

RENEWALS

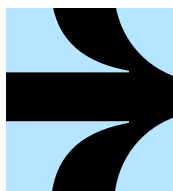
Why Your Health Insurance Rates May Increase Every Year

Justworks


CPEO Certified . ESAC Accredited

Table of Contents

01	Introduction	2
02	How are Health Insurance Rates Determined Upfront?	3
	Accurate Rates When You Join, More Predictable Rates Later	
	How We Get You an Accurate Rate When You Join	
03	What Factors Impact Your Renewal Rate?	4
	How Macroeconomic Factors Influence Rates	
	How Factors Specific to Your Company Influence Rates	
	How will COVID-19 impact renewal increases?	
04	How Justworks Helps You Navigate Renewal Rate Increases	8
05	Contact Us	9



This Is An Interactive Ebook!

Click a section title to skip to it, and click the  icon in the header of any page to return to the Table of Contents.



Introduction

When it comes to health insurance, our goal is to give you access to plans and experiences that strike a balance between quality and affordability. For us, that means providing access to great plans at competitive rates and pairing them with healthcare experiences and resources, so you and your team can get more value from your overall healthcare experience.

While affordability is important, our primary focus is providing you with quality coverage at a fair rate, year over year. Delivering on this begins with helping our insurance carriers price your health insurance coverage as accurately as possible upfront, so your annual renewal in subsequent plan years is more likely to reflect the average seen across the health insurance industry. Of course, the truth of the matter is that your rates will typically increase yearly, as health insurance costs have been increasing nationally over [the last decade](#).



How are Health Insurance Rates Determined Upfront?

Accurate Rates When You Join, More Predictable Rates Later

When you first join Justworks, our goal is to set your business up for long-term success. During the initial “quoting” process, this means getting you the most accurate rate possible from the insurance companies we work with to give you access to coverage.

Why is this important? Because getting an accurate rate upfront means that there is less chance of needing to course-correct later on. This phenomenon, while rare, can manifest as a high (and unwelcome) year-over-year increase during the annual renewals process, which can result in surprising and unplanned increases in your health insurance costs.

How We Get You an Accurate Rate When You Join

All insurance companies try to estimate the likelihood that a person or group will spend a certain amount on health care each year, based on information such as age, gender, and area of residence, to name a few.

To get you an accurate rate upfront, we require that you submit information about your organization’s demographics and past health insurance offerings. This helps to give the insurance companies we work with a holistic view of your team’s needs and allows them to formulate a stable baseline for your cost of coverage.

This is why we’re purposefully diligent about having the right information (and enough information) when you first join Justworks. It ensures not only that you’re getting a fair and competitive rate, but also one that’s reflective of your team and their true health insurance needs. That being said, it’s important to note that because insurers base this initial cost on your company’s present demographics and past health insurance offerings, it is inherently imperfect. That is, it doesn’t capture exactly how your team may end up using their new coverage options once they’re on Justworks or account for headcount changes you may make thereafter.



What Factors Impact Your Renewal Rate?

As insurance companies learn from the claims incurred by a person or group, they annually adjust rates to better reflect their understanding of each group's situation based on hundreds of data points. It's this and a number of other factors that end up influencing your renewal rate.

In addition to what insurers can learn from a person or group's claims in a given plan year, they also consider a range of macroeconomic factors annually. These are typically broader trends that affect the entire health insurance industry—like changes in prescription drug costs or government-mandated benefits, such as COVID-19 testing and treatment—as well as needing to meet their own business's performance goals.

At a high-level then, your renewal rate is reflective of both a range of macroeconomic factors and factors specific to your business (like plan utilization).

How Macroeconomic Factors Influence Rates

The underwriting process is complex and multifaceted. Insurance companies consider a number of macroeconomic factors when determining your rate for the upcoming plan year.

Overall industry performance

Insurers consider the overall performance of the health insurance industry at-large, as well as the performance of their business, both of which will impact plan prices for the upcoming year.

Geographic performance

Insurers also tend to benchmark their plan performance by geographic regions. How well their plans performed in your specific part of the country can also contribute to your plan prices for the upcoming year.



Government-mandated benefits

Each year, federal and state governments can mandate that health insurers provide coverage for certain healthcare treatments or prescription drugs. These requirements, while ultimately beneficial for the general public, can lead to increased costs for health insurers that may be reflected in your rates. Prior to COVID-19, another well-known example of coverage requirements changing is the ACA's dependent coverage mandate, which required all new health insurance plans to provide coverage for dependent children until the age of 26.

Prescription drug and specialty treatment costs

Prescription drug costs, as well as the costs for specialty treatments for serious conditions (e.g. cancer, multiple sclerosis, or rheumatoid arthritis) have been consistently [rising year-over-year](#).

