How firms are preparing for soaring health care costs

By Sean Allocca
Published July 11 2017, 12:55pm EDT

Clients, especially retirement-age individuals, are asking deeper questions about the costs of their health insurance coverage than ever before, advisers say. How will affording Medicare affect their retirement plans? What about paying for supplemental or prescription plans?

Health care insurance advising could become a ripe growth area for firms and a way to differentiate themselves from competitors – if they can gain the expertise needed to help their clients.
It’s not something advisers have necessarily been jumping to include among their services. But the rising cost of coverage and a regulatory environment in flux have finally forced them to confront the growing problem. How can their firm best guide clients on often complex health care options?

One solution: Some firms have turned to partnerships with outside health insurance advising specialists to help bridge the gap. Instead of bringing in experts to work in-house, they connect with an outside firm to get the best financial services possible at the lowest cost.

ASKING THE RIGHT QUESTIONS
Ryan McCostlin, team leader with Bernard Health, a Nashville, Tennessee-based firm that sells its health insurance advisory services to other practices, says outsourcing health care experts can help lower costs, while still providing customers with top-notch services.

"Advisers are asking themselves three questions." McCostlin says. "Is health care material to my clients? Do I think this is within my fiduciary scope? And, should I handle health care in house or partner with an outside firm?"

For McCostlin, the answer has predominantly been to outsource. Firms, especially smaller ones, may not have the resources on hand to hire an expert — and ensure the expert satisfies compliance rules.

Then, there’s the prospect of employee turnover.

“The initial feedback we’re getting is that firms don’t want the burden,” McCostlin says.
COVERING THE COSTS
Bernard Health has already signed agreements with three firms and reached out to at least 26, according to McCostlin.

But, services don't come cheap. Paul Allen, of Wealth Strategies Partners in Nashville, says a prospective partnership would be a major investment for his firm.

The deal would cost Allen $60,000 for the first year alone. He expects 200 of his clients to utilize health care planning services at a cost of $300 per household.

"It’s a big investment that you’re going to be making into your practice," Allen says. "A big investment."

The services can cost anywhere from $10,000 a year to almost $100,000 for some of the larger firms. One of the biggest practices to sign on, so far, is paying an $86,000 annual retainer, McCostlin says.
Costs are adjusted annually depending on the number of clients that Bernard ends up advising. The company plans to have 50 licensed advisers on hand in the near future.

**NO-FEE ADVISING**

Back in April, Raymond James began a partnership with HPOne, a Shelton, Connecticut-based health insurance company. The partnership seems like a win-win. Raymond James gets access to expert advising, while HPOne gets access to Raymond James' clients.

“There's no fee attached,” says Frank McAleer, vice president of financial planning and retirement solutions at Raymond James. “Obviously, the incentive for HPOne is to do business and write a policy, but they have counselled clients that have already been enrolled.”

McAleer says the feedback has been positive.

“Clients have a much better confidence level after talking about their health care needs,” McAleer says. “They’re able to put their heads down on their pillow with a lot more comfort.”

**STANDING OUT**

Headquartered in Nashville, Bernard Health has offices in Atlanta, Indianapolis and Austin, Texas, meaning their experts can meet with clients all across the country. They are also available to consult over the phone.

While the partnership will certainly help clients, Allen is really hoping the services will help his firm to expand.

“The move will help differentiate ourselves from the competition,” Allen says. “Not many financial practices are doing this.”

Allen says he’s likely to approve the partnership in the near future.

**MORE QUESTIONS, FEWER RESOURCES**

While there has been an uptick in clients looking for answers about health insurance in recent years, there are fewer places for them to turn for advice, according to McCostlin. There are two major factors at play, he says.
Firstly, as health insurance premiums continue to soar, clients have taken notice. Those expenditures have now become "material," he says.

However, there are fewer resources available.

Historically, clients could turn to licensed health care insurance professionals to get help and buy tailored insurance products, McCostlin says. But, due to rising prices of care, and a handful of other reasons, health insurance carriers aren't using as many brokers as they used to.

The net result: the avenues available for people to get health insurance advice have dwindled.

"People need more help than ever before," McCostlin says, "but there are just fewer and fewer resources."

Sean Allocca
Sean Allocca is the associate editor of Financial Planning, On Wall Street and Bank Investment Consultant.

More from this Author
Focus Financial adds another billion-dollar-plus RIA
Why regulation doesn't have to mean restriction
How lifestyle advisers can succeed

Comments
Posting as D. Schadel
Add your comments here