

Jordan's Journal 1996

TEN YEARS GONE

I would stay on someone else's pay
But couldn't live on common cents.
With visions and dreams that my way
Would really make a difference.
I've seen dreams fade and visions blur,
But we've just had to change the spin.
Where we're going I'm not so sure,
But what a long, strange trip it's been.

I lost my mind in 1985, though some saw no reason for search parties. With a pregnant wife, a new home and a steady income, I did what any rational being would have done -- I quit my job. Being free (broke), independent (alone) and daring (stupid), I then did what a lot of smart, would-be entrepreneurs should have done -- I hired my mother. It was only temporary, she said. It was only temporary, I said. Ten years later, we're still negotiating tenure. At least now we have company, having added four employees.

A decade of substantial growth gives one pause...okay, that's enough. Employee benefits are a confluence of rapidly moving developments in numerous areas:

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|--------------------|---|
| Politics | ("Poli" meaning many, "tics" being blood-sucking parasites) |
| Markets | (and the profit making and taking that implies) |
| Labor | (giving birth to new employee protections) |
| Tax | (tax my company, tax my employees, tax my patience) |
| Legislative | (the art of making the simple complex) |

If there is any room for reflection on the past ten years, it concerns those patterns that have emerged in employee benefits and what they portend for the future. As your company prepares itself to meet those challenges, our agency will be changing to help you do so successfully. Here's to the next decade!

Reflection One: Where We Have Been

There have been many agents caught standing still
As progress transforms them to insurance road kill
We thought we'd stay further away from the ledge
By capitalizing on insight and professional knowledge
And so on us customers would be more reliant
As we strove to change roles of the agent and client

Whether through serendipity or true insight, our agency saw the need to be different.
Our "mission" :

- 1) In an increasingly specialized age, concentrate solely on employee benefits.
- 2) Offer a greater quantity and quality of services than our competition.
- 3) Extend involvement in professional, legislative and community circles to improve access and responsiveness to direct needs.
- 4) Develop partnerships with carriers and other agents.

Most of all, there was an opportunity to pour passion, commitment and dedication into a business that was really all about service. We could write, teach, communicate, solve problems and provide a "value-added" component that our clients' businesses needed.

Company Growth

It's hard to serve anyone's interests if no one knows who you are. Growth was necessary to carry out our objectives. We are now the third largest benefits agency in Marin/Sonoma, with over 300 group and 600 individual clients. We have 7 employees (2 sales, 2 service and 3 operations) and full Spanish (written and oral) capabilities.

Professional Community

- 1) State Legislative Council: California Association of Health Underwriters and California Association of Life Underwriters, both for the past 5 years.
- 2) State Political Chair, California Association of Health Underwriters, 2 years.
- 3) State co-chair, Association of Health Insurance Agents, 1991-92.
- 4) Founding member and director of the California Brokers Coalition

Carrier Community

Besides having a "preferred broker" status with several carriers, I have served on Broker Advisory Councils for two major carriers for many years.

Local Community

We support several charities, with our primary focus on Big Brothers/Big Sisters. We now give **5%** of our pre-tax profits to local charities and raise additional funds. If we don't give back some of what we get, how can we be a "service" organization?

Writing

We continually author compliance manuals and detailed outlines of legislative, regulatory and political programs for our clients, the business community and other professionals.

Section 89 Compliance Manual - January 1989

COBRA Compliance Manual - September 1992 (and updates)

California Ballot Proposition 166 - September 1992

"Dances with Wolves" - Analysis of the Clinton Health Care Plan in 6 Acts - 1993

California Ballot Proposition 186 - September 1994

Family Medical Leave Act Manual - May 1995

Medicare Proposals and Debate - November 1995 (being released)

Teaching

There are always changes to discuss, and always an audience that wants to hear about them. Speeches have included service and breakfast clubs, the Marin Personnel Management Forum and professional seminars. There have even been debates on the California ballot initiatives, one of which was televised.

Reflection Two: Government Regulation

Some dream of good old days and a reversion
To a time before federal incursion
With governmental regulations everywhere
Particularly where they concerned health care
Or all the other aspects of our lives
Will we still have rights if no business survives?

FEDERAL ACTIVITY

Snake: COBRA requires continued coverage for former employees/dependents
Snake Section 89 sets discrimination rules in employee benefits
in Grass: One year later, after a firestorm of protest, this is repealed
Change: COBRA, Social Security and Medicare are updated several times
Strange: Republican President proposes government pooling of health coverage
Stranger: Democratic President defeats Republican and proposes same thing
Danger: President Clinton suggests sweeping "Health Security Act"
Advise: Americans with Disabilities Act sets discrimination guidelines
Consent: Family Medical Leave Act broadens employee flexibility
Resent: With Republicans in power, seniors cower as Medicare reform flowers

STATE ACTIVITY

Willie: Speaker Brown proposes an overhaul to health insurance delivery
Nilly: The proposal languishes under 2 years of commissioned study
Silly: A liberal state Senator proposes a state takeover of health insurance
Dilly: The same proposal is made in successive legislative sessions
Free Willie: Term limits see an end to the dominance of a few politicians
Pete: Republican Governor proposes government pooling of health coverage
Re-Pete: The proposal is modified and California enacts major health care reform
Peat: Health care reform fires stoked by Proposition 166 - defeated 2:1
Re-Peat: Fire burns brighter with Proposition 186 - defeated 3:1

