

Digital Insurance Helps Massachusetts Broker Respond to State Health Care Reform

SITUATION: MASSACHUSETTS HEALTH CARE REFORM PRESENTS OPPORTUNITIES AND CHALLENGES

Employee benefits brokers are operating in an era and industry where fear of the unknown is a prevailing factor. While no one holds a crystal ball, Chris DeLorey, principal of Bostonian Solutions, Inc., an employee benefits and P&C firm, believes his business is primed for success. From his vantage point, the future looks better than expected.

In 2006, Massachusetts was the first state in the nation to institute mandatory health insurance for nearly every resident. Some predict that national healthcare reform may mimic the Northeastern state's model, so there's a close watch on the impact of that legislation. The law requires employers to offer employee health coverage and penalizes those that don't. The Commonwealth Health Insurance Connector Authority, an independent public entity also known as the Health Connector, provides subsidized coverage and facilitates the selection and purchase of private insurance plans by individuals and small businesses. Residents earning up to 100 percent of the Federal Poverty Level receive subsidized healthcare; partially subsidized coverage is available to others based on a sliding scale.

In response to these major changes, what's happening on the broker front? For DeLorey, the phone hasn't stopped ringing. State-wide, employers offering coverage jumped from 50 to 75 percent. By 2007 his Boston-based brokerage was so busy, particularly selling high deductible plans, he engaged small group specialist Digital Insurance to manage the firm's smallest clients. This enabled his team to focus on larger accounts while providing all customers with the quality service they deserve.

"There are more opportunities than ever," DeLorey reports, "yet we're working twice as hard for the same money. We've evolved into an advisor and play a consultative role to help clients navigate the complex legislation." Bostonian Solutions routinely interacts with its larger clients on a monthly basis. The firm advises senior management and helps present new programs and initiatives to employees -- often explaining high deductible plans, COBRA coverage or Flexible Spending Accounts. "Many of the services we provide today fall under the 'benefits communications' moniker, increasing our value and worth in the eyes of our customers," he says.

AT-A-GLANCE

Company	Bostonian Solutions, Inc. (Affiliated with Bostonian Group)
Business Lines	Employee benefits and P&C
Location	Boston, Mass.
Established	2008
Size	Annual revenue of \$4 million

Partnership:

Digital handles about 140 accounts that generate \$5,000 or less in annual revenue

Primed for Success:

- Bostonian Solutions understands the strategic value of a segmentation business strategy
- The agency's small group business is growing, creating the right sales and marketing environment for segmentation
- The firm believes that automated efficiencies can better facilitate current and future communications with their smallest customers

Bottom Line:

A partnership with Digital Insurance enables Bostonian Solutions to flourish in a state that instituted healthcare reform in 2006.

At the same time, the workload has expanded exponentially. DeLorey has been in the insurance business since 1986 and helped establish MAFS, Inc, part of the Telamon Insurance & Financial Services Network in 1992, offering benefits, P&C and financial services and building the employee benefits practice from scratch. Today the agency handles about 450 accounts that produce \$4 million in annual revenue. In December 2008, MAFS, Inc. merged with Bostonian Group, which services even larger accounts, and DeLorey changed his organization's name to Bostonian Solutions. Some of the firm's smallest clients have been with him since the mid-1980s. He's become personal friends with many of them, and has an allegiance to these accounts.

"We have a history of offering high-touch service," he explains. "When we surpassed the \$1 million revenue mark, I realized the larger clients needed more attention and our smaller accounts -- the ones I started with -- were not receiving enough. We were being reactive instead of proactive. It wasn't fair to them, and our client representatives were concerned." Such challenges were compounded by the new demands of healthcare legislation. "It takes time and people power to provide the support that we didn't offer 10 years ago."

SOLUTION: DIGITAL CHANGES DYNAMICS; ENHANCES SERVICE TO SMALL ACCOUNTS

Enter Digital Insurance. "I've known Steve Pede (Digital's vice president, client relations) for years and have high regard for him," says DeLorey. "I knew any company where he was working must be good." He met with Pede to discuss Digital's potential handling of about 140 of Bostonian's accounts that each generated \$5,000 or less in annual revenue.

DeLorey admits it took a while "to get over the idea" that an outside firm would directly manage the clients he'd served for years. "So I went to Atlanta, met the Digital team and saw how they conduct business," he recalls. It was immediately apparent that the company has the dedicated staff, systems and carrier connections to better serve small businesses. "Digital is able to focus on the small accounts that need the extra services that we can no longer provide, and is even capable of advising them about the impact of healthcare reform. With Digital's support, they get the same information as our larger customers," says DeLorey.

"We never could do it all without Digital," says Bostonian's leader. "We would need to hire more people, but that would not be economically feasible. Digital enables our clients to be properly served and allows our personnel to focus on other priorities."

By folding Digital's services under the Bostonian Solutions

brand, his customers still feel connected to his firm. "Our clients are our biggest asset," says DeLorey. "They are the source of future referrals. But I realized if we did not properly service them, they would be willing to listen to competitors. Digital has a proactive approach to serving and renewing business. They reach out to our clients, as well as offer online human resources and wellness portals that our customers never had before. These advantages separate us from our competition and it's all part of Digital's service model."

"Ninety percent of the time when you lose a piece of business, clients will say 'you weren't proactive, or you were late with the renewal,'" says DeLorey. "If you spend time inefficiently reaching out to small business customers, by nature your larger clients will be in jeopardy. You can't serve both well at the same time. That's what Digital offers us -- the ability to be in two places at once."

Because Bostonian now uses an efficient profit model for its smallest base of business, the firm can provide even better service to its larger clients and has "increased its win-rate in the market." One lost account even returned. The customer now works with the same Bostonian representative they had before, but she is now capable of handling 10 clients instead of 40. "She offers so much more time, talent and effort," he explains.

What does DeLorey predict for the future? He believes other states will implement plans similar to Massachusetts and brokers will shift more toward customized services, similar to the role advisors play in the 401(k) business. Federal legislation is potentially another double-edged sword: presenting both threat and opportunity. It all depends on the details of the plan, but those who provide great service and consultation, will be in the best position to thrive. In Massachusetts, with the advent of the nation's first mandated healthcare reform and the complexity of high deductible health plans, "there is an increased need for and value associated with our services," says DeLorey. If you structure business right, there are more opportunities now than ever."



IN THEIR WORDS

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-- **Chris DeLorey**, Principal of Bostonian Solutions, Inc.

