

Are double-digit premium renewals inevitable?

Imagine you are the employee benefits manager at a company employing 250 people and two years ago you faced a double-digit medical renewal increase. Last year, your company experienced another double-digit increase compounding the problem. Does the same thing have to happen this year? For most companies, continuing down the same path means the answer is more than likely yes.

You are likely asking yourself what must happen to get on a more beneficial path?

The renewal process usually begins when the health insurance broker calls 60 days before the renewal period. If things go as usual the broker will drop the double-digit increase bomb. He will try to convince you that it's still possible to tweak the health insurance plans in an attempt to bring the rates down. But didn't he say the same thing last year, and the year before? You know in your gut this isn't a problem that can be fixed with any amount of tweaking.

As the benefits manager and employee advocate, your job is to fight back. [But how](#)? To begin, you must have a strategic relationship with the insurance carrier and understand what the carrier wants from this business exchange. Having a partnership-based relationship with the carrier will give your organization leverage when it comes time to renew its employee benefits plans.

Next, a company should have in-hand competitive market data from other carriers. It is important to understand how the rates of an incumbent carrier compare to market rates; having this information will give an employer additional leverage with which to negotiate.

The last important aspect to reduce the ever-increasing renewal rates is to take the time to plan and analyze the renewal process.

For example, one Johnson & Dugan client, a hardware manufacturer, received a double-digit increase a year ago. This was incredibly bad news for the company, as they were already struggling with budgeting problems. By obtaining a thorough analysis of the marketplace and utilizing our carrier relationships, we were able to create favorable negotiation leverage for the client. Ultimately, we recommended a specific product from the incumbent carrier which brought a ten percent renewal increase down to a ten percent rate reduction - with the only requirement being that employees had to make a phone call if they sought medical treatment from a specialist. The organization did not have to roll over for a double-digit renewal rate increase, proving high renewal rate increases are not inevitable.