

Health Coverage Renewal: A Checklist

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Shopping for health coverage is about more than dollars.

It's renewal time for your health plan, and your carrier informs you of another double-digit rate increase. Now what? Should you seek out another carrier? The danger is you could end up with just a cheaper health plan. The right health plan, after all, amounts to more than the sum of its premiums.

The next time risk managers are in the market for a new health plan, here's what they need to look for from a health insurer:

• Financial Stability

There are several resources that publish financial strength ratings for HMOs and traditional health insurance carriers, including Fitch Ratings, IBCA/Duff & Phelps, Moody's Investors Service, Standard & Poors, A.M. Best and Weiss Research. Look for secure ratings from at least two agencies. A financially troubled HMO or indemnity carrier may cut costs to regain financial stability. If your carrier should fail, it's important to know how your state regulates insolvency. Most states demand that carriers continue coverage in some manner in the event of insolvency. Hold harmless clauses in these contracts generally protect members from having to pay an insolvent carrier or its providers for services already rendered.

• Quality of Care

Like financial stability, quality of care is evaluated by independent organizations. The National Committee for Quality Assurance (NCQA) and the Joint Commission for Accreditation of Healthcare Organizations (JCAHO) both rate quality of health plans, including HMOs. Most states require that the quality of care be externally reviewed by either the state agency with health care insurance responsibility, a state-approved agency, or by an agency independent of the health care provider. Risk managers might also consider whether the company has internal programs for monitoring and reporting quality, and if it is able to describe these to you.

• Product Portfolio

Health is considered one of the most volatile lines of insurance from year to year. Consequently, companies with a diversified product portfolio may be better able to weather business cycles and have less dramatic changes in premium. On the other hand, companies with multiple product lines may be more apt to jump in and out of the health line when the market fluctuates. HMOs don't have other product lines to fall back on so their dependence on health care leads



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them to focus more than ever on offering coverage that is competitive and viable. Whether you're looking at an HMO or an indemnity carrier, your challenge is to determine if the plan has the commitment, resources and stability for a long-term relationship.

• Fair Rates

Rate increases are the norm in today's marketplace, but be cautious about using price alone to justify changing companies. Ask your carrier if your rate increase is higher than that of similar companies. If they are higher, ask why. Be skeptical of rates that show a dramatic savings in the first year. Ask what factors can change that rate for year two and if the company is willing to include that information in a disclosure statement. If you are self-funded, ask how your health care company is planning to price any large claims at renewal.

• Plan Design Expertise

Look for a company with the experience, knowledge and underwriting expertise needed to

provide good advice on plan design. A carrier with this expertise should be able to help you analyze your current plan and funding method, and determine if it is working for you. There may also be options beyond shifting costs to employees to save money. Look into the carrier's cost control programs, or its ability to offer employee-directed health benefits. If you are self-funded or considering a self-funded plan, be sure to set realistic guidelines on how much risk you should take. Increases in deductibles can save premium dollars, but may increase volatility. In today's market, fully insured coverage could actually be less expensive than a self-funded model in the long run.

• A Provider Network Match

Know what is important to your employees—choice of doctors, copayments, easy access—and look for a company with a network that matches up well with your employee population. Keep in mind that narrower provider networks generally offer the greatest potential for savings, but are also typically less accessible. The availability and compatibility of the network can also be affected by whether you are a regional or national employer. Also, check to see if the participating physicians in the network are open for new patients.

• Dedicated Service and Case Management

Look for a company with a dedicated customer service area that gives you direct and timely access to the home office. Find out how they respond if you have questions or concerns, what their customer service standards are and how they perform against these standards. Also look for a company with proven case management programs, preferably located in-house. In general, comprehensive in-house services lead to more ownership and better coordination between you, your employees and the carrier. Furthermore, good health outcomes and limiting costs are not mutually exclusive. Experience has shown that there are companies that are successful in doing both.

• Employee Communication and Broker Involvement

To be effective, any health plan needs to be clearly communicated to your employees. Find out what types of communications materials are provided before, during and after enrollment, and whether or not they are customized for your company. If you work with a broker, rely on his or her expertise to identify organizations that offer coverage options that would work best for your company. Find out what they know about the companies you are considering and whether or not they have a relationship or influence with them. Your broker should also have some idea about companies' track records in terms of financial stability, leadership and customer service.

It's not easy to make the move from one health plan to another, as we've explained in this article. The time it takes to administer a plan, a plan's costs and employee satisfaction should all be considered before making a switch. In the end, if you do decide to make a change, ask your current plan provider how it can be made as seamless as possible for both you, your employer and your employees.

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