Comparing cost control strategies essay

Employer-sponsored health plans buy medical insurance from insurance companies to give to their employees as benefits. The human resource department negotiates with insurance companies and selects a group health plan (GHP) to give to their employees as a basic plan. The employees can then purchase riders, or options such as dental or vision insurance, to add to their basic plan. Employers can also use a different network of providers for certain types of medical care for their employees. During open enrollment periods, which is a specified period usually offered once per year, employees can customize their insurance coverage to their families' insurance needs.

Some large employers use self-funded health plans to save money. Under these plans, the employer covers the costs of the employees' medical benefits themselves instead of buying plans from insurance companies. They assume the risk of paying for the employees' medical services directly by setting aside the money in funds to pay the benefits. Under these health plans, the employer decides the plans offered to the employees and the benefits that they will cover.

These self-funded health plans may set up their own provider network or lease other networks. Self-funded plans often use third-party claims administrators (TPA's) to handle many of the tasks of the health plan, such as collecting premiums and paying claims. This is often carried out by insurance companies working under an administrative services only (ASO) contract. Portability controls the cost of insurance for people who are changing from one group plan to another, from a group plan to an individual plan, or from an individual plan to a group plan. Creditable coverage controls medical costs by keeping new health plans from excluding people with preexisting conditions if they previously had health coverage within a reasonable period of time.