The Role of the Benefits Advisor in the Benefits Technology Business

By Joe Markland

When I first entered the Benefits Technology business in 1997 venture capital firms were pouring billions of dollars into technology start-up companies including many with visions for the employee benefits business. Companies like ChannelPoint were going to change the insurance world forever. Healthcare technology analyst Christopher Pavlic of the Aberdeen Group stated, “Eventually even most insurance brokers may become relics as consumers discover the appeal of creating self-customized policies”. (CNET News Nov 4, 1998) While some companies had the vision of eliminating the middleman, in this case the Benefits Advisor, others saw the Benefits Advisor as a distribution source and, in many cases, the customer. The sheer volume of marketing messages and press releases from these well-funded start-ups created anxiety about the future of the Benefits Advisor and confusion about the role of the Benefits Advisor in the benefits technology arena.

Well, here we are, more than 10 years later, and benefits brokers are still around as the primary source of distribution of employee benefits products. However, though the anxiety about being displaced by some technology vendor has faded, the uncertainty about the brokers’ role in the Benefits Technology market remains.

While many of the early technology companies either have closed or were acquired, new solution providers have entered the market with more advanced technologies and expanded services. Many of these vendors continue to solicit brokers as distributors, and others market direct to employers. A third group has added benefits advisory services as an internal capability becoming competitors to the traditional benefits broker. In addition, unlike the late 90’s, the market is more mature and ready for change. The combination of new solutions, sometimes from new competitors, with increased client demand, is forcing brokers to rethink existing technology strategies and reassess their role in this segment of the benefits market.

The term “benefits technology” is a broad term that can mean many things. For Benefit Advisors, there are technologies to run your business and technologies for your customers. Technologies to run your business may consist of client management systems, sales force automation systems, and commission tracking. Technologies for your customers can range from benefit content websites, benefits enrollment systems, online benefits and HR information, and much more. Technologies for your business are your business. Technologies for employers are their business. When the employer is your client, it becomes your business.

I have had many brokers say to me, “I am a benefits broker. I am not in the technology business”. This is not about being in the technology business. This is about solving business problems as it relates to the employee benefits products that brokers sell. For example, one problem employers have that most brokers assist employers with is the enrollment process. Brokers may produce communication materials, hand out and collect enrollment forms, scrub and copy the forms, and may even ensure the information is properly entered into the insurance company’s computers. If technology is available to streamline this process, to whom will the employer look for solutions? Some brokers have taken it upon themselves to provide solutions in this area, while others have played no role at all. Regardless of a brokers' position, a client has a need, and someone will be there to fill that need.

For those who choose to tackle the benefits technology issue, what exactly should the broker's role be? Should the broker provide these solutions? Should they collaborate with a specific vendor? Should they build technology solutions? What services do they provide around the technology? Who pays for this? The answers to these questions are not so simple.

Several variables will affect how a benefits brokerage firm develops a benefits technology strategy. The first and foremost variable is the competitive market. Over the past 10 years, brokers have been using technology as a differentiator. The most common approach is for a broker to contract with a single vendor providing some combination of technologies such as benefit websites, an online HR and Benefits library, or an enrollment system, often offering some or all of these solutions free of charge as an enticement to win new business. This strategy created what I call "broker driven demand". Broker A would have to respond to what Broker B was doing in a market, not because employers were necessarily demanding such solutions, but because another broker was creating the market demand. Many vendors began to recognize this trend of making the broker the customer and distributor and developed similar products to accommodate this demand.

This single vendor strategy has worked in the past but has it flaws. First, it presumes all clients have the same problems and will fit into the same solution. Second, other new vendors have eyes on those same customers and may have better solutions than what the broker is offering.

The second variable is client demand. With broadband internet access readily available for most businesses, a more diverse and often dispersed workforce, more complex benefits plans, and an ever-increasing legal environment, employers are ready and able to leverage technology to simplify the administration and communication of their benefit plans. In addition, employers are now looking for more integrated solutions encompassing HR, benefits, and payroll. Having a single system or disparate but integrated systems simplifies business processes by enabling single data entry. For the employee, the ability to go to a single website to view all HR, benefits, and payroll information is as a more user-friendly solution.

This leads me to the third variable, the vendors. While many of the vendors 10 years ago were pure technology start-ups, today's market movers are more traditional companies that were service or technology providers in the pre-internet era. Well-established payroll and HR companies like ADP, Paychex, and Ceridian have recognized the desire for integrated systems and added benefits capabilities through acquisition. Almost all other major payroll and HR vendors have added benefits technology capabilities to meet the market demands. Microsoft has developed their SharePoint system that employers commonly use as an employee portal for benefits information and, at times, enrollment and HR. Many of these well-funded traditional companies are changing the supply side of the benefits technology equation, and brokers need to pay attention to these trends.

The landscape for employee benefits brokers as it relates to benefits technology has changed. Many brokers with old strategies are stuck with an expense for some technology that no longer gets new business. While some brokers find the changing market disruptive to their business, others view it as an opportunity. So what should a broker do to compete effectively? I have broken this down to seven steps.

1. **Acknowledge that helping clients with benefits technology is a Benefit Advisors job.** Once advisors acknowledge that understanding benefits technologies is part of their job, then the learning process can begin.
2. **Develop a strategy relative to your market.** Each market has its own broker driven demand and client driven demand. A strategy that responds to both will cover all bases and not leave you vulnerable to the competition.
3. **Complete a Financial Analysis.** If you are going to provide technologies for free, perform a cost/benefit analysis. My personal experience is that clients will gladly pay for technologies that solve problems. They want your help, not your money. However, if you are paying for things, you need to know what you are getting into.
4. **Educate yourself and the staff.** You cannot advise your clients about what is best without market knowledge. The technology marketplace is complex and has over 100 vendors.
5. **Integrate strategy into your marketing message.** It is important that all clients and prospects know you are the source for technology solutions related to benefits.
6. **Focus on the problem.** Before delivering any technology solution, make sure it solves a problem.
7. **Deliver on your promise.** If you recommend a technology solution, make sure you follow the process through to the point where the clients' problem is solved.

Much like the benefits business, when an employer hires your firm, you do not necessarily replace all their insurance companies. Sometimes what they have can work; the client just needs help fixing things. With benefits technology, this is also true. On many occasions, I have seen brokers implement technology solutions with no consideration of what the client already had. A trusted advisor needs to have the ability to recognize when to work with what they have and when to recommend a change.

The benefits technology business is complex and will continue to evolve. Whether or not you choose to expand your capabilities to include benefits technology, the market will ultimately drive the demand.

About the Author – Joe Markland

Joe is a Principal and Co-Founder of HR Technology Advisors (HRT). Joe is considered an industry expert on HR and Benefits Technology. He has published numerous articles and speaks regularly at Industry Conferences. Appearances include Health Underwriters meetings in California, New Hampshire, Michigan, Kansas, Ohio, Alabama, Washington, Georgia, North Carolina and Virginia; the LOMA Systems Forum, the National Group Underwriters Association of America Conference, the Kentucky NAIFA Career Path 2000 Conference, the IVANS E-Business Forum, and CIAB Conferences in New York and Chicago.