Allied Health Market Seeing Insured Growth, But Steep Insurer Competition

Startup, in-home operations add to growing customer base, experts say

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If there's a common thread among underwriters and insurance brokers serving the growing allied health industry, it is fierce competition triggered by a soft property and casualty market and excess capacity, experts contend.

The market is also being squeezed by admitted carriers entering an area previously dominated by nonadmitted carriers.

▶ **A NUMBER OF HOME HEALTH CARE AGENCIES** are being started, because of the expense and crowding of nursing homes—a trend expected to accelerate as baby boomer retirements soar.

"We're definitely in a softer, more competitive market than two or three years ago, and we're seeing a tremendous uptick in health care facilities opening new businesses," observed Philip Twietmeyer, senior vice president, middle markets, with ACE Medical Risk in Philadelphia.

"It's very competitive," he said. "It's almost like where we were 10 years ago. But we're an underwriting organization," he added. "We strive for underwriting profit [and] we stay very close to our customer base, which is the health care specialist retail and/or wholesale broker."

He noted that a number of home health care agencies are being started, because nursing homes "tend to be more expensive and are crowded. So in-home care is definitely a trend that is growing, with the baby boomers starting to retire," he said.

C.J. Wright, a senior broker with All Risks, Ltd., wholesale brokerage in Hunt Valley, Md., said he is seeing "smaller and more startup" health care operations seeking coverage, in contrast to bigger ones that were more prevalent a couple of years ago.

He speculated that the reason for the change might be related to the fact that "incumbent carriers are willing to do what they need to do basically to retain [larger businesses], especially if they've had a good loss history," while smaller allied health risks are shopping for coverage.

Mr. Wright said allied medical business, for the most part, is still nonadmitted business, "which is also good for an E&S wholesale broker." One thing he said he doesn't worry too much about is "the admitted market coming in and taking the business."

Where this might happen, however, is not so much in the allied medical arena as in social services, he said, pointing to one regional specialist in both segments. "They write on admitted paper and are pretty aggressive [even] on home health care, which is allied medical" business, he said.

But even when competition can be fierce, wholesale brokers will find ways to add value to clients, according to Matt Nichols, president of All Risks.

"If insurers can't be beat on price, our job is to figure out how we're going to add value from a coverage standpoint, from a service standpoint, from a pricing standpoint and tie all that together."

Erik Halvorsen, also a senior broker with All Risks, noted, "You can't take the easiest path, which is price. It's not that simple."

"I like this class because there's a lot of power in the details. If you're willing to understand, and then probe and ask questions about the coverages, you can set yourself apart," he said.

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In the current economy, he believes there will be more opportunity in the non-nursing home area of health professional businesses, "because there will be probably more customers out there using private pay or using their own money for care, or they'll be able to take advantage of contracts for care."

Nursing homes, on the other hand, are "feeling the opposite right now. Their Medicare and Medicaid reimbursements are going down," Mr. Halvorsen said.

Looking ahead, Mr. Nichols surmised that 2010 will "probably be as bad as 2009" in terms of insurance market conditions. "I think a lot of people, myself included, would say we still have two or three years left" for the property and casualty and health care industries.

"It's not a great outlook," he said, "but it's realistic, and I think we know that if we're positive about it, and we go out and do our jobs, there's opportunity," he said, describing the "self-care piece" as a "significant part of the wholesale segment of the industry."

Fran O'Connell, managing director-medical professional with Markel in Deerfield, Ill., said Markel has been writing risks in the specified medical professions area for close to 40 years.

She said the company writes a host of exposures that "run the gamut from health care staffing to clinics of any kind, occupational, urgent care, municipal health departments, clinics within a university and imaging centers." It also covers individuals like physician assistants, chiropractors and naturopaths, she said.

"There is a lot of capacity. People are jumping into the market," Ms. O'Connell said. "I think everybody would tell you that."

When there is a lot of capacity in the marketplace, she said, "there is pressure on those carriers to grow the top line. When you do that, there is pressure to book the business. That says there is a lot of pricing frenzy."

She noted, however, that "when you have a lot of players in the market all going after the same fish, it makes the fish pretty lucky to pick and choose."

From an underwriting perspective, she said, "we are firm believers in being careful to understand the risks we have. When it makes sense, price it aggressively; if it doesn't, we'll probably have another opportunity to see it."

She continued, "You have to know when to hold them and when to fold them because risks are not all as risk-free as you might think they are."

For example, she said, "What's done at a medi-spa could permanently scar you or it could kill you, and you don't tend to think of that necessarily. You say, 'It's a spa, what could happen?'"

A medi-spa is a hybrid between a medical clinic and a day spa, operating under the supervision of medical doctor. Treatments vary, but laser treatments, micro-dermabrasion, and Botox and other fillers are generally available.

Ms. O'Connell noted that as the population ages, "we're going to see more aging-related services and home health." She also expects that "because of the shortage of physicians, we will see physician extenders providing more and more of the services."

In addition, she believes many of the states that are now among the more restrictive in defining what a nurse practitioner or physician assistant can do will ease back on those restrictions.

Mr. Twietmeyer said ACE Medical Risk has three divisions in addition to the middle market segment that he manages. The others are: a segment for miscellaneous medical facilities; a long-term care segment, which consists of nursing home assisted living facilities; and the life sciences biotech division, which writes clinical trials for biotech companies.

"I support that [biotech] group by writing a package coverage," he said.

A miscellaneous medical facilities groups division was started in 2002, primarily going after lower-end health care classes, like home health care, hospice facilities, nurse staffing agencies.

"We were very successful getting on the map with that," he said. "It was perfect timing when St. Paul got out of the business."

With that program, he said, coverage is filed and admitted, which he believes gives ACE a definite advantage in the marketplace. "Most of our competitors offer nonadmitted surplus lines product for home health care," he said.

He noted that ACE Medical Risk, started in 2002, works with several specialty wholesalers, and focuses on those wholesalers that are "devoted to the health care business," who understand the risks and the business in general. The retail brokers as well, he added, are specialty driven in the health care business.

Regarding any possible implications of impending health care legislation, Mr. Twietmeyer said that allied health insurance providers will have to wait for the language of the bill to gauge potential outcome for their businesses. He added, however, "We look at it like, if anything, health care exposures are going to continue to grow."

"If Medicare and benefits get cut, for example, that will impact my clients and insureds," Mr. Twietmeyer said.

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