Group Insurance for Your Medical Practice

TEXAS MEDICAL ASSOCIATION
INSURANCE TRUST

As a medical practice owner or manager, you know that offering insurance benefits to employees in your group medical practice is more complicated than ever.

Most medical practices understand the need to offer employees health insurance, but insurance premiums are rising steadily with no end in sight. In light of this, how do you find a balance between what your practice can afford and what your employees need?

This guide offers information about how you can lower your group insurance premiums, and advice on building a *robust, yet affordable,* insurance benefits package that will help you *attract and retain* the best employees.

The problem of rising costs

"The cost of health insurance has gotten so enormous," says Nealy Ramirez, a Texas Medical Association Insurance Trust (TMAIT) Advisor. "What we're seeing is that employers aren't offering ancillary products, like dental, life, or disability insurance. They can only afford to offer medical insurance to employees."

It's even more difficult for small medical practices. On average, small businesses with fewer than 50 employees pay about 18 percent more than large firms for the same health-insurance policy because small businesses lack the purchasing power that larger employers have.[1]

These rising costs put medical practice managers and owners in a difficult position. What can you afford to offer employees? And how can you lower costs?

What determines how much you pay?

Besides the overall cost of health care, there are many factors that insurance underwriters use to determine the cost of your premiums. Before you can figure out ways to lower costs, you need to determine which factors you can control — and which ones you can't.

Some factors that you can't control include:

- **The ongoing medical conditions of your employees,** such as diabetes, cancer, or any other chronic conditions
- **How many claims have been filed** by the participants in your group
- **Overall increases in the cost** of providing health-insurance coverage by the insurance company, such as changes in laws that may impact operating costs
- **Geographic location**, due to differences in the cost of living and the cost of medical care in certain areas (cities with major medical centers and teaching hospitals may offer more cutting-edge, and expensive, treatments)
- **Demographic factors** of your group, such as the ages of your employees, the female to male ratio, and how many employees have family members

Health-insurance premiums have been rising steadily for the past several years. Hewitt Associates, a consulting group, reports that health care premiums have more than doubled since 2001.[2]

GROUP INSURANCE TIP #1

Before you can figure out ways to lower costs, you need to determine which factors you can control — and which ones you can't.

Ways you can control costs

While you can't control many of the factors that determine your premiums, there are things you can do to lower your medical-insurance plan costs. These include:

Get a plan with a higher deductible

Ramirez says she starts by talking about deductibles. "We let our clients know they don't have to offer employees a policy with a low, $500 deductible. What we're seeing as normal now are employers offering plans with deductibles of $1,000 to $3,000. That helps to lower the cost of the premiums."

Jeff Barrett from Blue Cross Blue Shield of Texas says many small businesses also choose high-deductible medical plans with a health savings account (HSA) to control costs. "I'd estimate that 80 percent of the small businesses we work with have a plan with an HSA component," he says. "The medical plans have higher deductibles — up to $5,000 — which lower the premiums. But then the employer can contribute to the health savings account of the employees, to help them with out-of-pocket costs. It's quite effective."

Ask your employees to pitch in

"Some practice owners, for the first time, are asking employees to share some of the costs," says Ramirez. While it used to be commonplace for employers to pay 100 percent of employees' premiums, those days are long gone. Most companies now ask employees to pitch in and pay some portion of the premium, even if it's just 10 or 20 percent. Keep in mind that many carriers require employers to pay at least 50 percent of the premium.

Choose "managed care" plans

There are two general types of medical coverage that you can offer your employees: indemnity plans (also called "traditional" plans) or managed care plans. Traditional plans offer greater choice — you can go to any physician or hospital you'd like as long as the care is medically necessary and consistent with the terms of the policy — but these plans cost more.

In contrast, preferred provider organizations (PPOs) and health maintenance organizations (HMOs) contract directly with physicians, hospitals, and providers to offer services at prenegotiated rates, and therefore have lower premiums.

If your medical practice chooses a PPO or an HMO, make sure the network of physicians and hospitals is robust enough to meet the needs of your employees.

☞ Advice from a practice administrator

Thora Jackson / Rashid, Rice, and Flynn Eye Associates / San Antonio, Texas

Thora Jackson, Administrator at Rashid, Rice, and Flynn Eye Associates, knows what it's like to have premiums go up. "At one practice where I worked, we had our premiums increase by 90 percent in one year," she says.

Like most group practices, trying to control costs is the main thing on her mind when she gets bids for health-insurance plans. Currently, the group of 43 employees offers medical insurance and term life insurance.

"We've been fortunate — we haven't had many claims. In recent years, our premiums have only been rising in the single digits."

When looking for a new plan, which her practice recently did, she says they start considering new plans six months before they need to make the change. "We look at a variety of plans. Then we'll find the one that's best for us."

