Newfront Insurance - Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Interview conducted on February 09, 2023

Topics
Employee Benefits, Brokerage Services, Commission-based pricing, Service levels, Client Industries, Profitability tracking, Value-added Services

Summary
A Tegus Client speaks with a Director of Health & Benefits at Willis Towers Watson PLC about the employee benefits space. The Director explains that they work in the health and benefit space, managing 13 new accounts ranging from 3,000 to 12,000 employees, and have experience in a variety of industries. They note that the scope of service offered to clients changes based on size, with smaller clients having a producer/senior consultant and an account manager/account coordinator, while larger clients may require additional team members. The Director also discusses compensation for producers and account executives, with different commission splits based on the size of the client and the individual's role. They caution against overloading account executives with too many accounts, as it can lead to decreased service quality. The Tegus Client also asks about the roles of account leads and coordinators for different client sizes, pricing, ben admin systems, eligibility issues, and the distinction between larger national firms and smaller regional brokerage firms. The Director explains that for clients with 500 or less employees, there is usually a core team consisting of an account executive, account manager, and account coordinator. For larger clients, there are subject matter experts (SMEs) who are shared resources that the core team can tap into as needed. The Director also explains that they do not push for self-funding, but larger clients with over 400-500 lives are almost always self-funded. Self-funded clients are more open to reducing costs, which is why they are targeted. The Director also discusses the process for closing deals and renewals, the structure of subsidies offered by firms, pricing for self-insured versus fully insured clients, using business process outsourcing companies, and marketing for clients.

Expert Details
Director of Health and Benefits at Willis Towers Watson PLC.

Expert is the Director of Health and Benefits at Willis Towers Watson PLC. In this role, the expert is a senior consultant working with large, progressive employers that are looking to achieve appropriate balance between their human resource and financial objectives.

Prior to this role, the expert was the Principal - Senior Consultant at Mercer International Inc., leaving in February of 2020. In this role, the expert was a senior consultant advising large employers in the health care and employee benefits space. During the course of two stints at Mercer, the expert served as Employee Practice Operations Leader (2006-2011) as well as City Office Leader for all lines of business (2018-2020).

Q: Did you or your team offer employee benefit consulting services to clients between 100 and 500 lives?
A: 3,000 and 12,000

Q: Can you speak to the scope of services that you offered to clients as part of employee benefits consulting? Specifically, what services did you offer clients and how did you charge for those services?
A: Yes, I can go into some detail nothing confidential.

Q: Can you speak about your staffing model: specifically, how many people were assigned to service a client, and what were the roles of the people assigned?

A: Sure.

Tegus Client
Hello. Thank you so much for taking the time to speak with me today about the employee benefits space. So to get started, would love to just kick off by understanding a little bit about your current role and what you do.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Sure. So different firms call it different things. But I'm kind of in a hybrid role of a producer/senior consultant for Willis Towers Watson. So I work in the health and benefit space, work on middle market and larger accounts. Manage currently 13 new accounts. And like I say, I'm out looking for new business. My clients range from 3,000 to 12,000 employees. Been doing this for 30-plus years.

Tegus Client
Awesome. I'm curious with the clients, it sounds like you've mainly been 3,000 to 12,000. Have you had much exposure to maybe smaller markets, sub-2,000, maybe anywhere from 100 to 2,000 employees?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
In the past, I have for sure, yes.

Tegus Client
Awesome. So it sounds like you've been doing this for a while. I guess the clients that you work with, what industries are they primarily in?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes. A little bit of everything. So I've got a couple of health systems accounts, hospitals. I've got manufacturing. I've got distributorships. I've got a trucking company, a law firm, a high-tech company. The only thing I've never really done much of is public sector business. But everything else, I've done a little bit of every industry vertical.

Tegus Client
And I guess within those different verticals, and it sounds like you've also worked with clients of a bunch of different sizes. Does the scope of service that you're offering change that much between those groups?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes, not necessarily due to the industry vertical, but because of the size.

Tegus Client
Okay, so you don't see like a high-tech client requesting more maybe than a general business client that might be a manufacturing firm or something like that. They both are kind of around the same level of requests?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes. Well, I would say, generally speaking, I'm giving them the same level of support. That support may look different. So for example, a high-tech employer might want to spend more time on understanding the employee experience and how more of that can be digital. Whereas a manufacturing company may say, you know what, I don't think my team, my employees really want to go for that.

So I'd like to spend more time understanding what's happening with mental health or something, right? But the point is, is that from an overall perspective, you're still spending the same amount of resources, just how they use those resources could be different by industry.

