

## Reducing Cost #1

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# *Look At Every Option & Carrier ... Every Year!*

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***Did you know there are hundreds of different combinations of plans available to every employer in the small group market? And how many are you seeing ... every year?***

Carriers file their rates with the NJ Department of Insurance every quarter. This means their rates can fluctuate every quarter depending on their profits, financial goals and/or competitive goals in the marketplace. It is imperative that you look at every carrier and every competitive option at EVERY renewal. Potentially, carriers can become competitive or uncompetitive on a quarterly basis.

If you've been in the group health market for any length of time, you've seen this personally. Carriers that were extremely competitive last year or two years ago may not be competitive now, and vice versa. Carriers that were NOT competitive two years ago may be the hottest on the market today.

One of the most common misconceptions about changing carriers is that employees will need to change doctors. Today, physician and hospital networks are extensive in almost all areas across all carriers. Changing carriers today is not like changing carriers 10 years ago, where changing it meant every person in the company would have to find a new primary doctor. Today, very few people, if anyone in the company may have to pick new doctors because of the similarity among networks.

Doctors know that, to be successful, they may need to be in every network. Not being in a network may mean losing a patient. With the hospital-affiliated practices, outpatient centers and large group practices, doctors need to attract and retain as many patients as possible in their very competitive market.

## Reducing Cost #1

To ensure your employees will have the absolute minimum disruptions, ask your broker to do a network analysis or, better yet, survey your employees for the doctors they use and have your broker cross-reference the carriers you are considering for physician participation.

The unfortunate truth is that there are many brokers that do not investigate every option available for their clients every year. Over the years, I have determined this is potentially due to a couple of factors.

**1) They don't fully understand the business enough and/or have access to the available tools to know all the options that exist.**

*Several years ago, one of the carriers put out two HMO options that were extremely close in cost. Just a couple of dollars separated them, but the difference in benefits offered between the two plans was dramatic. The plans were identical with the exception of the hospital copays. One had a \$300 per day (maximum of 5 days) and the other was \$300 per visit! With one plan you would pay \$1,500 for a 5-day stay and the other would only cost you \$300 for the entire visit — and the rates were within a couple of dollars of each other. If you didn't have access to a system that showed you ALL the available plans for the entire state of NJ, your broker would never have seen this.*

**2) They get lazy. After the first year of writing business, they coast ... assuming the client will renew regardless of how much effort they put in or, because of their current office set-up, they simply can't meet with every client.**

*A company I helped had just signed on with a new broker the year prior. On renewal, the broker showed up 2 weeks before the renewal with a faxed copy of the renewal. (Because I met with this company a month prior, I requested and delivered its renewal weeks before his current broker even showed up). When his current broker got around to meeting with him, he told him that he would have to reduce benefits in order to reduce costs. This is when he informed his broker that he already received his renewal from me and that I was already working on it. The broker stormed out and began searching for options. He came back with several that he hadn't even presented the year before when he originally took the case and had no competition. I eventually won this case because I had much better options and because I vowed to the client that he would never have to ask me to work for him. (As a side note, the broker commission on this case was \$22,500 a year)*

## Reducing Cost #1

- 3) Depending on who they are employed by or how they are set up financially, they just can't afford to spend as much time with existing clients as they do with "new" clients.**

*I met with a company that had the same broker for many years. Every year on renewal, about 30 days prior to the renewal, the broker faxed the renewal and a couple options for the company to consider. They never met with the client to see what needs had changed, what census or billing information had changed, etc. They simply faxed the renewal with a note saying, "Call us if you want to change anything." Now, this broker is getting paid a commission every month on the premiums their client pays. When they first signed them up, they sat down and met with the client, asked questions and did a good job. Now, when I met with this company, the client had no idea who their broker even was and, even worse, they didn't even know the name of the broker or his company. Because of this, the client simply renewed every year as is and wasted several thousand dollars a year in a plan that was uncompetitive and didn't meet their needs. (As a side note, the broker was being paid over \$10,000 a year in commissions.)*

- 4) They have an alliance with a carrier because of a relationship or because of a financial gain to the broker in the form of bonuses or higher average commissions.**

*This one is very sad but true. Unfortunately, there are brokers out there that only work with one carrier the majority of the time and they can be very difficult to identify. They may tell you they looked at every carrier and may even show you options. But at the end of the day, the carrier they will push you toward, is the same one they write 99% of their business with. Some may think this is okay, and I do as well ... with one caveat ... did the broker explain to you that they only offer one carrier? If not, then in my opinion, it is not okay!*

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### *Tips and Questions*

1. Look at more than one broker every year.
2. Let your current broker know that you will be looking at more than one broker every year to keep them on their toes.
3. Expect to see plans from every carrier regardless of competitiveness to ensure the proper amount of work was done.
4. When hiring a broker, ask them to meet with you at least 60 days before the renewal and to meet with you personally on renewal.
5. Have your broker explain why he/she is showing you the options they are showing you and how they would benefit your company.

### *Interview questions for a new broker being considered*

1. What carriers are you appointed with?
2. How many carriers and options do you investigate on renewal?
3. Share a success you've had recently with more than one carrier?
4. Will you handle my renewal every year or will an account manager handle my account on renewal? If it's an acct manager, how will that process work?
5. What is your process for finding the lowest possible rates? Please explain this in detail.