

PROS & CONS of Health Insurance Purchasing Groups

Health insurance purchasing groups allow entities to join a larger risk pool than just their employees and dependents. When assessing the value of purchasing groups for your organization, it's important to fully consider the pros and cons:

PROS:

There are some truly positive outputs of creating/joining a purchasing group:

MORE ATTRACTIVE: By joining together, a purchasing group can offer carriers a larger risk pool. This can make a group more attractive to carriers and create greater leverage when negotiating than would be possible as an individual group.

GREATER STABILITY: A larger risk pool tends to create greater stability in claims data. This stabilization of expenses often creates lower long-term costs.

SELF-GOVERNED: A purchasing group sets its own rules for membership and goals. This helps them to control the market, rather than allowing the market to control them.

CONS:

As with any arrangement, there can be downsides to a group not totally controlled by a single entity:

COMMITMENT: Generally speaking, a purchasing group requires a certain level of time and financial commitment. Unless a group is willing to enter such an arrangement for at least three years, a purchasing group may not be for them.

SHARED GOALS: Forming a purchasing group includes identifying partners who share your goals when purchasing insurance products. Identifying a product portfolio to meet the needs of all partners can be a challenge.

CHANGE: Entities can change greatly over time. For public entities this can be especially true with changing administrators and board members. The people in charge don't need to be the same over time, but the goals of the group do.

PROS PLUS:

While a purchasing group may come together at the beginning to purchase more affordable health insurance coverage, we have seen successful groups identify other benefits outside of this basic goal. Examples include:

ENHANCED PROVIDER SUPPORT: The additional leverage of the group could potentially lead to additional medical support from local carriers/providers for employees and/or students. Examples include on-site clinics and behavioral health offerings.

EXPANDED PURCHASING: By leveraging additional Wisconsin statutes a purchasing group can expand its reach. A group which is deemed stable by carriers, may have enough leverage with carriers to use their group size to purchase additional insurance products (i.e. life, dental, etc.). This could lead to additional lines of insurance at reduced/stabilized pricing.