COGNIZANT BENEFITS SOLUTIONS, INC.

The Renewal Is Only the Output

Why employers should examine the structure behind the renewal before accepting another increase.

Strategic Health Benefits Cost Advisory Insight
Prepared by: Scott F. Ingalls, REBC | Cognizant Benefits Solutions, Inc.
Website: www.cognizantpa.com
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Executive Summary

Most employers are trained to treat the renewal as the main event. The renewal is important, but it is only the visible output of deeper forces: claims risk, carrier underwriting, funding arrangement, network reimbursement, plan design, contribution strategy, and the economics of the company funding the plan. A renewal can look competitive in the insurance market and still be unsustainable for the business.

The Renewal Is a Result, Not the Diagnosis

A renewal is the price consequence of a structure already in place. It may reflect real claims risk. It may also reflect conservative underwriting, opaque network pricing, inefficient plan architecture, stale contribution strategy, or a funding model that no longer fits the employer. Accepting the renewal without examining the structure means accepting the result without understanding the cause.

What Employers Should Compare Before Accepting Another Increase

- Renewal trend versus revenue growth
- Renewal trend versus EBITDA growth
- Health plan cost growth versus operating margin
- Employer contribution trend versus payroll growth
- Employee contribution pressure versus workforce stability
- Three-to-five-year healthcare cost trajectory versus company growth capacity

Why Market Quotes Are Not Enough

A market quote may show whether another carrier wants the risk at a different price. It does not automatically explain whether the current plan is structurally appropriate. Employers need to know whether cost pressure is coming from true risk, distorted pricing, poor funding fit, network reimbursement architecture, or correctable plan strategy. Random quoting may create movement, but it does not necessarily create understanding.

The SHBCA Review Question

The central question is not simply, Can we get a lower quote? The stronger question is: does the health plan cost structure still make economic sense for the business funding it? That question forces a broader review of revenue, margin, EBITDA, cash flow, payroll, claims risk, funding arrangement, plan design, network structure, and renewal trend.

Possible Review Outcomes

1. The plan appears economically aligned

The renewal may be unpleasant, but the cost trajectory appears proportionate to claims risk and business growth capacity.

2. The plan shows emerging structural pressure

Trend may be starting to outrun revenue, margin, EBITDA, payroll, or pricing power, suggesting closer review is warranted.

3. The plan appears structurally misaligned

Cost growth may materially exceed the economics of the business, indicating the employer should consider deeper SOBA review, funding alternatives, network strategy, or market restructuring.

Closing Perspective

Employers should not accept a renewal simply because it is the annual number presented. The renewal is only the output. The strategic question is whether the structure producing that output remains reasonable, transparent, and economically aligned with the company funding the plan.

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