

## Welcome

To the Advanced CBA  
ReadyTalk Webinar Training  
HealthCare 101  
November 28, 2006  
11:00 a.m. Eastern Standard Time

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## Employee Benefit Basics

Presented By:  
Group Benefits Agency, Inc.  
Edward Piela  
Julie Stein



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## Disclaimer

Information presented in this webinar is not state-specific, except where Ohio Law is cited. Where Ohio law is cited, we strongly encourage you to contact your State Department of Insurance for regulatory laws in your home state. These state agencies may also be able to direct you to a specific insurance broker in your state.



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## Presenter Bios:

### Edward Piela

Ed is a member of the management team at Group Benefits Agency, Inc. as the Business Application Coordinator. Ed's role integrates new product development, strategic planning, sales and relationship development with carriers, clients and prospective strategic partners. Ed has comprehensive experience in the group health benefits market from various perspectives. He has spent over 20 years working for health insurance carriers including Blue Cross/Blue Shield, United HealthCare and Travelers. Ed received a B.A. degree from the University of Dayton and is a Certified Health Consultant.

### Julie Stein

Julie Stein is an account manager for Group Benefits Agency, Inc. Julie has been a licensed insurance agent in life, health and variable products since the Fall of 2003 in Central and Southeastern Ohio. She has been engaged in individual and employee benefit planning with a special interest in helping employer groups create a strategy for their employee benefit plan. Julie holds a Bachelor of Science Degree in Communication and an Associate of Arts Degree from Ohio University.



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## What's Driving HealthCare Costs?

- Increases in RX prices
- Increased utilization of RX, influenced by advertising and media spotlights on "lifestyle drugs"
- Advances in diagnostics and treatments
- Hospital consolidation
- Legislation
- Aging population with increased demands for medical services
- Skyrocketing malpractice insurance; class action lawsuits, etc.



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## What are "Employee Benefits"

- "Employee Benefits" can be defined as health insurance, vision insurance, dental insurance, life insurance, disability insurance, and other benefits as selected by a specific employer group.
- Employee Benefits are used by employer groups to retain and attract dedicated, quality employees.
- An employee benefit plan is developed by an employer group and an insurance broker to meet the needs of a specific group of employees.



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## Employee Benefits Terminology

### Deductible

An amount, usually stated in dollars, for which you are responsible each benefit period before the insurance carrier will start to pay benefits.

### Copayment

A dollar amount, if specified in the schedule of benefits, that you may or may not be required to pay at the time services are rendered.

### Coinsurance

An amount that reduces the amount an insurance carrier pays on claims by sharing the costs with the insured up to a certain maximum per year.

### Out-of-Pocket Maximum

An amount that is determined between the employer group and the insurance carrier when an employee no longer has liability for claims costs and the insurance carrier pays claims at 100% for the remainder of that calendar year.

Source: The Ohio Department of Insurance



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## More Employee Benefits Terminology

### PPO (Preferred Provider Organization)

The insurance company contracts with doctors, hospitals, pharmacies and labs who provide plan subscribers with health care at a discounted cost. The health care providers are the "participating providers". If a patient goes to a participating provider, the insurance carrier will pay a larger portion of the claims based on the provider agreement.

Source: The Ohio Department of Insurance



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## When Can New Employees Enroll in a Group Health Plan?

- As the employer, you may specify in your employer contract with the insurance carrier that new employees are required to complete a "probationary period" of up to 90 days (for up to 50 employees) before benefits are effective.
- When instituting a new benefits plan, employees typically have an initial open enrollment period of 30 days.
- In order for an employee to be a "timely enrollee" they must enroll in the group health product within 30 days of eligibility or within 31 days of a "qualifying event."

Source: The Ohio Department of Insurance



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## What are "Qualifying Events?"

These are events in a person's life that trigger the necessity of an employee to notify their insurance carrier and employer within 31 days to make changes to their employee benefit enrollment.

