

HEALTH INSURANCE

Opening the Door to Consumer-Directed Plans

You can't go wrong if you offer excellent service to your clients.

In these tough economic times, savvy financial advisors are expanding relationships with their clients by initiating discussions about the clients' group health-insurance needs.

When pitching their health-care business, financial advisors typically partner with a health-care broker who conducts the due diligence on the client's current plan, suggests ways to alter the plan design, provides alternative options and gets bids from providers. If a sale is made, they generally split the commission.

Tim Mullin is a Minnesota-based business specialist with the Principal Financial Group and specializes in nonqualified executive benefits. Mullin doesn't push very hard initially with his clients.

"I may not initiate the health-insurance discussion for several months," he says, "but by the time I meet with a client for the annual review of his business-succession plan, I will definitely ask to look at his other benefits to see if there may be some services we can provide."

Consumer-directed plans

The discussion often turns to consumer-directed health plans paired with an account, such as a health savings account (HSA) or a health reimbursement account that can be used to pay for medical expenses. CDHPs can provide relief from ongoing premium increases, help motivate employees to take a bigger role in their health care and offer significant tax benefits.

For many employers, however, CDHPs are still relatively new and represent a major change. So it takes education and patience to get them on board. "Once they grasp the concept and understand why they need to go this route, they are ready to proceed quickly," says Ken Carter, a financial representative with independent broker-dealer Woodbury Financial.

Often, business owners themselves open the door by voicing concerns over the latest jump in their company's health-insurance premiums. "Of course," adds Mullin, "if my client already has a strong relationship with another agent, I'll respect that and walk away. But I will remind my client to keep me in mind if, at some point, he decides to shop the business."

A simple question: "When was the last time you saw your broker?" is often the quickest way to becoming the agent of record. "It's amazing how often a business owner tells me he hasn't seen his agent since the initial sale five years ago," says Mullin.

A broker's neglect of a 15-life group recently led to a referral and ultimately the health-insurance business for Don Scaro, owner of Benefits Design Group. The firm had been notified that its PPO premiums were rising by 52 percent next year. Scaro suggested an increase in the PPO annual deductible to \$5,000 and added a CDHP with a \$3,000 deductible and an HSA. With this design, the company expects to reduce its premiums to what it paid in 2007, for a projected savings of approximately \$18,000 annually.

Lead with your strength

Financial planner Carter, like Mullin, takes a back-door approach to selling health benefits, preferring, instead, to let his work on his small-business owner clients' 401(k) plans and variable annuities lead into discussions about alternatives to their indemnity or PPO plans.

Both advisors find that a strong track record in retirement planning is a natural lead-in to HSAs, which are savings accounts that eligible individuals can use to deposit money tax-free, up to when they become eligible for Medicare. Money in HSAs grows tax-free, and withdrawals to pay eligible medical expenses are income-tax free, too.



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Carter's small-business clients are particularly receptive to his CDHP presentation when their PPO deductibles reach \$2,500. "That's usually the tipping point," he says.

He moved an electrical firm of 20 employees from a PPO with a \$4,500 maximum out-of-pocket expense for its employees (\$2,500 deductible plus \$2,000 co-pay) to a CDHP and an HRA with a \$3,000 maximum out-of-pocket expense. Under the new plan, the firm cut premiums by 46 percent, for a savings of \$45,000. Carter finds that his clients often prefer the convenience of one-stop shopping for all their retirement and employee-benefit needs. □

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