

Economic issues simulation paper

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As a representative of Castor Insurance, the job is to maximize profit and minimize risk for the company. Healthcare is a high in demand good that the consumers of any job wants and needs to have. So it is very important to chose the right kind of healthcare for your employees. The two companeys in question Constructit and E-editors need to choose a well balancedhealthinsurance plan that will work for there group of people. I am Jamie Ruth, I am the Vice President, Strategy and Financial Planning at Castor Collins.

My duties include pricing plans and setting insurance premiums for our potential clients. Castor Collins was approached by two companies looking for employer insurance and both companies have a set rate their employees are able to pay for premiums since both groups will have to pay for his or her own insurance. The first company is Constructit that consist of 1, 000 people and E-Editors that consist of 1, 600 people. It is up to my team to come up with a plan the meets Constructit \$4, 000 max on premium and E-editors max of \$4, 500 premium.

Our task is to keep revenue maximized and risk to a minimum by choosing one of our three plans, which are Castor Standard, Castor Enhanced and our customized plan called Castor Enhanced Minor to suit Constructit the company I have chosen. Demographics of Constructit Constructit consist of 550 men between the ages of 26 to 45 and 450 women between the ages of 26 to 42. At Constructit 32% of the workforce’s duties involve excessive physical activities. This can cause some health risk with these employees.

Whereas 25% of the workforce's duties involve modest physical activities and the remaining 43% of the workforce's duties involve inactive activities. With the modest activity there is always a chance an injury could happen. The inactive employees mainly desk employee are not immune from injury either. Married employees consist of 60% of the workforce. The employees at Constructit are not all in perfect health. Out of 1000 employees 170 men and 210 women 38% of the workforce has no major health problems. With almost 10% of the workforce 55 men and 36 that are smokers.

The majority of the workforce misses work due to injuries, respiratory system diseases, digestive disorders, migraine, and allergic conditions. Health Concerns In our investigation of the health demographics in Constructit we discovered the following health concerns. Almost half of the employees are obese, 198 men and 192 women which adds up to 39% of the workforce which in itself is a major concern. Obesity can cause High Cholesterol the second highest medical condition within this group meaning 19%, 101 men and 95 women.

As well as high blood pressure is another cause of health concern with 88 men and 105 women, 19% of the workforce. We also discovered many suffer from an allergy which affects 92 men and 85 women 17% overall. Many of the employees suffer from migraines 16%, 75 men and 93 women. Although only 13% of the employees 78 men and 57 women Respiratory Diseases is still a cause of concern. The Last medical condition we discover was digestive disorders at 8% 52 men and 32 women. Now our task was to develop a plan and stay within our \$4000 premium limit.

Plans Here at Castor Collins we have two plans that could possibly fit the needs of Constructit. One is Castor Standard which does not cover preexisting medical conditions and the other is Castor Enhanced which does cover preexisting medical conditions. Helen one of my team members suggests we offer Constructit Castor Enhanced and eliminates a few services that have high utilization. Adam says or we could choose not to insure either group if our risk outweighs the profits.

In our evaluation the risk, anticipated cost, and cost-effectiveness are different for both plans. We did not choose Castor Standard because for one it did not cover preexisting condition. The premium is within payment range enrollees can pay and our profits would be higher. The cost associated with Castor Collins providing services to Constructit does not include any copayment the enrollee has to pay. For example for inpatient hospital services for Standard the enrollee pays \$114 where in Enhance they pay \$144.

For emergency physician or hospital care Standard is \$310 where Enhances is \$388. For outpatient services like physician visits the in Standard the enrollee would pay \$56 and in the Enhanced he or she would pay \$70. If the enrollee was to need outpatient surgery for standard he or she would pay \$305 where with enhanced the cost is \$381. Here is the expected utilization of services when Castor Standard or Castor Enhanced is provided to Constructit. On average utilization of the services in the population of color scheme are for the age group of 26 through 45.

Inpatient hospital services are 3% for standard and 4% for enhanced with the annual average is 6% for standard and 8% for enhanced with the surgical benefits the same. For emergencies the expected utilization is 6% and the annual average is the same for standard whereas for enhanced the expected utilization is still 6% however the annual average is 8% for inpatient services. In standard most of the expected utilization is anywhere from 3% to 10% whereas the annual average is 6% for standard. Outpatient services the expected utilization is anywhere from 3% to 10% and the average annually is 6%.

For enhanced the expected utilization norm is 4 to 9% and with enhanced the norm is 6% for standard and enhanced is anywhere from 4 to 12%. Plan Choice For Constructit we decided to go with Castor Enhanced so we could modify it so we were able to stay within the \$4000 premium prices range. Even though the copay to the enrollee is higher the benefits are revenue for us is higher. We were able to keep the premium below \$4, 000; the premium is \$3, 943 making our profit a \$3. 94 million and only eliminated obesity treatment.

To keep cost and risk low we decided not to include Obesity treatment. To include this service the premium would have exceeded what the enrollees would be able to pay. All other services are intact. Castor Collins earning is high and is adequate to cover the risk insuring Constructit. Services such as substances abuse treatment the expected utilization is low. Even with Castor Enhanced Minor covering preexisting medical conditions, the risk are low and the earnings could be high. Copays for services such as preventative services, diagnostic services, and chiropractic care are at 8% rate.

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Conclusion Our task was to evaluate the company's demographics and develop an adequate health care plan that suits Constructit. With Castor Enhanced the premiums are below \$4, 000 which them enrollee can pay and still have comparable health coverage that cover preexisting medical conditions. Utilization annual average is mostly 8%. Copays are higher but the benefits are higher as well. This was a difficult task but I believe we did what was expected of us in supplying health coverage for Constructit.