

# GIVE YOURSELF A RAISE

AGENTS CAN USE SHORT-TERM HEALTH INSURANCE TO BETTER  
SERVICE THEIR GROUP CLIENTS WHILE EARNING ADDITIONAL INCOME

*Story by Jim Kenneally*

Joe Broker is in a rut — a sales rut. Over the last five years, Joe has seen the number of group health clients he represents remain static, while his income actually dipped because of the new high deductible plans employers want now. >>



Further exacerbating the problem, much like the cost of health care, the cost of running his business has climbed steadily, as well. How can he more effectively mine his current business and see some increased cash flow?

Short-term medical insurance can offer agents and brokers the opportunity to increase their compensation. STMs are a health insurance products that are available for short durations when a person only needs coverage for that time period. Policies can be purchased for as little as 30 days or as much as six to 12 months depending upon the state.

Furthermore, STM is an easy product to sell, and implementing it into a broker's group health business will generate additional income with little or no additional overhead. While many people think of STM only for recent college graduates who are not starting their new jobs right away, there's a large (and growing larger every day) group of individuals for whom STM makes sense.

One such group is employees waiting to become eligible for benefits under their new employer's plan. Many employers have lengthened the waiting period before new employees are eligible for medical coverage to help save money on the employer's benefit plan. Even if an employee in such circumstances is eligible for COBRA coverage under his former employer's plan, he might not be able to afford it. STM can be a great alternative for qualified purchasers. Which brings us back to — additional compensation.

Let's look at Joe Broker's group business. Over the last three years, Joe has averaged three groups sold or retained a month. Joe worked very hard to get and retain his book of 36 groups, with an average of 11 employees a group. Based on Kaiser Family Foundation premiums of \$4,000 annual premium for an individual and \$11,000 annual premium for a family, Joe is making roughly \$60,000 a year from these groups (based on an average 5 percent commission level).

Joe also fields calls from his groups every month regarding employee turnover.

"Add this person to the policy ... this person has left the company ... this is a new hire that needs coverage ..." Using national employment turnover statistics of 10 percent, this means an additional 72 sales opportunities will be presented to Joe during the year — three people coming off of any given group and three people coming onto a given group at any time.

In the past, agents accommodated these service requests as just that, servicing their clients. With STM, these now become sales opportunities. STM is a basic major medical product, designed in its simplicity to be used as insurance was originally designed: as protection for illnesses or injuries that occur unexpectedly. It is priced accordingly (about \$100 a month on average for an individual). Its underwriting is much simpler than traditional individual health or small group health applications, and can be completed and, if qualified, issued online.

STM does have its limitations. The duration of STM is confined to a maximum of 12 months (some states only allow a maximum six-month policy), but policies can be purchased for shorter durations if necessary. Careful consideration must be given to the length of time STM coverage is purchased.

Different from traditional individual health policies, STM does not cover pre-existing conditions, so if a person chose to purchase an STM policy for three months, and then needed a new STM policy for an additional three months (STM policies are not renewable, people must purchase a new policy if needed), any condition or treatment from the first policy must then be considered pre-existing, and will not be covered under the second policy. Potential STM insureds must qualify and be relatively healthy individuals. So, if a potential insured in these groups cannot pass medical underwriting, they should utilize other options available to them such as COBRA.

Let's get back to Joe. He has identified 72 new simple sales opportunities just within his group health business. If each of these opportunities needed four months of coverage (the average length of time an

## BENEFITS BASICS

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individual is uninsured according to a 2003 study by the Congressional Budget Office), now Joe can write 72 policies at \$400 a policy. Because Joe makes 20 percent on STM policies, his service of his groups and its turnover now results in an additional \$5,780 in commissions, or an increase of 7.2 percent a year.

This example is just one of the ways that being aware of STM can benefit a broker's business. It is also a viable option for individuals with other short term insurance needs, such as people who are between jobs, people who are recently divorced and no longer on their spouse's policy, temporary or seasonal employees, and recent high school or college graduates who are no longer covered by their parents' policy.

There are companies that help people like Joe Broker by making the sales of STM easier than ever. For example, Health Plan Administrators, a Tampa, Fla.-based company, has specialized in offering and administering STM for brokers and agents since 1990. The company works with more than 30,000 brokers, and 75 percent of its business from brokers is generated online. The company works with brokers to create a seamless link to its administrative quoting and application site, so brokers can direct their clients to apply online, and the broker is identified. ■



### ON THE WEB

For more information on on short term medical plans, visit [www.kff.org](http://www.kff.org) and [www.hpa-inc.com](http://www.hpa-inc.com).



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