



# **Take Control** *of Your Group Health Insurance Costs!*

*Save time and money with the*

## **Med-Gap Card**<sup>™</sup> *Administrative Package*

---

***Fast, efficient, flexible, and simple administration!***

*HRA: Health Reimbursement Arrangement*

*FSA (Flex): Flexible Spending Account*

*DCA: Dependent Care Account*

***Self-Funding Deductibles for Medical Groups***



**MorganWhiteAdministrators**

# The **Med-Gap Card**™

---

## **Why Should Employers Consider the Med-Gap Card™ Administrative Package?**

### **The rising cost of major medical insurance is reaching crisis levels**

- Years ago, major medical insurance meant catastrophic coverage.
- Today's rich plans with low deductibles and co-pays are no longer affordable
- Reducing benefits (higher deductibles and co-pays) to reduce premiums is the direction in which the industry is headed

### **The Med-Gap Card™ Administrative Package can be a part of a strategy to:**

- Lower the cost of healthcare
  - Reduce taxes
  - Provide a new and exciting benefit
- 

## **About the Med-Gap Card™ Administrative Package**

### **What is the Med-Gap Card™**

The Med-Gap Card™ is the latest innovation in our HRA / FSA / DCA line-up. The card can be used worldwide wherever MasterCard® is accepted to pay for qualifying medical and dependent care services. It looks like a regular charge card, but this card is used to take funds out of a Health Reimbursement Arrangement, Medical Flexible Spending Account, and Dependent Care Account.

### **What is an HRA? HEALTH REIMBURSEMENT ARRANGEMENT**

HRAs allow an employer to reimburse an employee for out-of-pocket medical expenses on a tax-free basis. The employer makes a predetermined amount available to each employee. The employee uses the money to pay for qualified expenses. If the employee does not use the money, the employer may allow the carryover of unused funds for future use. Funds used to pay for qualified medical expenses are considered a business expense for tax purposes for the employer.

### **What is an FSA? FLEXIBLE SPENDING ACCOUNT**

FSAs allow the employee to set aside pre-tax dollars through payroll deduction to pay for qualified medical expenses. Unused funds cannot be carried over to the next year and are forfeited to the employer at the end of the plan year. The tax advantage to the employee is immediate as opposed to filing on their tax return at the end of the year. Because the FSA is considered an employer sponsored health plan, for tax purposes, it is an employer business expense.

### **What is a DCA? DEPENDENT CARE ACCOUNT**

DCAs allow you to set aside pre-tax dollars through payroll deductions for eligible anticipated dependent care expenses such as child care or a dependent parent. Unused funds cannot be carried over to the next year and are forfeited to the employer at the end of the plan year. Employees save on state income, federal income, and social security taxes on up to \$5,000 a year for qualified dependent care expenses.

### **How does the Card work?**

Simply present the Med-Gap Card™ at the time of purchase of qualified medical and dependent care services, and the payment will be deducted directly from your HRA, FSA or DCA.

1. No more waiting for your reimbursement check to arrive.
2. No double out-of-pocket payments.
3. Very little paperwork. Just fax a receipt if requested.
4. Check your balances on the web 24 hours per day.

### **Employees will see the Med-Gap Card™ as a benefit improvement**

The Med-Gap Card™ can help offset or cushion the impact of benefit changes. Employees will appreciate:

- Convenient access to the funds when they need them
- First dollar coverage for out-of-pocket expenses
- Tax savings (for the employee and employer) for amounts sheltered under an FSA and DCA

## Why does self-funding using the Med-Gap Card™ work to save the employer money?

It's simple. You are self-funding the smaller bills and using the major medical plan to cover costs above this. Self-funding makes it possible for you to save money. Based on our research, 75% of people covered by a typical PPO co-pay plan do not meet a \$500 deductible, and 84% of people covered by a typical PPO co-pay plan do not meet a \$1,000 deductible. Our research tells us that on the average only 1 in 20 people are hospitalized each year. Since the employer is self-funding the claims under the deductible, the money that is not used, is **not** paid to the insurance company and therefore **saved** by the employer.

## The Med-Gap Card™ is Simple and Easy to Use

The only task required of the employer is to set up a bank account for eligible expense payments and fund the account when notified by MasterCard®. (No pre-funding is necessary)

### Med-Gap Card™ Concept

Example: Health Reimbursement Arrangement

#### Current Plan – Traditional Major Medical Plan:

\$500 Deductible | 20% to \$1,000 | Doctor 15/25 | RX \$5/20/35

#### Step One:

Employer Changes the Group Major Medical Plan Design

**Goal: Maximum Premium Reduction / Minimum Risk Increase**

Deductible \$1,000 | 20% \$1,000 | Doctor \$50/50 | RX \$15/35/75  
Raising the doctor and prescription drug co-pays, adding a prescription drug deductible or eliminating the doctor and prescription drug benefit will normally result in a significant premium reduction.

	Census	Current Premium	Renewal Premium	Proposed Premium
E	73	\$267.85	\$433.72	\$375.81
E/S	3	\$601.29	\$968.84	\$854.31
E/C	7	\$483.46	\$789.41	\$662.66
F	9	\$800.46	\$1301.24	\$1,111.74

Renewal Annual Premium: \$621,661.32  
Proposed Annual Premium: \$535,696.08  
**Premium Savings \$85,965.24**

**\*\*Projected Savings and \*Projected Costs** assume that half of the Med-Gap™ Card amounts are dispersed. **All Savings Illustrations** are based on the current census and the current premium rates of the major medical remaining constant for a 12 month period. Any changes in either of these two components will result in a corresponding change in the savings illustration. **Set up Fee and Administration Fee** will vary by type of plan selected.

#### Step Two:

The employer decides on Med-Gap Card™ Amounts

	Census	HRA Amount
Employee	73	\$500
Employee/Spouse	3	\$1,000
Employee/Children	7	\$1,000
Family	9	\$1,000

Total Med-Gap Card™ Liability \$55,500  
Set Up Fee \$300  
Annual Administration Fee \$9,936  
(\$9 per employee per month)

Proposed Annual Premium \$535,696.08

**Maximum Plan Cost \$601,432.08**

**Guaranteed Savings \$20,229.24**

**Projected Plan Cost\* \$573,682.00**

**Projected Savings\*\* \$47,979.24**

**The Med-Gap Card™ - the Smart Choice!**



# MorganWhiteAdministrators

**Phone: 1-800-800-1397 (ask for Marketing Department)  
or e-mail: [marketing@morganwhite.com](mailto:marketing@morganwhite.com)**

P.O. Box 14067, Jackson, Mississippi 39236-4067

---

***Morgan-White Administrators, Inc.*** is a Third Party Administrator (TPA) licensed in 47 states. Morgan-White Administrators provides the necessary documents, processes claims, and provides the services so that your HRA or FLEX work effortlessly for you. Morgan-White Administrators is concentrated on providing alternatives to employers who have high major medical premiums and large premium increases.

Morgan-White Administrators, Inc. is a wholly owned subsidiary of Morgan-White Group, Inc. ([www.morganwhite.com](http://www.morganwhite.com))

Morgan-White Administrators presently provides administration services to over 23 insurance companies and over 100,000 employees and their dependents.