

# Benefits by Bolton

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## COBRA Can Strike Unwary Employers

COBRA can make the benefits jungle a dangerous place for employers to tread, due to risky and complex administration requirements.

Adhering to the rules of COBRA has become increasingly challenging with each case. Nearly 1,000 cases have been tried since COBRA was enacted.

"If an employer tries to manage COBRA on his or her own, noncompliance is almost a certainty," says Jim MacDougald, president and CEO of ABR Information Services, which developed CobraServ<sup>sm</sup>, the largest independent COBRA compliance service provider in the country, "A simple misstep can set the employer up for troublesome lawsuits."

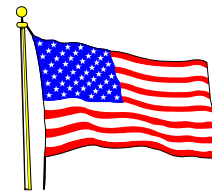
Picture this: An employee you fired six months ago is in the hospital after delivering a premature baby and has a \$200,000 claim. She wants to get back on your group insurance plan. Her attorney says you didn't provide appropriate notification and should pay her claim. Could you prove you complied with all the requirements of COBRA and aren't liable? If not, would your carrier reinstate coverage and pay the claim? Or would your general liability policy cover the claim and/or legal costs?

For most employers, the answer to these questions is **no**. Hundred of courts have ruled in favor of former employees, costing employers millions. Often unable to prove compliance, employers simply settle, usually at high price.

Outsourcing can provide an alternative solution. It removes the risk and transfers the responsibility for compliance to a benefits administration company. These companies follow changes in the law, providing employers with a potentially safe path through the benefits jungle. To find out how COBRA outsourcing may be able to help you, please contact us.

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## Legislative Update



The California state legislature has enacted new laws that may affect you. The following laws are effective July 1, 1999:

- ◆ **AB 974 (part b):** Requires continued coverage of a prescription drug for patients if their health plan removes the drug from their formulary and the patient's physician continues to prescribe it for their medical condition.
- ◆ **AB 1225:** Requires health plans to inform enrollees upon enrolling, and annually thereafter, about the societal benefits of organ donation.
- ◆ **AB 2103:** Requires health plans to notify (within 30 days of a plan's notification) enrollees who have selected a contracting medical group or IPA using a hospital that is planning to reduce or eliminate its emergency services.
- ◆ **SB 625:** Requires health plans to have an expedited prior authorization process for physicians to request nonformulary drugs.
- ◆ **SB 956:** Requires health plans to have a procedure to respond to any reports of fraud by external clients or internal employees.
- ◆ **SB 1443:** Requires health plans to publish the following on every plan contract, Evidence of Coverage (EOC), copies of plan grievance procedures, complaint forms and written notices (through the grievance process) to enrollees:
  - The state Department of Corporations' (DOC) toll-free hotline number and internet address.
  - The California Relay Services' toll-free numbers for the hearing- and speech-impaired.
  - The plan's own number
  - Information concerning the appeals and grievance process.

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# Choosing Your Employees' Most Valued Benefit

Most employee benefits administrators know which benefit is most popular among employees. What may not be so evident, however, is which health plan is best for your company.

## TRADITIONAL PLANS LOSING GROUND

Traditional fee-for-service plans were once the only type of health insurance available. Also known as indemnity plans, these plans give participants the freedom to choose any physician or hospital. In return, participants pay an annual premium, deductibles, and sometimes a percentage of medical bills.

Indemnity plans are typically the most expensive for both plan providers and plan participants.

## NAVIGATING THROUGH MANAGED CARE'S ALPHABET SOUP

An industry study indicated employers saved between \$40 and \$356 per employee by switching to managed care plans, which make up 85% of employee health benefit plans.

There are three major types of managed care plans:

1. **Preferred Provider Organization (PPO).** This plan, the most popular among the three, gives participants the option to choose any physician. Although employees pay considerably less when they use a preferred provider, a PPO is usually more expensive for employers than other managed care plans.
2. **Health Maintenance Organization (HMO).** An HMO manages care most closely, resulting in lower costs for both employers and employees. The second-most popular managed care plan, but also the most restrictive. Many carriers are now adopting "self-referral" or "easy access" to specialists for specified illnesses.
3. **Point of Service (POS).** A POS plan occupies the middle ground in terms of cost and choice. Participants may choose providers outside the network, but they pay a higher premium for that option.

## MAKING THE RIGHT CHOICE

As indemnity plans adopt elements of managed care and lower costs – blurring the differences among plans – choosing the right health benefits plan for your company is becoming increasingly difficult. But this much is certain: Health care costs, which have remained stable recently, are forecast to double by 2007, according to the Department of Health and Human Services.

Bolton & Company can help you choose a benefits plan that is right for your company.

## Benefits by Bolton

# To Your Health

Most companies now take their employees' health seriously, offering company-sponsored fitness classes, weight reduction programs, and a host of other low-cost services. According to a 1997 study by Hewitt Associates, 76% of survey respondents offer benefits that go beyond the norm. Below are some of the most popular.

◆ Adult flu vaccinations	76%	◆ On-site health clinics	23%
◆ Well baby/child care	49%	◆ Disease management	15%
◆ Prenatal care	40%	◆ Self-care/demand management	14%

### Products and Services:

- Group Medical, Vision, Dental and Life
- 401 (K) Plans
- Long Term Care
- Employee Handbook Guidance
- Employee Assistance Programs
- And Much More....

# Insurance Rates: CA Premiums Soar

Most California insurers and HMOs have announced significant premium rate hikes for 2000, since the companies have scrambled to recover from "price wars fueled by employers' rapidly shifting into managed care to control benefit costs." California rates have been up to 30% lower than those in other parts of the country due to greater managed care competition. Cigna HealthCare of California and

Wellpoint Health Networks both intend to raise rates 5-8%. Kaiser will raise premiums from "high single digits to the low double digits" to help offset cost inflation and massive losses in recent years. Blue Cross of California notified 85% of its individual health plan customers of 19% average premium increases beginning July 1, attributed to a 15% rise in pharmaceutical costs. Other factors driving up costs include health care inflation and an increase in expensive medical procedures. The hardest hit, as the heaviest users of health insurance, will be families with children.



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