### Examples of Qualifying Events:

Marriage	Divorce
Birth of A Child	Death
Graduation	Adoption

Source: The Ohio Department of Insurance




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## Potential Employee Benefit Offerings

- Group Medical Insurance
- Group Dental Insurance
- Group Life Insurance
- Group Vision Insurance
- Group Short Term Disability Insurance
- Group Long Term Disability Insurance
- Group Long Term Care Insurance
- Group Voluntary Products (Employee Paid)




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## Sample Benefit Summary

Benefits (Employee Cost Share)	Network	Non-Network
Individual / Family Deductible	\$1,000 / \$2,000	\$2,000 / \$4,000
Coinsurance	80% (Carrier) 20% (Employee)	70% (Carrier) 30% (Employee)
Individual / Family Out-of-Pocket Maximum	\$4,000 / \$8,000	\$8,000 / \$16,000
Physician / Specialist Office Visit Copay	\$20 Copay (General) \$35 Copay (Specialist)	Deductible then 30%
Urgent Care Copay	\$50 Copay	Deductible then 30%
Emergency Room Copay	\$150 Copay then 30%	Deductible then 30%
Inpatient Hospital	Deductible then 20%	Deductible then 30%
RX Generic/Formulary/Non-Formulary Copays (30 Day Supply)	\$15 / \$30 / \$45	Deductible then 30%
RX Mail Service Copay (90 Day Supply)	\$30 / \$60 / \$90	Not Covered

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## Network vs. Non-Network Claims

Sample Out-of-Pocket Costs	Network	Non-Network
Office Visit	\$20 Copay	Deductible, then 30% <i>Example: On a \$1,000 deductible plan (where the deductible has already been met), the office visit would cost then 30% of the charge. If the office visit charge is \$120, the employee would be responsible for \$36.00.</i>
Employee's Total Out-of-Pocket Cost:	\$20.00	\$36.00
Urgent Care Visit	\$50 Copay	Deductible, then 30% <i>Example: On a \$1,000 deductible plan (where the deductible has already been met), the urgent care visit would cost then 30% of the charge. If the urgent care charge is \$225, the employee would be responsible for \$67.50.</i>
Employee's Total Out-of-Pocket Cost:	\$50.00	\$67.50




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## Pre-Existing Conditions

- A "pre-existing condition" is a condition present before your enrollment date in any new health plan.
- If, at the time you enroll in a new group health plan, and you already have had 12 months of continuous health coverage (without a break in coverage of 63 days or more), you will not have to start over with a new 12-month exclusion for any pre-existing conditions.
- In the event you have had a lapse of greater than 63 days or no prior coverage, and have received services for a condition in the 12 months leading up to your effective date, coverage for this condition may be excluded for a period of up to 12 months.

Source: The Ohio Department of Insurance




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## How Does HIPAA Protect Employees?

Under HIPAA, a group health plan or a health insurance carrier offering group health insurance coverage may impose a pre-existing condition exclusion with respect to a participant or beneficiary only if the following requirements are satisfied:

- A pre-existing condition exclusion must relate to a condition for which medical advice, diagnosis, care or treatment was recommended or received during the 6-month period prior to an individual's enrollment date;
- A pre-existing condition exclusion may not last for more than 12 months (18 months for late enrollees) after an individual's enrollment date; and
- This 12 (or 18) month period must be reduced by the number of days of the individual's prior creditable coverage, excluding coverage before any break in coverage of 63 days or more.

Source: The Ohio Department of Insurance




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## Role of Insurance Broker / Consultant

- Work with employer groups to design an employee benefit program
- Act as an intermediary with the insurance carrier on behalf of the employer and their employees
  - Select a carrier(s) whose products and services meet the needs and budgetary concerns of an employer
  - Assist the insurance carrier(s) with the installation of employee benefit programs
  - Assure that insurance carrier(s) are providing services and resources associated with the employee benefits plan in a timely and efficient manner
  - Educate the employees regarding their health benefits and the tools and resources available to them as an enrolled participant in the insurance program
- To analyze and review group benefit needs in conjunction with the annual renewal process.



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## How Many Employees Are Required to Form a "Group Plan?"

- In the State of Ohio, groups comprised of two to fifty employees have policies issued on a "guaranteed issue" basis. No individual employee may be declined in a group policy.
- Various insurance carriers require a specific percentage of employees to directly participate or show proof of other coverage. This percentage varies not only by carrier but by product.

Source: The Ohio Department of Insurance



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## Information Required to Obtain a Quote

- A Census of all employees who work a consistent 25 hours a week or more
- Employer Application
- Employee Applications or Waivers (with health history)
- Prior Carrier Benefit Summary
- Prior Carrier Invoice



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### What Paperwork Must be Processed to Implement an Employee Benefit Plan?

- Census
- Employer Application
- Employee Applications w/medical history
- Quarterly Wage and Tax Reports
- Prior Carrier Invoice and Benefit Summary
- A Check for the first month's premium




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### Eligible Employee Definition

An "Eligible employee" means an employee who works a normal work week of twenty-five or more hours. "Eligible employee" does not include a temporary or substitute employee, or a seasonal employee who works only part of the calendar year on the basis of natural or suitable times or circumstances.