Reflection Three: Market Movement

Governmental hesitation
Leaves it standing at the station
The rush of traffic makes the market swerve
Leaving Congress trailing behind the curve
They try to fix what they think is the same
Only to find it's a whole new game

The difficulty with any governmental regulation is that it seeks to control only what it recognizes. Often by the time the rules are proposed, debated, passed and implemented, the industry has metamorphosed into something else. This is particularly true with health care. While those in Washington and many states reviewed ways to increase competition and jumpstart a moribund market, changes were under way:

Payers

1) Systems Management:

- a) Providing more practice management and information systems
- b) Technological control and uniformity in reporting and access
- c) Abdicating more power to the provider networks for all care management

2) Blue Cross/Blue Shield:

- a) Changing to For-Profit status
- b) Regional mergers and name changes
- c) Subject to lawsuits over discounts not passed on to consumers

3) Mergers and Acquisitions:

- a) Among For-Profit health carriers
- b) Among Managed Care Organizations (HMOs, etc.)
- c) Between different types of carriers and ancillary products
- d) Ownership or merger with medical clinics and hospital chains

4) Product Integration:

- a) Carriers buying Medicare risk contracts from the Federal government
- b) Development of 24 hour coverage (medical - Workers Compensation)
- c) Offer array of ancillary, but related, products (EAP, wellness, etc.)

Providers

- 1) Creation of Systems:
 - a) Regional, statewide and national expansion of doctor networks
 - b) Growth of Physician Hospital and Medical Service Organizations
 - c) Boundary crossing: hospitals forming insurers, etc.
 - d) Non-profit organizations making conversion to "for-profit"
- 2) Information:
 - a) Health care quality report cards - internal, with business, with government
 - b) Development of "critical path" and medical protocols with quality focus
 - c) Outcomes management, practice protocols, technological assessment
- 3) New Techniques:
 - a) Development of telemedicine
 - b) Purchase of internal risk insurance for new capitation contracts
 - c) Capitation of ancillary providers and specialists

Purchasers

- 1) Coalition Formation:
 - a) Regional private business projects (e.g. Cleveland's COSI)
 - b) Public/Private partnerships (Health Alliances, or HIPC)
 - c) Large company pools (Pacific Business Group on Health, CALPERS)
- 2) Change in Focus:
 - a) Shift from entitlement programs to compensation planning
 - b) Less traditional patterns in favor of more flexible employment
 - c) More tax leverage and group purchasing power for employee use

Reflection Four: The Role of the Broker

Every traditional institution
Needs a point of distribution
But carriers are beginning to learn
They need new ways to earn a return
Making some old-fashioned agents nervous
As they're asked to sell less and give more service

The increasing cost and complexity of providing health coverage places greater demand on small business for strategic planning and compliance systems. This, in turn, places greater demand on the broker to provide better and more services.

Despite this increasing demand for services, carriers try to find ways to eliminate the broker from the system. Health insurance is thought to be a commodity, a view still reinforced to a degree in the marketplace. Curtailing broker involvement can cut costs, thereby making the carrier's products more competitively priced.

The broker, and therefore their clients, are caught in this crossfire, as we move from a product orientation with health insurance to a service orientation.

Business

Flexible work force requires "total compensation planning," and greater strategic planning coordination is needed between Finance and Human Resources.

Legislative

Outside assistance is increasingly needed to explain, implement, monitor and help administer several compliance programs, alone or as they relate to the benefit plans: FMLA, ADA, COBRA and tax discrimination rules. States also have their own rules concerning claims, underwriting, continuation and conversion.

Technological Advances

Growth of "virtual organizations" allows brokers to link and coordinate the most qualified people to handle the technical aspects of a company's benefits package..

Carrier systems permit more direct interaction by customer and broker for enrollment, issue and administration. The broker can thus concentrate more on planning and systems for the benefits program and less on outsourced administrative details.

Technology not only gives greater access, but also increases the complexity and sophistication needed to navigate the explosive changes occurring in markets, systems and regulations.

Reflections on the Future

"Those who ignore history are doomed
To repeat the failures of the past"
Though some cataclysmic changes loomed
They flared briefly and burned out as fast
This does not mean that we simply assumed
There were not reasons why some should last.

Casey Stengel once said "If you don't know where you're going, you could end up someplace else." This defines the challenge of business today. Health care delivery and its financing mirrors these new business patterns, casting reflections on a new system that may potentially be more cost efficient and responsive.

