

Employee-Benefit Brokers Help Employers Solve Complex Need

OLDWICK, N.J. November 14 (BestWire) — Companies of all sizes and industries looking to trim rising employee health-care costs are relying on brokers with strong expertise in that niche market to find and design affordable coverage plans that fit their specific needs.

As employer-sponsored health-benefit and prescription-drug costs skyrocket, the employee-benefit brokers, including some of the global brokerage firms, are seeing demand for services increase. Willis Group Holdings Ltd.'s global employee-benefits practice, for example, brings in about \$250 million in revenues and is among the fastest-growing units within the group, according to Chief Executive Officer Joseph Plumeri. "On a worldwide basis, we think we can grow it a great deal more," he told investors recently.

At Brown & Brown Inc., the employee-benefit business makes up about 12% of the company's revenues. The company said it expects to see "a boost in business" as prices increase and coverage plans continue to evolve.

BestWeek spoke with Sam Fleet, the chief executive officer of National Employee Benefit Co., or NEBCO, a wholesaler and third-party administrator that provides services to the brokers, about how the brokerage community is helping employers solve complex employee-benefit issues.

Q: What value do employee-benefit brokers provide clients?

A: I think the value that the broker brings to the table is they are not just going to one insurer, they are going to many. They understand the marketplace; they understand the benefit structures out there, the unique design criteria that you may have, and so they are able to put together a package that best suits the employer.

Q: What are some of the solutions brokers are providing employers?

A: While a lot of brokers are focusing on active population, really the biggest pain in most cases for employer groups is the retirement medical population and prescription-drug costs. Traditionally, employers had lumped in their retiree population with their active population in self-funded plans — because consultants had advised them that the retirees would augment their active population and supplement them because Medicare is primary in your retiree population, and therefore your medical claims are lessened. That was true for years until prescription-drug expenditures started increasing at 18% for seniors, and now that trend has flipped and the active population is now supplementing the retiree population. What we do is help brokers go in and carve out the retiree population from the self-funded plans and put them into a fully insured plan with [a secure-rated] carrier, saving the employer money on their self-funded plan as well as providing an exit strategy and/or an opportunity to segregate the retirees so that employer group is providing that broker with significant revenue opportunity.

Q: It's not as easy as it sounds, is it?

A: There are obvious challenges, especially when it comes to retiree medical and retiree prescription-drug expenditures. We had a situation with a recreational manufacturer, where we were working with a broker on two needs, on a diabetic and smoker-cessation classes, and we were providing good health benefits and came up with a plan for them to come into the work site and do cholesterol testing and blood-pressure checks on the entire population. There was a bit of resistance from some of the employees, but over the past three years, we've seen a significant decrease in instances of cardiovascular disease with that particular employer.

Q: How will the roll-out of the government's prescription-drug program affect employers and what you do?

A: Medicare D is a huge issue now. The issue for employer groups is simply how to deal with it; whether they should do nothing, or apply for the subsidy, or use it as a carve out, or offer a supplemental plan on top of it for their retirees. We've seen a huge increase in our business as a result. One of the concerns that CMS and legislators had when they created Medicare D was that it would further enhance the exodus of employer groups providing retirees medical coverage. There were surveys last year that most were going to apply for the subsidy. But we've seen the complete opposite. The groups we're talking to and brokers we're dealing with are essentially using Medicare D as their basic benefit, so they are getting credit or fee from CMS for their piece of the premium.

Q: What about rising costs? How can employers stay competitive?

A: The costs have gotten so out of hand. Look at a company like General Motors. Do you know there is more in the cost of a General Motors car in providing benefits for retirees than there is in steel. Companies have to remain competitive. There are companies that are no longer hiring smokers. So you'd see a lot of legislation coming at state level to prevent those types of hiring practices. But one thing employer groups are going to continue to do is encourage healthy practices, such as monitoring diabetic employees by looking at how many times they've been to checkups, and whether or not they're watching their diet. So if you're not getting routine checkups and you're not checking your blood sugar on a regular basis, then instead of a \$100 deductible, the plan's going to charge you a \$400 deductible.

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