

Beyond Automation: Leading Health Plans Strategically Leverage Compensation Management Technology as a Competitive Advantage

Technology for a Competitive Edge

Health plans have been facing increasing competitive challenges for a number of years. As the economy continues to decline, the pressure on health plans to compete has grown. Never before has technology been so powerful, cost effective, and necessary to compete effectively in the market place. Leading health plans are realizing the power of new technology in managing business processes, achieving impressive results and significant ROI in the process.

Business Value of Automated Compensation Planning

An effective *compensation planning process* (designing and implementing producer commission and incentive plans) **streamlines operations and optimizes distribution channel performance** – two essential strategies for health plans to achieve sustained competitive advantage. Further, automating the compensation planning process accelerates products to market, broadens the client base, and saves money by eliminating drains on administrative and technical resources.

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In any economy, it is essential for insurers to reward producers who generate consistent revenue. Compelling compensation incentives have the power to reduce the risk of losing the company's investment in a captive agent due to attrition, as well as the risk of losing mindshare with independent producers. The agility to bring plans to producers quickly allows carriers to also influence the distribution channel to achieve targeted results.

The right compensation platform transforms administrative burden into strategic advantage.

Platform and Technological Considerations

Historically, compensation planning has been a time-consuming and imperfect process. It requires extensive analysis, manual calculations usually done on spreadsheets, and frequent adjustments to fix the errors that would undoubtedly occur during the complicated process. In order to make this process hassle-free, carriers must invest in an infrastructure that transforms administrative burden into a strategic advantage.

The right platform *achieves rapid ROI* - by **conserving resources** and time as well as providing **tools to drive revenue**. Carriers are equipped to put effective incentive plans into place that motivate employees to perform, increase loyalty of top producer talent, and reduce in-house agent turnover.

Designing and Implementing Effective Compensation Plans

Automation itself is not enough to achieve the results health plans are looking for. The process of industry-leading compensation planning must also be clearly defined within the organization in order for the automation of plans to be effective. The process can be defined as follows.

Define Company goals

The efficiency of a compensation plan depends primarily on a clear understanding of the company's goals, which are determined by analyzing *how* exactly the company makes the most money. Is increasing the *margin per account* the main

goal, or does the company realize a greater return when it *retains* a client base for many years? The answers to these questions will determine the company's highest priority accounts and products.

Align Sales with Company goals

Theoretically, producers will push plans that give them the greatest financial reward. Therefore, their highest commission should be rewarded on the accounts and products that are the highest priority for the carrier. Health plans must analyze producer performance, and strategize incentives accordingly to ensure that incentive plans are *helping and not hurting* the company's cause.

Have the Right Resources Doing the Right Job

When agents are not confident in the insurer's compensation practices, they end up spending time on time-wasting activities such as shadow accounting. With a reliable, effective means of communication and transparency with producers, they can focus on priority-based and business-critical activities; not redundant activities that lie outside of their primary job of representing the carrier's products.

Monitoring

Timely monitoring is essential to effectively manage the channel. Measuring progress allows benchmarking against expectations. Armed with this knowledge, management teams can adjust their game plan on the fly to meet their objectives.

Transparency improves the relationship between producers and carriers.

Ensure Transparency of the plan

The compensation metrics, policies, regulations, etc considered to design the compensation plan should also be communicated to producers. This transparency establishes a cordial relationship and improves loyalty between producers and carriers.

Reporting and Analytics

Automating the carrier's well-thought-out compensation plan provides much more accurate results than spreadsheet calculations. Monitoring huge amounts of data in spreadsheets makes running reports time-consuming and difficult, if not impossible. Instead, powerful reports generated with automated Incentive Compensation Management (ICM) solutions tremendously provide management with valuable insight through accurate and transparent data and robust analytical capabilities.

Re-evaluation

Companies need to continually re-evaluate their ICM solution to achieve the greatest cost benefit and commission computation accuracy. Through analytics and reports, diversions from the actual results can be easily spotted, attended to, and adjusted. This ongoing process ensures a steady return on the investment in an ICM solution, by keeping compensation plans effective in their impact on the company processes.

Health insurance carriers using keen management strategies and automated, robust Incentive Compensation Management solutions are the best-positioned to maximize their distribution channel and streamline operations, allowing for the greatest competitive advantage and the best chance at weathering today's economic storm.

For more information, download our whitepaper, [Optimal Compensation Management: Aligning Agents with Insurance Carrier Goals](#).

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