

## Benefit Fact Sheet

### What is it?

Indemnity medical plans are reimbursement plans that allow members to receive medical care from any health care provider. After the member meets the calendar year deductible, claims are paid based on a reimbursement schedule (typically 80%) subject to usual and customary charges. Members are not reimbursed for charges that exceed usual and customary. Indemnity plans typically cover charges for physician and hospital services, medical tests, and prescription drugs.

Indemnity plans are increasingly rare as they have few managed care cost containment features and are prohibitively expensive for most employers.

### Why offer it?

- Some areas of the country do not have comprehensive provider networks (PPO, POS, HMO).
- Minimize hassle associated with managed care plans.
- Increases employee flexibility when receiving medical care.

### What types of employers offer it?

- Employers with widespread locations nationwide.
- Employers that offer employees a wide selection of health plan options ranging in cost and flexibility.
- In 2010, 2% of employers offering health benefits offered indemnity plans. (Source: Kaiser Family Foundation)

### What size employers offer it?

All sizes of employers offer indemnity plans.

### What are the critical underwriting or participation requirements?

- Minimum of two employees (varies by insurer).
- Employer location and industry.
- Employee demographics.
- Past claims experience may apply, depending on employer size.

### What's new in this area?

The following factors have caused a reduction in the number of group indemnity plans currently in force:

- Development of nationwide health plan networks.
- Wide acceptance of managed health care.
- Lower cost managed care alternatives.

Inflation trend for Indemnity plans for 2011 was 13.9% and is attributable to advances in medical technology, increased utilization, and increases in provider fees.

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### How much does it cost?

Average 2010 monthly premium costs (sources: Kaiser Family Foundation and ArlenGroup )

- Employee Only: \$624.
- Family: \$1669

### Informational link(s)

- [Usual, Customary, and Reasonable Charges](#) (CareCounsel)
- [Cost differences between HMOs and Indemnity Plans](#) (National Bureau of Economic Research)

### Pros and cons

#### Pros

- Complete freedom of choice with regard to choosing health care providers.
- Employees are not burdened with network disruptions, which frequently occur in managed care settings.
- No network disruption if employer switches carriers.
- Ability to access care anywhere in the country.

#### Cons

- Most expensive form of group medical insurance.
- Members must pay for care and submit claims to the carrier for reimbursement.
- Preventive care is typically subject to deductibles and coinsurance.

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: [www.arlengroup.com/facts](http://www.arlengroup.com/facts).