

# Evaluating and Renewing Employee Health Insurance Plan

Your health insurance renewal is coming up..... What do I do? What should I look at? What options should I consider?

The following discusses some of the key points you should consider in understanding and evaluating your options. It is not intended to replace good advice from qualified advisors for your particular circumstances, but will provide you with a starting place for your journey.

## 1. Understand the basic ground rules of group health insurance.

### a. What is a group?

- In Texas, a group is a business that has at least 2 employees (including owners) who work at least 30 hours per week in the business and want insurance. If you have less than 51 employees who will be on the coverage, you qualify as a "Small Group" and have some differences in the rules and regulations from the larger groups.

### b. What is an eligible employee?

- Generally, eligible employees are defined as those who usually work at least 30 hours per week; are not classified as temporary, part-time, or seasonal; and do not want to remain covered by another health plan.
- Depending on the carrier, 1099 workers may or may not be eligible to participate in the plan. However, the carriers who do allow 1099 workers have fairly strict rules, including requiring that these 1099 workers work at least 30 hours per week for only the company.

### c. How many of my employees have to be in the plan?

- If you are a Small Group, you need to have at least 75% of the eligible employees elect to be covered under the plan.
- If you are a larger group, most carriers still put forward this guideline, but may be flexible with the actual participation. However, most also have a maximum percentage of COBRA participants for the larger group.

### d. How much does the Company have to contribute to the plan?

- Texas law does not require employers to contribute toward health benefit plan premiums. However many carriers require employers to pay at least 50% of the plan's premiums for at least the employee. Of course, the employer may pay more for either the employee or dependents.
- Remember, that sometimes the employer will end up paying more to encourage more employees to participate so that the 75% requirement participation discussed in 1(c) is met.
- Employers might also consider offering more than one plan and contribute 50% of the less expensive plan to keep their costs down.

**e. When can new employees be added to the coverage?**

- For Small Groups, new employees must have at least 31 days from their start date to enroll in a plan. After this time, they may be required to wait up to one year for the next “open enrollment” period. Employers may require employees to wait 90 days before being eligible for coverage.
- For larger groups, there is more flexibility in these waiting periods, but generally the effective date ranges from immediately to the first of the month following 90 days.
- Consider making employees effective the first of the month after the selected waiting period.

**f. Other things to know...**

- There are various other nuances about the carrier requirements and the regulatory environment. State law generally controls plans where all the risk of loss is born by the insurance company. Federal law generally controls self-funded and partially self-funded plan.
- You should review with your agent and your carrier considerations that relate to your own specific situation.

**2. Review your current situation and changes in the marketplace.**

Consider the following questions:

**a. Is the Insurance Carrier and plan design a good fit for the company and my employees?**

- Have I had an unusually large amount of complaints and concerns from my employees that better education or communication would not fix?
- Have there been claims issues that have not been resolved?
- Were there administrative issues that were not resolved or were only “painfully” resolved?

**b. What changes have occurred in my business that I need to consider when looking at my options?**

- Has or will the number of employees be changing significantly (up or down)?
- Will I be adding employees in different geographic regions?
- Is the availability of good employees diminishing or expanding?
- What changes should I consider in order to attract or retain good employees?
- What financial changes have I been experiencing that may allow me to expand my offerings or that require me to try to cut down on the company portion of the cost I pay for insurance?

**c. Do I have any known medical situations in my employee base?**

Note that bad claims experience or certain medical conditions may limit your ability to change carriers. For Small Group employers, the carriers are required to offer you insurance, but can increase their standard rates by as much as 67%. For large groups, the carrier can refuse to offer you coverage.

**d. Are there any regulatory changes that I should consider?**

Federal and state laws impact the availability of coverage options and dictate rules that employers must adhere to. Changes can range from enhancing the product offerings and flexibility available to you and your employees to creating operational issues that can negatively impact your financial and administrative burden.

**e. What carriers are doing what in the market place?**

From year to year (sometimes from month to month), the competitive landscape of carriers changes in the marketplace. Further, product offerings may change (for better or worse) that would impact what you offer to your employees and how you or they pay for the offerings.

**f. When should I get started on this review and what do I need?**

- Your agent should initiate a meeting with you between 60 and 90 days before your anniversary date to discuss the options that you may consider.
- You may or may not have the actual renewal offer for this meeting.
- In order to facilitate the meeting and the detailed review, you should collect census information about your group as well as current offerings and pricing.
- You might also want to pole other members of management when considering the questions above.

**3. Evaluate the current carriers' renewal offer and evaluate options.**

**a. Timing of the offer.**

In Texas, your carriers are required to provide you with their renewal offer 60 days before the renewal so that you may evaluate your options. Some wait until the last minute and others get it to you 75 days early.

**b. Information presented and additional information available.**

- The information presented will provide you will the renewal rates.
- You can also request certain claim information and the justification for the increase. Please note that rates can change due to demographic changes (ages, genders, industry, geographic concentration, etc.), cost trends (healthcare and carrier) and medical claims and diagnosis. If you are a Small Group, the medical portion of the increase may not exceed 15%.
- Pricing on other plans that might be available to you if you change plan design (co-pays, deductible, co-insurance) or if you access a Health Savings Account (HSA)-qualified plans.

