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More Employers Try Limited Health Plans

Cheap 'Mini-Medical' Policies Cover Drugs And Doctor Visits, But Little Hospitalization

By VANESSA FUHRMANS

EMPLOYERS ARE increasingly turning to an affordable type of health insurance that has a big catch: If you get really sick, it won't cover your major expenses.

These low-cost offerings, called "mini-medical" or "limited-benefit" plans, are catching on as employers struggle to restrain the rising cost of health insurance. Available as group plans or individual policies, they typically cover four to 10 doctor visits a year, a certain amount of prescription drugs and some lab work or other tests. Premiums can cost as little as \$40 a month—far less than the \$148 average for a major-medical plan bought on the market or the \$335 average cost of someone on a company health plan, according to the Kaiser Family Foundation, a health-care policy research group.

Nearly one million people have mini-medical plans, insurers estimate, and some of the plans' biggest sellers say business is growing 20% a year.

Mini-medical plans have been around since the '80s, and until recently were sold mostly to temp-agency, fast-food and chain-store workers. But they're becoming more commonplace as employers cut back on full benefits, or turn more to part-time and contract workers. Mini plans are also starting to appeal to a wider array of individuals who might otherwise not be able to afford insurance, including the self-employed or freelancers. Sometimes individuals buy these plans through professional associations.

This spring a coalition of 10 large employers so far, including **Avon Products, International Business Machines, General Electric and Sears Holdings**, will make a number of low-cost options, including limited-benefit plans, available to independent contractors and part-time and temporary workers not eligible for regular company benefits—about 900,000 people, including dependents. Three levels of limited plans will be offered via the coalition, from insurer **UnitedHealth Group Inc.** and, to a lesser extent, **Cigna Corp.** and **Humana Inc.**

Some of the biggest names in health insurance are pushing into the market, in addition to UnitedHealth, reflecting the growing interest in mini-medical benefits. **Aetna Inc.** jumped into the limited-benefit plan business last year after buying one of the market's bigger players, **Strategic Resource Co. of Columbia, S.C. WellPoint Inc., Nationwide Mutual Insurance Co.** and **Coventry Health Care** have also recently developed or are expanding into limited benefit plans.

Critics say that consumers don't always understand the limitations of these policies. Most hospital care isn't covered, or the benefits may be doled out in small increments, requiring consumers to contribute big chunks along the way.

Limited Benefits

So-called mini-medical insurance policies typically:

- Cover **routine services** initially not paid for by high-deductible catastrophic plans, such as office visits, lab work and medications.
- Offer **low weekly premiums**
- Provide relatively **little coverage for hospital or emergency care**
- Often **cap annual payouts** at \$10,000 or less

Annual payouts are often capped at \$10,000 or less, so policyholders are largely on their own if catastrophic illness, such as a heart attack or cancer, strikes.

"People have to be aware this isn't providing them the key purpose of health insurance, and that's protection from catastrophic or chronic disease," says Robert Fahlman, chief operating officer of **eHealthInsurance** an online health insurance broker that stopped

selling limited-benefit plans because they weren't big sellers and triggered confusion among customers.

In a sense, the plans are the inverse of the "consumer-driven" health plans that many employers and policy makers are pushing today, which require patients to pay out of pocket for routine care but provide coverage for catastrophic needs. Insurance brokers say that some mini plans are being sold to people who have high-deductible, consumer-driven plans to cover catastrophic care and are looking for some coverage for everyday expenses. Layering the two types of plans together can still be cheaper than a traditional major-medical policy.

For group plans, employers can, but often don't, subsidize the premiums. Instead they'll contract with an insurance company to sell directly to employees,

(over please)

Mini Med

So-called limited benefit policies often have very low annual maximum payouts. Here is a sampling of some benefits offered by group plans. Some companies also sell individual policies.

