the size of the group. If the employer goes out of business, no coverage is offered. The ex-employee can utilize the response time to "ride" coverage while seeking new employment and/or looking for other coverage. Hence, the waiting period can effectively provide free coverage for a period of two months or so (depending on specific circumstances).

Individuals

without coverage are no longer required to sign up for ACA ("Obamacare"). To receive care, they can **show up unannounced** at major hospitals without coverage and WAIT—just as they always could…

Those who want coverage have two principal alternatives.

Healthy individuals desiring "inexpensive" full coverage should look first at **short-term insurance**. Short-term policies require positive responses to several logical key medical questions and are limited to 12 months of coverage. You can select the number of months you need. By screening out serious medical conditions and limiting time exposure (lest serious conditions arise during the period of coverage) a number of quality companies are able offer individuals coverage at up to 80% less than ACA or corporate plans.

Get a **short-term quote** and application HERE. (Linking coverage to Wayne is a no-cost feature, allowing him to interface with the insurance company to assist the insured individual during the policy period—only if desired by the policyholder.)

Less healthy individuals will usually find the best care through ACA ("**Obamacare**" – officially the "Patient Protection and Affordable Care Act," or "PPACA"). Its plans cover nearly everything and do NOT exclude pre-existing conditions. As however, remaining healthy individuals continue to desert ACA coverage, the plans are increasingly burdened with serious medical conditions—guaranteeing a rising rate spiral.

Republicans in Congress might prefer to terminate ACA, while Democrats would like it expanded to become universal coverage; hence, ACA appears to be stalemated in its present form until at least 2021.

The next opportunity to apply for guaranteed-issue coverage under ACA is the open enrollment period November 1 – December 15, 2020. Special conditions, including losing group coverage in an employer layoff, allow application at other times.

If you're interested in ACA coverage, start HERE.

Businesses

The largest U.S. corporations will continue to do what they have always done: **self-insure**, covering employee costs and liabilities without the participation of any insurance company, while remaining relatively free from government control.

In an endeavor of major importance, Amazon has been working for about a year with Berkshire-Hathaway and JP Morgan to develop a more patient-centered health care system, with substantially reduced cost, for the three companies—and as a potential model for national application.

Mid-size employers often **partially self-fund** their coverage, increasing control while they reduce cost. They involve insurance companies, but send them less of their money. No surprise then that this technique—in which the employer effectively shoulders a deductible on the entire program—is used by most large employers.

In partial self-funding, the sponsoring employer structures and manages its own program, determining benefits to be provided, selecting the network to be used, choosing an administrator and then competing the insured part of the coverage above a preset employer deductible, among a number of stop-loss insurance carriers. Self-funded plans are exempt from state-mandated coverages (which generally add 10% or more to the cost.) The worst-case cost to run a self-funded plan is almost always lower than the best fully-insured quote, and in a good year a self-funded plan can actually become a profit center.

Until current legislation is repealed, employers of 50 or 100 (depending on the state) or more employees are required to either provide coverage or pay a substantial ACA penalty. The insurance that is offered has to comply with a number of ACA requirements—unless the employer "grandfathered" coverage in 2010.

For businesses with less than 50 employees, there is no government requirement to carry group insurance. But neither is the employer allowed to assist employees with their cost of coverage.

One of the positive (and unintended) benefits of ACA is that insurance providers have learned how to provide **partial self-funding** to **smaller businesses**. Generally, businesses with 10 employees in relatively good health can now qualify for partial self-insurance.

** There is one **significant caveat** to self-funding: if the business is likely to be heavily affected by **deteriorating economic conditions** (such as now), loss of medical insurance participation (through layoffs) could make it difficult for a company to live with a self-funded contract.

Other alternatives

Limited benefit plans reduce premiums substantially, in exchange for sharply restricted coverage for major medical conditions. Deductibles and copays are relatively low, which employees like, but coverage for surgeries and extended hospital stays is limited. To receive major medical benefits, concerned employees can add catastrophic individual policies or utilize community hospitals. These plans are most suitable for employers whose only other choice is dropping plan sponsorship altogether.

Health Savings Accounts (HSAs) are high-deductible programs that allow participants to defer pretax funds that will NEVER BE TAXED if used for medical, dental, vision and other approved expenses. The employer saves a little on premiums and the employee is given the opportunity to build a savings account that performs better than a 401(k) or IRA. HSA's were at one time in line for a boost by the Trump administration.

Many small group carriers allow 'split' plans, with an HSA offered alongside a 'premium' plan, featuring a lower deductible and office visit copays. The employer pays against the HSA plan and allows employees to buy up to the cost of extra features in the upgrade.

Limited eligibility: group carveouts. Companies with at least 50 employees have the ability to select which classes of employees will be entitled to receive insurance coverage (non-eligible classes can be excluded). Insurance companies that will provide this type of coverage are limited, but it can be done—if employer flexibility and a savvy agent are combined.

Enhancing individual policies. Employers that don't carry group coverage can assist their employees by installing a special form of 'flex' plan that allows employees to turn individual premium payments into pretax expenses.

Our recommended action for small business owners is:

- If you have a healthy group of 10 employees or more, look into **partial self-funding.**
- If less than 5, consider **concierge-care** for yourself.
- For serious healthcare issues at an elevated age, **look outside the U.S.**

How may we help you?

Wayne has been in the small group medical insurance business for 30+ years and is licensed to help you directly, if you're located in Texas. If you operate out of Dallas, Austin or nearby locations, he'd be happy to meet in person.

If you're located outside Texas, our recommendation is to contact the closest NAHU (National Association of Health Underwriters) office for referral to an agent.

If you have questions that your current/local agent cannot answer, or just want to explore your current options, Wayne is available by telephone for limited consulting: $200/hour, with a $100 minimum. To schedule an appointment, send an email to: wayne@waynepeterson.net.