



Producers: Finding Business Solutions in the Midst of Change

An Interview with Robert Lieblein of Marsh Berry & Company

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We all know the saying “If life gives you lemons, make lemonade.” Over the past few years, producers and insurance companies have created many recipes for lemonade as they have adjusted to industry changes and looked for solutions to maintain their business. Robert Lieblein, nationally recognized consultant for employee benefit firms, offers advice on how producers can develop and apply strategic business solutions to survive in the midst of change.

Karen: Historically, many producers have offered employers advice and recommendations on benefit plans. But the marketplace is changing, and producers are faced with new business challenges. How can producers maintain the viability of their business?

Rob: Employee benefit consultants (producers) need to help their clients (employers) recognize that employee benefits are an economic issue, not just a healthcare-cost concern. The strategies they should develop for employers need to address an economic problem more than just focusing on healthcare costs.

Producers need to define their value proposition or competitive advantage in a way that addresses two market segments: small to midsize businesses, which are 25- to 500-life groups, and midsize to large employers, with more than 500 lives.

Karen: What strategies and techniques should producers focus on with their customers to build up sales and keep their business viable?

Rob: In the small to midsize market, there is a growing focus on developing a single-source solution, which is the convergence of employee benefits, payroll and human resources. Producers should position their business by providing solutions that target associated issues. The solution is not to secure the cheapest costs for healthcare benefits, but to develop strategies around a single-source solution.

Producers have a huge opportunity to be very successful in this space, but they need to be able to diversify their products and services versus just saying, “I’m going to provide your group medical benefits.” The key in implementing this strategy is what do you develop internally and what do you develop with strategic partners, including “private labeling” certain products and services.

For the midsize- to large-employer market, producers should create a population-health-management strategy. If employers do not adopt this line of thinking, I believe they will never be able to truly “bend the trend” of increased healthcare costs, and ultimately they will not be able to sponsor healthcare benefit plans and associated costs. Instead, they will have to pass on higher costs to employees or drop plans altogether. Neither is a feasible strategy for long-term survival.

This concept of population health management, which goes beyond just wellness, is really picking up speed. I call those firms that develop population-health-management strategies new-school brokers because they don’t rely on spreadsheets and shifting deductibles. They are incorporating this strategy quickly into their businesses.

The insurance industry is going through a transformation. It is not going through change.

During the next year, producers need to evaluate the products and services they want to offer; they should consider hiring wellness coordinators, medical directors and actuaries, or partnering with a third-party vendor to provide the population-health-management solutions.

I have not discussed the small-group market, composed of employers with fewer than 25 lives, because I believe it may not be a viable business segment for many employee benefit consultants going forward. The viability of this market depends on the direction of changes in the health-care industry, including state exchanges and producer-compensation models.

In summary, producers must analyze their current business along the lines of the two segments of employers (small to middle market and middle to large market), and determine where they should focus their operations and how to differentiate their products and services.

***Karen:** What advice would you give producers interested in diversifying their products and services?*

Rob: Diversification does not mean that producers should change their products overnight from 90% group medical to 50%. They have to remain financially viable while they make incremental adjustments toward a set goal.

As producers review the benefit plans offered by their clients, they should identify ways they could enhance relationships and become indispensable to employers. Here are a few examples:

- ✓ HR solutions—Ask several questions: How can you provide support for compliance and regulatory issues?
- ✓ Payroll issues—What problems are employers experiencing? How can you solve them? Payroll and associated data can be a bridge to other plan opportunities, such as 401(k) and retirement plans.
- ✓ Voluntary products—These are valuable benefit options that are important to employees. Evaluate those products that would benefit the employee groups and develop appropriate solutions by showing employers how they can provide access to plans that meet the needs and interests of employees.

Employers will save money if they work with carriers that can match the billing cycle with the payroll deduction schedule. Otherwise, when employees leave, the employer may have to pay out extra for premiums because the insurance cycle ends later in the month. Carriers that can coordinate cycles will minimize the employer's risk.

Regarding voluntary benefits, these plans should be considered consumer-driven products, especially given the continual changes in healthcare. With voluntary plans, employees can select those that fit each family member's needs. It is especially beneficial to work with a carrier offering a combined dental and vision plan, because often one member needs more dental care, and another requires vision coverage. Another advantage is that employees can get both products at a lower cost than two separate plans.

***Karen:** For the past few years, discussions on the future of healthcare benefits have included a focus on producer fees for services. What advice do you offer producers on handling finances?*

Rob: Producers should take a proactive approach to fee transparency. The market already has shifted toward producers receiving a fee or a flat rate per enrolled employee per month (PERM) versus working on a pure commission basis.

Many producers are afraid to take the position of "These are the services I provide, and here is what I'm going to charge you" because they fear that it becomes a race to the bottom, meaning if they are going to quote a fee, someone is going to quote lower. Yes, this may happen occasionally. But, by and large, if producers are helping clients solve an economic issue instead of a healthcare concern, with a value proposition or single-source solution, they will discover that the fee is not the overriding issue. Employers are willing to pay for value and solutions when they realize you are a strategic partner and trusted advisor.

***Karen:** The industry sometimes classifies producers as "vendors" versus valuable partners. How can producers change this image?*

Rob: A key strategic issue going forward is for producers and their firms to focus on their brand. Brand is not just a website. It is how producers position themselves in the marketplace so they are different from their competitors.

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Transformation means significant change that will result in a fundamental difference in how services and solutions are provided in the future.

Employee benefit firms should examine carefully their organizational and compensation structures. Historically, the insurance industry has been slow to adapt to new ideas concerning organizational structure and compensation, including how to pay producers and account managers. Firms also need to evaluate how they align people within their business, and what type of skill sets they require to serve their clients effectively. They need to line up their internal structure with what is happening in the marketplace.

It is imperative that producers stay on top of the transformation of the traditional healthcare model and the influence on technology. New-school brokers use technology to drive services and products.

Finally, producers need to consider how to engage employees and involve them in their benefits, so they make appropriate choices and decisions on their healthcare. This may include using social media tools to interact and educate employees.

Karen: There are many growth opportunities for producers on the insurance industry horizon. What advice would you offer to encourage producers in their daily business operations?

Rob: The industry is transforming, and producers need to develop plans to incorporate population health management, wellness, technology and single-source solutions into their products and services. They should remember continually that they are in the business of providing solutions to clients to help them achieve their business goals and objectives, not just to reduce healthcare costs.

If producers are going to play in the new market, they need to consider how to provide services to employers and employees under a business model that actually still makes money because we don't know what the compensation model will be in the future. Bottom line: Producers need to stay on top of what's happening in the industry. **HIU**

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