



NexStep™

Companion Plan

“The NexStep™ in Employee Benefits”

Group Hospital Confinement Insurance



The Dilemma

The rising cost of health care is a very real challenge to both employees and employers!

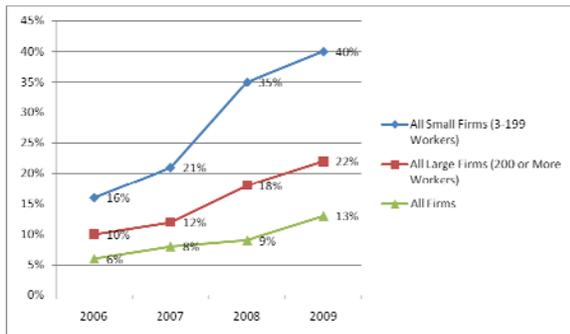
Employee Concerns

According to the May 2009 Milliman Medical Index Research report, healthcare costs continue to shift from employers to employees in a fashion similar to previous years. This cost shift manifests itself not only as higher premiums, but also increased out-of-pocket cost-sharing.

The Milliman Report further indicates that in-patient and out-patient facility services combined represent 47% of the total annual medical costs incurred by a typical American family of four.

Increased cost-sharing means increased financial pressure on families from medical bills. Most people reporting problems paying medical bills had less than \$1,000 in out-of-pocket expenses¹. Almost two-thirds of all bankruptcies in 2007 were contributed to medical problems, and most of those bankrupted in this fashion had health insurance²!

Decisions Forced upon Employers



According to the Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2009, the number of small employers offering health plans with a deductible of at least \$1,000 has risen dramatically (see illustration).

In 2010, over 50% of those employers offering health benefits to their employees expect to increase the amount their employees pay for health care either through higher deductibles/coinsurance and/or higher premiums³.

How can employers maintain affordable health care plans for their employees and yet reduce the impact of increased cost-sharing to employees?

The solution is simple.....

NexStep™

¹ Living on the Edge: Health Care Expenses Strain Family Budgets; Research Brief No. 10; December 2008

² Article published in the August 2009 issue of the American Journal of Medicine. Physicians for a National Health Program (www.pnhp.org)

³ Kaiser Family Survey of Employer Health Plans 2009; September 2009

What is NexStep™?

NexStep™ is a hospital confinement insurance policy designed as a companion to the employer's group major medical/comprehensive coverage to enhance overall benefits for employees and their dependents.

It can reduce or, in some cases, even totally eliminate the out-of-pocket expenses an employee or his dependents may incur as a result of an accidental injury or sickness.

The benefits provided by NexStep™ help pay for out-of-pocket expenses incurred due to a covered Hospital Confinement or covered out-patient medical procedures, based on the plan of benefits designed by the employer. For an expense to be eligible under NexStep™, it must:

- be Medically Necessary and result from the treatment of an Injury or a Sickness;
- be covered by the Covered Person's Major Medical/Comprehensive Policy; and
- be applied by the Major Medical/Comprehensive Policy to its deductible, co-payments and/or coinsurance provision.

STRATEGY

Step 1: Elect a High Deductible Health Plan (HDHP)

Step 2: Combine HDHP with a NexStep™ Companion plan

RESULTS

- Premium Savings for the Employer and Employee
- Enhanced Benefits

ANNUAL HEALTH CARE COSTS FOR EMPLOYERS WILL INCREASE FROM \$10,743 (AVERAGE PER PERSON PER YEAR) TO \$28,530 BY 2019⁴.

4 "Health Care Reform: The Perils of Inaction and the Promise of Effective Action" report to U.S. Business Roundtable by Hewitt Associates, LLC; September 2009

Hospital Confinement Insurance

The Hospital Confinement Insurance pays a calendar year benefit, up to the maximum benefit selected, for each Covered Person who incurs eligible out-of-pocket expenses due to a hospital in-patient confinement.

Benefits available for Hospital Confinement Insurance range from a minimum of \$500 to a maximum of \$10,000.

Expenses eligible under the Hospital Confinement Insurance benefit include:

- In-patient hospital stays;
- In-patient surgeries;
- Physician's in-hospital charges; and
- Hospital emergency room treatment for Injuries and hospital emergency room treatment for Sicknesses if the sickness results in a Hospital Confinement within 24 hours of the Hospital emergency room treatment*

*Covered under Hospital Confinement Insurance only if coverage is not purchased with the Out-Patient Benefit.

Out-Patient II Benefit

Out-Patient II benefits are available as an alternative to Out-Patient I benefits. Available benefit limits range from a minimum of \$250 to a maximum of \$2,500, provided the maximum benefit selected is not greater than 50% of the amount of Hospital Confinement Insurance selected.

