

# Services to Expect from an Employee Benefits Broker

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The delivery of employee benefits has changed profoundly over the last decade. Several years of double-digit medical cost inflation and spectacular corporate failures (e.g., Enron) have led to dramatic restructuring of benefit and retirement options. The pendulum has shifted from employee entitlement to employee engagement and participation, with plans centered on employee cost-sharing and personal benefit/financial management. The role of benefit brokers/advisory firms has also transformed dramatically, as have client expectations. The complexity of the benefits landscape has increased to the point where clients demand and expect that their advisors have the intellectual property and service infrastructure to deliver appropriate solutions. This article highlights the services and infrastructure an employee benefits broker or advisor should provide to help firms control their benefits costs so that they can attract and retain top-notch employees.

## A DOZEN KEY ADVISORY AREAS

From an infrastructure perspective, a company should align with advisory firms that have the expertise and capabilities to advise in a number of areas, including, but not limited to:

- Legislative updates;
- Compliance/reporting;
- Plan assessment;
- Employee education (including spouse/dependents);
- Merger/acquisition (M&A) and divestiture analysis;
- Benchmarking;
- Vendor evaluation;
- Underwriting/rate-setting;
- Contract review;
- Utilization analysis;
- Employee surveys; and
- Program marketing.

Additionally, companies should seek a benefits advisor that uses up-to-date technology,

provides Web-based solutions, and puts a strong team together.

## REGULATORY EXPERTISE IS KEY

Benefits firms must have the resources and intellectual property to educate clients on all regulatory issues. Federal legislation regarding ERISA, HIPAA, COBRA, Medicare Part D, Pension Reform Act, and Health Reimbursement Arrangements (HRAs)/Health Savings Accounts (HSAs) has created the need for employers to make sweeping changes to their benefit programs.

Health care reform is a hot topic at both the state and federal levels. As we enter a federal election year, both Democrats and Republicans have generated numerous reform proposals. Reform on a national level may once again prove to be difficult, if not impossible to achieve, but the current climate certainly suggests that we can expect continued reform measures at least at the state level. As early experiences in Massachusetts have illustrated, health care reform creates significant challenges to employers in meeting required guidelines. Benefits firms are uniquely positioned to educate their clients and their employees on health care reform.

## UNDERSTANDING COMPLIANCE AND REPORTING IS A MUST

Many employers are simply unaware of all of the Department of Labor (DOL) and IRS filings required for typical benefit programs. Failure to file may result in significant fines from the DOL. Additionally, self-correction can be expensive from a legal perspective. At the very least, benefit firms should be able to advise clients of their filing responsibilities, though many firms will prepare signature-ready forms for their clients.

Sarbanes-Oxley (Sarbox) regulations have significantly impacted the structure of benefits for executives in publicly traded organizations. Benefits advisors must fully understand the regulations to offer appropriate solutions for their clients. In the wake of Sarbox, the emphasis on governance, compliance, and

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best practices has become standard operating procedure for procuring all employee benefits. Be sure the benefits firm chosen understands this and has the systems and processes in place to provide the needed information and tools.

PLAN ASSESSMENT AND EMPLOYEE EDUCATION

Several years of double-digit medical inflation have pushed employers to the tipping point. Not surprisingly, health care costs once again rank as a top priority of finance and human resources (HR) professionals in national surveys. Consumer Driven Health Plans (CDHPs) are the current vehicles of choice in the fight to control medical costs. Federal legislation created tax-advantaged HSAs and HRAs, which are used in the design of consumer-driven models. The most successful plans incorporate member-centric programs on wellness, disease management, and general behavioral modification.

The advent of consumer-driven health care with HSAs has changed the relationship between corporate health and retirement plans. Employees are concerned about post-retirement medical expenses. HSAs can act much like "medical" IRAs and be used to fund qualified expenses without eroding other post-retirement funds. Proactive communication and education are critical to the success of CDHP rollouts. Without this approach, employers run the risk of low participation results and/or a negative perception of the plan due to potential front-end deductible exposure. Typically, a slightly longer-than-usual rollout period is necessary for successful implementation. HR organizations should leverage the expertise of their benefits firm to orchestrate the education process. Advisors must have a full understanding of all benefit programs to design communication programs that allow members to efficiently navigate through benefit options.

