

# Health Care Premium Audit Fact Sheet

## What is a Health Care Premium Audit?

A Health Care Premium Audit is a thorough review of the underwriting formulas and underlying assumptions made by an insurance carrier to set a company's health care premium rates. The audit process is designed to scrutinize and deconstruct these assumptions and formulas.

## Why conduct a Health Care Premium Audit?

The most important first step in controlling health care premium costs is to scrutinize the derivation of rates.

- Deliver savings; our experience has shown that more often than not an audit will reduce your premium rates.
- It's your fiscal responsibility and shows company diligence, responsibility and attention to the bottom line.
- Depending on your situation, you or your broker may not have the skills necessary to effectively negotiate premium rates.

## Why use an independent third party audit firm?

In the current corporate environment, HR departments are often overtaxed and understaffed. Not only do they lack the time, but often times, they lack the experience, technology and tools to re-underwrite insurance risk. A third party audit firm, like **Conrad Siegel Actuaries**, is infinitely better suited to get an exemplary result.

## What is the cost of an audit?

**Conrad Siegel Actuaries** charges an hourly rate to conduct a Health Care Premium Audit. Typically, a Health Care Premium Audit costs between \$5,000 and \$10,000, depending on the complexity of your health plan.

## How long does it take to conduct an audit?

An audit typically takes about two weeks to conduct, once we receive the needed data.

## Conclusion

Assuming that underwriting formulas and risk assumptions are un-biased and error-free is a risk most companies cannot afford to make. A Health Care Premium Audit provides a financially sound method of insuring the best possible benefit plans at the best possible prices.

## A sampling of 2009/2010 Conrad Siegel Actuaries Health Care Premium Audit/Negotiation Results

Conrad Siegel Actuaries' Client	# of Employees	Original Renewal Increase %	Final Renewal %	\$ Savings
Client 1	5800	9.95%	5.95%	\$2,400,000
Client 2	1846	25.89%	9.00%	\$1,915,921
Client 3	1483	10.00%	9.34%	\$83,076
Client 4	1162	17.74%	12.00%	\$546,262
Client 5	823	9.90%	8.90%	\$74,014
Client 6	739	17.41%	14.18%	\$162,149
Client 7	728	5.92%	4.92%	\$52,299
Client 8	702	6.00%	-1.73%	\$343,818
Client 9	569	17.53%	17.08%	\$21,072
Client 10	259	56.76%	31.82%	\$474,789
Client 11	254	10.74%	8.82%	\$36,000
Client 12	242	4.53%	0.82%	\$77,516
Client 13	231	22.85%	13.28%	\$130,560
Client 14	199	0.50%	-0.08%	\$8,372
Client 15	180	9.84%	0.82%	\$103,571

“You would be amazed at the number of common math errors, incorrect assumptions and conservative rating methodologies we uncover when reviewing our clients' health care renewal rates. Small errors often times compound into large financial liabilities if they are not identified early and addressed effectively.”

-Kevin A. Erb, F.S.A. **Conrad Siegel Actuaries**  
Health and Welfare Department

