



The Stonehaven Group-HR, LLC. Presents:

## Health Insurance 101

TSG-HR, ISSA Educational Series

### *Introduction:*

**Scott A. Williams, SPHR., CIRM**

Founder and President





*"The rules of business within the confines of the social, federal and financial system have change forever. Only those who are flexible, creative and able to stay ahead of this monumental shift will survive.*

*The Stonehaven Group is one of the few firms that will be able to lead us into the new world."*

*Warren Buffett*



Warren Buffett

**Corporate Offices: Atlanta, USA, London, U.K., Tokyo, Japan**

**World Headquarters: (678) 417-0767**



## What We Will Cover

- **The history of health insurance**
- **How healthcare insurance came about**
- **Key products**
- **Insurance, how does it work behind the curtain**
- **The insurance industry structure**
- **How is your premium calculated**
- **Why do you get a higher bill each year**
- **Ways to reduce your bill**
- **Take away action items**





## History of Insurance

**Insurance started in Babylonian times**

**Carried over to medieval and colonial Trade Guilds**

**Q: Who was America's first insurance agent?**

**A: Ben Franklin 1752 – Philadelphia Contributorship –  
Home Insurance**



## History of Insurance

**1754 Started the Presbyterian Minister Fund – Life Insurance**

**1864 Travelers Insurance – Disability and Accidental Death**

**1890 Individual disability & illness policies made their way  
into the market**

**1929 First Modern health insurance plan. Group of teachers in  
Dallas with Baylor Hospital**

**30's – 40's Major insurance companies enter the health  
insurance arena**





## History of Insurance

- 1932** Non-profits, such as Blue Cross, Blue Shield were created to bring volume coverage to the industry. High volume, low cost to the policy holder
- 1935** Social Security Act – Gave government and law enforcement the power to clean up & regulate the industry
- 1941** The industry evolved. Individual policies declined due to the war and employers being required to freeze salaries. More comprehensive coverage was used to attract new hires



## History of Insurance

- 1945** Congress passed the McCarran-Ferguson Act which gave more federal power to regulate insurance and gave states the power to regulate
- 50's – 60's** Government programs begin to offer disability benefits in social security. Insurance carriers follow suit. Blue Cross, Blue Shield and other non profit providers converted to for profit.





## History of Insurance

**80's – 90's** Healthcare costs rise rapidly. Employers switch from company sponsored (fee for service) to Managed healthcare/HMO's. Individual costs increased, care providers decreased, and fewer individuals covered by any type of insurance.

Also, saw huge corporate mergers and more complex insurance schemes. Including the use of cute little creatures in advertising (gecko, ducks, dogs) to entice the masses to buy



## History of Insurance

**1993** President Clinton attempts to implement national healthcare, curtail insurance conglomerates, and hold carriers accountable for legitimate claims

**1993-2011** Every new administration since Clinton has attempted to implement new healthcare regulations without success.





## Why Do We Need Insurance?

**From the consumer's perspective:**

**To spread financial risk of healthcare over a large pool of policyholders**



## Why Does The Industry Need Us?

**To spread the cost of doing business, including risk across their client base**

**Includes:**

- Real Estate Losses**
- Financial Losses**
- Management errors in the market**
- Unexpected Natural Disasters**
- Healthcare**





## Current State of the Industry

Year	Average Rate Increase	Average Initial Claims Denied
2004	+8%	57%
2005	+8%	62%
2006	10%	64%
2007	11%	69%
2008	12%	67%
2009	11%	72%
2010	14%	69%



## Current State of the Industry

### 2011:

- 67% of initial claims are denied outright
- Average number of days for rejected claims on appeal: 731 calendar days





