

BUDGET-BASED BENEFITS: A NEW APPROACH TO RENEWALS





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INTRODUCTION

We all know the traditional way of presenting plan options for renewal. The broker goes in and shows the client several plan options with different benefits, including the total cost of each plan. Once the employer decides on a plan, the broker may help them decide on a contribution strategy to make the plan fit in their budget; other times, the employer has to figure out how to pay for the plan themselves.

What's the problem with this way of handling benefits renewals? **It doesn't focus on what really matters to employers.** Total plan cost isn't the number that employers really care about. They are concerned with the amount that they pay. However, the typical plan renewal process doesn't integrate premium share into the initial plan discussion—first the employer chooses a plan, then premium share is discussed. If the cost is higher than the employer was hoping to pay, they are forced to either pass off those extra costs to employees or eat the extra costs themselves. (Or, it may open up another round of discussions with the broker, to look at additional options to lower costs, leading to more meetings and a drawn out process.)

This facet of benefits planning is a major reason employers find the process so cumbersome and frustrating. It is the one area where they can't budget ahead of time, which is detrimental for employers of all sizes.

This ebook is going to talk about a completely different way of approaching the renewal conversation, one that employers love. It begins with the employer's budget in mind, then focuses on various plan options that fit within that predetermined number.



CHAPTER 1

START WITH THE BUDGET

Employers have long felt that they couldn't budget in advance for their annual benefits renewal, leading to unhappy surprises and frustrating renewal experiences. Budget-based benefits planning turns the traditional renewal experience on its head, allowing brokers and employers to start with a budget and find a plan that fits within that framework. So how exactly does it work?

START WITH THE BUDGET

The renewal conversation should start with the employer's budget. What do they want to spend this year? Do they want to keep costs flat, are they trying to save money if possible, or are they comfortable with say a 3% increase? (Note that not every budget will necessarily be feasible, but by starting with a budget, you can present plans that fit and give the employer an idea if that number is reasonable or not.)

When you start having these conversations with clients, they may need some explanation to understand the new approach. You may get clients who say something like, "Just negotiate it as low as possible." Explain that you will of course still negotiate on their behalf, but that isn't the intention of asking a budget. By establishing a number up-front, you can present only plans that fit their budget. For example, if the client has a 15% increase coming on their existing plan, tell them that, and ask how much they can afford or want to spend. Maybe it's 6%. That gives you a starting point for step 2.



CHAPTER 1, CONT.

START WITH THE BUDGET

PRESENT PLANS THAT FIT THE BUDGET

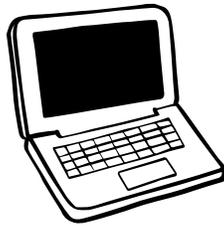
Once you have a budget, it's your job to present only plan options that fit that budget, taking into account premium share and contribution strategies. So using the 15% renewal example, to hit the 6% budget, you'd need to make that plan fit a 6% increase—or not present that plan at all.

Think outside the box a little. Though there are only so many carriers, there are essentially unlimited plan options you can present when you take into account different ways to apply premium share, add HRAs or HSAs, change deductibles, etc.

CHANGE THE CONVERSATION

Presenting only plan options that fit the budget changes the conversation to a more consultative one, and makes the employer more comfortable knowing what they will pay up-front. As you discuss the plan alternatives, it will be easy to look at employee impact as well, so employers can take that important factor into account.





CHAPTER 2

MAKE IT SIMPLE WITH TECHNOLOGY

You may have already realized this, but the best way to execute this renewal strategy is not with a traditional spreadsheet approach. A technology solution like the Dynamic Plan Designer can make it easy to build and present plans that start with the employer's budget and take into account premium share and other important factors.

IMAGINE THIS SCENARIO IN PRACTICE.

- Your client gives you their budget, and you create several plans within that budget, in a visual presentation tool.
- You present these plan options side-by-side to your client using a projection screen or tablet, making it easy for the client to follow along without getting lost in spreadsheets and data.
- If your client has questions on any of the plans, you can dig deeper into the details to examine employee impact and other important factors.
- It's easy to make changes in real-time, fostering an engaging conversation that leads to a quicker decision. For instance, your client may ask what the impact is of tweaking the premium share or changing a deductible amount. You can instantly make that change and show the impact—and even make accompanying changes on the spot to keep the plan within their budget. Or at this point your client may be unhappy with the plan options and realize their budget isn't realistic. It's easy to show what the plan options could look like if they increase their budget a bit.

