

DAVID T. KETTIG

holds a bachelor of arts from Hamilton College and a juris doctorate from Cornell Law School. A long-standing member of the New York bar, Kettig left private law practice in 1992 to join Independence Holding Company (NYSE: IHC) and Standard Security Life Insurance Company of New York as general counsel. He was recently promoted to senior vice president of IHC and serves as chief operating officer of various IHC subsidiaries, including: American Independence Corp., Independence American Insurance Company, and Strategic Health Associates.

Kettig can be reached by telephone at 212-355-4141 or by email at dkettig@sslcnyc.com.

JAMES KENNEALLY

has been in the health insurance business since 1988 and is currently vice president of strategic health initiatives at Madison National Life Insurance Company, a member of the IHC Group. He oversees market research, product development, business development, and marketing of first-dollar health products for all IHC companies. Prior to joining Madison National and IHC, Kenneally was national sales director at HealthMarket. His experience in the industry has taken him to nationally recognized companies including Celtic Life, New York Life and First Health.

Kenneally can be reached by telephone at 630-530-7365 or by email at jkenneally@ihc-geneve.com.

Americans Are Turning To Short Term Medical To Avoid Uninsured Risks

Health insurance has long been one of the most valued benefits that companies provide for their employees. But healthcare spending has tripled in the last 15 years. Forty percent of Americans either have medical debt or have problems paying medical bills.¹ Companies have been forced to pass more and more healthcare costs on to their employees. And in many cases, companies have been forced to drop coverage altogether. Recent numbers show that 46 million Americans (representing about 16 percent of our population) are without health insurance.

Who are these uninsured people?

Almost half are between the ages of 19 and 34. Many are recent college graduates seeking their first jobs, newly hired employees not yet eligible for group coverage, or recently terminated employees. Some are recent divorcees who can't afford to pay for COBRA. There are also many independent contractors or temporary workers who don't have insurance and former military personnel who are not eligible for COBRA. (See Chart 1.)

There is a very affordable solution for people who find themselves temporarily without health coverage. It's called short term

**Chart 1
The Uninsured Population—Who Are They?**

Entering the Job Market (Graduates)	5.1 Million
Entering Job Market (Military)	1.0 Million
In Job Market but Ineligible (Waiting Periods or Part-Time).....	24.7 Million
Leaving Job Market (Unemployed)	8.7 Million
Other	6.5 Million

medical insurance or STM. An STM policy can cost about 50 percent of what your clients would pay for comparable individual health insurance. In most cases, it features low deductibles, affordable co-pays, and no network requirements.

Why is short term medical so much less expensive than regular health insurance? First of all, it's designed for a limited term, usually 12 months or sometimes less in certain states. Second, there are five questions about pre-existing conditions and health. If your client can answer "no" to all of the questions, then enrolling can be as simple as paying with a credit card and printing an insurance certificate. Keep in mind, STM plans are currently permitted in 46 states, so you'll need to check your local availability.²

While it is true that STM plans generally don't cover pre-existing conditions, there are many valid reasons to consider one. In the case of terminated employees, COBRA rules require a former employee to pay up to 102 percent of the cost to continue company coverage. This is often an extremely costly option for someone who has just lost a job. In contrast, STM can provide substantially equivalent coverage to COBRA for up to one year at a much reduced out-of-pocket cost. Subject to underwriting, new policies can be purchased to provide additional coverage beyond 12 months.

Chart 2
Is Short Term Medical
The Answer?

Deductible	STM Coverage	Individual Coverage
\$500	\$350	\$620
\$1000	\$305	\$429

Premiums based on 28-year-old woman in suburban Chicago, IL, with like benefits—average of three national carriers.

And this is very important—under Federal and state law, if an individual has a break in coverage of 63 or more consecutive days and then gets a new job with health insurance, the new carrier can exclude an illness that occurred during this "gap" period as a pre-existing condition. By contrast, STM provides what is known as continuous "creditable" coverage, which means that when the insured starts in a new company group plan, the new carrier cannot exclude these conditions because there has been no break or gap in coverage.

For example, Lily Brooks leaves her current job and takes a new job. Both her old and new jobs offer group health benefits; however, the new employer has a six-month waiting period before she is eligible for group benefits. Lily's family coverage at the previous job cost the company \$620 per month, of which she paid 10 percent, or \$62.

If Lily were to elect COBRA coverage from her former employer for this six month "gap," she would have to pay 102 percent of the employer's cost, or \$632 per month. Lily knows she needs insurance for this six-month period, but COBRA is too expensive. She decides to buy short term medical at a substantial discount to the COBRA premium and to individual coverage (see Chart 2). Not only are her health costs covered during this waiting period, but, because STM is creditable coverage, illnesses arising during this period cannot be treated as pre-existing conditions by her new employer's health insurer.

It's a fact of life that employers are requiring longer and longer waiting periods before new employees can join the company health plan. On top of that, the cost of COBRA coverage from a previous employer is often prohibitively expensive. Short term medical is emerging as the smart, affordable solution to fill the health insurance "gap" for many people. The high cost of healthcare and the risk of being uninsured make STM a very attractive alternative. ☺

1. *Except as otherwise noted, all statistics are from Statistical Abstract of the U.S. 2004.*

2. *Massachusetts, New Jersey, New York and Vermont do not currently permit this coverage.*