

Selling The Concept Of Rate Increases



FROM THE DESK OF:

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Have you been reading the health care headlines lately? According to many news sources across the country, health care costs are expected to increase dramatically this year. There are probably a few factors contributing to this expected increase. One may be that every day doctors and scientists are uncovering new ways of fighting disease. In fact, I heard on the radio this morning the FDA has approved a pill proven to fight many forms of Cancer. The downside to this positive news is the cost of this drug is estimated at nearly \$2,000 per month. Two thousand dollars per month, — that is incredible — but I guess that is the price of breaking new ground and saving lives.

However, there is more to the rising cost of health care than new discoveries in treating illnesses. Medical inflation, caused by rising labor costs, new medical testing, methods, etc., all play a key role in rate increases on Medicare Supplement plans, and each year, Agents go through the anxieties caused by these rate increases.

Our panic mode tells us all is lost because the price has gone up, and not only will we lose customers, but we will never be able to sell the new, higher premium. The reality is that prices for almost everything in our society go up. Have you ever walked into a store and were amazed by the price increases? I remember not too long ago sodapop was 35 cents; now you cannot buy one for under 75 cents. Consumers are accustomed to rate changes, from the rising cost of gasoline to more costly automobiles, even other forms of insurance experience price increases.

The fact is, Agents are the ones that need to be sold on rate increases, not the client. Again, an Agent's first instinct is to automatically assume a customer will not pay the new rate. However, when we step back and reflect on what the client receives for a Medicare Supplement premium — low or no deductible, and no top-limits on their medical coverage — the cost is still very reasonable. It is up to us, as Agents, to explain rate increases to our customers. Pages six and seven of this issue of *UA News* are dedicated to helping Agents understand and explain rate changes.

It is important to remember companies cannot just decide to raise Medicare Supplement rates. They must clearly illustrate that more than 65 percent of each dollar is being paid as claims. At United American, we have a dedicated team of Actuaries that help ensure the proper rate adjustments are granted by individual states based on the 65 percent loss ratio. We cannot implement a rate increase unless we have the claims experience to warrant an increase.

Do not miss out on business that could raise your production just because you are hesitant to inform a client of a rate increase. Take the time to explain the change to your customer, and let us help you do it — without all the worry!

