

CAPITALIZING ON BENEFITS

# A REGIONAL BROKER'S TEAM APPROACH TO CLIENT GUIDANCE

*Strength in HR services helps prepare  
clients for health care reform*



*InterWest Insurance Services executives include (from left): Cathy Houston, Benefits Manager/Sacramento and Central Region; James Bulotti Jr., Vice President/Employee Benefits; Keith Schuler, President/CEO; Tom Hughes, Vice President/Employee Benefits; and Terri Wallick, Benefits Manager/Northern Region.*

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By Len Strazewski

Forget the Mayan calendar, which predicts the end of the world in 2012. The year 2014—when health reform legislation becomes completely enacted and sets new rules for health plan design and marketing—is the year that concerns many employee benefits brokers.

Will that year ring the death knell for traditional health plan marketing and the stable premium growth that group health benefits provide many independent agencies? Will employers abandon their sophisticated plan designs and cost control measures?

"No, they will need us even more," say employee benefit executives at InterWest Insurance Services, Inc., in Sacramento, California, one of Northern California's largest insurance agencies.

Health reform is likely to change the group health plan process, possibly eliminating the emphasis on the traditional annual renewal marketing and pricing cycle for many employers, says Keith Schuler, president and chief executive officer. But health reform won't eliminate clients' needs for expert consultation on the underlying financial and human resource management issues that are linked to employee benefit plans.

And the agencies that have geared up to provide that guidance and the services that support strategic decisions will do more than survive. They will thrive, he says.

"For the past several years, we have been really elevating our expertise and understanding in anticipation of this trend toward a more consultative approach to employee benefits," Schuler says. "And this has been in keeping with our overall approach to our business."

"Employee benefits is one of our strongest areas for growth and has been for several years," he notes. But unlike many other agencies where property/casualty insurance volume has been in decline due to perpetually soft rates, commercial prop-



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erty/casualty lines have been on the rise overall also at InterWest.

Successful growth across lines has been a consistent part of the agency's 18-year history. InterWest was founded in 1992 as a result of the merger of three large successful insurance brokerage firms located in Northern California. With aggressive marketing and acquisitions, the agency expanded into central and

southern California and the San Francisco Bay area. The firm now has nine offices throughout the state and has grown in size from \$10 million in annual revenue in 1992 to more than \$55 million this year.

As the 55th largest insurance brokerage overall and the 28th largest privately held brokerage in the United States according to *Business Insurance* magazine's annual rankings, the

agency generates a total of \$450 million in combined annual premium.

Clients are from niche industry groups such as agriculture, banking, construction, country clubs, fitness, health care, hospitality, manufacturing, social services, technology, transportation, and range in size from sole proprietors to those with several thousand employees. Schuler notes on the firm's Web site that the agency remains regional and is focused on organic growth with few additional acquisitions in its strategic plan.

"Our clients and employees like the fact that decisions are made by a local management and ownership team they know and trust. Our roots run deep in the communities we serve. We take pride in supporting local groups and activities. We partner with our clients in real and meaningful ways because they are also our friends and neighbors."

Employee benefits generates about 25% of the agency revenues and has been a consistent growth area for the past several years. The firm projects that total revenues will double over the next five years with growth in both employee benefits and property/casualty insurance revenues.

"I understand the appeal a balanced portfolio of 50/50 property/casualty and employee benefits revenue has for many agents," Schuler says, "but as we anticipate growth in both areas, I don't expect employee benefits will reach quite that level but will grow substantially."

Cross-selling across employee benefits and property/casualty insurance is a core activity for the firm, he says. "When our producers first meet with a client, we do so as a team to perform a complete diagnostic on the company's needs within our services area. What we try to do is learn about the needs of our clients and what they are trying to do within their corporate strategy."

The result may call for a re-examination of the client's risk management and benefits structure, he says, acknowledging the overlap of workers compensation, group health benefits and human resource management—areas in which the agency has developed specialties.

