SOCIETY OF ACTUARIES

Article from:

Reinsurance News

November 2008 – Issue 64

2008 EMPLOYER STOP LOSS SURVEY
IDENTIFIES TPA CRITERIA FOR ESL PARTNERS

By Claudia Scott and Stephen Fedele

In April, 2008, Munich Re America HealthCare sponsored an online survey of Third Party Administrators in the ESL sector. The survey explored their general business concerns and ESL purchase behavior. The research was conducted by the Willenbecher Research Group.

The research methodology included both qualitative, in-depth interviews, and a quantitative research phase. The online survey was preceded by in-depth interviews with over 30 professionals from the industry. These interviews provided insight, direction and shapegd the detailed specifications for the online survey. This step contributed to the relevance and accuracy of the questions included in the online survey.

Over 100 TPA executives participated in the survey, answering questions about key issues facing their industry, threats, areas of growth potential, and what criteria they value most in an ESL partner. These executives came from TPAs administering benefits for employer groups ranging in size as small as 50 lives, to several with over 10,000 lives. Some TPAs had as few as 15 clients, while others had over 500 separate clients. This design allowed for a truly diverse and representative sampling of the industry.

Key Issues

Of the 102 senior TPA executives surveyed, 74 percent indicated that "retaining business" is the most important issue currently facing them. "Finding opportunities for growth" was mentioned by 70 percent, while 52 percent of the executives sited "managing expenses" and "competition from the BUCAs" as also extremely important to them. Interestingly, only 35 percent mentioned the potential impact of the 2008 presidential election as a major concern.

When asked about what new directions they will take in the future, 32 percent expect to enter into new distribution channels; 29 percent plan on entering new product lines; only 5 percent see themselves remaining "as is."

Reporting on their own operations, 84 percent view their "customer service" as a competitive advantage, while 74 percent believe the expertise and skills of their staff are positive differentiators for them. Only 26 percent believe their underwriting and risk selection processes stand them above the crowd.

Sources of Growth

Where do they expect new sales will come from? A full 50 percent believe new business will come from other TPAs, while 37 percent think new growth will come from converting fully insured plans to self-insuring status. Only 11 percent think that ASO carriers will be a major source for new sales, and just 3 percent think that start-ups or previously uninsured employers will be their major source for new sales.

ONLY 26 PERCENT BELIEVE THEIR UNDERWRITING AND RISK SELECTION PROCESSES STAND THEM ABOVE THE CROWD.

New products under consideration are "small groups" of under 100 lives—26 percent are strongly considering this new offering, while 17 percent are already in this line. HSAs and HRAs are being considered by 24 percent of the respondents, and 28 percent are already offering these products. Twenty-two percent are thinking about a formal Disease Management line, compared to the 17 percent who already have this.

When probed about the overall outlook for their firms for 2008 vs. 2007, 75 percent believe they will do better or significantly better than the prior year. Only 8 percent think that this year will not be as profitable as last year.

Concerning the Employer Stop Loss market in particular, 61 percent felt that access to ESL at competitive prices was very important to their business; 55 percent felt that having the actual coverage mirror the Plan Documents was vital; and 47 percent told us that Lasering at Renewal was of major importance.

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Top Five Criteria When Selecting ESL Partners

During the qualitative interviews, the executives mentioned 12 distinct criteria that they used to evaluate Carriers and MGUs as potential ESL partners. In order to determine the relative importance of all of these, the online survey asked the respondents to rank each criteria on a scale of 1 to 10, where a ranking of 1 means that criteria is Not Important and a ranking of 10 means it is Extremely Important.

Based on the overall scores, the five most important criteria in the selection of an ESL partner are:

- Rates and competitiveness of prices.
- Pays claims quickly and accurately.
- Has an experienced and knowledgeable staff.
- Financial rating of the carrier.
- Strength of relationships—Access to decision makers.

The full results of this survey will be available in the fourth quarter of 2008 on the Munich Re America HealthCare Web site: *www.mrahc.com*

TPA Top Five Criteria for ESL Partners

- Rates and competitiveness of pricing.
- Pays claims quickly and accurately.
- Experienced and knowledgeable staff.
- Financial rating.
- Strength of relationships—Access to decision makers. ✺

2008 EMPLOYER STOP LOSS SURVEY

IDENTIFIES BROKER CRITERIA FOR ESL PARTNERS

By Claudia Scott and Stephen Fedele

In April, 2008, Munich Re America HealthCare sponsored an online survey of Brokers and Intermediaries in the ESL sector. The survey explored their general business concerns and ESL acquisition behavior. The research was conducted by the Willenbecher Research Group.

The research methodology included both qualitative, in-depth interviews, and a quantitative research phase. The online survey was preceded by in-depth interviews with over 30 professionals from the industry. These interviews provided insight, direction and shaped the detailed specifications for the survey. This step contributed to the relevance and accuracy of the questions included in the online survey.

Over 60 brokers participated in the survey, answering questions about key issues facing their industry, threats, areas of growth potential, and what criteria they value most in recommending an ESL partner to their self-funded employer clients. These brokers represented employer groups ranging in size as small as 50 lives, to several with over 10,000 lives. Some participating brokers represented as few as three clients, while others represented over 100 individual clients. They placed ESL coverage with annual premiums ranging from $25,000 to over $50,000,000. This design allowed for a truly diverse and representative sampling of the industry.