The Out-Patient II benefit pays on a "per person per calendar year" basis, with a family maximum limit of two (2) times the "per person" limit. This maximum applies to the entire family unit, regardless of the number of covered persons within the family unit, however, the benefit payable for no one person within the family unit can exceed the "per person" limit.

Out-patient benefits may include, but are not limited to:

- Hospital emergency room treatment of Injury or Sickness
- Out-patient Surgery in a out-patient surgical facility, emergency facility or physician's office;
- Diagnostic testing including, but not limited to, x-rays, diagnostic lab, MRI's, and CT scans;
- Out-patient radiation therapy or chemotherapy; and
- Physical therapy or chiropractic care

ELIGIBILITY

All full-time employees working at least 20 hours or more per week and engaged in an eligible occupation, their lawful spouse, and their unmarried, dependent children who are under 19 years of age (24 if a full-time student). Dependent eligibility may vary by state.

Additionally, in order to be eligible, each person must be covered under a group Major Medical/Comprehensive Medical plan that includes coinsurance and deductible.

INELIGIBLE OCCUPATIONS

Professional Athletes
Mining & Quarrying

Ironworkers
Window Washers

Deep Sea Divers

In addition, Professional Employer Organizations (PEO's) are considered an ineligible industry, however, they may be eligible subject to underwriting approval based on receipt and review of an underwriting questionnaire.

EFFECTIVE DATE

The effective date of an employee's coverage will be on the first day of the month following approval of an eligible person's enrollment form and payment of the first premium, provided he has met the eligibility requirements of, and is covered under, a group Major Medical/Comprehensive plan.

The effective date of coverage for an eligible Dependent will be on the first day of the month following the Company's acceptance of the enrollment form, however if the employee's coverage has not yet become effective, the effective date for Dependent coverage will be the same as the effective date of the employee's coverage.

Newborn children, adopted children or children placed for adoption will be covered on their date of birth, adoption or placement for adoption for a period of 31 days, as long as the employee's coverage was in force on that date. If, during this 31 days, the insured employee notifies the Company in writing and pays any premium that may be due, coverage will continue. If notification and premium payment is not received within the first 31 days after birth, adoption or placement for adoption, employees may not apply for coverage unless they qualify as a Special Enrollee or until they are allowed to enroll during an employer sponsored period of open enrollment (see Late Enrollees below).

LATE ENROLLEES

If an eligible employee does not apply for coverage on their initial eligibility date, they may not apply for coverage until the next policy anniversary date, unless: (a) they are allowed to enroll in, or change their enrollment in the employer's Major Medical/Comprehensive Policy because they qualify as a Special Enrollee as defined by law; or (b) they are allowed to enroll in the employer's Major Medical/Comprehensive Policy during an employer sponsored period of open enrollment.

TERMINATION OF COVERAGE

Coverage terminates on the earliest date any of the following events occur: For any Insured Person: (a) on the date the policy is terminated; (b) as of the premium due date when the required premium remains unpaid, subject to the grace period; (c) on the premium due date following the date the Insured ceases to be an employee of the policyholder; or (d) on the premium due date following the date the Insured's coverage under a group Major Medical/Comprehensive Policy is no longer in effect. For an Insured dependent spouse: on the premium due date following the date the spouse ceases to be an eligible spouse. For an Insured dependent child: on the premium due date following the date the child ceases to be an eligible child.

DEFINITIONS

Hospital means a legally authorized and operated institution for the care and treatment of sick and injured persons. It must have graduate registered nurses (RN's) on 24 hour call and organized facilities for diagnosis and surgery either on its premises or in facilities available to it on a contractual prearranged basis. The following do not qualify as a Hospital: an institution, or part of it, which is used mainly as a facility for rest, nursing care, convalescent care, care of the aged, or for remedial education or training.

Hospital Confinement means the Insured Person is admitted to the facility as an overnight bed patient for a minimum of 15 consecutive hours.

Injury means a bodily injury sustained by an Insured Person caused by an accident, directly and independently of all other causes, that occurs while the policy is in force. All injuries sustained by an Insured Person in any one accident are considered a single injury.

Insured Person means either an Insured or an Insured Dependent. An Insured is an employee of the policyholder whose coverage under the policy has become effective and has not been terminated. Insured Dependent means any of the following: (a) the lawful spouse of an Insured whose coverage under the policy has become effective and has not terminated; and, (b) the unmarried dependent child or children of an Insured or of an Insured's spouse (including stepchildren, legally adopted children, grandchildren, and foster children) who are under 19 years of age (24 if a full-time student), or such higher ages as approved in writing by the Company.