Mergers, Acquisitions and Spin-offs

Consolidation will continue at the same rate as organizational dissolution. Different segments of the health care industry will find economies through merger, while pushing responsibility for performance to the smaller "operating units," which will be required to quantify profitability and health care outcomes. We will see fewer large-scale players in the payment and delivery of care, with differences mostly in orientation and forces rather than in basic product. The final monolithic entity becomes a vertically integrated center that coordinates the disparate activities of many horizontally integrated units:

- 1) Insurance carriers owning their own medical and hospital networks
- 2) Medical networks partnering with hospitals and third party financiers
- 3) Employer coalitions with purchasing pools combining more local resources
- 4) Hospital conglomerates with their own medical network and ancillary subsidiaries
- 5) Government run or sponsored entities to compete with private market plans

Total Quality Management

It's an older slogan, reminiscent more of Carter than Clinton, but it simply lives on in other guises. In health care, we may be coming full circle from health care delivery on demand to the demands of the health care delivery organizations and back. New insurance products (point of service plans), the increasing fragmentation of capitation (fixed fee) contracts and a growing backlash against the devolution of managed care to managed reimbursement all increase the demand for total quality management:

- 1) Quality measured by outcomes data
- 2) Quality afforded by operating and delivery efficiencies of local systems
- 3) Quality demanded by providers, payers and purchasers alike

Re-engineering the Corporation

The demands for greater accountability have compelled the major forces in the health care markets to evaluate their direction, directives and destiny. The move to operating efficiency and coordination within an organization has taken several forms:

- 1) Kaiser may drop the hospital business and affiliate with regional medical center
- 2) Aetna sold off their property/casualty unit to focus on health, life and pensions
- 3) The agency distribution network is under review -- and attack

Companies, markets and salespeople may not persevere
While new tracks are laid so the chiefs can reengineer

Defined Contribution vs. Defined Benefit

The "defined benefit" pension plan was a mainstay of companies where lifetime employment was a tradition. As companies have moved to flexible employment and compensation, so have their benefit programs. The final "contributions" are more clearly defined than the benefits themselves. Several outgrowths of flexibility:

- 1) Increased use of employee leasing and other outsourcing
- 2) Salaries and benefits are more a part of "total compensation planning"
- 3) Downsizing and pay cuts all force increased employee financial participation

Governmental Involvement

That which the market enables, the government soon disables. Increasing government intrusion continues to cause regulation less by enactment than by the "law of unintended consequences." Deadlock over budgets and legislative priorities have changed the focus more to a "law of inconsequential intentions." This year will see the final battle (until next time) between the Republican "Contract for America" and its push for less governmental interference and the Clinton agenda for retaining a role for the federal caretaker. It will also see the impact and results of other trends:

- 1) Medicare and Medicaid debate as part of the budget balancing act
- 2) Calls for state and federal reform of employee benefit rules
- 3) Antitrust decisions on mergers of larger and larger health care organizations
- 4) Alphabet soup of ADA, FMLA, COBRA and ERISA forming a complete sentence
- 5) State and federal allowances on managed Medicaid plans
- 6) Growing combination of medical and Workers Compensation plans

**Where we are going
(We look forward to seeing you there)**

More services to offer with more frequency
As part of the package, we won't charge a fee
This is all part of what we continue to see
As our goal -- "What a benefits agency should be"

Professional Affiliations

By formally affiliating with several agencies, our clients now have broader access to markets and expertise in several areas of financial planning and insurance:

- 1) Two that specialize in Workers Compensation, property and liability
- 2) Two that specialize in life and retirement, with extensive non-profit clientele
- 3) One "personal lines" (auto and home) specialist with many markets

We also affiliate with a number of professionals in legal, accounting and consulting and now work with two professional, integrated "teams" to better coordinate many aspects of financial and benefits review. These teams include real estate, legal, accounting, banking, insurance, retirement and human resource professionals.

Cooperatives

To broaden the number of services we can offer ourselves, or create better access to information and programs at a discounted rate to our clients, we helped form the California Brokers Coalition. This combines the resources of many independent benefit agencies to broaden access and expertise to our respective companies. Expansion to include online services and benefit systems is being considered now.

In Sonoma County, we are working with a number of professionals to form a new health care purchasing coalition. This capitalizes on the advantages of existing networks and finance mechanisms, but uses a plan design and administrative system that will be more responsive to community needs on a cost effective basis.

Projects

I currently serve on the board of an independent pharmacy coalition, which is exploring the next stages of disease and drug management to provide more cost-effective and quality-based services to those enrolling in Marin and Sonoma County health plans.

We are developing a relationship with a national child care referral and education center to provide employees with helpful resource information on day care programs and support. This may be integrated with Employee Assistance Programs on a discounted basis.

New Client Services

We are working with the Preventive Medicine Center of Marin to provide wellness outreach and education.

We have engaged the services of a Human Resource Consultant. Phone consultations are all free, the first three hours of research and work are discounted at 15%, with other projects at their regular competitive price.

Our new Web Site has already registered a domain name, and we are loading our procedures manuals for use by our clients. As new political and procedural information becomes available, this will be announced on our Home Page, and those with access can download the new information to their files.

Our new Web Site will also allow direct access to other "Home Pages" provided by some of the professionals with whom we are affiliated, so clients can be kept fully up to date on a range of insurance, financial and legal developments that pertain to their businesses.

Community

We have extended our work with Big Brothers/Big Sisters to include both the Marin and Sonoma agencies.

I am also doing committee work and fundraising for a local childrens' center, the North Bay Children's Care Network.