Tegus Client

Got you. And you mentioned that at least based on size, that scope will shift a bit. Thinking about where our focus is, which is really the smaller group, 2,000 and less. And within that, there's different segments. What were the biggest differences of like how you all would think about kind of the level of service you're going to provide for a client that might be less than 500 employees versus one that might be larger?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. So if you're less than 500, and really, the kind of the tipping point there is whether you're self-insured or not. If your client is self-insured or not. But generally, the staffing is going to be the producer/senior consultant, and then you're going to have, in that size segment, 100 to 500, you're probably just going to have different firms call them different things, but like an account manager/account coordinator, right.

Somebody to do a lot of the day-to-day stuff, right? But on a group that size, a client at that size, you really can't devote more than that to it. When you get above 500, and for sure, if you're self-insured, then you've got some other people you need to bring in on occasion for that account.

Tegus Client

Yes. So there's like producer, there's account exec. Like what are the different roles within the service team, would you guys title those, like the most junior to the most senior?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. The most junior is going to be an account coordinator, and they're chasing down what happened to the President's dental claim, all the way to trying to get reports from the carriers. A lot of the day-to-day, I don't want to say minutia, but a lot of the day-to-day stuff you need to have.

And then you'll have, again, in that segment of 100 to 500, then you will have the account lead, whether it's a producer or the account executive. Because sometimes, those titles are used interchangeably. Forgetting about compensation, we'll just talk about the service team. Then that person is really the one, as I like to say, when the employer is looking around the table to figure out whose neck to choke, that's the person, right?

That's the lead person on that account. That's the one who's responsible for it to their own employer, right, to the brokerage firm. They're the one who gets paid on growing that block of business, stuff like that. So they're really the lead on the account. They handle the financial aspects. They handle the strategic planning. Those are kind of the two big aspects that they would handle.

Tegus Client

That makes sense. And you mentioned like both producer or account executive. Would the producer be normally like on the more sales team and get a different commission, and is the account executive more a service team, like a senior service team leader and might have a different commission split or are those interchangeable?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes, that's exactly right. And that's what I meant before by different compensations. So producers have their comp formula, and the account exec has theirs. So the account exec, you're right, it's more of a service function whose job it is, is to round out the account or grow the account as opposed to the producer whose primary responsibility is to bring in new logos.

Tegus Client

That makes sense. And so for that size of a client, would you normally have both a producer in an AE or you'd have like one or the other?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

You would typically have one or the other, yes.

Tegus Client

Okay, got you. And so if the producer stayed on it, they would be responsible or kind of assuming that they need to do the service type asks as well kind of.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Again, just for that size that we're talking about 100 to 500. Because when you start getting above 500, the service gets a bit more intensive, at which point you've effectively taken your producer out of the field, and they don't have time to go sell new stuff. Because they're taking care of the 15 accounts they wrote the last two years. You see what I mean? At some point, the producer has got to be able to step away. Either because of the size of the block or the size of the employers that make up the block.

Tegus Client

Yes. That makes total sense. And I guess, do producers get paid different commission splits as they move up kind of the client size? Like would they get paid the same splits if they were selling a client that's 3,000 employees versus one that's 500 versus one that's 100.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Generally not. And again, that percentage amount can vary based on what kind of an arrangement they've got relative to their base salary. So for example, some brokerage firms will pay a flat base of, say, $60,000, but the producer gets 40% of the first year revenue. And then every year thereafter that, that case is on the books, they get 20%.

Other examples would be instead of a $60,000 base, let's say, we give you $100,000 base, then it's going to be 25% in the first year and 20% years two through whenever, right? So just slightly different percentages based on the amount of the base salary that you're getting. In some cases, you will have to validate that base salary. In other cases, not.

Tegus Client

Got you. And is that kind of a common practice at Willis Towers is to do like each producer might have a slightly different agreement of base versus splits?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes, again, because I can't go into too much detail about my employer. But generally speaking, we have a team that are pure producers. They don't do any client service, and they have a separate freestanding commission arrangement from everybody else.

Tegus Client

That's helpful. And then it sounds like the AE, their primary role is still on the service team. But if they're stepping into this leadership role for these clients, then they would potentially also get a commission portion of it? And is it fair to assume that, that commission is probably a lower commission than what the producer would be getting?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

That's exactly right.

Tegus Client

Got you. And do people try to incentivize having AEs take more and more accounts and kind of freeing the producers up to go and actually spend their time selling?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes, that happens. And just my opinion, it usually doesn't end well. I mean there's a certain amount where that AE just can't take on anymore. Because the goal for all of these firms, and you see the same thing with law firms, accounting firms, consulting firms, whatever, you try to push the work down as far as you can to the most appropriate level.

In some cases, you even push a little further. So if that account exec is taking on more and more cases, they're going to be forced to push down more work to their account coordinator, right? And at some point, that account coordinator is going to go, you know what, I can't do anymore. I'm three weeks behind on e-mail. I can't get to all these issues. We have to hire somebody, right?

