

The information employers need for better health plans

Employee health insurance is a major business operating cost and a key factor in recruiting qualified applicants in today's competitive workforce environment. As in any negotiations, the more complete information you have the better your leverage to work out an affordable and attractive employee health insurance package. If this information is not shared with the employer, he or she is in a weak negotiating position.

Unlike Illinois, the state of Texas has passed a law requiring insurance companies to provide information to employers about their health plans. Businesses and employees both benefit from this law. It puts employers and insurance companies on the same footing when negotiating renewal premiums and in the competitive bid process.

What information are we talking about?

The information is available with the push of a button and includes such data as total claims submitted, total claims paid, a breakdown of hospital versus physician claims, and diagnosis codes for any "high claimants" (*individuals with paid claims over \$25K*).

Why is this information important?

The information described above can be compared with the premiums charged to determine loss ratios. Loss ratios are a key component in underwriting insurance premiums. An employer can use these figures to compare insurance coverage and determine which plan is the best fit for a company and its employees and their families.

Why isn't this information readily disclosed?

Insurance companies have a vested interest in retaining this information. With it, it is easier for an employer to receive

a competitive quote from a prospective insurance company. Simply stated, without this information, the employer is at a significant disadvantage. The employers are forced to take at face value whatever insurance premium is placed in front of them. This lack of knowledge unnecessarily increases premiums and the cost of health care.

Many reasons are given for this information not being available to the employer. One is HIPAA (*Health Information Portability and Accountability Act*). As many of you know, one of the main purposes of HIPAA is to protect the privacy of the individual. There is little question the insurance companies have a right to be concerned about HIPAA. However, the information need only be communicated to the employer in total, not by specific employee. If the group is very small there is a fear that even if the information is reported in total, conclusions could be drawn from it and violate an employee's privacy. In these cases, the information could be directed to either the employer's insurance broker or directly to the prospective competitor.

Increasing the employer's clout in the insurance marketplace.

What can you do about it? Negotiate for the information before you buy the policy. If you are a small company, work with your insurance company and your broker to determine a HIPAA-compliant solution. If the insurance company is your partner, they will welcome the competition.

Work to change the law.

To make comparative information about insurance plans more readily available, contact your state legislator to help create a disclosure law similar to that of the state of Texas.

If you have questions, call Jeff James at 217-366-1270.



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