

**America's Working Medically Uninsured:
It's Worse Than You May Think, But There Are Solutions**

**Source: "National Association of Health Underwriters"*

by George V. Duczak
President, Creative Benefits Development Inc.
Elgin, IL

Bob Williams is a cook with a wife and two young children making \$10.00 per hour. His monthly take-home pay averages \$1,350 and his modest apartment and general living expenses pretty well consume all his income.

Bob's employer has looked and looked for a way to provide health insurance coverage for his employees. However, the cost of a comprehensive major medical plan in his area averages about \$670 a month per family and approximately \$180 per single employee. So even if he did pay the full cost of Bob's coverage as a single employee, the reality is that Bob is not in an economic position to be able to afford the additional \$490 per month that it would take to cover his family. The cost of health care is again increasing on a compounded annual inflation rate of 12-18%. That means the cost of family coverage in five years will probably be more than \$1,000 a month; if this happens, the uninsured numbers will soar.

It is estimated that 22-25 million working Americans are now medically uninsured. This represents one out of four full-time American workers, who are often above the 200% of federal poverty level, thus making too much to qualify for Medicaid. This problem is growing since only 28.1% of employees making \$7.21 an hour or less receive health coverage from employers, down from 41.9% in 1979 and the steepest drop occurring since 1996.

This is a challenge that will have to become a national priority, which is further compounded by a slower economy that is causing more people to lose coverage, and employers that are more willing to pass along increases to their employees. The new Administration, in a bipartisan way, must begin to prioritize America's health care needs and find the political courage to provide help for these overlooked workers in need. While the current focus is on patients' rights, the real problem is COST, COST, COST!

In the meantime, Bob's employer has been experiencing difficulty recruiting and retaining good employees for his business, only to lose them to another employer who pays an additional 50 cents an hour.

Studies have shown that offering a beginning level of employee benefits can improve employee recruiting and retention levels by as much as 35%. Since it is estimated that bringing a new employee aboard can cost between \$1,300 and \$1,900, this is a significant cost which has to be measured against the level of the contribution that an employer is willing to make toward the cost of employee coverage.

Having ownership in the largest direct-writing employee benefits agency in Chicago, gave me insight into the eroding participation levels within health plans, particularly on the dependent side. We have attempted to identify supplemental benefit plans, which could be offered effectively to these employees as an alternative without success.

Therefore, I founded Creative Benefits Development Inc. to address, as its sole focus, the design and marketing of affordable alternative medical and supplemental benefit plans to working Americans. We have come to know and understand the economic reality and benefit needs of this market, which is very distinct from the traditional group and worksite employee benefits market.

There are markets for those employers who offer supplementary benefits, yet the majority of our covered members have our program as their only benefit plan. The initial program we developed is a mini-medical program called The American Worker Plan. It is a supplemental health, life, dental, vision, disability and drug program with discounted ancillary health services. Its focus, as is necessary when working with the economic realities of these groups, is primarily on affordability, simplified packaging and non-medical underwriting enrollment. The Pan-American Life Insurance Company underwrites our plan, but other carriers like CNA, Safeco and American Heritage also offer different versions.

An additional challenge within these industries is to convince the employers that they have to take a stake in the problem. At a recent annual meeting of one of America's largest fast-food franchise associations, I challenged the owners to make a commitment to this issue. It is in their best interest to address their challenge of more than a 300% first-year employee turnover rate and up to 50% annually thereafter, by genuinely showing employees that they care about them. Studies verify that even a beginning level of benefits can help retain employees and make them healthy employees, which in turn improves productivity and absenteeism. Simply offering a totally voluntary plan to employees making so little per hour is in my opinion pointless. An employee benefit is something you're supposed to get for nothing through employment.

This continues to be a challenge. A program, which we refer to as the partnership for protection, was developed. This is a unique package that incorporates our limited medical plan, which can then be backed up with an individual or group, high deductible, major medical plan. The combination of these two plans can make the program more affordable, but it also focuses on the reality that the employees within this economic class are not receptive and will not individually purchase high-deductible major medical coverage.

It is only when you can convince employers to provide this benefit, then permit employees to buy the lower-cost, up-front, mini-med plan and other benefit plans that we offer, that you truly have the potential for a comprehensive package. However, to date our results in this initiative have been unsatisfactory in that while both the employees and employers are interested in our low-cost mini-med plans, the interest in the higher-deductible plans has been very limited.

We strongly believe that these interest levels will grow over time, particularly as we are able to recruit and educate a national distribution system that can properly communicate, enroll and service these type of benefit packages, which admittedly require more time and empathy than do the traditional group offerings. To assist in this challenge we heavily advocate the use of Section 125 premium-only plans and the use of earned income credits, particularly "advanced" EICs, as a way of identifying free dollars that could be allocated toward the purchase of these benefit plans.

In certain states, identification of existing coverage programs such as Moms & Kids Plans can collectively bring the overall cost of a fairly comprehensive plan to a very affordable level. This does require patience in working with these groups, empathy for their economic realities and the ability to handle a more involved administrative package. Yet, by the same token, there is very little competition.

Communication and Enrollment

The other major issue in working with these organizations is communication and enrollment. We have found that you have to get the program down to no more than one or two sheets of paper as a brief, introductory package. (If you would like to see a copy of what we typically use, send me an e-mail and I will have one sent to you.) The flyer provides an easy-to-understand overview of the benefit plans available as well as their costs.

Enrollment is the next major challenge. While our types of programs are becoming easier to sell, these groups have high turnover, coupled with the need to constantly enroll new employees without which your group participation will drastically diminish. The passage of electronic signature legislation has been a boon to us -- we are now able to enroll programs electronically through our national call center.

While nothing can substitute for a live human enrollment, our call center enrollments have been a success. Our programs are guaranteed-issue without any pre-existing limitations. We are able to provide an efficient way for these employees to enroll over the phone without the perceived negative of having to take time away from work or the presumption that they will be pressured into buying something they do not desire. We only require that all employees to whom the offering is initiated call to either accept or waive coverage.

The really essential link in these transactions is our national network of general and writing agents who are treated as active partners in designing a correct benefit plan and implementing a successful enrollment. A one-size-fits-all plan does not work because these cases all have special needs and challenges. Agents who may be doing this for the first time will need guidance and a candid appraisal as to the realistic results so as not to oversell benefits employees can't afford, or take on enrollments they can't handle.

The bottom line is that this is a huge market. It requires an ability to handle a more complex sales and enrollment transaction, compounded by working with challenging industries. The caveat here is that the market is virtually untapped and the unique, extremely high-level commission structure we have built into our plan is there to compensate for the additional costs associated in marketing and enrollment.

If your organization has the vision and determination it takes, it is a market that I would suggest you explore. In the process, you will not only be accessing a phenomenal source of new revenue for your company, but you will often be helping those who have the least.

George V. Duczak is president of Creative Benefits Development Inc., in Elgin, IL. His company was specifically created to develop affordable health and employee benefit plans for working

Americans often excluded or unable to afford full benefit plans. The company has exclusive national contracts with numerous national carriers to provide a variety of both limited indemnity and mini-medical plans, as well as supplemental benefits available. Distribution is handled exclusively through a national network of 240 general agents and producers connected through an electronic information and marketing system. Mr. Duczak can be reached at George@theamericanworker.com.