So at some point, that's what I mean. It usually doesn't end well. There's a ratio. Generally speaking, 12 to 15. Now again, if we want to focus just on 100 to 500 lives, right, you could probably go up to 18, maybe 20, maybe accounts that someone could handle before they're going to start seeing surface suffer.

Tegus Client

Got you. And is that like a 1:1? Like for each account, would you have one account lead and one account coordinator. So like the account coordinator could take 18 to 20 accounts when the account lead could take 18 to 20? Or are those like a different scale?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

No, that's usually a good look. And the way you want to position that to the client is this is your team. So those two people are copied on every e-mail. Those two people can fill in for each other. In essence, those two people can finish each other's sentences. They work day in and day out with each other.

Tegus Client

That's really helpful. And then I guess once you get that was the 500 or less. Once you get above that or like in the self-funded, what are the different roles that would play a part in servicing those clients?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

You would still have your core team. So you would have your account executive account manager. You would still have a day-to-day account coordinator. But then, you're going to have what we call SMEs, like subject matter experts. So you're going to have to have access to other people throughout the course of the year to step in and help for maybe 15 or 20 hours a year.

So these are people like financial people, right, to help do the self-insured claim projections and to help calculate the budget. You're going to need to have access to a well-being subject matter expert, a communications expert, a legal expert. You're not using them every day. They're not part of the core team, but the firm needs to have those people so that the core account team can tap into them as they need them.

Tegus Client

And so does that mean that for the 500 or less, they're not plugging into any of those, I guess, shared resources for compliance, technical?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Generally not. Because, again, the fulcrum upon which this changes is if somebody is fully insured, right? So if you're 250 lives and you're fully insured, that means there's a contract filed or there's a policy contract filed with the state. There's not a lot of wiggle room. You need basic compliance support. You don't need to do calculations because you're simply paying premium. The carrier takes care of all that. Communications in those size groups tends to be pretty simplistic.

You're talking about generating PowerPoints or Brainshark, the documents for your clients so that they can use it open enrollment. It's a very simplified process. Now that being said, you could have a 450-life group that is in six states that's self-insured, and all of a sudden, now you're into a whole lot of stuff. That would be the exception.

Tegus Client

That's helpful. And so it sounds like the account leave, the account coordinator and then the subject matter experts. Does that mean the account coordinator is essentially like the most junior service person across the org?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes. And some firms call them the analysts. Others call them the account coordinator. But yes, that's the most junior person.

Tegus Client
Okay. So even for your more complex clients, you essentially have two service team members fully on the client and then this tapping into more like a shared resource, it sounds like, across the org.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Correct.

Tegus Client
And for those larger ones, is the account lead still either the producer or account exec? Like does it tend to be one or the other?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
I think at your larger national firms, it tends to not be the producer. At your smaller regional firms, it will be the producer. The producer kind of is in that role of, they have to sell new business, but they have to have ultimate responsibility for hanging on to the accounts that they've written. So yes, that's kind of a distinction between the big national houses and then the regional brokerage firms.

Tegus Client
Okay. And I guess for the subject matter expert, as we think about the different levels of services that are provided, how do you all do your pricing? Is everything just a flat rate or what you've seen in the market. Not necessarily just you all, but is it you're a self-funded client at 600? Therefore, this is our set of services, and everyone gets the same? Or do you have concept of buy up or add-on items that people can add? How do you think about that?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes, it's more of the former. So think about it in a box, and within that box is what we call scope of services, and those are going to be your core services that you provide to everyone. The intensity may vary here and there, but generally speaking, we're going to do renewals. We're going to do a pre-renewal projection. We're going to answer day-to-day questions.

We're going to do vendor management, all of that stuff. All the usual things that you would normally do, that stays inside the box. And for that, I'm just going to pick a number, we get paid $100,000 typically through commission, the broker will get paid $100,000 typically through commission. And the access to those subject matter experts is an internal thing.

The client isn't paying extra for that, right? That comes out of the same commission. But the reality is, is that person, let's say, it's a pharmacist or it's a financial person, maybe not an actuary, but a financial underwriter, that person gets paid a flat salary, but then they work on 25 accounts or 30 accounts, right? Because they're a shared resource throughout the course of the year.

Tegus Client
Got you. And so it sounds like that's the case for maybe the technical team. I'm assuming, for compliance, is that similar where you have like an internal compliance team that is a shared resource?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes. Again, the bigger firms are going to have their own ERISA attorney on staff. The smaller brokerage firms will usually strike a deal with a local law firm.

Tegus Client

That makes sense. And what about like ben admin systems? Is that something that people support internally? And how does that work?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Only for the largest consulting firms relative to our conversation here. Now there's a whole, I would almost say, cottage industry of ben admin consulting firms out there. That's all they do. That's all they focus on. But when you talk about within the confines or the construct of a benefits broker, at the largest firms, they'll weigh in on ben admin systems.