Usually, says Jackson, they end up with a PPO plan that requires co-pays for every office visit, and a high deductible.

"One thing we've done to lower our premium cost is to increase our deductible," says Jackson. Currently their plan has a $1,000 deductible.

Jackson recommends that practice managers and owners ask the insurance carrier for a benefits summary sheet. "Every insurance company is required to give one to you. It gives you, line by line, what the deductible is, what the co-pay is, what the drug benefits are, what percentage of hospitalization is covered, and every single line item. They are very easy to read, but you have to ask for them — the carriers may not give them to you unless you ask."

Looking beyond the cost of premiums

While keeping costs down is important, Ramirez says it's also important to read the fine print.

"I know of one carrier that has a plan that sounds like a great deal, but it only covers 50 percent of hospitalization expenses," says Ramirez. "So while the co-pay and deductible may look good, one of your biggest costs in health care is hospitalization. If the plan pays only 50 percent of those costs, it could add up to an enormous out-of-pocket expense for employees.

"I'd rather see an employee have a $3,000 deductible with major high-cost services, such as hospitalization, covered with a decent co-insurance as opposed to having a $1,500 deductible but end up paying 50 percent of hospitalization expenses."

That's why having an advisor to help you compare the features of each plan is important. He or she can help compare deductibles, co-pays, co-insurance (percentage the insured pays of overall expenses after the deductible is met), drug coverage, and other details that might get lost in the fine print.

GROUP INSURANCE TIP #2

It's important to read the fine print — a plan that sounds like a great deal may not provide the coverage your group needs.

An insurance advisor can offer you a chart comparing all of the features in each plan, similar to the one below.

Group Medical Quote Summary

Insurance Carrier	A	B	C	D
Type of Plan	PPO	PPO	NPOS	PPO
Annual Deductible				
Single (in/out of network)	$1,000	$1,000/$3,000	$1,000/$3,000	$1,000/$2,000
Family (in/out of network)	$3,000	$2,000/$6,000	$3,000/$9,000	$3,000/$6,000
Co-insurance	80%	80%	80%	80%
Office Visit Co-pay (Primary/Spec)	$25	$25/$40	$30/$55	$25
Out-of-pocket Maximum	$3,000/$6,000	$3,000/$6,000	$3,000/$9,000	$3,000/$6,000
Single (in/out of network)	$9,000/$18,000	$9,000/$18,000	$9,000/$27,000	$9,000/$18,000
Family (in/out of network)	$20	$15	$10	$10
Rx Co-pay	$35	$35	$40	$35
Generic Formulary	$50	$50	$50	$70
Brand-name Formulary	3x retail co-pay	3x retail co-pay	2.5x retail co-pay	2.5x retail co-pay
Total Group Standard Premium	**$3,107.15**	**$2,666.00**	**$2,733.52**	**$2,357.48**
Total Group Maximum Premium	**$5,188.94**	**$4,452.22**	**$3,936.99**	**$4,564.97**

Offering more than medical insurance

While keeping costs down may prevent some practices from offering any coverage besides medical, there are inexpensive ways to add other insurance benefits like:

Dental	Vision	Life
Short-term disability	Long-term disability	Long-term care

Some carriers are even offering discounts if employers purchase dental insurance along with their medical insurance.

Term life insurance is also quite affordable, especially when it's offered in a group setting. And Ramirez says that carriers are also offering discounts on life insurance when purchased along with medical insurance.

So if you think you can't afford to offer your employees anything other than medical insurance, ask your insurance advisor about these discounts.

Boost your benefits package with voluntary coverage

Another way to offer additional insurance benefits is to offer "voluntary insurance."

Voluntary benefits are insurance plans you can offer your employees through your group, but the employees pay 100 percent of the premium. Because employees are purchasing the coverage through your group, they will pay less than they would if they bought similar coverage through an individual policy. And, your practice can offer a more robust benefits package without increasing your costs — because the practice isn't paying for the premiums.

Keep in mind that voluntary insurance is typically offered in addition to a core insurance benefits package. For instance, you may offer medical, dental, and life insurance as your "core" insurance benefits, and then offer vision and short-term disability plans as voluntary insurance.

Typically, the employer will still get the bill for the voluntary coverage, but employees are responsible for the costs of the premiums — whether through writing a check to their medical practice, or having the premiums deducted from their paychecks. The employer is paying the bill, but passing on the costs to the employees.

Sixty percent of the employees at the Plano Orthopedic Sports Medicine and Spine Center in Plano, Texas, take advantage of voluntary benefits, says Executive Director Michael Newcum. Besides offering a core medical-insurance plan, the center also offers long-term disability, dental, and vision insurance on a voluntary basis. "We had two employees who had to go on long-term disability. They would have been ruined financially if they hadn't had long-term disability insurance," says Newcum.