## Principal Products

- Property
- Casualty (life, accident)
- Health
- Liability

**Health Insurance represents 74 % of the industry's profits**



## Calculating Your Premium

**As risk of the carrier having to pay a claim goes up, so does your premium**

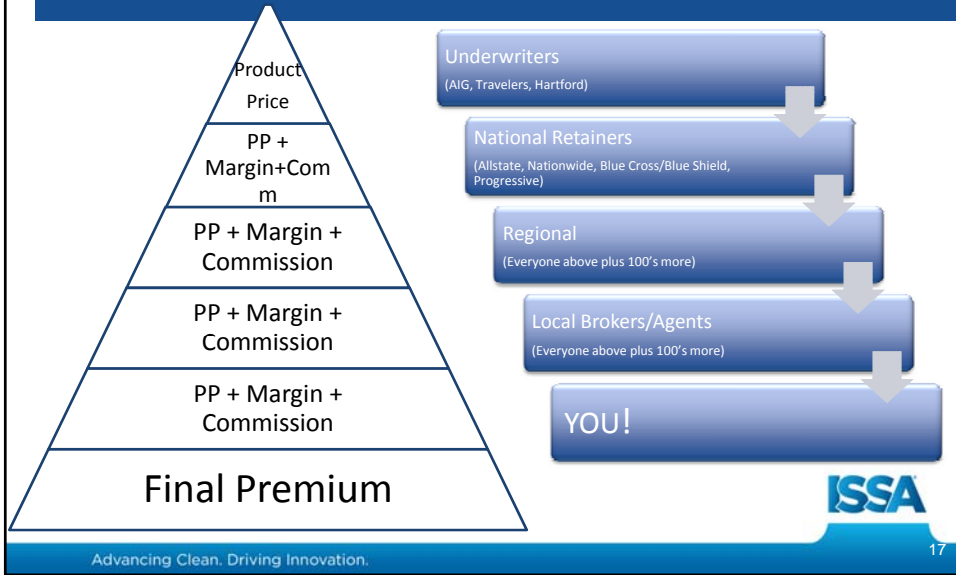
**Considerations:**

- Age of your work force
- Ethnic/gender make up
- Location(s) of your business
- Health of work force
- Size of workforce
- Nature of your business
- Your credit rating
- Previous claims

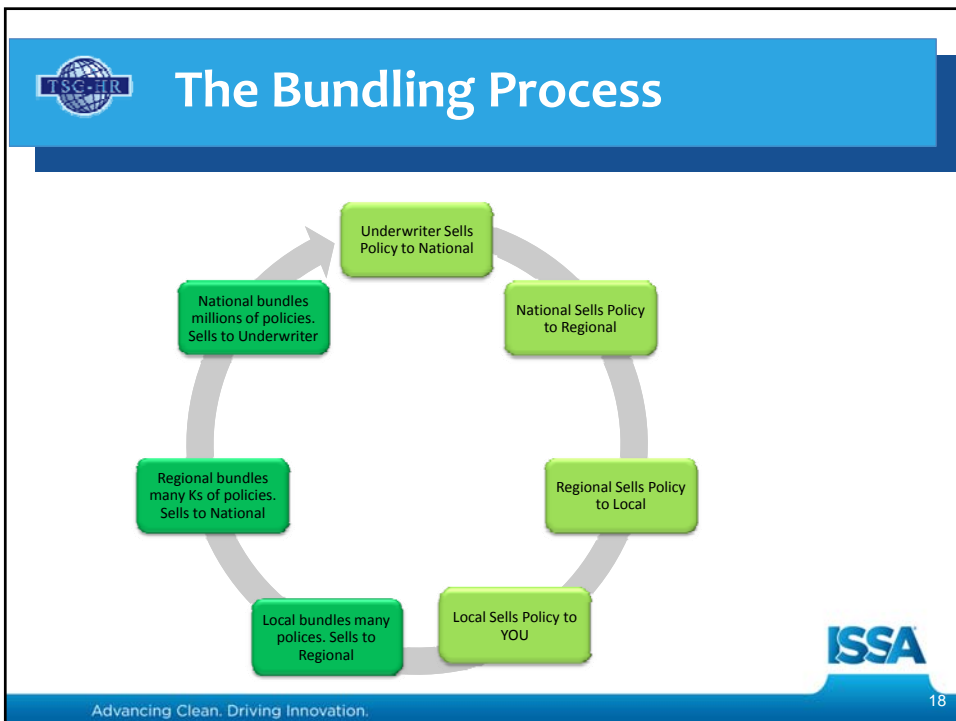




# Structure of the Industry



# The Bundling Process





## In Short . . .

**IF any of the principal underwriters lose money, in any aspect of their business, your rates will go up. Even if it has nothing to do with your specific healthcare or insurance situation.**

**I give you:**

# AIG



## Ways to Reduce Your Cost

### Top Six Big Hitters

- Self-insure
- Tier Insurance Plan
- Healthcare Co-Ops
- Health and safety teams
- Become a Drug-Free Certified Company (must manage the program)
- Written Safety Plan





## Most Important

### In the event a claim is necessary:

- Get the contact information of the case manager
- Get the case number
- Do not take “denied” as the answer. Appeal, Appeal, Appeal
- Follow up weekly

### If they defer:

- Find out who will manage case
- Follow up weekly



## Most Important

- Always request to reduce or close the reserve until your employee is whole
  - ✓ Do not let the case stay open for too long
- Subrogate whenever possible
  - ✓ If someone else is at fault make them pay
- Keep your broker (agent) working for the best price
  - ✓ Do not believe they are (friend or not)





## Most Important

- **Avoid attorneys, you will lose regardless**
- **Keep your focus on your broker or (agent)**
  - ✓ **Assure they are working to lower your premium.**
  - ✓ **Do not believe this is a given (friend or not)**



## Action Items

- **Review policies annually**
- **Understand all aspects of your policies**
- **Shop your policies each year**
- **Bring broker (agent) on-site once a quarter**
- **Set up a health and safety review team**
- **Dedicated a resource who is responsible for the administration of the above or get one**
- **Dedicated a resource who is responsible for the weekly, follow up of any injured (sick) employees or get one**





Thank you...  
It's All About YOU! How can we help?



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**Q and A:**





## Further Questions?



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