



Guide To Transition “Shrinking Group” Clients

Helping healthy clients move from a “shrinking group” Med Supp into a more affordable one isn’t always easy. These phone talking points can help you explain how these plans work over time and how to transition clients to a new policy.

Your Medicare Supplement premium is probably much higher now than when you first signed up for it, right? Have you ever wondered why the cost of your plan keeps going up, even if you haven’t used it very much? Most people just think, “Well, everything gets more expensive over time, doesn’t it?”

Federal law prevents Medicare Supplement insurers from basing individual rates on the health of each client. Instead, Medicare Supplement insurers base their rates on one of three things:

- 1 Community rates (based on the group’s claims-loss ratio)
- 2 Issue-age rates (based on the age of a member when they first buy)
- 3 Attained-age rates (based on member’s current age)

Over time, communities with a higher claims-loss ratio tend to shrink, because healthy people leave these plans to avoid paying the increasing costs.

Here’s an example: Say you don’t have any insurance and you go to the doctor for a checkup and the cost is \$50. Since you don’t have insurance, you wouldn’t mind paying the bill, right?

Now, let’s say the employee behind the counter tells you they changed their billing policy to be more fair to those without insurance, and everyone pays the same amount no matter the cost of their treatment. Another client, John Doe, needed something larger and had a \$600 bill. To make it equal, both of you need to pay \$325. Would you pay it?

That’s a simple version of what may be happening in your plan. More and more members may be like John Doe and their increased use of benefits is driving up your group’s claims-loss ratio — and your rates, too. Would you be interested in seeing if you qualify for a different plan with a rate that reflects your current situation?

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