

Self-Funded Hospital Plans



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Written for <http://www.self-fundhealth.com/>

INTRODUCTION

A study was made of 44 hospital health care plans by Self-Funding Actuarial Services, Inc. The purpose was to discern the expected current costs of a typical hospital health care plan. To achieve such a goal, certain facts relative the study should be known:

1. By current, we mean in the 2001 to 2003 time period.
2. By costs, we mean COBRA less 2%.
3. The 44 plans were distributed geographically, but were predominately in the lower third of the geographical cost range.
4. Three of the hospitals were specialty (rehab or special disease; ten were tertiary; the rest were primary care facilities).† No attempt was made to determine if the facility was charitable, governmental or proprietary.
5. Hospital size was a factor in the analysis.
6. While benefit content was not measured, only medical and Rx benefits were studied; the plans all were what would be called full benefit plans (\$1,000,000 maximum, etc.).
7. Except for a few smaller and specialty hospitals, a benefit recognition of in-facility care was made for the plan's covered persons.† In addition, there generally was a special benefit for in-network and out-of-network providers.† Three of the plans had high-low options.
8. While approximately 50% of the plans had multiple tiering, only the Individual and Family costs were included.† This brings a bias, but such was ignored as not being significant.† However, the bias would understate the cost set forth by approximately 5%.

(see page 22)

Results of the Study

In brief, the following are the results of the study:

50-149	11	\$382	\$985
150-249	13	373	906
250-999	14	395	989
1,000-4999	5	347	870
<u>Over 5,000</u>	<u>1</u>	<u>329</u>	<u>858</u>
TOTAL	44	\$374	\$971

99.7% Confidence Level (All Plans)

<u>Tier</u>	<u>Low</u>	<u>High</u>
Individual	\$341	\$407
Family	885	1,057

Results of the Study

The writer regrets the imperfections of the study:

1. The sample was significant but not huge in size.
2. Numerous, but necessary, assumptions were made. Yet, the study was both unbiased and statistically reliable. In fact, the writer was quite surprised to measure so low a dispersal of the 44 plans. Also, the average costs were above the national average comparable cost of \$240 Individual and \$640 Family. Two of the numerous reasons for this cost consistency are as follows:
 - Plan costs are deductions on the Medicare Reimbursement Form filed by the hospital.
 - Hospital and other employer community labor pools are, for the most part, not connected.

Risk Management Commentary

That hospital health care plan costs are uniformly higher than those of other employers has risk management implications which should be considered.

1. Hospitals, for the most part, subscribe to the old paradigm which is (a) that top benefits must be offered to attract employees or (b) our pay may not be the best, but we have a good benefit package or (c) that our benefits are measurable separate from the overall cost of labor (pay, fringe benefits, disability and productivity).
2. Hospital plans are richer in benefit content, more participant-friendly and financed more by the employer than are non-hospital plans.
3. Hospital plans tend to be largely (a) HR-managed whereas non-hospital plans tend to be (b) CFO-managed. The typical spread is costs between (a) and (b) is that the (a) plans are 15-25% higher in costs.
4. Being top-of-the-line benefits, the hospital health care plans are often an attraction to those prospective employees (and their dependents) with health problems. Such person will choose the hospital over other employers, just to gain the benefits.
5. Traditionally, hospital employees (and their covered dependents) have tended to be†† substandard health-wise for these reasons:
 - Knowledge of health care and how it can be used, or abused
 - Ready accessibility to providers in many ways (geographic, empathetic, financial, professional, e.g.)
 - Participant ages higher than average

