

New Law Opens Opportunities for Limited Medical

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Limited medical plans have a bright future.

That may be surprising to hear in the wake of healthcare reform that has been sold by politicians as a cure-all for medical care failings in the United States. The instinctive reaction to the reform signed into law in March 2010 is that there won't be room for a niche product like limited medical insurance when everyone has the Cadillac coverage mandated, regulated and subsidized by the federal government.

Well, think again. If anything, the need for limited medical plans will grow as the full provisions of the Patient Protection and Affordable Care Act kick in over the next few years. They won't be limited medical plans as we know them today. Instead, they will morph and adapt to the needs of consumers who are in need of supplemental plans or become dissatisfied with how the reform law legislation affects them.

What the Law Changes

The rapid growth of limited medical plans over the past few years attests to their ability to respond to market need. www.LimitedMedicalPlan.com estimates that more than two million Americans currently are covered by the plans. They have become increasingly popular as rising medical costs have pushed premiums for traditional major medical coverage beyond affordability for many employers and individuals.

Today, limited medical plans come in a variety of flavors. Fixed indemnity plans pay a set amount for specific services. Expense-incurred plans cover costs up to pre-established limits. Some blend both approaches, depending upon the type of medical care. For example, some plans offer indemnity-based coverage for outpatient services, while hospitalization comes under expense-incurred provisions.

Under the federal reform, some types of limited medical will disappear. Expense-incurred plans will not survive the tight restrictions on annual limits that will take effect later this year. By 2014, the use of any annual limits will be prohibited for both new plans and grandfathered group health plans. In addition, lifetime limits on coverage are prohibited beginning six months after the law was signed.

Indemnity plans, however, will continue to be legal under the new law. They will not be treated as so-called "minimum essential coverage" insurance – those policies certified as meeting criteria that have yet to be established for sale in the new government-run exchange. Indemnity plans instead will play a role as policies providing benefits that are secondary or incidental to other insurance coverage.

Limited Medical Still a Viable Option

Limited medical plans were introduced as an option for people who could not afford traditional major-medical coverage. They are an economical way for employers with part-time, seasonal and low-wage workforces to attract and retain employees, and they offer coverage to individuals who do not have the pricing leverage of belonging to a large pool of insureds.

Many of those market segments will continue to need health insurance options. The new reform law does not require employers with fewer than 50 workers to provide insurance, nor does it mandate coverage for part-time and temporary employees.

In addition, individuals will still be looking for low-cost options. No one knows yet how expensive the policies available to individuals through the government-run exchanges will be and how much people will be expected to pay

out of pocket after government subsidies are applied.

What is known is that failure to comply with the individual mandate – the requirement that all Americans have health insurance as of 2014 – will carry a very low penalty in the early years. Individuals may very well decide to avoid the expected high cost of the government’s “minimum essential coverage” policies, pay the penalty (which begins at \$95 annually) and purchase a more affordable limited medical plan.

New Markets for Limited Medical

As the new law evolves and regulations flesh out exactly how reform is going to be implemented, three areas are likely to become attractive markets for limited medical policies.

Similarly, people may well decide to supplement government-standardized policies offered through the exchanges with limited medical insurance to cover specific needs or services. The exchanges are expected to offer different levels of plans: gold, silver and bronze, for example. Someone may choose to purchase only the bronze level and then add coverage at a lower price through a limited medical plan than they would have to pay for silver or gold plan coverage that would include the desired service.

Second, employers with early retirees – those who are under the 65-year eligibility age for Medicare – are now in line to get government assistance to hold down the cost of providing health insurance for these former employees. Under the new law, employers will be able to apply for a share of a government-funded \$5 billion reinsurance plan.

The program is complicated, although the intent is straightforward. At the end of a plan year, an employer can submit claims that are between \$15,000 and \$90,000 for an 80 percent reimbursement. The concept is to encourage employers to continue to provide coverage for the under-65 retirees until the exchanges are in place in 2014 that will offer early retirees individual insurance.

The program is not open-ended. The law sets aside a specific amount – \$5 billion – and provides that the program will end if the funds are depleted before 2014. Because of the limited nature of the federal reinsurance program, employers – especially those that are self-funded – will continue to need other options to keep costs under control. Limited medical plans, combined with stop-loss policies and the federal reinsurance reimbursement, will be an option that many employers will want to explore.

The third area that is likely to see growth is the underground economy. Those who already operate beneath the radar – undocumented workers, individuals who work for cash, and others who opt out of the corporate, wage-earning world – will want to remain in control of their health care decisions but may look for some type of safety net. Limited medical plans will provide them an affordable option.

Staying on Top of Opportunities

As we move into a new era of healthcare in the United States, there are many factors still in motion, making it difficult to be certain about what the insurance industry will look like five or 10 years from now. In the wake of the new law, regulations will be formulated, publicly aired, revised and eventually adopted.

Unintended consequences will be identified and addressed or ignored.

One thing that is almost certain, however, is that the cost of medical care will continue to rise, since the law made little headway on constraining spending. That means that people will continue to seek affordable options for insurance, even after the government exchanges and subsidies are in place.

Agents who stay on top of the changing healthcare scene will be in a good position to find opportunities – and it will not be surprising if many of them can be met with limited medical plans.

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Samuel H. Fleet is President of AmWINS Group Benefits, a leading wholesale broker of comprehensive group insurance programs and administrative services. With more than 20 years of health and benefit experience, Sam has guided the rapid rise of AmWINS Group Benefits from a small regional organization to one of the most successful wholesale brokers and group insurance administrators in the country.

Responding to the crisis of rising medical care and health insurance costs over the past few years, Fleet has positioned AmWINS Group Benefits as an industry leader that can offer innovative, economical solutions to help benefit brokers assist their clients. Many who are eager to continue providing their workers and retirees affordable healthcare insurance have found it increasingly difficult to cover the cost of traditional major medical plans.

Stepping up to address the market demand for lower-cost alternatives, AmWINS created HealthWINS Limited Medical Benefit plans. While some industry offerings fell short of meeting customer expectations, AmWINS focused its limited medical business on what truly matters by emphasizing solid plan design, flawless administration and successful enrollment strategies.

AmWINS maintains solid, long-term relationships with a large network of A-rated (or better) carriers committed to the limited medical market. This extensive network allows AmWINS to creatively customize plans to match the needs of companies. As a result, AmWINS has been able to serve the unmet insurance needs of a variety of companies, including those with part-time, seasonal and low-wage workers.

HealthWINS Limited Medical is only one of many offerings from AmWINS that provide benefit professionals with the tools they need to solve complex issues. As a wholesale broker and administrator dedicated to empowering clients with the information and infrastructure to manage group plans, AmWINS designs, distributes and administers benefit programs with tremendous efficiency, individual attention and responsiveness. Customers include associations, organizations and businesses of all sizes across a wide range of industries.

In addition, customers benefit from effective cost control when they outsource functions to AmWINS ranging from managing records, claims and collections to handling cost analysis, marketing and more.

As the founder of the company that became AmWINS Group Benefits, Sam Fleet is sought after for his knowledge and experience as a speaker at conferences of The Council of Insurance Agents and Brokers, the National Association of Life Underwriters and Benefits Selling Expo. His success has been recognized in such prestigious industry publications as Best's

Review, Employee Benefit News, Benefits Selling, Business Insurance and Employee Benefits Adviser.

As the parent company of AmWINS Group Benefits, AmWINS Group, Inc. is the largest independent insurance wholesaler in the country.