But typically, that's really not something the local or regional broker is going to do. Now they may set up relationships with ADP or Businessolver or bswift, whoever, so they facilitate some things as an accommodation. But normally, the local broker, specifically in that under 1,500 life space, they don't really weigh into the ben admin waters all that often.

Tegus Client

Okay. And what about like for the larger ones who do get into it, what level of support are they providing for when a client is using a ben admin system?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

So in my specific case, I oversee all those relationships from my 13 clients. So I will do the RFP, grade the RFP, narrow it down from four or five down to two, and then make a recommendation to my client that they should go with company A. And then I stay involved through implementation and vendor management ongoing. But we're getting a separate fee or part of our scope of services. What I talked about before, that box gets expanded to say, actually, we're going to be now involved in ben admin. So we're going to need to receive a separate fee for additional commissions from somewhere to cover all of our time we're spending on that piece for you.

Tegus Client

Got you. And for the implementation and just the ongoing vendor management, would that be like your service team, the account exec and the account coordinator? Or do you have an internal systems team that, maybe one is an expert in ADP and one's an expert in a different system?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

At the largest levels, yes. There are experts within like the big five. And I mean they're like Willis Towers, Aon, Mercer, Lockton, Gallagher, people like that, they've got true ben admin technical people. When you're talking about the local broker or accounts like 100 to 1,000, again, that's going to fall back on the producer or the lead account exec. Yes, that's why I say, they don't really wade into those water, so they don't really have a team that could talk about the value prop of Imperium versus PlanSource versus Businessolver. That's not really a game that they play.

Tegus Client

Okay. And so it sounds like for the big players who do this, it is an add-on. It's kind of priced and invoiced separately, and there'd be a specialized team that would do it. That's helpful. What about eligibility? Is that something that you all would engage with as far as supporting a client's eligibility or any issues that they might have that come up throughout the year?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Now when you say eligibility, you mean the eligibility to file or like doing a dependent eligibility audit?

Tegus Client

Like throughout the year, if a client, they have employees who just have eligibility issues, someone doesn't have the appropriate information in the ben admin system. They thought they were eligible that they weren't. They have questions around why is something being covered or why it isn't kind of that level of eligibility?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes. I would say, again, for that 100 to 500, the broker would get involved on that, but only for elevated issues. So that's typically handled by the internal HR department or somebody in payroll, somebody at the ground level there at the employer. If they can't get it figured out, they may come to us and say, "Can you get involved and help us with that?" And the answer would be, yes, let me see what I can do.

Tegus Client
Oka. And would that be in the 100 to 500 or really only for the bigger clients?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes, that's probably not 100 to 500. When you start getting to like 1,000 and up, then they would be willing to do that.

Tegus Client
That makes sense. So stepping back, actually, I'm curious about the self-funded clients that you all have. Is that something that you proactively want to push? Self-funded clients, obviously, you want bigger clients, or I would assume, but do you try to push self-funding?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
I don't know that we push self-funding. I would say it this way. Once you get over 400, 500 lives, almost all of those clients are self-funded already. And those are the clients we're going after. Because they're self-funded, and because they're responsible for paying their claims, they're the ones that you could start to do a lot of things with to help reduce their costs. If you're fully insured, there's only so many things that you, as a broker or you as an employer, could do. So I would say, it's a conscious decision to try to win larger business. It's almost all, by definition, going to be self-funded.

Tegus Client
Okay. I guess jumping back to some of the pricing pieces. You've mentioned most of the time, it's just a commissions base. Do you have any internal checks and balances to make sure that the businesses that producers are bringing in are profitable or priced appropriately relative to level of service?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Oh sure. So either the sales leader, the sales manager, the growth leader in the smaller firms, the President of the agency or President of the brokerage firm, they set the parameters, they give final approval on what goes in that proposal, whether the broker is going to charge $50,000 or $200,000, whatever it is, yes, that's a very methodical process.

Now there are some brokerage firms that will just say, we'll take it over from the current broker if you, as an employer, if you're dissatisfied with your current broker, we'll take it over for standard commissions. And most people work on standard commissions, so that's not uncommon either. But yes, there's a process in place to figure out what that number is.

Tegus Client
And I guess if it's a situation like that where it's a standard commission, so you're not negotiating a fixed rate, you're not really negotiating anything above. If that rate comes in maybe lower than expected, is there flex where you say, okay, we're just going to offer a slimmer scope of services? Or do you kind of have a rule where it's like this is our scope, this is what it costs. And so if you're below this price, it just doesn't make sense for someone to bring you on?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
I guess in that 100 to 500. Normally, the way it works would be we're going to go in for standard

commissions, and we're thinking that, that's going to generate $50,000. And for that, we're going to give you the standard scope of services. If for some reason, it comes in at $40,000 normally, the language that's in the proposal is something along the lines of, we agree to work for standard commissions based on the information you've shared, Mr. Employer, we think that's going to generate commissions of $50,000.

