CLIENT ADVISORY

# HOW LESS CAN BE MORE FOR STOP-LOSS PROGRAMS

The introduction of the Affordable Care Act (ACA) in 2011 brought with it an increased interest in self-funding as benefit professionals and their clients considered different strategies to contain escalating health care costs driven by the legislation.

With a renewed interest in self-funding employee health benefits, we have also seen an increased interest in stop-loss coalition development among brokerages of all sizes. These coalitions, also known as preferred partner arrangements or block consolidation, essentially reduce the number of vendors being utilized for stop-loss placement and position the retailer for a competitive advantage when placing medical stop-loss.

## THE BENEFITS OF CONSOLIDATION

What is a stop-loss coalition? Whether you call it a preferred partner arrangement, stop-loss panel or block consolidation, this arrangement consolidates insurance by reducing the number of vendors used. This strategy, when executed efficiently, comes with a variety of benefits, including:

- Favorable underwriting policy provisions based on a critical mass of business—the greater the profits, the greater the leverage for benefits professionals.
- Better terms with preferred stop-loss partners than benefit professionals might get negotiating with different carriers on each client independently.
- Better service agreements.
- A menu of stop-loss providers designed to meet specific needs.
- Differentiation, allowing benefits professionals to market their advantage over those who can't offer the same consolidation benefits. This can lead to better closing ratios and higher persistency.

Consolidating your stop-loss business with a few providers can make life easier. By working with the right partners, you may also benefit from service guarantees focused on claims accuracy and quick turnaround. Or, you may receive an override in addition to your normal compensation, without increasing the cost to your clients. Some stop-loss vendors will even entertain product enhancements such as no new lasers, renewal rate caps or simultaneous reimbursement and advanced funding. Because carriers are considering smaller blocks of business, brokers have more leverage now as they discuss the terms of their book of business.

## HOW TO CHOOSE YOUR CONSOLIDATION PARTNERS

If this solution sounds right for you, looking at long-established relationships is a good place to start. You will want to partner with an organization that has done this successfully before – and you want value. Determine if you are you looking for an exclusive relationship, and how many carrier or MGU partners make sense based on the size of your book of business. Once you answer these questions, examine various providers. Few can act as a one-stop shop, so it is crucial to pick complementary partners.

In addition to experience and the right mix of stop-loss providers, look for competitive pricing and flexibility; you may need a partner who can design a product around a specific need, so it's important to be clear on what you are looking for. Remember that MGUs work with multiple carriers, which could enhance your program with diversification through a single, convenient underwriting entity.

As the ACA continues to impact the benefits market, it's important to be aware of all of your options in order to continue delivering top-notch service for your clients. If you are interested in block consolidation for stop-loss clients, considering the benefits, careful planning and thoughtfully choosing the right partner are critical as you help clients navigate the challenges ahead.

### CONTACT

For more information, please reach out to your local AmWINS broker. If you do not have a contact at AmWINS, contact marketing@amwins.com.