

Senior Association Alliances Can Bring Risks As Well As Rewards

BY KENAN G. LOOMIS

AS OF JULY 1, 2004, there were approximately 36.2 million people 65 and older in the United States. As the oldest baby boomers become senior citizens in 2011, the population 65 and older is projected to grow faster than the total population in every state. In fact, 26 states are projected to double their 65 and older population between 2000 and 2030.

Not surprisingly, the number of senior citizen associations has similarly escalated. These associations provide their members with a wide variety of benefits, such as travel discounts, financial and legal assistance, and entertainment options.

Many of the associates also offer affordable health insurance, and that can create an attractive market for health insurers.

However, there are a number of issues any health insurer should consider before entering into a partnership with a senior citizen association, or any association for that matter. For example, choosing the right association to partner with is of paramount concern, as a number of state insurance departments have uncovered sham organizations. The products offered to older insureds should also be considered. Finally, the structure of the partnership, such as whether it should be reinsured and whether claims should be handled internally or through a third party administrator, must be analyzed.

The first step in establishing a senior citizen association partnership is to select a bona fide association with a proven track record of quality service to its members. Unfortunately, a number of bogus associa-

tions have recently surfaced, and that has led to department scrutiny.

For example, since at least 2006, several state insurance departments have been investigating unscrupulous associations purportedly claiming to offer inexpensive health plans to their members through a number of legitimate insurers.

Generally, the solicitors request an application or administrative fee and then charge members additional monthly fees for coverage. Although these scam art-

tors are lacking, the association may be suspect.

Once a carrier is comfortable with the association with which it intends to partner, careful attention should be given to the product the association intends to offer. Obviously, comprehensive major medical plans may not be feasible for an older insured base.

One alternative is a "mini-med" product. A mini-med is a limited benefit indemnity health insurance plan that can often be issued with very few restrictions (although it should not duplicate Medicare coverage for insureds 65 and older). It can be used with various medical providers and is not always limited to a specific PPO network. Sometimes, a mini-med is used as supplemental coverage together with a major medical policy that carries a higher deductible. Mini-meds often include coverage for emergency room visits, doctor visits, certain inpatient hospital procedures, and some surgical benefits, allowing the insured to choose his or her desired level of coverage.

Health insurers considering partnerships with senior associations should consider a mini-med as its primary product, and it should make certain that the association members understand the differences between a mini-med and a comprehensive major medical plan.

The manner in which a senior citizen association partnership will be structured also warrants consideration. One alternative is for the carrier to assume all marketing, claims adjudication and indemnity responsibilities. A complete "in-house" operation may not be feasible for all carriers, however, especially those with limited resources to adjudicate claims. Consideration should therefore be given to outsourcing claims to TPAs.

As the carrier's association business grows, a TPA can become more efficient in ways that will cut the cost of handling claims. Likewise, reinsuring all or part of the insurer's liability may be an alternative. ■

IS IT REAL?

CHECKING OUT SENIOR ASSOCIATIONS

- ▶ **RECOGNIZE** that con artists can obtain legitimate-looking stationery and forms.
- ▶ **VERIFY** that an association offers benefits other than insurance.
- ▶ **CALL** the agency that registers nonprofit organizations in an association's state to make sure it is registered as a nonprofit entity.
- ▶ **FIND OUT** whether an association has been in business long enough to qualify to buy health coverage for its members.
- ▶ **WHEN IN DOUBT**, ask for help from state insurance regulators.

ists often prey upon the general public, they sometimes focus on health insurance carriers as well. For example, there has been at least one instance in which such an operation used an insurer's logo and forms to make its solicitations look legitimate.

To verify the legitimacy of an association, carriers should inquire as to what it offers its members other than insurance. A red flag is raised if no other benefits are provided, as most state laws prohibit the formation of an association solely for the purpose of selling insurance. State laws also generally require that there be some commonality amongst association members, that the association is a non-profit entity, and that it has been in business for a certain amount of time. If these fac-



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