To the extent we come in more than 5% below that number, we would ask you to pay us a fee to make up that difference. There's some sort of offset language that's in most proposals because, I mean, every now and again, you'll bump into a circumstance where the policy that's in place is net of commissions, which means there's no commissions in there.

So you can't run a successful brokerage firm if you're always 15% to 20% underbidding somebody. It's just not going to work. So usually, there's some offset language in there that if the commission structure ends up being, we're too low, then you're going to have to make up the difference in a fee.

Tegus Client
That makes a ton of sense. And so it sounds like there's a lot of checks and balances upfront on making sure that clients are being priced appropriately. Is there then a look-back? Or how do people track the producer profitability?

Thinking in particular about some producers who might oversell or say, yes, we're just providing the scope of services, but then in reality, end up providing a lot more after the initial sell. Because there's some way that you've seen people track the actual profitability of not just revenue.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
At medium- and small-sized firms, the short answer is no, right? They look at it from a department perspective or they look at it from, let's say, the benefits department versus the property casualty department or the large segment team or the small segment team, whatever they call those. But it's very, very rare for a small- or medium-sized brokerage firm to track profitability by client.

Now when you get into the bigger shops, the bigger shops are recording every day, you spent 15 minutes, you spent two hours, you spent six hours, whatever, all of your time is accounted for. Therefore, you can go back and see by client whether that account is profitable. Very, very rarely is somebody keeping track for a small or regional-sized brokerage firm. They just don't do that.

Tegus Client
Yes. So the big ones, they're tracking minutes like a law firm or a consulting firm or accounting or anything in that area.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Because number one, so they can track profitability. But number two, they also have a lot more clients that they're not getting paid commission on that, it's either project-based or time and expense-based. So how could you possibly send your client an invoice if you have no idea what the time is that you spent. You have to have a vehicle for capturing that.

Tegus Client
And so the smaller players then, how have you seen them hold producers accountable to not oversell? I guess what we've seen some is it's really hard for the service team potentially to push back if a producer asked them to, "Oh, let's add this. Let's go in and do this one off." And then it can really end up taking a lot more time and being more expensive than initially thought. Have you seen people put in place good processes or structures to combat that?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
I wouldn't say they're good, but I would say there are processes in place. And normally, that's a management conversation. So if Joe or Elizabeth has made that same mistake a couple, three times, and they really put the account team in a bad spot, then there needs to be a conversation at the management

level, saying, we got to get a handle on this guy or this girl because they're really impacting staff morale they're impacting profit.

We can't continue to over-serve these clients. You need to get him or her under control. That's normally how it happens in a smaller firm. Or I guess, as I've managed different size firms over the years, I've only seen it happen once, where it started to impact producer compensation, where they start penalizing or clawing back incentive comp that was paid because this client, we're way under what we need to be.

Tegus Client

That's helpful. And then jumping back to some of the services, and we were talking about there's the base scope of services and then some that you're going to charge extra. It sounded like systems work was one of those items. What were some of the other items you've seen that are invoiced separately and on top of just the base scope of services?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

So if somebody wants, for example, they're operating out of six states, somebody wants to do a breakdown on the Americans with Disability Act and short-term disability rules in those six states, that's above and beyond the norm, right? That's going to be a fee-for-service project.

If somebody wants, for example, you're rolling out a well-being, a new wellness, well-being program, and you want us to put the strategy together and to manage the actual well-being program, meaning run the challenges, interact with the vendor, all of that, that's going to be above and beyond. That's normally not a core service. So those are two examples of where we would ask for more money because we're doing a lot more work.

Tegus Client

Got you. And it might be just way too small based on what you were focused on, but would you do PEO extractions?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

I'm in the middle of one now, so yes, we do those. Those typically are a project fee. So we're going to need a flat x thousands of dollars to do that when we spin them out of the PEO, and we get them stood up on their own freestanding policy or contract with the carriers. And then we're going to build in our fee or build in our commission into that new contract. So it's kind of a two-part or two-phase approach. One, there's a fee to extract them, spin them out from the PEO, and then there's a separate fee that we charge for ongoing work.

Tegus Client

Got you. And would you charge a self-funded client more than you charge a fully insured or level-funded client? Or are those treated the same from a cost perspective?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Generally, they're close, because nothing is ever the same or identical, but they're very close. Except in the case of, let's say, it's a 500 life fully insured client versus a 500 life self-insured client. And the self-insured client has got two unions and they have four different cost centers that make up their employer.