InterWest has about 280 employees, including 35 in employee benefits operations. The lead employee benefits producers, Jim Bulotti Jr., vice president of the employee benefits division in Sacramento, and Tom Hughes, vice president of employee benefits in the Chico office, each have more than 20 years of experience.

Bulotti says that health care costs remain a serious issue for most



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clients, but plan design options continue to be the hallmark of California employers—and even as costs increase. Employees don't want to lose their options.

Employee benefit clients range in size from about 10 employees to more than 1,000 employees. Most companies of more than 300 employees self-fund all or a portion of health benefits, but all provide employee plan design options.

"Choice is the key," Bulotti says. "Employers struggle with rising costs, of course, but do not want to reduce or eliminate their options."

As a result, the agency has been moving its clients into more of a defined contribution model, stabiliz-

ing an annual per-employee contribution which can be applied to any of the group health options, which often include health savings accounts (HSAs), preferred provider organizations (PPOs), and health maintenance organizations (HMOs).

California also has more group health plan providers than most other areas of the country. Leading health insurance providers in the region include: Aetna Health, Anthem Blue Cross of California, Blue Cross of California, Kaiser Health Plans, United Healthcare, and Western Health Advantage (HMO), among others.

Managing the choices places a high service burden on the agency, Bulotti



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notes, and has required InterWest to increase its range of services over the years. The agency markets coverage, but also handles open enrollment, benefit communications, COBRA administration and Internet-based employee self-service. Wellness program management, claims advocacy and insurance company relations also come with the territory.

Health reform is likely to increase the demand for these services, he says. The agency has been active with the advisory panels established by the group health plans and has been passing along insights to clients on the health reform provisions that have already come into effect, such as the elimination of plan maximums and the increase of dependent eligibility to 26 years of age.

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The agency maintains a robust service configuration that should be able to respond to the increasing needs, he notes. Benefits producers take the lead in building an initial relationship, but each account is served by a team of two to three additional account managers and representatives with experience in handling the day-to-day client needs.

Hughes agrees that clients will continue to need strong support. "There's a lot we don't know about

health reform yet. What will the insurance exchanges look like? How will they affect broker competition? Will costs continue to escalate?

"I suppose we will always offer insurance products—regardless of the final look of health reform—but our role has clearly becoming more consultative. Even if our clients participate in the new health insurance exchanges, they will need us to help navigate the process and provide a range of support services.

"We continually ask ourselves, 'What new services can we provide?'"

Hughes also anticipates that a change in insurance marketing is unlikely to derail the progress employers have made so far in improving management control over costs, and employers will continue to need their agents and brokers to help them design and support these programs.

Wellness programs, for example, have been increasing dramatically in the past few years as employers come to realize the connections between a healthy workforce, lower claims costs, decreased absenteeism and increased productivity.

"Wellness has a lot of different meanings to different employers and the programs vary from health education to in-depth health management with comprehensive screenings and incentives. But employers recognize the value of engaging their employees in better health."

Hughes also foresees growing overlap of agency services in support-

ing human resource management of the firm's clients. "Our primary role in the past has been managing of the insurance products, but it has become increasingly important to manage the value of the human resource function in benefits administration with support service."

Five years ago, InterWest established a separate human resources consulting operation with six employees, led by an attorney who specializes in labor law, Schuler notes.

The division provides human resource program auditing, consulting on recruitment and employee selection, analysis of compensation and programs for Americans with Disabilities Act compliance, employee evaluation systems and general management training. The department can also provide on-site human resource management and staffing.

Schuler says that human resource consulting and state and federal legal compliance support is a growing field, and providing the consulting service has been an important value-added to support the strategic needs of their clients and the continually challenged human resource departments.

"While we continue to meet with and provide consulting to the financial leadership of our customers—the chief executive officers and chief financial officers—we continue to maintain our commitment to our 'users,' the human resource staff with whom we interact daily," Schuler says. ■