

Group Insurance – Fifth Edition
Errata – February 5, 2009

Page 48 full paragraph 2, last sentence

The sentence should read “If premiums become less affordable as a result, the number of uninsureds would logically increase.”

Page 51 last sentence of second to last paragraph

Sentence should read “Advancements in health information technology will need to adequately address privacy safeguards, especially since many such safeguards are required by law.”

Page 52 first full sentence on page

Remove the second “better”.

Page 541, first line after the first table:

“Plan A: \$6,250” should be “Plan A: \$5,000”.

Page 627

The reference to Table 30.3 at the bottom of the page should have been to a table that is missing. The correct table for this reference is attached.

Cost Model Method

Actuarial Cost Model Method – Illustrative Case						
Services	(1) Annual Services per 1,000 Members	(2) Average Cost per Service	(3) Gross PMPM Benefit Cost {[(1)/1,000]x(2)}/12	(4) Copay Amount	(5) Value of Copay {[(1)/1,000]x(4)}/12	(6) Net Benefit Cost PMPM [(3) – (5)]
I. Hospital Services						
A. Inpatient						
1. Medical	70 days	\$2,300	\$13.42	\$100	\$0.58	\$12.84
2. Surgical	60 days	2,700	13.50	100	0.50	13.00
3. Pediatric	20 days	2,000	3.33	100	0.17	3.16
4. ICU/CCU	10 days	3,800	3.17	100	0.08	3.09
5. Maternity	35 days	2,300	6.71	100	0.29	6.42
6. Mental Health	20 days	900	1.50	100	0.17	1.33
7. Substance Abuse	10 days	600	0.50	100	0.08	0.42
8. Skilled Nursing	15 days	550	0.69		0.00	0.69
B. Outpatient						
1. Emergency Room	160 cases	\$600	\$8.00	\$50	\$0.67	\$7.33
2. Radiology	155 cases	610	7.88		0.00	7.88
3. Pathology	170 cases	200	2.83		0.00	2.83
4. Surgery	85 cases	3,100	21.96		0.00	21.96
5. Other Outpatient	405 cases	200	6.75		0.00	6.75
Subtotal			\$90.24		\$2.54	\$87.70

Cost Model Method

II. Physician Services						
A. Physician Encounters						
1. Office Visits	4,750 visits	\$95	\$37.60	\$15	\$5.94	\$31.66
2. Consultations	170 consults	270	3.83		0.00	3.83
3. Immunizations	540 services	45	2.03		0.00	2.03
B. Inpatient Visits	185 visits	220	3.39		0.00	3.39
C. Surgery						
1. Inpatient	40 proced	\$4,400	\$14.67		\$0.00	\$14.67
2. Outpatient	430 proced	770	27.59		0.00	27.59
D. Emergency Room Visits	125 visits	240	2.50		0.00	2.50
E. Lab/X-Ray	3,650 proceed	115	34.98		0.00	34.98
F. Maternity	15 cases	4,400	5.50		0.00	5.50
G. Outpatient Mental Health	320 visits	140	3.73		0.00	3.73
H. Outpatient Substance Abuse	45 visits	105	0.39		0.00	0.39
I. Other	60 services	345	1.73		0.00	1.73
Subtotal			\$137.94		\$5.94	\$132.00
III. Ancillary Services						
A. Ambulance	30 runs	\$500	\$1.25		\$0.00	\$1.25
B. Prescription Drugs	9,700 scripts	75	60.63	\$15	12.13	48.50
C. Home Health	75 units	350	2.19		0.00	2.19
D. Appliances	130 units	330	3.58		0.00	3.58
E. Physical Therapy	700 services	70	4.08		0.00	4.08
Subtotal			\$71.73		\$12.13	\$59.60
Total			\$299.91		\$20.61	\$279.30