Major Medical/Comprehensive Policy means any one of the following types of policies or plans which provide benefits for Hospital Confinement for an Insured Person on his/her effective date of coverage, and such policy or plan requires the Insured Person to pay a deductible and/or portion of coinsurance: group or blanket insurance plans; group Blue Cross, Blue Shield or other group prepayment coverage plans; coverage under labor-management trustee plans; union welfare plans; employer organizational plans; employee benefit organizational plans, or other arrangements of benefits for persons of a group. "Major Medical/Comprehensive Policy" does not include Medicare or Medicaid.

Medically Necessary means a service or supply is necessary and appropriate for the diagnosis or treatment of a Sickness or Injury based on generally accepted current medical practice. A service or supply will not be considered Medically Necessary if: (a) it is provided only as a convenience to the Insured Person or provider; (b) it is not appropriate treatment for the Insured Person's diagnosis or symptoms; (c) it exceeds (in scope, duration or intensity) that level of care which is needed to provide safe, adequate and appropriate diagnosis or treatment; or (d) it is part of a plan of treatment that is experimental, unproven or related to a research protocol. The fact that a Physician may prescribe, order, recommend or approve a service or supply does not, of itself, make the service or supply Medically Necessary.

Sickness means a disease or illness, or more than one disease or illness, resulting from the same or related causes or conditions, including all complications thereof and all related conditions and recurrences resulting in medical expenses insured under the policy or otherwise resulting in a claim for benefits while the policy is in force with respect to the Insured for whom the claim is made.

EXCLUSIONS

Benefits will not be paid for losses caused by or resulting from any one or more of the following:

- Declared or undeclared war or any act thereof;
- Suicide or intentionally self-inflicted Injury or any attempt thereat, while sane or insane (while sane in Colorado and Missouri);
- Any Hospital Confinement or other covered treatment for Injury or Sickness while an Insured Person is in the services of the armed forces of any country. Orders to active military service for training purposes of two months or less do not, for the purposes of this exclusion, constitute service in the armed forces of any country. Upon notification to the Company of entering the armed forces of any country, the Company will return to the Insured, pro rata, any premium paid less any benefits which have been paid, for any period during which the Insured Person is in such;
- Confinement in a Hospital or other covered treatment provided in a facility operated by an agency of the United States government or one of its agencies, unless the Insured Person is legally required to pay for the services;
- Confinement or other covered treatment for Injury or Sickness which is not medically necessary;
- Confinement or other covered treatment for Dental or Vision care not related to an accidental Injury;
- Mental or nervous disorders;
- Alcoholism, drug addiction, or complications thereof;
- Any Hospital Confinement or other covered treatment for Injury or Sickness for which compensation is payable under any Worker's Compensation Law, any Occupational Disease Law, the 4800 Time Benefit Plan or similar legislation;
- Any Hospital Confinement or other covered treatment for Injury or Sickness that is payable under any insurance that does not require Deductible and/or Coinsurance payments by the Insured Person;
- Any Hospital Confinement or other covered treatment for Injury or Sickness for which benefits are not payable under the Insured Person's basic Major Medical/Comprehensive Policy;
- Any Hospital Confinement or other covered treatment for Injury or Sickness if, on the Insured Person's effective date of coverage, the Insured Person was not covered by a Major Medical/Comprehensive Policy. Our sole obligation will then be to refund all premiums paid for that Insured Person;
- An Insured Person engaging in any act or occupation which is a violation of the law of the jurisdiction where the loss or cause occurred. A violation of the law includes both misdemeanor and felony violations.

LIMITATIONS

Pre-Existing Condition Limitation: This product does not have a pre-existing condition limitation, however, a condition must be covered under the Insured's Major Medical/Comprehensive Medical Plan in order for benefits to be payable under this plan. Therefore, any pre-existing condition limitation applied to the Major Medical/Comprehensive Medical plan would, in effect, limit coverage under this plan.

Pregnancy: Pregnancy is covered the same as any other illness for insured employees and their insured spouses if it is covered under their group Major Medical/Comprehensive Medical plan, but pregnancy (except for complications of pregnancy) is not covered for dependent children, unless required by state law.

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UNDERWRITTEN BY:

FIDELITY SECURITY LIFE INSURANCE COMPANY
Kansas City, Missouri

Rated A-Excellent, based on an analysis of financial position and operating performance, by A.M. Best Company, an independent analyst of the insurance industry. (For the latest rating, access www.ambest.com.)

ARRANGED BY:

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This brochure contains a brief description of the plans of insurance offered to qualified employers. The exact provisions governing the insurance are contained in the master policy issued to each group on form number M-9054, policy series MG-100. Some provisions, benefits, exclusions or limitations listed herein may vary depending on your state of residence. This product is not available in all states.

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