And they want us to allocate health care premiums six different ways, right? Now we're saying, hold on. This is a much different. There's going to a lot more work involved with that. We're going to need to charge an extra $10,000 to cover that. Something like that, but that's an anomaly. That's an exception.

Tegus Client

What would that discussion look if you're a producer and you realize, hey, this is a bit more complex than initially thought? Who's deciding whether the pricing is appropriate? Is it a conversation they're having with their sales leader? And do you know how that sales leader is coming up with, this is an extra $10,000 versus $20,000 versus $50,000?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. It is a conversation with the sales leader. And at some point, I said, depending on the size of the firm, it's the owner of the firm or the Chief Accountant, the CFO of the firm where we're saying, "Okay, now we're estimating this is going to be an additional 30 hours or 40 hours at our blended rate."

Again, not by client, but the CFO will have some numbers for the whole firm. At our blended rate of $300 an hour, we probably ought to be charging an extra $12,000 or an extra $20,000, whatever it is. That's normally how the conversation goes.

Tegus Client

Got you. And are producers having a conversation with their sales lead for every deal that's closed? Or do they have some level of guidance that's essentially for a base complexity client that's self-funded and 500 as long as you're getting paid more than $50,000 or whatever that amount is, then they kind of have approval to move forward with it?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

I guess, I would say it's the golden rule. Whoever brings in the gold can make the rules, right? So at a lot of these small firms, producers can have an outsized role. At a well-run firm, every deal gets run by the sales leader. Every deal has a check and balance.

Every deal has what we call, like ours do, it's a go, no-go decision. So there's internal paperwork you're going to have to fill out. There's an internal conversation you're going to have about what's the appropriate fee, who's going to staff it, who has capacity. All of those kinds of questions get asked. But again, that's smaller firms, if you're the top producer and you're talking to a prospect, and they say, yes, it's pretty standard.

It's vanilla stuff. It's 500 lives. Yes, we could probably do that for $80,000. Let me send you a formal proposal over the next couple of days. I mean, we would be naive to think that, that doesn't happen. But at the more well-run firms, they've got, like I said before, they've got a built-in process to be much more methodical about how we set fees.

Tegus Client

Got you, that all makes sense upfront. What happens at renewals? So a client came in, either they ended up being far more complex and more work than you thought they were going to be? Or maybe they had some downsizing, so the commission's just lower for the next year than it was before. What does that conversation look like?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

And I'll say now, we're talking 500 plus. But normally, the conversation going in is, we're going to lose money on this account for probably the first year, maybe the first 15 months, and then we're going to get them in the guardrails, and away we go. Because it's really labor-intensive the first year, looking at all their contracts, getting them compliant, figuring out what's going on with everything.

It's just a lot of work. It takes a lot of time to bring on a new client. But if you get to renewal, then you find that you're under, okay, how far are we under? How many months is it going to take before we can break even? Is there a way that we could sell additional services, like voluntary benefits to try to make up some of that shortfall.

Because everybody is probably going to look to take those kinds of remedial steps before they have to get to the point where they go back to the client and they say, you know what, we thought based on everything you provided and everything we knew, we thought we were going to be making $80,000 on this account. We're stuck in the low 50s. We're really missing it.

And like you said, in case there was a downsizing, for whatever the reasons are, so we have to talk about either scaling back our services that we're providing or we need to find another way to bridge that gap. We're willing to meet you a little more than halfway, but we just can't keep absorbing a $30,000 shortfall. Something like that is going to be the conversation.

Tegus Client

Yes. And what if that conversations have and the client's just like, look, we can't meet you halfway this is what our budget is. Would you just say, we just can't work with you anymore? Do you have a, we can't work with you, but here's a list of other brokers that we'd be happy to send you to? How does that conversation look?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. Normally, the way it works is the first one where we say, you know what, as much as we've enjoyed working with you, we're going to have to resign the account. And let's set up a transition plan for us to do that over the next 90 or 120 days, at the most. And you can start the process of looking for a new broker. If you do need recommendations, I can give you some recommendations.

But I mean, just between you and I, I would really have the conversation, please don't do the same thing to the next broker. Don't set yourself up for this problem because at some point, the new broker is not going to be able to deliver the services either. It's not like we're paying our people double what other people are getting. Every broker is going to have the same problem. You need to fix your problem. But that's how that conversation would go.

Tegus Client

Got you. In leaning again to the very smallest clients, and this just might not be relevant for your experience. But what minimums are you seeing being set as far as broker just saying we can't bring in clients below $50,000, $75,000, $20,000. Have you seen those across the board?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Not across the board, but the most common number is somewhere between $15,000 and $25,000. If it's under that, again, for the smaller-size groups, we can't do it.

