10 Must Ask Questions Before Renewing Your Plan

Cost containment is a key issue for all employee benefit health plans, but making a decision on plan cost alone at renewal time may come back to haunt you next year. Here are 10 questions Plan Sponsors should ask of your potential carrier or administrator prior to signing off on your renewal.

Learn About Expected Administrative Differences

1. What is the book of business or benchmark per member per month *(PMPM)* medical claims cost?

This is the single best indicator of the overall performance of all factors that make up the system of administration.

While a given group will experience costs that are higher or lower than the book of business number, it tells you the relative overall effectiveness of an administrators' total overall effort in administrating the plans they serve.

Actuaries and many consultants agree that if you want a quick snapshot of what you can expect from a carrier or a Third Party Administration (TPA) this is the number that will tell you what you really want to know. When you compare the book of business performance of one administrator to the next you will see how they do across the board.

2. What is the book of business or benchmark per member per month *(PMPM)* Rx claims cost?

Obtaining this metric accomplishes the same thing for the Rx prescription drug plan.

29055 Clemens Road • Westlake, Ohio 44145 • **Tel** 800.634.0173 **Fax** 440.250.4301 • benefits@jpfarley.com • www.jpfarley.com

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Learn About The Carrier's Track Record

3. Ask the potential carrier to provide 10 single employer groups of 100 covered employees or more in the same or contiguous zip codes that have been with the carrier for 3 years or more.

- **Ask them to provide their renewal rates.**
- **To provide current COBRA rates for medical and prescription coverage.**

(For confidentiality purposes do not ask them to identify specific employers.)

The purpose of this request is to examine what the carrier or administrator's actual performance numbers are. Look at groups that have been with a carrier 3 years or longer to see what costs are without new business subsidies or low ball rates. Older business is also more indicative of the costs the carrier or administrator's total effort produces over time.

Explore All of Your Funding Options

4. Is the proposed specific stop loss rate significantly lower than your current or renewal stop loss rate?

This is the meaningful financial guarantee. It tells you if those taking risk based on knowledge and experience believe the new carrier or administrator and network will reduce costs. If competitor rates are not lower, the risk taker is not "buying" the claimed advantage of savings.

5. Insist on getting an aggregate stop loss quote too. Ask is the carrier or administrator's claim of lower costs reflected in this number?

The aggregate quote is based on the overall "expected claims" number. If the claim of lower costs is not reflected in this number, the risk takers are not "buying" the claimed advantage of savings.

6. Ask for and insist on getting a fully insured quote. It too should reflect the discount.

If everything else is equal, self insurance will save a plan about 8% over the cost of a comparable fully insured plan. If a fully insured proposal is more than 8% higher, the carrier is charging for more than just insurance.

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Get Beyond Promised Discounts

In order to gain your business many carriers sell prospects on the "big" discount. The following questions focus on how you can evaluate the expected performance of that discount.

7. Ask potential carriers or administrators if they are willing to provide a guarantee.

A lot of programs claim to "guarantee" discounts. The question is really how meaningful is that guarantee. If the guarantee is based on a small portion of administrative fees, non-performance would result in an additional cost to you that far exceeds their amount at risk. Remember, claims account for about 85 - 90% of total plan cost and administration for 10 - 15%, so the negative impact on claims will far exceed a corresponding reduction in administration.

8. If you moved from a lower discount network to a high discount network, did you experience the savings the higher discount should have produced?

An improvement from a 30% discount to a 50% discount should produce a 20% reduction in claims cost even after inflation. Examine how your plan's performance measured up

9. Did your costs go down by the promised greater discount last time you switched to a higher discount network? Did subsequent costs remain in line with these savings?

Measure the performance you were supposed to achieve.

10. Are you hearing "even if you only save half (of the promised discount), you will do better"?

If the discount differential is what it is claimed to be, you should save the differential. There should be no need to qualify it or lower your expectations. Lowering your expectations means that differences exist that are not being explained to you.

There is no discussion or comparative analysis performed by the advisors of what may cause savings to be "only half". This denies customers full explanation and the ability to truly establish goals, measure performance, and assign accountability that competent effective management requires and that sustainable, effective change requires.

As a plan sponsor you need to establish goals, measure performance, and assign accountability when you make a change.