Source: The Ohio Department of Insurance




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### Sample Census Form

Census Forms will usually request the following information:

#### Employer Information

- Company Name and Address
- Business / SIC Code
- Total Number of Employees
- Number of Employees Eligible for Benefits
- Current Insurance Carrier (if applicable)
- Desired Effective Date of Coverage

#### Employee Information

- Employees' First and Last Names
- Employee Gender and Date of Birth
- Spouse Date of Birth
- Level of Coverage (i.e. Single Coverage)
- Salary (if quoting disability coverage)

Employer Information		Employee Information	
Name	SEX	Date of Birth or Age	Annual Salary
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## What Are My Costs As an Employer?

An employer may sponsor a group health plan and contribute a minimum of 50 percent of the employee-only level of premium. An employer may choose to contribute a portion of the employee's spouse or dependent's premium at their discretion. Ancillary products may require a smaller portion of the premium to be contributed by the employer.



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## Are Group Insurance Premiums Considered a Business Expense?

- Group insurance premiums are a fully tax deductible business expense for a corporation, but the premiums are only partially tax deductible for sole proprietorships and partnerships.
- Medical benefits paid on behalf of an employee are NOT taxable as income.

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## What is COBRA?

- In 1985, Federal legislation known as COBRA required all employers with 20 or more eligible employees to offer terminating employees the right to continue in a group health plan for up to 18 months or 36 months as the spouse of a deceased employee, divorced spouse, or for loss of dependent status.
- If the employee chooses to continue the plan under this act, they may be required to pay 102% (2% for administrative costs) of the full premiums.

Source: The Ohio Department of Insurance



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### What Options For Continuation of Coverage Exist If We Have Less Than 20 Employees?

- House Bill 215, a State of Ohio law requires companies with less than 20 employees to give all "involuntarily terminated" employees the right to continue coverage for 6 months only without regard to insurability.
- An employee has 30 days to apply to continue coverage. In order to be eligible for this provision, an employee must have been covered under the group health plan for 3 months and be eligible for unemployment benefits.

Source: The Ohio Department of Insurance



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### What is "Consumer-Directed HealthCare?"

- In a consumer-directed health care plan, the consumer (the individual enrolled in the health plan) has more direct responsibility for how their health care dollars are spent.
- Consumer-driven or directed plans are designed to raise awareness of the cost of health care treatment and foster employee ownership of the cost.
- Insurance carriers are beginning to give their enrolled members more information regarding healthcare costs and outcomes in order to help individuals make better informed decisions.



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### What Cost Containment Measures Can I Consider As An Employer?

#### Implement a "Consumer-Directed HealthCare Product"

- Health Savings Account
- Health Reimbursement Arrangement
- Flexible Spending Account
- Increase Annual Deductibles
- Offer split co-pays for primary care physicians and specialists
- Increase Rx Co-pays
- Implement a health plan that provides wellness as a "first dollar benefit"



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## What Technology Resources Are Available to Employers and Employees?

- ❑ Many carriers provide employers capability for viewing their bill, certificate booklets, updates, and making enrollment changes.
- ❑ An employee may have access to various tools depending on the insurance carrier to order additional or replacement identification cards, view explanation of benefits reports, use online resources for health management, and to obtain pertinent health information.