Tegus Client

Is that the same type of conversation? Or do they say that here's a GA, here's a smaller group? Or people are kind of okay just saying, yes, we can't do it best to block out there.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

You're right. Normally, it's going to go the direction of, if you've got a buddy in the business or whoever you want to work with, make sure you're going through one digital or you're going through somebody else that's a GA, and they'll provide enough service. But we can't support you as a freestanding client for that level of commission.

Tegus Client

Great. And then switching gears a tiny bit, but you mentioned this earlier, where a client comes in, turns out that they have two unions, they're far more complex, they need to allocate premium six different ways. Obviously, that just is adding a lot of complexity, which you get priced for it, but you're also then asking your service team to do more. How have you seen people tracking capacity for their service team members?

Because if it's a normal client, you can maybe estimate, okay, the service team member can do 18 to 20. But if they have four or five of these harder clients, then it'd be expected that maybe they can only do 12. But it's hard to do that, just asking people how busy are stressed out they are. How do you see these worked out or done well from a capacity planning perspective?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. I guess the way people kind of stumble through that because for the smaller firms, there aren't any formal processes in place. The best I've seen manage that is they'll say, okay, these four accounts are kind of outliers. Every month, give you an idea of how much time you're spending on that. That's normally the best that they can do.

Because the person's already stressed out, they're not going to ask them to record their time in 15- or 30-minute increments. But just give me an idea on these four big accounts or the four most complex accounts, how much time are you spending? And I mean, the reality is, it's an all-year thing. Like the example I laid out, that's really going to be a problem in July, and it's going to be a problem in October.

In July, you're doing the pre-renewal estimate, you're trying to figure out where are we going to settle in so that your client's CFO can start to set the budget for the next year. That's why you do that. But then in October, you're finalizing that because the employer client has to get ready for open enrollment. So they need to know what those numbers are. You have to figure out what the contributions are going to be. So maybe it's just two months out of the year where you have to track how much more additional time are you spending. You don't need to overthink that.

Tegus Client

Got you. So for the idea of value-added services, so maybe a client is using HealthJoy or another vendor. We've seen some brokerages who cover this themselves. We've seen some brokerages that ask the producer to cover it all and everything in between. What have you seen there as far as what portion of that is covered by a producer versus a brokerage? And how are those caps or splits done?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. This gets into one of the unknown aspects of the business. The producer or whoever is leading that account, if they can't sell the value-add of bringing on HealthJoy or whoever they're bringing on, that's on them. Because they're providing a different and distinct service. So you should be able to sell that to your client. That's why you need to pay extra.

Now if you brought that client on with the understanding, because you had to go through an RFP process. If you brought that client on with the understanding that, no, this is going to be part of our normal service delivery, this is part of our statement of work, our SOW, or our scope of services, whatever term you use, then that belongs on the firm.

Now you will see some firms that push back and tell the producer, "Hey, if you can't sell that incremental revenue, then it's going to come out of your share, right?" But I think that's the minority of deals. I think most deals, you go in with the understanding that you're going to be providing value-added services, we need to price that appropriately.

Tegus Client

Okay. So what you've seen is, there's some level of services that's within the scope of work that's just included. If we're saying this is part of our base scope, that's the brokerages cost and they should absorb that. Anything on top of that, whether it's HealthJoy, whether it's any other kind of value-add, the onus should be on the producer to be able to sell that. And it shouldn't be the responsibility of the broker to kind of help subsidize those in any way? Is that what you think?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes. Because I mean it's a classic flash point between the producer saying, "Hey, look, I keep bringing in these new logos. It's not up to me to make sure they're profitable. It's up to the firm. It's up to you guys to manage that." And the natural comeback is, well, not if you can't sell value. Not if you keep underpricing our services, right? You need to change your whole discovery process when you're learning more about the prospect before they become a client. You have to learn to do a better job. So at smaller firms, that's a common flash point.

Tegus Client

Yes. I guess for the firms that you have seen offer a subsidy for this, what's the structure that you've seen? Is it just they give the producer a flat dollar amount each year, and say, spend this how you want in value-added services? Is it a, we'll cover 75%. You cover 25%. Some cap? I'm curious what structures you've seen.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC

Yes, I've seen one of two. One is, what you described, the first one, which is a bucket. 25%, depending on your block of business. So if somebody's got a $0.5 million block of business, they'll say, "Hey, we'll give you a $25,000 that you can allocate over your different clients when you need to do this to maintain an account or to win an account."

Others will put a cap in per account, right, where they'll set it up by per employee per month. So we're willing to take on an extra $0.50 or $0.65 per employee per month for these accounts to fund these value-added services, right? So it's either an aggregated bucket of money, so to speak, or it's a PEPM charge.

