



Put the
Power

back in your hands

Med-Gap Fund™

*Take the **two-layer approach**
to building a better foundation
for your business' health care costs!*

Self-Funding Deductibles for Medical Groups



MorganWhiteAdministrators

The **Med-Gap Fund™**

How does the Med-Gap Fund™ work?

In the past, self-funded and partially self-funded plans were only beneficial to large groups. Smaller employers did not have the premium base required to cover the cost of major claims. The Med-Gap Fund™ is a different approach from self-funded and partially self-funded plans, in that it fits underneath a fully insured plan. The Med-Gap Fund™ avoids many of the risks associated with self-funded plans. As such, it may offer a viable alternative for small to mid-sized employers. This is a two-layer approach.

The First Layer of Coverage

The fully insured, high deductible major medical plan can be described as the first layer of coverage. The high deductible reduces the premiums to the insurance company, while protection against catastrophic claims remains in place.

The Second Layer of Coverage

The Med-Gap Fund™ is the second layer of coverage. The employer reduces their major medical premium by raising the deductible on their plan. Moving from a \$500 deductible to a \$4500 deductible can save as much as 40% with some carriers. Limiting coverage decreases the risk for the insurer and yields an immediate reduction in fixed premiums for the employer. The employer uses part of this savings to fund claims applied to the major medical.

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

It's simple. The employer is self-funding the smaller bills and using the major medical plan to cover costs above this. Self-funding makes it possible for the employer to save money. With a traditional plan, the employer is spending a significant portion of the premium dollars on employees that are using the plan very little or not at all. 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 the employer saves it.

How can it save money?

Insurance premiums for traditional insurance pay for several expenses (i.e. premium taxes, commissions, administration, and profit) in addition to claims cost. By self-funding, the employer will avoid or reduce many of these expenses. With the Med-Gap Fund™, the employer is only responsible for the claims cost and Morgan-White Administrators set up and monthly fees.

How much can it save?

Our experience shows that groups may save between 15% and 50%. Because next year's claims are unknown, there is no guarantee of savings. While there are several benefits to the employer and employee, there are also certain inherent risks. It is possible for the claims of the self-funded portion of a medical plan to exceed the savings generated by raising the deductible on the fully insured portion of the major medical plan.

How does the plan benefit the employer?

It gives the employer a way to control and reduce health care costs. The employer spends his money only if and when the benefits are actually used. The employer has complete freedom to design benefits under the plan. The plan reduces the employer's dependency on any one insurance carrier. It also builds in accountability with employees. The employer is not responsible for catastrophic risk because the Med-Gap Fund™ fits underneath a high deductible major medical plan. The Med-Gap Fund™ provides the employer a simple, cost effective way to keep up with the administration.

What is the employer's risk?

This depends on the plan design that the employer chooses. If the employer moves his major medical deductible from \$500 to \$2500 and chooses to self-fund \$2000, then he would be responsible for up to \$2000 per insured per calendar year. If the employer chooses a higher deductible (i.e. \$4000 or \$5000) his potential savings would be higher, but so would his risk. Because the primary high deductible insurance plan is with a major medical insurance company, the employer is not responsible for the claims above \$2000.

Does the Med-Gap Fund™ work for small employers?

Most Third Party Administrators (TPA) have not been willing to work with small groups. There has been no easy or cost effective way for the employer to keep up with the administration. The Med-Gap Fund™ administrator, Morgan-White Administrators, will work with groups of 2 or more.

How does the claims process work?

Each employee will receive a Med-Gap Fund™ I.D. Card. They should present this I.D. Card to the provider when they present their major medical insurance card. The provider first sends the claim to the major medical carrier to apply provider discounts, contract provisions, and credit towards the high deductible. Next, the provider or the employee (if applies) send the major medical EOB (explanation of benefits) to Morgan-White Administrators. MWA will process claims for payment based on the benefits the employer has selected for his employees. A toll-free phone number is provided on each Explanation of Benefits (EOB). Calls are accepted from anywhere in the continental U.S.

Example of a claim payment using the Med-Gap Fund™

	Insured Major Medical Plan	Med-Gap Fund™
Plan Design	\$2500, 80/20 to \$1000	\$500, 80/20 to \$1000
Claim	\$6,000	\$2,500
Less Deductible	<u>- \$2,500</u>	<u>- \$500</u>
	= \$3,500	= \$2,000
Co-Insurance Payable	<u>x 80%</u>	<u>x 80%</u>
	\$2,800	\$1,600

Total payment = \$4400 - same as if the plan was still fully insured.
(\$6,000 - \$500 deductible = \$5500 x 80% co-insurance = \$4400)

What is the employer's funding responsibility?

Option 1. The employer can elect to pre-fund the claims.

Morgan-White Administrators will work with each group to determine an appropriate level of funding for claims payment and service fees.

Option 2. The employer can elect not to pre-fund the claims.

The employer can improve their cash flow by waiting to fund the claims until they occur. The employer will receive a check register, and the claims check made out to the provider; at that point the employer should deposit funds to cover the claim. Morgan-White Administrators will send a monthly statement for the service fees.

Where do you start?

First, consider the insured major medical plan options. The employer will want to compare the premium savings with the potential claims' costs for the Med-Gap Fund™.

Next, determine the level of risk below the insured major medical plan that the employer is willing to assume.

Lastly, choose the level of annual deductible and out-of-pocket maximum that the employer wants to offer to the employees.

Cost and Savings Illustration

MWA will assist in selecting the best options for the group and will provide a savings illustration so the employer can weigh the anticipated cost exposure before making a decision.

What does the employer have to do to set up a Med-Gap Fund™ ?

The only requirement of the employer is to set up a checking account and fund the claims payments and administrative fees.

The Good News is by contracting with Morgan-White Administrators to provide the Med-Gap Fund™, all the requirements and services listed below are provided for the employer in our administration package. Morgan-White Administrators provides the administration to make the program work:

- Master Plan Document
- Summary Plan Description
- I.D. Cards for your employees
- Provide each medical provider an IRS Form 1099 at the end of the year, stating how many claims dollars the plan paid to that medical provider
- Answer the questions of medical providers and your employees about your self-funded plan
- Will file a Form 5500 for the employer at the end of the year with the Department of Labor.
- Employee Flier – The employer will be provided with a flier describing the benefits of the self-funded plans.
- Claim Processing - Claims will be processed daily.
- Claims Register – This is a summary of the claims payments, it is sent to the employer with the checks.
- Will even write the checks to the providers on the employer's claims bank account. The checks will be sent to the employer for the employer's review and signature. Once signed, the employer mails the checks to the providers.



MorganWhiteAdministrators

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

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

Morgan-White Administrators, Inc. is a TPA (Third Party Administrator) licensed in 47 states. Morgan-White Administrators provides the necessary documents, processes claims, and provides the services so that your Med-Gap Fund™ and major medical plans work seamlessly for you. Morgan-White Administrators, Inc. is one of the fastest-growing TPAs concentrated on providing alternatives to employers for the high costs and large premium increases in major medical premiums today. Their premium billing, claims processing and proposal systems are based on 15 years of experience.

Morgan-White Administrators is a wholly owned subsidiary of Morgan-White Group, Inc. (see www.morganwhite.com) Morgan-White Administrators presently provides administration services to over 100,000 employees and their dependents in the United States.