Five Tips for Navigating the Telemedicine Insurance Market

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As the telemedicine insurance market continues to evolve, it can be daunting to try to consistently keep up. Many telehealth startups are new to procuring insurance on behalf of healthcare corporations, and as such, the marketplace may be difficult to navigate. Larry Hansard dissects current insurance market changes, including COVID-19, and how to build those components into your business plan.

1. Procurement of commercial insurance is not the same as a commodity purchase

Those who are new to the changing telemedicine marketplace may expect to see insurance companies fighting for their business, and that someone out there will always want to bid. This isn’t the case for commercial insurance, especially in the current ‘hard market’ (seller’s market) where there are only a few insurance carriers writing coverage in the telemedicine space. This lack of competition allows insurance underwriters to price differently than when there is a lot of competition.

With limited market interest, obtaining competing quotes may not be easy. It’s important that you work with an agent or broker who specializes in this industry and can help you find the right approach for your commercial insurance needs.

2. Insurance underwriters must be approached strategically – like potential investors

Commercial insurance companies are being asked to put up millions of dollars on behalf of the insureds. Underwriters are now in a position to be extremely selective on what accounts they write, and many have limited capacity for new business. We're also seeing that insurance carriers may only consider 1 out of every 10 submissions that they receive.

To achieve the best possible terms and conditions in your policy, you must market yourself in the best possible light. Accordingly, it's important to consult with the experts on the best way to approach carriers with respect—not as a commodity—and provide very detailed and accurate submissions.

3. Be prepared for rising telehealth insurance premiums

COVID-19 has dramatically amplified the growth and adoption of telemedicine, which is a positive for new and growing telehealth companies. But with this growth may come premium increases for Medical Professional Liability.

Other factors that may impact telemedicine insurance pricing that you should prepare for include:

- Insured's revenue
- Number of patients
- Numbers of clinicians
- Venues and tort environment where services are offered
- Clinical specialty

- Prior claims (Note: we see very few claims from telemedicine)

To understand the change in insurance premiums, it's important to know the difference between rate increases and exposure increases before you approach an insurance underwriter.

- **Rate increases** are increased policy costs that an insurance carrier demands due to adverse underwriting conditions—like market influences and poor loss experience. Fortunately, we are seeing minimal rate increases for telehealth companies at present. It's safe to budget 3-5% for rate increases, assuming COVID-19 losses don't significantly change.
- **Exposure increases** refer to an evaluation of your company's risk in order to calculate insurance premiums. Unfortunately, with the growth of telehealth services comes increased exposure costs. If your company's revenues and patient visits have tripled or quadrupled in the last 12 months, then you should expect premiums to increase proportionately.

4. Providing accurate projections in good faith helps build trust with your insurance partners

It's tempting to want to revise projections to lower insurance costs when faced with a large premium increase due to exposure. However, it's likely that this will lead to a negative outcome. Underwriters allow insureds to provide data and assume the insured is doing their best to accurately predict their circumstances. With multiple changes and revisions to lower the premium, you risk losing credibility with the insurance provider.

It’s important to put careful thought into projections and leverage a healthcare insurance consultant for guidance when needed. Healthcare insurance consultants like Gallagher can strategically advise on patient encounter and revenue projections, as well as important policy features like audits to protect all parties during certain times.

5. Cyber and Privacy Liability must be adequately insured

We continue to see clients that are underinsured for Cyber and Privacy Liability. Many organizations purchase less than $5 million in limits, despite the fact that they may hold hundreds of thousands of patient records. A recent report from Poneman Institute projects that the cost per patient record for a healthcare company privacy breach average $429 per patient record, making this a significant exposure.

Working with a team that has a breadth of expertise in telemedicine, healthcare, and cyber means that you have access to resources and solutions to address current cyber risks and ensure that you’re properly covered.

To find additional resources and request more information from Gallagher regarding Telemedicine, visit Gallagher's Telemedicine and Digital Health Resource page - https://www.ajg.com/us/telemedicine-resources/.