Tegus Client
Awesome. So do you guys charge differently if it's a self-insured client versus a fully insured client? I mean, as a bystander, I would think that it'd be a lot more work to figure out how to solve the problem of your client if they're self-insuring. If you have to figure out retention and look at their claims. And I don't know, it just seems like a lot more work. Do you get paid for doing that more work or no? I mean, would those be less-profitable clients because you get paid the same, but you're doing more work? Or am I thinking about it wrong?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
You're thinking about it the exact opposite of the way we think about it, right, which is not wrong. But my point is, we set our prices assuming you're a self-insured client. So for a standard 500-life group, I'm just going to pick a number, we're going to need $80,000 a year. If you happen to be fully insured at 500 lives, we're going to make that same $80,000, but we're not going to do nearly that level of work, right?

So kind of the joke in the industry is, give me all the fully insured clients I can handle that aren't too much work. Because my profit margin is actually expanded on those. But the thinking is, let's price our product based on what we need to cover a self-insured client, and we'll enjoy the fruits of our nonlabor on a fully insured group.

Tegus Client
You're sort of pricing for the "worst-case scenario" from the amount of work you do. And if you're positively surprised that it's less work than great. Then it just means it's a better margin, but you're not sort of stuck holding the bag.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Right. And again, over time, and once you do this for a few years and once you see enough clients, most clients fit comfortably within the guardrails. Only every now and again do you run into a client that's an unbelievable amount of work. Or the client where you feel guilty collecting your commissions because you reach out two, three times a month looking to get stuff done, and they're like, yes, we're good. Don't bother. Those are few and far between.

Tegus Client
Maybe just kind of a random different question. Do you see good brokerages using some sort of business process outsourcing company. And I know there's one out there like ReSource Pro, and I think there's one called Patra, where they'll do certain tasks in a repetitive way at maybe lower costs than you might hire someone in your local office. Is that pretty common? And does that work pretty well or not so much?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
I think the short answer is yes. I've seen that. It seems to work best for things in the financial realm, right, where you have to do a significant number of repetitive calculations. That's where you can take advantage of using the BPO. If you're doing customized work, like well-being strategy or communications work, that doesn't really work because everyone is a one-off.

Tegus Client
Makes sense. With respect to marketing for clients, my sense is that marketing can be expensive because

there's a lot of work in going out, collecting the information and sharing that. Do you typically have different frequencies with which you market clients? For example, if a client maybe as a smaller client and it's fully insured, are there opportunities to market, less frequently, like every other year or something? Or does every client get marketed every year in your experience?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
No. And when you say marketed, you mean go out to the carriers, right?

Tegus Client
Yes.

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Yes, those are usually every other year. If a client wants to market every year, as a broker, you need to run the other way because that's a bad client. Self-insured groups, probably every four to five years, you need to do a marketing. You owe the due diligence to your client, you need to do that.

But when you get more sophisticated and you get into larger groups, there becomes limited value in going to market, right? Because we have our own actuaries that can price the product. We have our own tools that can analyze unit costs in the carriers' networks. We have all that information already, right?

The only time I really take my clients out to market is when we've transitioned the account team three times in the last 18 months and my client says, " I've had it. We can't get our bills straight. We can't get our reporting straight. I've got my third new account manager on a stink. We got to pull the plug. We have to go out and look at Aetna or Anthem, United, whoever." But normally, again, that's in the larger, more sophisticated space. There's less value in going to market than there is at the smaller end of the market.

Tegus Client
Makes a ton of sense. And I guess that's the kind of thing where, if you brought on a new client, would you kind of set that precedent with the client when you're bringing them on and be like, this is how we think about this?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
Sure. That's what I say. If a client demand that you go out to market every year, you would say, you know what, depending on the size, it costs us between $250 and $35,000 a year to do a full marketing for drug and medical, life, disability of the whole thing. It's not built into our current fee structure to take out that much money every single year just for our marketing. If you want us to do a marketing, we're going to have to bump up the cost or like I said, run the other way. That's not going to be a good relationship.

Tegus Client
Understood. And with respect to fully insured clients, would you typically have some preferred carrier partners that you go to? Or do you kind of black the far and wide in terms of going out to carriers to see what kind of quotes you might get? What does that look like for let's say, it's a couple of hundred employees, fully insured client. Are you going out to two carriers, or 10 carriers or something in between?

Director, Health & Benefits (Senior Consultant) at Willis Towers Watson PLC
On the medical, there's only four national ones. So you always have those four plus whoever the incumbent is, plus there's always a strong regional. So no more than five. On the life, disability, on the ancillary coverages, no more than six. If you have to go out to more than six as a broker, then you really don't know what you're doing.

Because each of those carriers has a strength, and they have a truly a viable value prop. If you have to go to 10-plus carriers, then it's probably not the field for you. And then again, you can't make money going to 15 carriers. You need to know the business well enough to know who the most appropriate places are to go.

Tegus Client

Okay. Well, you've been extremely generous and helpful, so thank you. Have a great rest of your day.
