



Benefits Briefing special edition

Summary of findings on Employee Benefits Information Exchange

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in November and December 2009, and January 2010, to understand employers and brokers views and experiences regarding three group employee benefits products - group life, group disability, and group dental. Both employers and brokers were asked questions with regard to only one of the three products.

The information in this report is based on an online survey taken by 1245 employers and 621 brokers.

The following pages include findings from employers and brokers regarding their perspectives on:

- The decision-making process in the selection of a provider,
- Broker/consultant involvement,
- Factors driving purchase decisions, and
- Top employee benefits objectives.

Executive Summary

This Briefing includes insights from brokers and employers with regard to the decision-making process for group life, group disability, and group dental.

- When it comes to reasons for going to bid recently, employers and brokers agree; they both cite rate increases as the most significant reason.
- Most employers say roughly two – five people are usually involved in the decision to select a provider, while brokers are more likely to say 2 – 3 people.
- The most common titles involved in the decision process are President/Owner/CEO, HR Director, and CFO.

Employers and brokers also provided feedback on broker/consultant involvement in the decision process.

- Most employers say they used a broker and/or consultant in the decision process to select their current carrier.
- Obtaining pricing information from carriers is the top activity for which employers use brokers. For consultants, no one activity stands out.
- Brokers tend to rate their level of influence in the decision-making process higher than employers do.

This report also presents information on brokers' and employers' views and opinions the importance of factors in purchase decisions.

- Not surprisingly, both groups rate cost to company as the most important factor, on average, when selecting a carrier for group life, group disability and group dental.
- When employers were asked whether they selected the lowest price option during their last purchase decision, roughly two-fifths say they did. Most brokers say their clients commonly select the lowest price carrier.

Lastly, this briefing provides information from employers only on their employee benefits objectives and priorities.

- Employers rate the following objectives as most important to their companies: controlling health and welfare costs, increasing employee job satisfaction, and retaining employees.
- When asked about the amount of money their company spends to fund their overall employee benefits program, about half feel they are better than most of their competitors.

The Decision-Making Process

We asked employers and brokers about the selection process around three group employee benefits products – life, disability and dental.

Reasons for Going to Bid

We provided employers with a list of reasons for going to bid and asked them how much of an influence each was in their most recent decision.

Among *employers*, **rate increases was the most significant factor across all three products**; for all three, more than seven in ten said rate increases were very influential in their decision to go to bid. The second most common reason consistently across all products was rate guarantees period ended.

Beyond that, other top reasons to go to bid were:

- Internal budget constraints
- Reputation of provider
- In accordance with the company's established rules/procedures
- Economic climate in the industry

We asked *brokers* the same question about their clients most recent time to bid. **Similar to employers, rate increases was the top-rated factor for all three products.** Different than employers, brokers tend to rate their own recommendation higher in influence, and they tend to underestimate the importance of a company's own established rules/procedures.

Number of Decision-makers Involved

We asked employers and brokers about the number of people involved in the decision-making process.

A relatively small number of people in an organization tend to be involved in the decision-making. Yet, this varies obviously by company size, more so for companies with 3000+ employees.

Overall, most *employers* say **two to five people** are usually involved in the decision-making process. The majority of *brokers* say that number is even narrower – seven in ten say among their clients **two or three people** are usually involved in the decision.

This may indicate that when a broker/consultant is involved slightly fewer people within an organization are involved, or possibly, that they are involved after some decisions have been made.

Facts about Switching Carriers

When we asked employers whether they switched carriers during their last decision, **most said they did not.**

We also asked brokers what percentage of their clients engage in evaluating their current carrier with the possibility of changing carriers in any given year. Brokers estimate that on average **between 30% and 40% (depending on the product) of their clients** will evaluate their current carrier with **the possibility of switching** in an average year.

Did you know...

Prior to selecting a carrier for group life, group disability or group dental most recently...

- Most employers compared their plan with their peers' plans.
- Roughly half asked their employees for their feedback and/or input.

This indicates that employers tend to be proactive. They are interested in feedback and achieving the best plan possible.

Titles of Decision-makers Involved

We also asked employers and brokers about the titles of people involved in the decision-making process.

The top three titles of those most commonly involved in the decision-making process, according to both *employers and brokers*, are;

- President/ Owner / CEO
- HR Director
- CFO

Yet, as expected, **variation is seen when looking at companies of different sizes.** The majority of small companies name President/Owner/CEO as the most common title involved in decisions, while mid-size and large companies cite the HR Director as the most often involved.

Broker/Consultant Involvement

We then asked employers and brokers about the involvement and role of brokers/consultants in the selection process of a carrier for group life, group disability, or group dental.

Use of Brokers and/or Consultants

More than three-quarters of employers indicate that they used a broker, consultant or both in their recent decision to select their current carrier.

Employers' use of brokers/consultants varies by company size. Smaller employers (less than 500 employees) tend to be more likely to use a broker only.

Broker / Consultant Activities

Employers who use brokers and/or consultants were asked about the activities they are used for.

- Overwhelmingly, brokers are most commonly used to **obtain pricing information from carriers.**
- For consultants, no one activity stands out. The most popular activities for which employers use consultants are: assisting with employee education and communication, obtaining pricing information from carriers, providing research to keep employers aware of issues and trends in employee benefits, recommending cost saving alternatives, and providing industry benchmarks for plan design or products offered.

Are There Carriers That Employers and Brokers Won't Consider?

The answer is yes. But brokers are more likely than employers to have carriers they will not consider.

For all three products, most *brokers* say there are carriers they will not include in a list of candidates for clients to consider.

