A mini price, a mini policy

More Americans are buying low-cost health plans. But the limited coverage carries some big risks.

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Connie Terwilliger, a 53-year-old voice-over artist, has found a way to cut her insurance premiums by more than half.

By switching health plans, her monthly cost will drop from $300 to $123. For that, she will get five doctor visits a year, some lab tests - and strict limits on hospital care.

"I'm pretty healthy and in many ways this plan is better for me at half the price," the San Diego woman said.

Like Terwilliger, more Americans are turning to low-cost health plans, some as cheap as $50 a month, that pay for routine doctor visits and perhaps some prescription drugs but that don't cover catastrophic illnesses or most hospital care.

For some healthy consumers, they may be a good idea. But as the plans become more popular, consumer advocates warn that they may provide a false sense of security. Without that ultimate protection, they say, the plans might not always be worth the cost.

The bare-bones policies, known as "limited-benefit" or "mini-medical" plans, have been popular for several years with some small employers. Now more companies are embracing the leaner policies as a way to cajole uninsured workers to get coverage or to help struggling employees keep it.

California-based Jack in the Box Inc. and Marie Callender's recently started offering limited-benefit health plans to their employees, joining companies such as Exxon Mobil Corp., Home Depot Inc. and Denny's Corp. Later this year, more than 20 national companies, including Intel Corp., IBM and Sears, Roebuck & Co., are expected to include limited health insurance in their coverage options as well.

Critics of mini-medical insurance point out that most employers don't contribute to the plans, as opposed to traditional plans in which employers often pay 80% to 100% of employee premiums.

And, they say, these policies won't much help workers who most need it - those who end up in the hospital facing huge unpaid medical bills. Research shows that up to half of all bankruptcies today are related to medical costs.

Another concern, say benefit experts, is that if employees try to reapply for comprehensive coverage down the road, limited plans may not be considered "credible coverage," and applicants could be denied for preexisting conditions just as if they had no insurance at all.

"Let's say exactly what this is about," said Lisa McGiffert, senior policy analyst for Consumers Union, a Washington, D.C.-based consumer advocacy group. "Medical coverage is getting more limited every day, and people are paying higher health premiums for little in return."

Others worry that broader adoption of limited plans could skew the notion of just what it means to have health insurance or encourage more employers already offering better benefits to move to the skimpier plans.

"People could say these folks are technically insured, but that doesn't mean much [with these plans]. People would still be crippled if they get sick," said Jonathan Parker, national campaign director for Americans for Health Care, a national grass-roots organization that advocates for universal healthcare.

The limited plans keep costs down by not offering the same benefits that typical comprehensive plans do. Most pay for routine medical care such as doctor visits and offer some prescription drug coverage but typically cover only a tiny portion of major costs incurred by hospital visits, operations or mental health services.

For instance, the plans may pay for several doctor visits a year, immunizations for children and $500 worth of yearly prescription drugs. But employees could be eligible for as little as $300 a year in emergency room care - or enough to last no more than a few minutes in most hospitals.

The plans have strict coverage caps, which may be as low as $1,000 a year and are rarely higher than $20,000. That means that no matter how high a medical bill is, the insurer won't pay more than the yearly cap.

Still, the growing popularity of the plans shows that they are filling a need.

"No one is going to say these are better than full coverage, but it's a step up for people who otherwise wouldn't have insurance," said Jonathan S. Edelheit, president of United Group Programs, a national insurance broker based in Florida.

Although a broad mix of employers is starting to offer mini-medical plans, they are still primarily aimed at low-income and hourly workers in industries that have high rates of uninsured workers or employees who are spending large percentages of their income to remain insured.

The plans cost $50 to $100 a month for an individual and around $200 a month for families. Co-payments for doctor visits and prescription drugs run about $20 to $50.

Because they have yearly coverage ceilings, nearly anyone can qualify for them, even with preexisting medical conditions. The plans are often the same price no matter the policyholder's age, gender or area of residence.

Those buying the skimpiest coverage will still qualify for "group" prices at hospitals rather than the sticker price that uninsured patients are often charged. That means those who exceed a $1,000 yearly coverage limit could walk away with a hospital bill that is half or even a third the size of the bill they would have gotten if uninsured.

Edelheit of United Group Programs says a client who bought a mini-medical plan last year and later had surgery saved thousands of dollars. Because she had bought a limited-benefit plan, the hospital charged her just $2,900 for the operation, and her insurance carrier paid all but $900 of the bill.

Other than employers, some associations, including AARP, are also marketing the limited health plans as supplemental medical insurance. In buying a second health plan, some people could save having to pay huge out-of-pocket costs on their own.

"These are an option for anyone who can't afford to pay for group insurance," said Joann Parrino,

vice president of employee benefits at Bolton & Co., an employee benefits consulting company in Pasadena. "That's a lot of people nowadays."