

Choosing the Right Deductible

Often and easily forgotten is that the producer's role extends beyond simply selling insurance policies. Top shelf producers are trusted advisors not only to their clients, but carrier partners, as well. This article will focus on serving the employer. In this capacity, the producer may act as an extension of the employer's HR, finance, and executive departments. This may include advising on industry trends, policy updates, and emerging healthcare issues.



The ultimate goal is to strike a balance between cost and coverage, ensuring that employers have the financial protection they need while managing their healthcare expenses. By considering each employer's unique circumstances and priorities, ideally the producer will guide them toward an optimal deductible choice that meets their healthcare and financial needs. This includes understanding balance and trade-offs between premiums vs deductibles, cash flow vs fixed cost, and controlling the outcome via customization vs template.

Variables for an employer to consider assisting in the decision-making process include premium affordability, financial capability, current health conditions and loss experience, risk tolerance, and control.

Premium Affordability

What is the employer's ability to pay insurance pre-

miums? Higher deductibles often come with lower premium costs, providing more affordable coverage, but the employer must be able to fund the deductible. Employers must carefully weigh the balance between premium expenses and potential out-of-pocket costs.

Financial Capability

An employer must assess their financial situation – current and future. They should evaluate their assets, cash flows, and reserve funds, as well as their short and long-term liabilities to gauge their ability to cover higher deductible amounts in the event of a medical claim. Striking a balance between affordability and financial security is essential, especially when it comes to the attachment point.

Current Health Conditions and Loss Experience

The employer's current health conditions and historical



loss experience may influence their deductible selection. An employer with healthier individuals may consider higher deductibles as they anticipate fewer medical visits and lower overall costs. Unfortunately, when an employer is expected to have a poor policy year and/or challenged loss experience, they often attempt to soften their exposures by reducing the deductible. A common solution is to apply specific claimant lasers. Or they attempt to soften their exposures by pushing down premiums; however, increasing the deductible may help alleviate the premium burden and guards against leveraged trend.

Risk Tolerance

An employer must weigh their risk tolerance in determining the right deductible. Some employers prefer lower deductibles, which provide predictability in out-of-pocket expenses, but often come with higher premium costs and unpredictable renewals. Others may be comfortable with higher deductibles, accepting a greater financial risk in exchange for lower premiums.

Control

Lastly, the degree the employer wants to control the outcome with risk management, claims management, cost containment/bill utilization, and employing other risk transfer vehicles (such as organ transplant carve outs, RX management, etc.) are also determining factors to selecting the appropriate deductible.

Conclusion

So why is this important? It's possible that many employers have not fully weighed all the variables noted, which may cause them to seek out the cheapest and easiest route. Understanding how self-funding (aka self-insuring) can play an integral part to strengthening an employer's insurance coverage and possibly leveraging their financial advantage. Granted, self-insuring becomes more attractive to larger employers or those with strong financials to capitalize on this financial tool as compared to a fully insured product.

As producers, your expertise and guidance are invaluable in helping employers make well-informed decisions that align with their goals and provide them with the necessary coverage and financial protection.

Deborah Dore is a senior underwriter at USBenefits Insurance Services. USBenefits Insurance Services, LLC dba Employer Stop Loss Insurance Services, LLC (USB) is a full service Managing General Underwriter. They officially launched in July of 2007. Their founding members believed that to be successful, understanding their clients' current and future needs comes first. For more information, contact <http://www.usbstoploss>.

WEBINAR - CEU Approved

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Description: Learn about common modifiers and how to reduce denials and the chances of an audit by appending the proper modifiers.

Objectives:

- Reduce denials by appending the proper modifiers.
- Reduce chances of an audit by appending the proper modifiers.
- Ensure proper revenue/reimbursement for services performed.
- Review anesthesia reimbursement (formula).
- Test your knowledge; know when to use the proper modifier.

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