Among employers, most say there are not carriers they would exclude from consideration.

Since brokers have more experiences and knowledge generally of a broader range of carriers, it is not very surprising that more brokers than employers say yes.

Broker / Consultant Activities (cont.)

When we asked *brokers* the same question, responses were fairly similar.

- **Similar to employers**, brokers say they are most commonly involved in obtaining pricing information from carriers, recommending cost saving alternatives, and assisting with employee education and communication.
- **Different than employers**, brokers mention also being involved with problem resolution of administrative issues with carriers.

For the most part, employers and brokers see the broker's/consultant's role similarly; this seems to indicate a good line of communication between the two groups regarding expectations and needs in selecting a carrier.

Level of Influence

We asked participants – both brokers and employers – about the level of influence their broker/consultant had in the final decision of their current carrier.

There does seem to be **a gap in this area, particularly for group dental**. For all three products, brokers rate their level of influence higher than employers do. About three-quarters of brokers say they are very influential in the final decision, compared to slightly more than half of employers saying they are very influential (slightly less than half for group dental).

Request Additions to Potential Carrier List

We asked *employers* (who use brokers/consultants) how often they request that a broker/consultant add a carrier to the list of potential candidates for consideration. We also asked *brokers* the same question with regard to their clients.

- ✓ Most employers say sometimes
- ✓ While, most brokers say rarely

There seems to be a gap between employers and brokers, which may indicate a communication need.

Factors in Purchase Decision

Importance of Broad Categories

We asked *employers and brokers* about the importance of seven categories (listed below) in selecting a carrier for group life, group disability or group dental. To show importance, participants were asked to allocate 100 points across the categories.

1. Account team
2. Cost to company
3. Cost to employees
4. Employee service delivery
5. Employer service delivery
6. Product/service portfolio
7. Reputation of the provider

Both employers and brokers, for all three products, allocated the most points on average to cost for company, followed by cost to employees. Cost appears to be the top driving factor in the selection of a provider.

Importance of Cost

We asked employers to indicate where they think their company falls on the spectrum below *when selecting a carrier for group life, group disability or group dental*.



Most *employers* say they are on the side of '**good value**'.

When we asked *brokers* where they think their clients fall on the same spectrum (in general), they also tend to say '**good value**' more so than 'low cost', but slightly less so than employers.

Interestingly, employers and brokers rate cost the highest in importance in decision-making, yet, most do not say 'low cost is most important' to them. This may indicate that if costs among providers are relatively close, other factors become very important.

Selection of Lowest Priced Option

When we asked *employers* whether they selected the lowest price option when they last selected a provider, **most said they did not**.

We asked *brokers* how often their clients select the carrier with the lowest priced option. **Most brokers say their clients commonly (top three on a 7 point scale) select the lowest cost provider.**

What Brokers Are Saying...

The majority of brokers say that their past experiences (either positive or negative) very significantly influence their recommendation of a provider for group life, group disability and group dental.



Employee Benefits Objectives & Priorities

Lastly, we asked *only employers* about their company's employee benefits objectives and priorities.

Importance of Employee Benefits Objectives

While employers tend to rate most objectives as important to their company, the three at the top of the list are:

- *Controlling health and welfare benefits costs*
- *Increasing employee job satisfaction*
- *Retaining employees*

Given that these are areas of focus for employers, they present possible areas of opportunity for brokers. Brokers may want to focus on ways to assist employers in these areas.

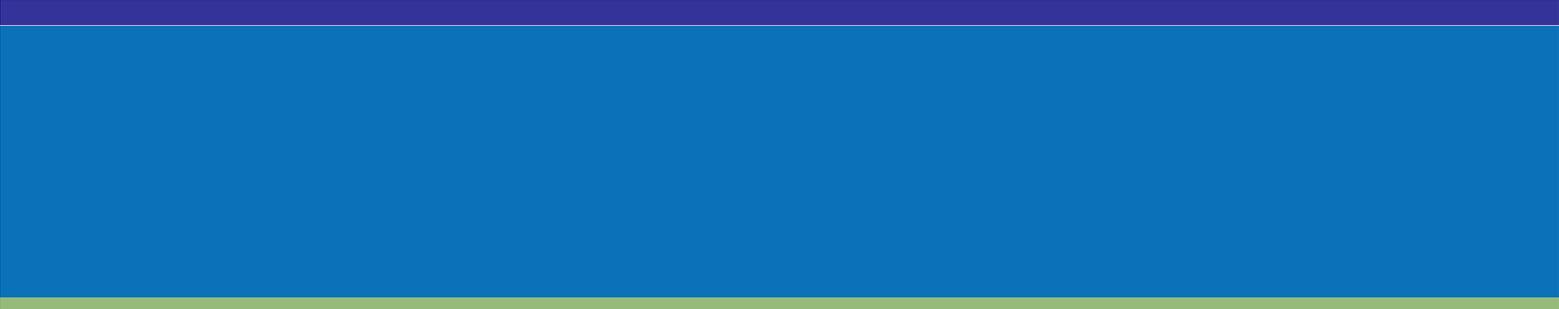
Funding Employee Benefits Programs

Employers were asked about the amount of money their company spends to fund their overall employee benefits program as compared to their competitors.

About 15% say they are best in the industry, while more than **50% say they are better than most of their competitors** when it comes to employee benefits spending.

Meeting Diverse Needs of Workforce

When we asked employers how they would prioritize meeting the diverse needs of their workforce in benefits spending, **most say it's a top or high priority**. This seems to go hand-in-hand with the top objectives of increasing job satisfaction and retaining employees.



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