



## Reports of Limited Medical Plans' Demise Exaggerated



by **Samuel H. Fleet**, President and CEO, **AmWins Group Benefits**

**W**ith the end-game strategy for health reform thrown into disarray by Massachusetts voters, making predictions about the eventual outcome seems foolhardy. Nonetheless, all indications point to not only the survival of limited medical plans but also quite possibly an increasingly important role. And that is a good thing for the future of consumer-driven health choices.

The early pessimism about the viability of limited medical plans as health care reform unfolded in 2009 is easy to understand. As both the House and Senate versions stood at the end of the year, specific provisions appeared to leave limited medical plans DOA. Both bills banned lifetime maximum limits, as well as annual limits on spending. In addition, each included guaranteed issue, forcing insurers to cover all comers, regardless of pre-existing medical conditions.

These market reforms are intended to protect consumers, who often pay little attention to the provisions of their policies until they need medical care that is beyond their coverage. However, the ceilings built into limited medical plans are exactly the provisions that make health insurance affordable for many consumers who would otherwise have no coverage.

Limited medical plans have played a valuable role in keeping the numbers of uninsured in check and filling in the gaps left as major medical increasingly became an endangered species in the corporate world. Despite the uncertainty surrounding how politicians will now proceed with health reform, there is every likelihood that limited medical will continue to do so.

### Filling a Needed Niche

The reasons for optimism about the future of limited medical are subtle but multifaceted. First, there is the language of the 2009 House and Senate bills. While both eliminate annual and lifetime maximums, neither precludes internal ceilings. For example, a limited medical policy conceivably could cap spending on outpatient services at \$3,000 a year or doctor office visits at \$1,000—all without imposing an overall annual limit or a lifetime limit.

Second, the interplay of the individual mandate and inadequate government subsidies means that many people will be seeking inexpensive solutions to meet the requirements they face under the new law. As consumers sort through their options, limited medical plans will make good financial sense and provide a level of health coverage that meets the majority of a consumer's needs.

Third, health insurance reform has absorbed a full year of political debate, tradeoffs and incremental actions—but the battle is far from over. Post-Massachusetts, politicians may decide to start over. But even if they continue with the 2009 bills and find a way to push a combined version across the finish line for the president's signature, there is still the lengthy process of regulators coming up with precise language to enact what are now vague concepts and generalized objectives.

In addition, few of the reforms in the 2009 bills become effective until 2013 or 2014, which is several elections and congressional sessions from now. Since the largest health insurers in the country are also the underwriters for the majority of limited medical policies, one can envision the frontal assault they will launch to keep limited medical as a viable product for future consumers.

Finally, limited medical plans are likely to evolve as the shape of both government-regulated plans offered by exchanges, if they remain a component of the final reform, and employer-based plans becomes clearer. Just as Medi-gap policies have stepped in to take up the slack in Medicare coverage, limited medical care may become the go-to, supplemental product for people dissatisfied with their primary coverage.

Limited medical plans have never pretended to be Cadillac products that will cater to every need envisioned by a health care consumer. But their popularity undoubtedly will increase as consumers discover the ugly truth about health reform. The health insurance mandates Congress has created do little to halt the runaway inflation that drives medical care costs ever higher. As the hunt for affordable options becomes more intense, consumers will appreciate the lower-cost value that limited medical care delivers in a post-reform world, regardless of whether elements of the 2009 bills survive or some new approach is undertaken.

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