

Benefit Fact Sheet

What is it?

Point of Service (POS) medical plans combine features of HMO and PPO plans. POS plans are similar to HMOs in that they require members to select a primary care physician (PCP) through which all network based care is coordinated. POS plans are similar to PPOs in that they provide benefits for care received outside of the network, albeit at lower reimbursement rates than in-network care. The plan's name refers to the fact that participants have the freedom to choose the level of benefits they receive at the point of service each time they receive care.

There are two types of POS plans: two-tier and three-tier network plans.

- **Two-tier POS plans** work like an HMO in tier 1: members are required to use a PCP to coordinate care. There is an out-of-network option similar to the PPO (tier 2). Benefit levels are higher and out-of-pocket costs are lower for care received in tier 1.
- **Three-tier POS plans** essentially combine an HMO and PPO into one plan. The HMO is tier 1; in-network PPO is tier 2; and out-of-network PPO is tier 3. The highest level of benefits and most managed care is obtained from tier 1 (HMO), in which all care must be coordinated by a PCP. Tier 2 (PPO in-network) offers members the flexibility of self-referring within the PPO network and receiving benefits at the negotiated network rate. Tier 3 (PPO out-of-network) is the lowest benefit coverage but allows members to receive benefits from a non-network provider.

Why offer it?

- POS plans offer some of the cost efficiencies associated with HMOs with added flexibility to access out-of-network providers.
- POS plans tend to be less expensive than pure PPO plans because members utilize a primary care physician (PCP) who is responsible for managing their care.
- POS plans are good "transition" plans when first introducing managed care to an employee population.

What types of employers offer it?

Employers that want to offer flexible plans but are concerned with controlling costs.

What size employers offer it?

All sizes of employers offer POS plans.

What are the critical underwriting or participation requirements?

- Minimum of two employees (varies by insurer)
- Employer location and industry
- Employee demographics
- Prior claims experience may apply, depending on employer size
- POS plan offering must be coordinated with other plans offered by the employer. Plans may impose specific requirements to ensure all plans are offered on equal standing in terms of benefits and employer funding. Some plans may decline to underwrite under certain circumstances.

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What's new in this area?

- POS plans have become less prevalent in the marketplace due to rising costs. Under the POS model, insurers must pay capitation payments to contracted providers, in addition to fee-for-service payments for services received at the PPO level. According to the Kaiser Family Foundation survey in 2009, only 10% of participants in health plans were enrolled in a POS, compared to 23% in 2001. Among companies offering health benefits, 37% of small firms (3-199 employees) and 16% of large firms (200 or more employees) offered a POS plan to employees.
- POS trend for the last quarter of 2009 was 11.6%, as compared to 11.0% in the last quarter of 2008. The average premium increase for POS plans is not statistically different from overall average premium increases attributable to increasing utilization, advances in medical technology including prescription drugs, and increases in provider fees.

How much does it cost?

Average 2009 monthly premium costs (source: Kaiser Family Foundation):

- Employee Only: \$403
- Family: \$1,090

Informational Links

- [POS: Point of Service Plans](#) (Health Insurance In-Depth)
- [Overview of POS Plans](#) (International Foundation of Employee Benefit Plans)
- [Study of medical expenditures under HMO and POS plans](#) (BNET)

Pros and cons

Pros

- Flexibility
- Lower-cost care available through the HMO network
- Promotes preventive care and wellness

Cons

- Managed care restrictions if utilizing services within the HMO network
- Triple option POS plans pose special employee communication challenges

Notes

Trend information compiled from ArlenGroup resources.

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.