GROUP INSURANCE TIP #3

"Voluntary benefits are a vehicle for employees to get something cheaper than in the individual market, without the employer having to pay the premiums."

Nealy Ramirez, TMAIT Advisor

Should you forgo insurance benefits for your group?

Because of the high costs of offering employee insurance benefits, many small businesses have stopped offering insurance coverage altogether. While this is understandable, there are costs for your practice if you choose not to offer insurance benefits.

"In the larger cities, it's expected that you will offer medical insurance," says Vanessa Seavall, a Practice Management Associate with the Texas Medical Association (TMA) who helps TMA members start their practices.

"If medical practices don't offer insurance, they will lose a lot of potential employees. Many people will not consider taking a job without benefits."

Michael Newcum agrees. "We've had employees leave and go someplace else and then come back and asked to be hired back because they didn't have benefits at their new job, or the benefits were horrible. It's very hard to hire people — and keep them — if you don't have a good benefits package."

☞ What the law says about insurance coverage

According to the Texas Department of Insurance[3]

- → Small employers with fewer than 50 eligible employees are not required to offer insurance. However, if they do, they must make insurance coverage available to all qualifying full-time employees, their spouses, and their dependents under equal terms and conditions.
- → An employer cannot exclude any eligible employee from participation for reasons based on the individual's age, medical condition, medical history, or other health risk factors.
- → An insurance carrier may require that at least 75 percent of a small employer's eligible employees elect for membership as a condition of offering a plan.

If you don't offer insurance, you may risk:

→ **Not attracting the best employees**

→ **Having higher employee turnover, as employees leave your practice to find jobs with benefits**

→ **Experiencing an increase in absenteeism and reduced employee productivity due to the poor health of your employees**

→ **Missing out on small business tax credits, if your practice is eligible**

- The small business tax credit is worth up to 35 percent of a small business's premium costs (that amount will increase to 50 percent in 2014). To qualify, you must have fewer than 25 full-time workers, must cover at least 50 percent of the cost of health care coverage, and must pay average annual wages below $50,000.[4]*

GROUP INSURANCE TIP #4

"It's very hard to hire people — and keep them — if you don't have a good benefits package."

Michael Newcum, Executive Director, Plano Orthopedic Sports Medicine and Spine Center, Plano, Texas

Why a good advisor is important

Because there are so many moving parts when putting together an insurance benefits package for your group, the easiest way to find the right insurance plans is to enlist the help of an insurance advisor who has many years of experience in helping medical groups with their insurance needs.

An advisor can help you decide what insurance benefits to offer, and can also help you read the small print of each plan to make sure you know what will or will not be covered.

☞ What to look for in an advisor

- ❒ Make sure your advisor can get quotes from several A-rated carriers, and isn't captive to just one carrier. You'll want as many options as possible.
- ❒ Ask for recommendations from your colleagues or through your county medical society.
- ❒ Try to find an advisor who will be there for your group over the long haul — not one who will just sell you the policy and then disappear.
- ❒ Look for an advisor who has extensive experience working with medical practices and understands your unique needs.

☞ What to ask a potential advisor

- ❒ What is your experience with helping other small medical practices?
- ❒ Are you willing to work with a group our size?
- ❒ Will you help us through the underwriting process?
- ❒ Can you help us to determine how to lower costs?
- ❒ How often will you check in with us throughout the year?

*TMAIT cannot provide tax advice. Medical practice managers or owners should contact their tax advisor to find out if their practice qualifies for the tax credit.

1. Health Affairs. Small Business Tax Credits. Available at: http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=38. Accessed July 11, 2011.
2. Reuters. Employer health costs to rise in 2011. Available at: http://www.reuters.com/article/2010/09/27/us-usa-healthcare-costs-idUSTRE68Q3N520100927. Accessed July 11, 2011.
3. Texas Health Options. Health Insurance Information for a Small Business Employer. Available at: http://www.texashealthoptions.com/cp/smallbiz.html. Accessed July 11, 2011.
4. HealthCare.gov, Tax Credits for Small Employers, Available at: http://finder.healthcare.gov/more_info/sbiztax?audience=sbiz&nojs=n&situation=need&state=TX. Accessed July 20, 2011.

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Getting to know TMAIT

The Texas Medical Association Insurance Trust (TMAIT) was created by the Texas Medical Association (TMA) in 1955 as an exclusive benefit to its members. TMAIT's mission is to help Texas physicians get the insurance coverage and financial planning they need.

What TMAIT offers physicians:

Personalized Service
We pair each physician who contacts us with an experienced insurance Advisor.

Convenience
We do the legwork to find quality, competitively priced insurance products that meet the unique needs of physicians.

Experience
We have been serving Texas physicians for more than 50 years.

Peace of Mind
We were created by the TMA, an organization dedicated to serving Texas physicians.

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