

3 Critical Keys to Negotiating Benefit Renewals in 2023

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Many employers are facing high demand and staff shortages right now, and insurance carriers are no exception. This is stretching carrier resources, and without proper preparation, can impact your renewal rate and tighten the timeline. Benefits are difficult to budget for each year because the upcoming annual renewal rate can feel like a mystery. Knowing what to do before and during the process of negotiating benefit renewals can increase your success.

Not knowing what the benefits renewal rate will be until the end of the plan year complicates the balance that employers must strike between offering a rich plan that employees appreciate at a cost the finance team can live with. It doesn't have to be that way. Employers need to make sure that their broker knows how to effectively advocate for them in any economic climate.

Knowing how to approach the annual renewal with health insurance carrier, pharmacy benefits manager (PBM) and other players can help the savvy employer save some money while maintaining the same level of benefits as before. Planning for the annual renewal all year long removes the mystery and leads to a predictable rate.

Here are three keys to negotiating the annual renewal with your carrier:

Create a Good Carrier Relationship

A great way to gain control of what happens at the end of the benefit plan year is to set the tone from the beginning. This means outlining expectations before signing a contract and communicating wants and needs throughout the plan year period.

A good carrier relationship can help you come to an agreement when negotiating benefit renewals.

One way to maintain a good relationship is to avoid marketing to all carriers for the best rate before each renewal period. Carriers spend time and money responding to requests for proposal (RFPs). Frequently requiring your current carrier to respond to RFPs can harm that relationship. Sometimes it can be more productive to work with them, relying on the trust established through a good carrier relationship.

Building good insurance carrier and PBM relationships extends beyond the insurers you're currently working with to others in the market. If they respond year after year without winning the business, they may lose interest when you are ready to move your benefits.

Get Renewal Plans Early

Left unchecked, most insurance carriers hold the benefits renewal rate as long as possible (60-75 days before the end of a contract). The staffing crunch has made this even more likely and a scenario employers need to proactively avoid.

Receiving your carrier's initial renewal rate earlier gives you more time to evaluate the renewal and negotiate the rate. (Yes, it's true—you don't have to accept the first number the carrier offers.) The best way to ensure your request for an early benefits renewal rate is heard and followed is to discuss it before signing a contract.

By receiving your renewal rate approximately 120 days before the end of your contract, you have enough time to evaluate the rate together with your health and welfare benefits broker and underwriting team and then respond with another offer. And if you feel that another carrier can offer better rates, you can also market your benefits plan and still have time to switch insurance carriers before the contract ends. Your broker's expertise can determine the best approach and whether a carrier change is needed.

Offer a Fair and Reasonable Rate

After you receive your annual benefits renewal rate, work with your internal team and your benefits broker to begin negotiations. Importantly, this doesn't mean countering with a number so low that the carrier finds it untenable and unreasonable. In that case, the insurer may not meet your demand and you'll be forced to turn to other carrier options without having planned for that possibility.

Instead, respond with a fair and reasonable rate increase backed by data. The goal is to counteroffer a number that creates stability and predictability for renewals in the future. Be open with your broker about your goals and business plans. This could provide helpful information to support their negotiation work.

Learning your benefits renewal rate for each plan year can be stressful, but it doesn't have to be. Negotiating benefit renewals by getting information early and maintaining good carrier relationships can help you create a better annual renewal with predictability and improved budgeting year after year.

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