CASE STUDY

Taft-Hartley: Facts Provide Favorable Outcome in Healthcare Renewal Negotiations

In-depth renewal analysis provides justification for vendor to change standard renewal practice and increase to Fund cash flow.

Issue

A fully insured Taft-Hartley welfare fund (Fund) was facing an 8.5% increase to their medical and prescription drug renewal. Although the increase was not excessive by normal standards, it was believed to be inflated relative to the group's claims history. The Fund has been diligent in managing plan costs and exploring potential plan savings opportunities that would result in increased Fund reserves with the ultimate goal of moving back to a self-funded plan arrangement.

The vendor:

- Included a 2.5% pooling charge that had not been in the prior renewals and trended this forward, inflating the projected claims for the upcoming plan year.
- Utilized unrealistic medical and prescription drug trends that further compounded the projected claims.
- Disregarded the favorable claims history associated with the group.

Solution

Using an in-depth renewal analysis, Cowden dissected the renewal components to produce sufficient data to engage in detailed negotiations with the Fund's medical and prescription drug vendor. We tailored our "asks" to meet the objectives of the Fund to align with their strategic initiatives and goals. Ultimately, Cowden was able to extend the current 8% rate cap, obtain an underwriting credit that resulted in the negating of the 2.5 % pooling charge, and negotiate a rate holiday applicable to the current plan year, which is uncommon for vendors to allow. Through analysis and negotiations, Cowden achieved cost savings to the Fund for the upcoming plan year while improving cash flow and Fund reserves through a reduction in current year costs.

Result

The negotiations provided:

- An extension to the Fund's current rate cap enabling the Fund to forgo contribution increases
- The elimination of pooling charges, reducing projected claims for the upcoming plan year by $460,000
- Negotiation of the rate holiday resulting in a $425,000 upfront savings to the Fund as well as improved cash flow
- Overall reduction in renewal from an 8.5% to 4.5%, a total savings of $885,000
- Maintained likelihood of the Fund's ability to transition to self-insured at the next renewal

COWDEN

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