Overall inflation

Health insurers, like most businesses, factor overall inflation into their pricing changes each year.

Because insurers apply these macroeconomic factors to pricing generally and in a proprietary manner, Justworks is not able to “break down” or “back into” any one customer’s renewal rate.



How Factors Specific to Your Company Influence Rates

On top of these macroeconomic adjustments, insurance companies also consider factors specific to your business when determining your rate for the upcoming plan year.

Plans offered

The types of plans you decide to offer will impact your rates over time. At the highest level, insurance carriers want to ensure that the amount of premium collected through each plan can sufficiently cover the claims incurred under the plan throughout the year. This is why, at Justworks, we encourage offering a variety of plans at different levels of richness and cost. Doing so can help create a more even distribution of the number of employees across plan options at enrollment.

Enrollment

On top of the plans you offer, the people who actually enroll in them matters too. It's important to remember that enrollment in the plans you offer often changes throughout the year. For example, you may have hired new employees or had other employees leave your organization. If not, your same employees may have also had Qualifying Life Events during the year, resulting in added or dropped dependents, etc. Your new rate is reflective of your currently enrolled members and their dependents.

Predicted plan usage

Finally, how your plans are used over time, throughout the year, will factor into your new rate. This is because insurance carriers use your current plan usage to predict how your enrolled members will use coverage in the future. They then use this prediction to adjust your overall rates—again to ensure they're collecting enough premiums to cover expected claims. It's important to note that predicted usage is based heavily on usage over time, meaning recurring claims (e.g. a predicted long-term need for non-generic prescription drugs) is more likely to have an impact on your rates than a one time, high-cost claim event (e.g. the birth of a child).

Insurers also assess company-specific data in a proprietary manner, but knowing what some of the factors are can help you understand why your rate is different from another company on Justworks.



How will COVID-19 impact renewal increases?

As of today, a reliable estimate of the ramifications surrounding COVID-19 from an actuarial cost perspective is unknown. In addition, the impact could vary from carrier to carrier.

Much like the rest of us, insurance carriers are still navigating the unprecedented challenges of COVID-19 and its lasting financial impacts.

COVID-19's impacts on health insurance usage has made calculating rates a bit more complex, as health insurance carriers now have to consider things like:

- When looking at last year's utilization, what non-COVID-19 related care was deferred or avoided? And which of those deferred or avoided care opportunities will be sought out this year?
- What services will need to be included in the cost of care in preparation for potential future waves?
- For those who've contracted COVID-19, will there be long-term effects? And how will that impact their ongoing healthcare needs?

So while we know health rates have in fact been impacted, we're not sure to what extent, and likely won't know for a while. However, we do know COVID-19 did not impact any particular company's rates and is likely not the reason for a higher-than-average renewal for any specific group.



How Justworks Helps You Navigate Renewal Rate Increases

Because of our role between you, the insurance companies, and delivering your rate, we try to bring a more human approach to the overall renewal process. While we do our best to ensure that your rates fluctuate as little as possible year over year, your health insurance renewal rate is ultimately determined by the insurance companies we work with.

Understanding this, we focus instead on how we can help you feel confident in your decisions and how we can leverage all the other benefits in Justworks to help keep your team feeling secure and valued for many years to come. By grounding ourselves in our customers' long-term success, we are able to support individual companies in navigating the tough decisions that sometimes emerge during health insurance renewals in a way that reflects [our values](#).

That's why, we've created our health insurance renewals resource center, to help you become a more confident consumer of health insurance. In the resource center, you'll find resources meant to help you strategically prioritize the best options for your team.

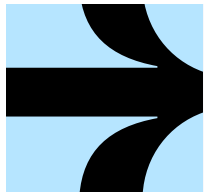
We'll also be there to help educate your team and provide guidance on how to be smart consumers of their health insurance, too. During open enrollment, we can provide them ideas around selecting and using their plans effectively. Your employees also have free access to Health Advocate through Justworks, which can further help them navigate the healthcare system and their costs, especially around more specific individual health considerations.

Renewals can seem complex and stressful at times. But we're dedicated to helping you to understand your new rate and support you to make changes to your plans and contributions, so that your coverage can best meet the needs of your team and your budget. All the way through the end of employee open enrollment at the beginning of October, we'll be with you and your team every step of the way.



Contact Us

We've covered plenty of material here, but know that the Justworks Customer Success team is always here to assist with questions from you or your employees, 24/7. You can contact us by phone, email, chat, text, and public Slack.



Support Channels*

Phone

1 (888) 534-1711

Emailsupport@justworks.com**Slack**slack.justworks.com**Text**

858) 247-0005

* Support available 24/7