

'Guaranteed issue' leaves several key questions unanswered-November 1987

In your continuing "quest" for group health coverage, there are some specific areas for the business owner to scrutinize.

Many have heard the expression that the health plan being presented is "guaranteed issue." This term is often used regardless of the size of your company.

The only thing that is guaranteed in the insurance business is that we will all eventually reach mortality! The phrase "guaranteed issue" is a misnomer and should be remembered as such.

When you have filled out the employer agreement, the employee enrollment cards or forms, and paid the first month's premium, the underwriting process has barely started.

Health insurance, unlike some forms of liability insurance, cannot be bound by your underwriter, agent or broker, simply by the submission of the first month's premium.

Even though you have submitted the first month's premium for your health insurance, the carrier reserves the right either to approve or disapprove coverage based on their current underwriting practices.

If your employees had to answer health questions on their enrollment forms, or if they did not have to and some did anyway, the insurance company will reserve the right to decline coverage based upon the evidence of insurability on any employee or dependent.

This means that the entire group's eligibility for coverage may be contingent upon the health history of each of your employees.

If your group is large enough so that no one had to answer health questions on their applications, that still will not guarantee approval.

The carrier or the administrator invariably will state in their sales brochure, and on the employer application, that coverage is subject to their approval or acceptability.

Some group health plans, which are designed for the small-employer market, where health evidence is required, invariably are being presented to employer groups which would otherwise not have to show this evidence.

The reasons for this type of marketing by the agent or this type of purchasing by the employer are dubious.

As the trend of increase health costs continues to escalate, the employer is being "forced" to watch the "bottom line." The "low cost" alternatives, which are being presented in ever growing numbers, may help to improve the profit margins, but they also may jeopardize the margin of health care for their employees.

If the rates for the alternative plan are substantially lower than your present health program, you should ask the agent what the A.M. Best financial rating is for the carrier. A.M. Best is an independent rating service for the insurance industry.

Your agent who handles your liability insurance normally will inform you of the carrier's Best rating, so it would stand to reason that the agent who is going to handle your health insurance should have that same information.

Inquire as to whether the approval or disapproval of your group's health coverage will be contingent on the health history of a few.

Have the agent explain what he or she means when, by chance, the phrase "guarantee issue" is used.

When this expression is heard, you may wish to ask them if they could tell you any of their other fantasies!

If the agent fails to provide you with a “viable” answer, then, perhaps, you may be dealing with the wrong agent.

Furthermore, if there are any current health conditions that could be affecting your renewal rates, they must be disclosed to the alternate carrier, if one has been chosen.

If you or your agent fails to inform the new or potential carrier of the possible severity of these conditions, such as cancer or a heart condition, you will be running the risk of your new carrier canceling coverage for failure to disclose this information.

It is, therefore, very important to initially provide the succeeding carrier with enough information to make a valid underwriting decision, as well as to give you, the employer, a timely transition of coverage.

We all experience enough aggravation without having to undergo a possible lapse in health coverage because of an avoidable mistake on either your part or your agent's.