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## Case Study # 1

Group Description: Two Employees  
Start-up Company

Plan Options: One Insurance Carrier  
Five Plan Options Shown

Presented with Street Rates and Maximum Rates




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Group Medical Coverage	Comparison of Five Medical Mutual of Ohio Plans				
	SMPlus 1580	SMPlus 2080-250	SMPlus 2080-500	SMPlus 2080-750	SMPlus 2080-1000
Benefits	Network	Network	Network	Network	Network
<b>Deductible</b>	\$250 Individual \$500 Family	\$250 Individual \$500 Family	\$500 Individual \$1,000 Family	\$750 Individual \$1,500 Family	\$1,000 Individual \$2,000 Family
<b>Coinsurance</b>	80% Carrier 20% Member	80% Carrier 20% Member	80% Carrier 20% Member	80% Carrier 20% Member	80% Carrier 20% Member
<b>Out-of-Pocket Maximum</b>	\$1,750 Individual \$3,500 Family	\$2,250 Individual \$4,500 Family	\$3,000 Individual \$6,000 Family	\$3,250 Individual \$6,500 Family	\$3,500 Individual \$7,000 Family
<b>Office Visit Copay</b>	\$15 Copay	\$20 Copay	\$20 Copay	\$20 Copay	\$20 Copay
<b>Urgent Care Copay</b>	\$35 Copay	\$40 Copay	\$40 Copay	\$40 Copay	\$40 Copay
<b>Emergency Room</b>	\$100 Copay/then 20% Deductible/then 20%				
<b>Hospital Inpatient</b>	Deductible/then 20%				
<b>Retail Rx (30 Day Supply)</b>	\$10 Copay- Generic \$20 Copay- Formulary \$40 Copay- Non-Formulary				
<b>Mail Order Rx (90 Day Supply)</b>	\$30 Copay- Generic \$60 Copay- Formulary \$120 Copay- Non-Formulary				
<b>Cost Comparison- Street Rates</b>	<b>Street Rates</b>	<b>Street Rates</b>	<b>Street Rates</b>	<b>Street Rates</b>	<b>Street Rates</b>
Total Monthly Cost (Includes \$25 Admin. Fee)	\$492.73	\$484.35	\$458.38	\$439.29	\$419.45
% Difference in Premium from SM Plus 1580 (Richest Plan)	N/A	-1.7%	-7.9%	-10.8%	-14.9%
<b>Cost Comparison- Max Rates</b>	<b>Max Rates</b>	<b>Max Rates</b>	<b>Max Rates</b>	<b>Max Rates</b>	<b>Max Rates</b>
Total Monthly Cost (Includes \$25 Admin. Fee)	\$952.22	\$935.55	\$884.09	\$846.25	\$806.85
% Difference in Premium from SM Plus 1580 (Richest Plan)	N/A	-1.8%	-7.2%	-11.1%	-15.3%

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## Case Study # 2

- Group received a 10.53% increase on their medical renewal.
- Broker negotiated the renewal with the carrier to a 8.53% renewal based on the fact one of the COBRA enrollees came off the plan.
- Group decided to shop the marketplace to see if other carriers might offer more competitive rates.
- Group completed medical applications and based on underwriting Medical Mutual was able offer the group premium savings for a plan that was not significantly different than their current plan




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Group Medical Coverage	Comparison of Four Carriers (Network Benefits Only)			
	Anthem (Current) PPO Option 68	Aetna PPO 5-06	Medical Mutual SMPlus 2080-500	United Healthcare PPO US-D
Benefits	Network	Network	Network	Network
Deductible	\$500 Individual \$1,000 Family	\$500 Individual \$1,000 Family	\$500 Individual \$1,000 Family	\$500 Individual \$1,500 Family
Coinsurance	80% Carrier 20% Member	80% Carrier 20% Member	80% Carrier 20% Member	80% Carrier 20% Member
Out-of-Pocket Maximum	\$2,500 Individual \$5,000 Family	\$3,000 Individual \$6,000 Family	\$3,000 Individual \$6,000 Family	\$2,000 Individual \$4,000 Family
Office Visit Copay	\$20 Copay	\$20 Primary Copay \$35 Specialist Copay	\$20 Copay	\$20 Copay
Retail Rx (30 Day Supply)	\$10 / \$20 / \$30	\$15 / \$35 / \$50	\$10 / \$20 / \$40	\$10 / \$30 / \$50
Mail Order Rx (90 Day Supply)	\$20 / \$40 / \$60	\$30 / \$70 / \$100	\$30 / \$60 / \$120	\$25 / \$75 / \$125
Monthly Premium	Anthem (Renewal)	Aetna	Medical Mutual	United Healthcare
EE Only	\$365.06	\$357.00	\$335.67	\$411.66
EE + Spouse	\$802.41	\$665.00	\$671.34	\$823.32
EE + Child	\$616.22	\$543.20	\$443.11	\$802.79
EE + Children	\$616.22	\$543.20	\$610.33	\$802.79
Family (1 Child)	\$1,126.94	\$917.00	\$778.78	\$1,276.25
Family (2+ Children)	\$1,126.94	\$917.00	\$946.00	\$1,276.25
<b>Total Monthly Cost</b>	<b>\$14,027.84</b>	<b>\$12,451.60</b>	<b>\$11,614.31</b>	<b>\$15,664.03</b>
Percentage Difference from Current Premium	8.53%	-3.67%	-10.14%	21.19%

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## Case Study # 3

Group Description: Medium Sized Company  
 Current Carrier increased rates by 12.5%, broker negotiated to a 9.5% increase  
 Group wanted a dual choice program with a buy-down option

Plan Options: Two carrier options shown  
 Group selected plan that maintained benefits and premium as "status quo" but added \$10,000 of Life and AD& D coverage




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