**c. Getting competitive bids**

- Only in rare circumstances you should not consider at least reviewing the competitive landscape and getting bids.
- If you do not feel that your agent is guiding you properly, or if you are working directly with an insurance company, pole your trusted advisors for other options your might explore or other guides to help you explore your options.

**d. Reviewing alternative plans and evaluating other options**

- Understand what your competitors are offering and if you can or should adjust your offerings.
- Before implementing a plan that would incorporate a Health Savings Account or Health Reimbursement Arrangement make sure you understand the financial and administrative/education ramifications of the options.
- Consider the costs and administrative issues in changing carriers, as well as reviewing the potential rates changes if you are a Small Group.

**e. Timing considerations**

- In determining your timeline, count back from the requested effective date:
  - It typically takes 8 – 10 days to get insurance cards in the hands of your employees
  - It typically takes 5 – 15 days to get through underwriting and get a group number from the date that the carrier has received ALL of the requested information.

- o You should allow at least 2 weeks to allow your employees to review and consider the options you are offering. (You should also consider how long it will take to actually round up all of the applications from your employees and how complete they will be. Remember, for larger groups, you might be able to enroll based on the current census and just allow each employee time to complete the application if they want to change the coverage.)

#### **4. Communicate with the current employees**

- a. You should let your employees know the basics of the plan, pricing and timing for the change over. They should also be briefed in the HIPAA portability rules (see [www.DOL.gov](http://www.DOL.gov)).
- b. If you are changing carriers, you should encourage your employees to fill any prescriptions or take care of other items in case there is a delay in actually getting the coverage in place.
- c. Former employees on either Texas State Continuation or COBRA are given the same rights as current employees. The same items, including the continuation rates they will have to pay and should be communicated on a timely basis.

#### **5. Prepare for New Employees**

- a. Only a handful of businesses will not experience any additions during the year (due to growth or attrition). You should consider putting together packages that will communicate your plan offerings succinctly to new employees and provide for a convenient way to access the applications they will need to complete for you to enroll them in the coverage. In addition to any timing requirements (waiting periods and due dates), you are required to communicate HIPAA-required continuation of coverage considerations.
- b. Set up a schedule of standard communications required under federal HIPAA and COBRA laws. You might consider employing an outside administrator if your Agent does not offer this service.
- c. If you have a considerable amount of activity, consider setting up a log that will facilitate tracking new employees, elections and carrier notifications.

#### **6. Get Professional Help**

Employee insurance benefits are constantly changing and continue to be a significant expense for the company and your employees. Selecting a professional to help guide you through the options and help alert you to potential hazards will be critical to the success of your program. Consider the following in your evaluation of the trusted business advisor you will use:

##### **a. Independence**

Your guide should not be captive with any one insurance company, but be independent and represent all credible options in your marketplace. Further, they should be ready to help you evaluate different solutions, including using employee leasing or third party administrators to satisfy your needs.

##### **b. Experience and Resources in Employee Benefits**

- Your guide should have experience with companies of your size and with some of your industry-specific considerations. For example, if you have 25 employees and the Agent primarily works with companies that have more than 300 employees, it may not be a good fit since these two markets generally have different dynamics and regulatory requirements. Further an agency that works primarily with one or two man companies may not be familiar with the COBRA requirement you will have to consider if you have more than 20 employees.
- Ideally, they should be able to easily slip into your shoes, having had to buy insurance for other companies, before becoming an agent or consultant.

- The firm should have adequate resource devoted to the Employee Insurance market. Firms that specialize in Property/Casualty Insurance or Workers Compensation and have only one or two people in the Employee Benefit market may not fit your needs and actually provide fewer resources than a smaller shop that does only employee benefits.
- c. Throughout the evaluation process, the agent at a minimum, should:**
- Be available to you to help you throughout the process from the kick-off meeting (generally 75 to 120 days before your anniversary date, depending on the size of your group) all the way through to the final acceptance of the renewal plan and the education of the last employee.
  - Bring the competitors to the table and educate you on the good and not-so-good aspects of the options you have available. The guidance provided should also help you consider the financial and administrative impact of your decision. They should be able to help you present the options to decision makers.
  - Assist you in the communication of the options available to your employees, including drafting correspondence, accumulating materials from the carriers and conducting educational meetings.
  - Assist you in “scrubbing” the materials to be communicated to the carrier and following up to ensure that the implementation of any plan changes was completed properly.
- d. While different companies have different expectations and needs, your agent should be ready to work closely with you to:**
- Draft any communications and compile new employee packages (physical and electronic, depending on your needs).
  - Help set up procedures/processes/communications to help you stay compliant with HIPAA and COBRA regulations.
  - Act as your advocate on billing, claim and administrative issues, including adding and terminating employees and/or dependents, establishing and training you regarding on-line capabilities and dealing directly with employees on claims or other issues upon your request.
  - Keep you informed about changes in the industry, the regulations and carrier/coverage options.

**Other sources of information to help you in your search include:**

- Texas Department of Insurance: <http://www.tdi.state.tx.us>
- Department of Labor: <http://www.dol.gov>
- Other Educational Links found at <http://www.collinsbenefits.com/resourcesEdu.htm>
- Other Carrier Links found at <http://www.collinsbenefits.com/resourcesProvider.htm>