BENEFITS

Does Your Benefits Advisor Work for You or for the Insurance Industry? 3 Questions to Ask.

Does your advisor drive your company's value or drain it?

NEXT ARTICLE

Dave Chase
GUEST WRITER
Co-Founder, Health Rosetta

July 19, 2018 7 min read

Company leaders don't have a lot of allies in their constant battle against skyrocketing healthcare costs for their employees: And, if you're that leader, even the one person you see as your closest advisor might not even be on your side.

Related: 5 Ways Employee Healthcare Benefits Can Do Wonders for an Organization

This, of course, is your benefits advisor, and the reasons for this individual's divided loyalties may be that the entire healthcare system now treats yearly increases in health insurance costs as a foregone conclusion.

That, in turn, leads to the following annual kabuki dance:

- Your insurer comes in with a bid to increase your rates by 10 to 15 percent.
- Your broker shops around and ostensibly puts pressure on the insurer to bring those rates down.
- You end up settling at a 7 percent to 9 percent percent increase, instead. What follows is that your broker gets to be the hero, and you get to feel prudent, even if that means having to give some ground on co-pays or deductibles.

The problem is that you and your employees are the only losers in this situation. The insurance provider doesn't care about keeping down costs, so long as your premiums cover its corporate spend (with a neat profit). Your broker's getting a percentage on the deal, so the higher the better, from his or her point of view.

And, the other thing you may not know about that broker is that *in many states brokers don't need to disclose that they can get a bonus each year if they keep a certain percentage of their business with the same insurer they supposedly fought with on your behalf*.

I don't really want to make the brokers out to be the bad guys here. They're as trapped in the system as you are. For many of them, it's the only way of doing business that they've ever known.

There are also plenty of benefits advisors who *aren't* doing these kinds of shady deals without disclosing their own conflicts -- though, unfortunately, they are the exception to the rule. These vanguard benefits advisors typically find, in the benefits-supply chain they inherit, as few as two and as many as 17 undisclosed revenue streams from various players -- these range from carriers and pharmacy benefits managers (PBMs), to stop-loss carriers, to wellness vendors and many more.

Once employers find the sort of benefits advisors who can drive a company's value rather than drain it, the results speak for themselves: For example, I've written before about how Rosen Hotels & Resorts in Orlando has saved hundreds of millions of dollars and spends 55 percent less on employee healthcare per capita than the average employer.

Similarly, Enovation Controls lowered its per capita healthcare spending by 30 percent. The company achieved this mainly by implementing a model based on value-based primary care. Enovation also works with providers who offer fair pricing and also use a transparent open network with a net promoter score of 92, which is dramatically higher than industry norms -- e.g., carrier NPS scores are under 20.

So, how do you find an advisor who will really be on your side and start saving you and your employees cash? Start with three easy questions:

1. What kind of commissions and bonuses do you receive from carriers, in total?

Not every benefits consultant will be willing to share this information. That's a major red flag, but it's your money, and you have a fiduciary duty (under ERISA law) to know how this person is getting paid and who's paying him/her.

As in literally every other line of work, you want to work with an advisor whose financial interests are aligned with yours. Would you hire an accountant who got a bonus from the IRS if you paid more in taxes? Someone who offers full disclosure on his or her revenue streams and is transparent about any compensation received from the carrier will be someone working in your best interests.

Relatedly, too many business owners or HR people just choose a benefits advisor based on fees. For starters, brokers are getting paid somehow, so if it's not up-front, where is it coming from? It never pays to be penny-wise and pound-foolish when you're choosing a consultant to help you manage what could be your second-highest expense (after salaries).

2. Do you receive more than half of your compensation from one carrier?

You're probably not going to get the benefits of shopping around if your advisor is mostly a one-carrier shop. This person may even *want* to give you options, but with those bonuses as a carrot and the threat of being dropped by a carrier as a stick, this person can be under a lot of pressure to channel you to his or her preferred carrier.

Insurance carriers will play hardball with brokers, as well, including clauses in their contracts that allow for termination with just 30 days' notice. If a broker gets over half of his or her entire compensation from a specific carrier -- a common situation that can include annuity-type compensation built up over years -- you can imagine how potent that threat is.

Don’t be the basis for your advisor's annual trip to Hawaii.

3. "Can you meet with me now?"

Less savory brokers love to wait until the last minute to meet with you to review your upcoming plan renewal. This may be because they’re a little too complacent about your business, but more likely it’s about reducing the time you have to talk with other brokers and perhaps make a change.

The process will always be compressed. About two months before your contract renewal date, your broker will receive an offer from your current carrier. This will have very little information in it to explain the proposed new premiums, because insurers don’t want you shopping it around. If you have fewer than 100 employees, you might receive no information at all.

You can choose to rely on your broker to send the offer to another carrier to see if a bidding war can be started. And this will shave a few percentage points off your cost, but note that there’s now no relation to how much your insurance actually *should* cost. It’s all about the game theory of an auction.

Related: 6 Hacks for Taking Control of Your Healthcare Costs

A better approach, if you’re not happy with what comes back: Find another benefits advisor who can take a look at your options. He or she might tell you that it’s the best you can do (a rarity in my experience). Or your outside source might be able to come up with some creative solutions that your current broker hasn’t tried that hard to find or simply doesn’t know how to implement. As in medicine itself, it’s critical to get a second opinion.