



Industry Currents

Sponsored Reports on the Changing Business of Benefits

UltraLink secures benefits-procurement savings through commission-free model

By Bruce Shutan

If, like most employee benefits managers, your New Year's resolution was to find additional cost-cutting opportunities, a great place to start is with commission-free benefits procurement, which can help reap significant savings.

A leading proponent of this innovative approach since 1989 has been UltraLink, an employee benefits consulting and administration firm that helps Fortune 1000 companies design, acquire and manage employee benefit programs. The company saved several employer clients \$15 million in premium increases during the 2005 renewal season.

"One of the problems with the commission-based structure is that because of annual premium increases, the person receiving the commission is in effect getting a raise every year for doing virtually no additional work and possibly doing even less," warns Steve Ashley, vice president of client and consulting services for UltraLink. "I get paid to do the best job for my client. Under a commission-based structure, there could be a conflict of interest if I'm collecting a commission that no one knows about, and steering business to a carrier that's paying a higher fee and may not be as good a fit for the client or offer the best service."

UltraLink has identified several key steps in the procurement process. They include preparing specific employer data and converting the benefits strategy into a tactical plan for procurement, preparing a request for proposal and disseminating it to various carriers, negotiating with vendors to obtain the best possible rate, and finalizing selection of the most appropriate alternatives and confirming them with carriers and vendors to avoid confusion on the final benefits package.

Avoiding conflicts

There are several clear advantages to embracing this model, beginning with transparent pricing that discloses upfront the cost of procuring the appropriate products or services. In addition, the client then knows exactly the cost of all products or services under consideration in states where decoupling the commission structure is allowed. When employers are allowed to negotiate the broker's fee rather than blindly accept a commission, they're able to deepen lasting relationships with trusted advisors by rewarding performance.

The role of objectivity cannot be underestimated at a time when regulators have uncovered the appearance of unethical activities on the part of insurance brokers in the employee benefits market. Questionable practices such as bid rigging and backdoor "contingent" commission payments for preferential treatment have been said to produce hundreds of millions of dollars in revenue for some companies. Ashley says this raises the prospect that unscrupulous behavior has fueled a portion of annual double-digit employee benefit cost increases totaling nearly five times the rate of inflation since 1999.

To ensure that benefits-procurement decisions are rational, objective criteria based on independent, verifiable sources of data must be established in the areas of quality of care, customer service and financial performance. The weighting of each criterion also should reflect overall corporate objectives and culture, which is the first stage in this process.

Using its proprietary Value Tracking System, UltraLink is able to compare specific plans with national trends and statistics in hopes of finding the best possible deal for clients and securing the most favorable rates. The tool benchmarks clinical quality data and member satisfaction as measured by the highly regarded National Committee for Quality Assurance (rather than reported by health plans). Financial data comes courtesy of InterStudy Publications, a leading researcher as well as publisher of data, directories and analysis for managed care organizations.

Early intervention

The next phase involves a benefit plan audit to evaluate the performance of individual benefit plans. "As we're going through the benefit plan audit," Ashley explains, "first we need to make sure all the data is being captured." That means not overlooking the pharmacy or behavioral health benefits that often are carved out of group health plans.

Ashley notes the proven link between high quality and reasonable cost, which coupled together produce exceptional value. Comparing benefit plans with recognized and respected benchmarks helps validate underlying assumptions and ensure objective conclusions.

What's also critical is that decisions are based on the most up-to-date data to reflect a growing strategic pressure on health plans to operate in real time as more medical records are automated. It's also recommended that employers look into whether their carrier or vendor can track pre-certification and physician-referral data for troubling trends like a spike in hospitalization, which can be seen as an early warning system.

"One problem in the medical field is that good claims data isn't available for 90 days," according to Ashley. "The aim is to push health plans for current data based on how fast claims are being paid, known as the 'lag schedule.' This will serve to help project more accurate claim costs for the months ahead."

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