

Medical Underwriting and Consumer Driven Health Care

Rodger Bayne, Chairman/CEO

Client First Brokerage Services, Inc.

Given today's trends toward higher deductibles, lower insurance premiums and with employers and employees taking on more responsibility for a share of the claims, it is now clear that medical underwriting, or risk selection processes are more for the consumers benefit than ever before.

In the past, medical underwriting was purely a risk selection and management tool for insurance companies to decide if they were accepting the right level of risk for the right amount of premium, or even if they should take the risk at all. This is a profit making strategy allowing for increased market share by offering the best price possible to the best groups, and higher prices to the higher risk groups.

Now that you're considering the trend of buying less insurance, taking on more responsibility (as with Consumer Driven Health Plans (CDHP) and with self-funded benefit plans) it makes sense that you want to know what the insurance companies think! Trust me when I say that if the insurance company doesn't want you, then find one that does. Taking more risk on your own when the insurance company has said no is quite a daring proposition!

In many states, small group reform laws dictate what rates can be charged by an insurance company and even if they are allowed to ask risk based questions.

Given this scenario, your options to purchase health coverage are typically three-fold:

1. Qualify for individual health coverage after full medical disclosure;
2. Purchase state regulated, guaranteed issue group plans; or
3. Purchase underwritten health plans through association or self-funded plans.

When talking about CDHPs our objective is to buy less insurance and manage a small portion of the lowest end of risk ourselves. When you evaluate your options for high deductible plans, you want the least expensive option that is legally available to you and to your group (many states prohibit or regulate in some way against the purchase of individual coverage for group participants).

(Continued on page 2)

(Continued from page 1)

To find this option, a little homework on your part is required. First you'll need a knowledgeable advisor. If you have one that is fully informed and educated, then you probably didn't read this article, otherwise, or call me for a referral to one of my staff or to an agent that can provide what you need.

Next, complete risk evaluation forms to determine the perspective of experienced risk managers at insurance companies or underwriting managers.

Then use this information to determine if the level of risk and reward is appropriate, comfortable, and effective to provide quality benefits to your employees for less!

Yes, it's more work, but you get more value.