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GUEST ARTICLE

E. P. C. M. S.

Are Your Health Insurance Premium Dollars a Good Value?

Thanks to a New State Law, You Can Find Out

Background

Smaller employers are the largest generators of new jobs today, and the Texas economy depends upon them. That is why it is important that you have access to reasonably priced health insurance. Unfortunately, soaring health insurance premiums are forcing many of you to drop coverage for you and your employees. In 2004, only 56 percent of Texans 65 and younger had health insurance through their own or a family member's job, well below the U.S. average of 63 percent.

What you may *not* know is that while you are paying more and more for health insurance — health plans are paying less and less for health care services. As a small employer, do you know how much of your hard-earned premium dollars actually go toward health care?

New Law Helps You Find Out

Thanks to a new law passed in 2007, you now have greater access to pertinent health insurance information, such as your company's claim history. Using your company's 12-month claim history, you can find out exactly what percentage of your premium dollars went toward health care services vs. the health plans' administrative costs and profits. Health plans call the ratio of the actual amount they spent on your health benefits to the premiums they collect from you their "medical loss ratio" or "health benefit expense."

How to Find Out?

To find out what percentage of your premium dollar is going toward health care for you and your employees, simply take these actions:

1. Call your health insurance carrier and request a copy of your company's 12-month claim history as allowed under the new law, or use the attached letter to request this information.
2. Fill out the simple [worksheet](#).
3. Compare your "medical loss ratio" with the 86/14-percent ratio cited above. Is your health plan putting **LESS than 86 percent** toward health care services? If so, go to step 4.

4. Contact your health plan representative and ask these questions:
 - Why did the cost of my premiums increase ____ percent when only ___ percent was spent on actual health care services?
 - How was the remaining ____ percent of our paid premium dollar spent
5. If (1) you feel your premium increase was unwarranted, (2) the reasons for the increase were not explained to your satisfaction, or (3) your insurance company failed to provide your claims history, you may want to file a complaint at the Texas Department of Insurance. You can find the complaint form on its Web site at www.tdi.state.tx.us/consumer/complfrm.html.

You also can report your experience to the Texas Medical Association's Hassle Factor Log on the TMA Web site www.texmed.org/hassle.

Read *Texas Medicine's* May 2008 issue: [Where's the Money Going? Physicians Want Employers to Ask How Premium Dollars Are Spent \(members only\)](#).

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Worksheet to Assess the Value of Your Health Insurance Dollar

To find out the value you are receiving for your health insurance premium dollar, fill out this worksheet. It is quick and easy. A call to your health plan representative will provide you the information you need to complete the worksheet.

Company Name _____

Employees Covered by Health Plan

Total Number of Employees _____

Subtract: Employees Who Elected NO Coverage _____

Total _____

Breakdown of Employees Covered

Number of Employees: Employee Only _____

Number of Employees: Employee & Spouse _____

Number of Employees: Employee & Children _____

Number of Employees: Employee & Family _____

Annual Health Insurance Premium Expense

Paid by Employer for All Employees \$ _____

Employee Contributions: Employee Only \$ _____

Employee Contributions: Employee & Spouse \$ _____

Employee Contributions: Employee & Children \$ _____

Employee Contributions: Employee & Family \$ _____

A. Total Premium Expense for a 12-Month Period \$ _____

B. Total Medical Claims Paid by Health Plan for a 12-Month Period \$ _____

Medical Loss Ratio

Divide **B** (Medical Claims Paid), by **A** (Premium Expense) _____ %

This is the percentage of your health insurance premium dollars that your health plan actually spent on health care.



Physicians Caring for Texans

America's Health Insurance Plans estimates that 86 percent of premiums goes toward paying medical services and 14 percent goes toward administrative expense and profit. That figure may not hold true for you.