M&A DUE DILIGENCE CAPABILITY

The current business climate has created a frenzy of M&A activity. A benefits advisor must have strong expertise in due diligence review and acquisition analysis so it can appropriately advise on the potential exposure surrounding the health, welfare, and retirement benefits of companies a firm may acquire. Unexpected claim liability and pension obligations can be potentially devastating to the structure of a deal. Standard operating procedure should be for the advisory firm to sign a non-disclosure agreement and to conduct thorough benefits due diligence in advance of any transaction.

BENCHMARKING ABILITY

Benchmarking is a hot-button topic for employers as they struggle to attract and retain top-notch talent. A business must understand what other companies in its industry or companies of comparable size/revenue in other industries are offering for benefits and compensation. A good benefits consultant should be able to provide benchmarking reports, with data by employer industry and size compiled on both a national and regional basis.

VENDOR EVALUATIONS

The outsourcing or carve out of employee benefits has grown dramatically over the last several years. As a result, benefits advisors must expand their knowledge base beyond traditional benefit programs. An advisor should be able to provide the valued service of vendor evaluation of outsourcing providers. Carve outs typically include:

- COBRA;
• Flexible spending accounts;
• Pharmacy;
• Wellness;
• Disease management; or
• Full benefit administration.

Advisors must have a full understanding of the service model and

capabilities and limitations of the company administering the benefits that they have placed through their client. The return on investment must be understood and achieved!

UP-TO-DATE TECHNOLOGY

Advances in technology have radically changed the delivery of employee benefits. Benefits advisors who do not embrace new technology are at a distinct disadvantage because clients must be serviced 24/7. However, this is only feasible through the effective leveraging of technology. At a minimum, a benefits advisor should be Web-enabled to the extent that they can house client-specific benefit information that can be accessed anytime by members using passwords. Additionally, an advisor's Web site should function as a resource library where your firm can research legislative, compliance, and human resource questions; access various carrier and HR forms; and review advisor newsletters and white papers. An advisor should also have the ability to conduct surveys and Webinars launched through their Web site.

WEB-BASED SOLUTIONS

Many employers have already initiated or are exploring online enrollment and employee self-service. Historically, this has been limited to the largest of corporations willing to make significant investments in human resource information systems. But now, small and mid-market solutions are available through Human Resource Information System (HRIS) and payroll vendors. Insurance carriers and retirement plan administrators have also developed online capabilities. Advisors must have an understanding of these various platforms to assist in making sure the appropriate information is being delivered to employees and vendors.

A STRONG TEAM

Benefits broker/advisory firms should have strong teams capable of delivering the many services

Handwritten note: Let me know if you need a benchmarking report

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companies require. In a larger, multi-site employer, it is particularly important to conduct appropriate diligence before choosing an advisor to make sure they can meet the service requirements. It is imperative to:

- Interview the team that will service the account and gain a full understanding of each team member's role and professional designations.
- Conduct reference checks of current clients. It is often very helpful to get a reference from a former client of the advisory firm. Another approach is to ask for carrier references. Advisors should not object

if clients and prospects check with carriers to get a sense of how the advisor will work with them.

- Expect transparency. Understand how and what an advisor gets paid for the services they offer.

**CHOOSE AN ADVISOR CAREFULLY**

The delivery and management of employee benefit programs is very complex and fluid. HR teams have major responsibilities beyond benefits that are critical to an organization's success. That said, the cost of health care and design of benefit programs in general

can have enormous impact on a company's ability to attract and retain top-notch talent. The selected benefits firm must assume the role as a trusted advisor alongside the law and accounting firms chosen to represent the company. The resources and intellectual property of a strong benefits firm can be leveraged to drive significant economic and cultural value. ☺

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