PLAN	WEEKLY PREMIUMS	OUTPATIENT BENEFITS	HOSPITAL BENEFITS	PRESCRIPTION DRUGS	ACCIDENT/ER BENEFIT
OptiMed Health Plan OptiMed 2000 www. optimedhealthplans.com	\$13.02 for employee; \$25.37 for employee plus one dependent; \$35.31 for family.	\$60 reimbursement per doctor visit, \$300 maximum for labs and diagnostics at \$30 per visit.	\$500 per day, plus extra \$500 per day if in ICU (maximum 30 days in ICU).	\$10 co-pay for drugs on generic formulary; discounts on other drugs.	\$500 per visit.
Starbridge Choices Core #1 www.starhrg.com	\$8.85 for employee; \$21.15 for employee, plus one; \$31.75 for family.	\$20 co-pay for office visit; for other services, plan pays up to \$1,000, paid at 80% after \$50 deductible.	\$10,000 maximum, paid at \$100 a day for maximum 100 days.	Discount on brand and generic prices.	\$2,500 maximum, paid at 80% after \$50 deductible.
Starbridge Fundamental Care High Option www.starhrg.com	Depends on gender, age and other factors; generally 25% to 40% less than comprehensive plans, company says.	5 doctor visits/year for adult, 7 for child, for \$25 or \$50 co-pay; \$1,000 for tests per date of service, paid at 75%.	Room and board up to \$750/day; ICU at \$2,000/day; surgery at \$5,000, paid at 75%. Maximum \$50,000.	\$1,000 maximum after \$50 deductible.	Maximum of \$2,500 per date of service, paid at 75%. Ambulance, maximum \$250 per trip, paid at 75%.
Aetna Affordable Health Choices Basic Medical www.src-web.com	NA	\$10 co-pay per physician visit, 5 visits per year; \$400 maximum for tests with \$15 copay.	\$2,000 maximum, paid at 80% of bill after a \$250 deductible.	\$200 maximum with \$10 deductible per prescription.	Maximum \$1,000, with \$100 deductible.

Source: the companies

much like some supplemental life-insurance policies. This allows them to tout jobs that come with some health benefits in the bid to recruit employees. The policies are typically designed as preferred-provider organizations, with a broad number of doctors and facilities in the plans' networks.

Mini-medical plans cause more than their share of consumer complaints, say some brokers and state insurance regulators. Some critics worry that many customers are young people who might not fully grasp the plans' limitations, or individuals who are buying policies on their own without the guidance of an employer's human-resource department. Overeager brokers may also gloss over them to promote their "upfront" benefits, say consumer groups, and some brokers and state regulators.

But proponents of the plans say they provide access to the types of preventive care people use most often, such as check-ups and medications, at a price they can afford. "If the alternative is nothing, than something is better than that," says David Sherman, president of Preferred Benefit Solutions, a New Jersey-based employee-benefit management firm.

Phoenix-based Star HRG, a unit of UICI and one of the biggest providers of limited-benefit plans, offers a range of policies. One of its core Starbridge plans costs employees \$15.85 a week, or \$38.65 to \$58.25 for family coverage (mini-policies are commonly priced in weekly premiums, rather than monthly). For that, policyholders get up to \$1,500 paid for outpatient medical expenses, though they pay a \$20 co-payment for each doctor visit, 20% of other outpatient medical bills, and a \$50 deductible along the way. The plan also covers up to \$25,000 for hospital stays a year. But that's doled out in \$250 parcels a day—a fraction of the cost of a typical day in a hospital, which easily can run to several thousand dollars.

This past fall, Star HRG launched a richer set of limited-benefit plans aimed at companies that can't absorb the rising cost of their comprehensive plans. It's already fielding inquiries from employers, says Tim Cook, Star's president. They provide a maximum annual benefit of \$35,000 or \$50,000, and cost roughly 25% to 40% less than a comprehensive plan, but there are no out-of-pocket maximums on an employee's share of potential medical costs.

A small but growing number of employers are replacing traditional health benefits with limited-benefit plans as insurance premiums soar. One is Ratner Cos., an operator of several hair-salon chains with 12,000 stylists. Until October 2002, it offered an HMO, but says skyrocketing costs prompted it to move to a limited-benefit plan that it fully finances for employees who work more than 25 hours a week.

Some consumers, such as Donald Lee, of Carson, Calif., say they have few alternatives. "My main concern was just getting into some kind of plan for now," says Mr. Lee, 57. In the fall, the premium on the Lee family's major-medical plan shot up to \$2,500, and because of his and his wife's diabetes, few other insurers would accept them. So Mr. Lee found a truck-driving job that gave him the option to buy a limited-benefit plan from **OptiMed Health Plans**, of Boca Raton, Fla. For a \$240 monthly premium, the plan reimburses the Lees \$60 for each doctor visit and \$500 for each day in the hospital. Eventually, he says, he wants to buy a supplementary catastrophic plan, but this one "helps me keep my diabetes under control."