This approach to benefits planning is a more consultative approach that employers love, and also shortens the time dedicated to each renewal. Instead of dragging out over several meetings when your client asks for plan changes, you can make updates in real-time and examine the impact together, to explore more options and help your client make a faster, more informed decision.



CHAPTER 3

IMPRESS YOUR PROSPECTS

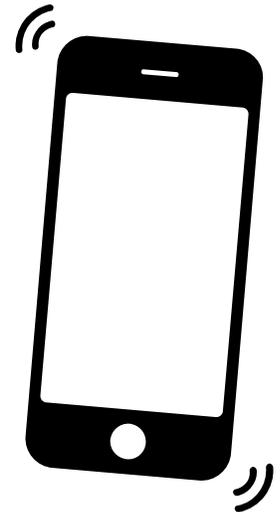
Since the budget-based approach to benefits planning is so popular with employers, it only makes sense for brokers to employ it as a prospecting strategy as well. Here are some ways this strategy can differentiate you among prospects and help you win more business.

COLD CALL

Get a prospect's attention by focusing on the pain and frustration of a traditional renewal experience. Ask them questions such as:

- Are you ever frustrated by an inability to budget for renewals ahead of time?
- Does your current broker start renewal conversations by working within your budget, or is budget only discussed after a plan is chosen?
- When helping choose a benefits plan, does your broker highlight total plan cost, or break it down by what it will cost you?

If you get desired responses from any of these questions, explain that you offer a different approach to benefits planning that starts with their budget in mind, and only examines plans that fit within that predetermined budget. Then request a meeting so you can show them the approach in action.





CHAPTER 3

IMPRESS YOUR PROSPECTS

FIRST MEETING

Use this opportunity to show them how your approach works, using your technology solution if you employ one. Here, you'll most likely just use a sample plan, but the key is to have them feel the difference between this approach and a standard renewal meeting, where you typically sift through spreadsheets full of data in tiny font. Emphasize the budget aspect of this approach and show how you can make easy adjustments in real-time.

Then, ask for a second meeting where you can show their actual plans in the tool. Their interest will likely be piqued enough to say yes.

CLOSE

Once you are able to present their plans using your budget-based approach, and manipulate them in real-time to make changes and adjust for budget impact, this highly increases the close ratio. Employers will want this approach for their next renewal, as they will see the dollars and cents impact in front of their eyes. (Don't forget to ask for the business!)



CONCLUSION

Traditional benefits planning focuses on total plan cost, but employers want to know what their bottom line is. This disconnect causes employers to be frustrated with their renewals year after year, and struggle with budgeting on an annual basis as well.

Budget-based benefits planning can differentiate your agency, grow your sales and delight your clients. It's a more consultative approach than just shopping insurance policies each year, and a less frustrating experience for employers. Your prospects and clients will feel the difference, and reward you with sales and retention.

ABOUT DYNAMIS

Dynamis was founded in Milwaukee, Wisconsin by insurance brokers. Unsatisfied with the traditional spreadsheet-based plan models, static reports and three-ring binders, the founders sought a way to engage employers in an interactive way.

The Dynamic Plan Designer was the result of hundreds of hours of interviews with agents, producers, account managers and most importantly, employers. CEOs, CFOs, HR leaders and benefits managers all agreed that annual meetings with their group health brokers were frustrating (to say the least). They helped design an interactive method to provide competitive health care coverage at affordable rates — all in one meeting.

Through the Dynamic Plan Designer, Dynamis drives collaboration between brokers and their clients, cementing each and every customer relationship. The Dynamic Plan Designer rapidly models innovative benefit plans in a clear, visual format that's easily understood by customers. By doing so, on-site decision-making becomes the standard, positioning the broker as an indispensable asset to the customer's business. Employers will never go back to the spreadsheet method after working with a Dynamis broker.

Dynamis works with leading brokers throughout the country, helping them grow and retain their books of business by finding the most effective plan designs for their employers. Learn more at <http://www.dynamiscorp.com>.



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