

Choosing and using a benefits consultant

By Shelly Reese, Contributing Editor

When Should you seek outside help? How can you get the most for your money? A *Business & Health* spot check gathered sound advice from both sides of the relationship.

For benefits managers, it's the administrative equivalent to calling in the Mounties. We're talking of course, about hiring a consultant.

Mergers and acquisitions, new federal regs and ever-changing business climate have forced many HR departments into a morass of challenges they're ill equipped to handle alone. Consequently, many managers are turning to consultants to help in navigating the quagmire.

An informal poll of some 400 Business & Health readers, conducted last spring, found that roughly 40 percent used health care consultants in the past two years. Almost a third sought help with benefits design; equal number hired consultants for help in plan selection, and about one in five used them as plan administrators.

The rest had a myriad of requests. Which is typical according to Suzanne Mercure, a principal with Barrington & Chappel, a Falls Church, Va., consulting firm. The projects she works on "are really all over the lot," Mecure says.

But bringing in an outsider doesn't necessarily beget a successful outcome. And, while the work assigned to benefits consultants may run the gamut, the keys to maximizing the relationship are common and consistent.

At the heart of a successful engagement, consultants and employers agree, is a clear understanding of each other's capabilities and the scope of the project. Like a good marriage, a successful consulting contract depends on constant communication, mutual respect and shared goals.

Going Outside

The reasons for turning to an outside advisor are bountiful; lack of staff, lack of expertise, lack of time, and the need for a “big picture” perspective. And the list goes on. Bill Miner, an actuary with Watson Wyatt Worldwide Chicago office, cites organizational change as a recurrent theme in his assignments. Most of the time clients bring him in, he says, they – or their health care networks – are going through some sort of business deal or divestiture. “There’s a new unit being bought or sold or a new HR strategy taking hold that has to be rolled out through the employee benefit plans. Or there’s a new law or regulation from the federal government,” Minor says. It used to be that changes were driven by an alteration in the regs, he adds, but more and more stem from corporate transitions.

That was precisely the case at a Pittsburgh’s Allegheny University Hospitals in 1997, when it decided to merge its four health plans into a single benefits package, says Frank Rossie, vice president of HR. The then three-hospital network was in the throes of bringing a fourth into its fold. And Rossi’s 25-person

Staff wasn’t equipped to handle the new plan’s administration while dealing with the needs of the hospitals’ 5,200 covered employees.

“We were expanding and didn’t have the time or resources to devote to developing a new plan,” Rossi explains. He hired consultants to tackle the task.

The decision to bring in consultants is not always clear-cut as Allegheny’s or as grounded in easily measured, objective criteria. Mercure, who has been on both sides of the table- she was HR director for Southern California Edison Before becoming a consultant – points out that it often has more to do with perception than capabilities. “Sometimes you need external validation,” she observes.

Seeking objectivity

Consultants are often seen as more objective than executives within the organization, Mecure maintains. They can step back from a problem and view it in the context of the entire industry rather than the context of the employer alone. Consultants also can run Interference when confrontations, sensitive issues or company politics are involved. Even if the consultant reaches the exact same conclusion as the in – house

Manager, “ if the project is going to be a sticky wicket because the manager is entering other

people's turf or because he or she doesn't have a good relationship with a vendor, hiring a consultant can help, "she observes. " It's a good cop - bad cop scenario."

External validation is equally important for executives who must sell their decisions to upper management- or to a union. It's the reason Michael Payne, risk management director for the city of, Wichita, Kan., hired

David McCleerey of Advanced Risk Management Techniques Inc., in Lake Forest Calif., when the time came to review employee benefits and recommended changes. Because two hospital networks dominate the Wichita market, Payne wanted to assure the city's largely unionized workforce that the choice between the two was unassailably objective and aboveboard. Bringing in an outsider – particularly one from out of state – helped allay the concerns of 2'800 covered employees, he says.

The consultant "could come in with a report and say "Here is the data I received from both hospitals and here's my recommendations," Payne points out. "There was no question of potential commissions or paybacks from providers - and no perception that the city might be looking so carefully at its pocketbook that it was compromising the quality of care." The consultant had the distinction of being an "expert" – ruefully defined by Payne as " someone who flies in from out of town."

Adding Value

Helpful as a consultant may be, one thing to keep in mind is that the outsider is brought in to augment the HR staff, not replace it. Like the designated hitter a baseball team brings to bat for the pitcher, his prowess at the plate is no substitute for the pitcher's skill on the mound.

With that in mind, Isabella Spiegel, director of benefits and compensation at Dress Barn, a Suffern, N. Y. based apparel retailer, looks for someone who complements her talents. " A consultant should bring to the table things you are not well - versed in. You need someone who has a different viewpoint and different strengths, rather than overlapping your own," advises Spiegel, who oversees benefits for about 7,000 employees in 42 states.

Spiegel has worked with New York – based Progressive Plan Administrators on several occasions. The relationship began a few years ago, when Dress Barn was switching from an indemnity to a point of service plan and needed help marketing it to employees. Most recently Progressive helped Dress Barn select a PPO to add to its roster of benefits.

HR managers spend much of their days on operational details, so they often lack the time to delve into an assessment of plan performance indicators, adds Dave Borden, national director of the health and welfare benefits consulting practice as Arthur Andersen. "Most benefits people within the same organization are going to have a good background on

administration: what the benefits are, how employees get cards, etc. Consultants' strong suit is utilization rates and HEDIS data and plan financials."

Avoiding "Scope Creep"

Hiring a knowledgeable outsider with the skills to tackle a specific problem, however, does not relieve an employer of the responsibility to define and direct the project. To put it another way, the buck stops with the person holding the wallet.

"One of the big mistakes that gets made repeatedly is that organizations hire consultants and then tell them to go away and solve the problem," says Borden. "But you've got to take ownership of the consultant's deliverables in terms of the timing and the cost of the project," he cautions. If you don't, you're apt to be disappointed.

When Bowdoin College in Brunswick, Maine, set about scrutinizing its retirement benefits, Human Resources Director Kathleen Gubser knew exactly what she did and did not need. Gubser, who handles benefits for nearly 700 employees, sought someone with strong actuarial skills to review the college's contribution formula to ensure that it was in compliance with federal regulations. She had neither the budget nor the need for a consultant to conduct a sweeping needs assessment and recommend a sprawling solution.

You have to avoid scoop creep, and make sure you know what you want the consultant to do, "Gubser warns. "for us, the use of the consultants was very cost efficient because we narrowly defined what we wanted the person to do. You've got to remember the meter is always running. If you start a project with a loose structure and goals, you may get to your destination, but the taxi ride will be a lot more expensive than planned."

But consultants like Advanced Risk Management's McCleerey argue that the opposite holds true as well. Clients who hire consultants only to shackle them to predetermined outcomes are wasting everyone's time, he observes. "The best way to use benefits consultants is to tell them what your objective is and then ask they think you are right," McCleerey says. Be aware, however that answering that question will require a preliminary investigation. Consultants don't want a potential to be vague about what they are seeking. But neither do they want to work for benefits managers who have a predetermined outcome in mind and are hiring a consultant simply to validate something they know they already want to do. "You don't want that because you don't know the background," observes McCleerey. "You don't know if someone is being mean spirited or has an ax to grind with a union or what." In such a situation, a "good consultant" will offer to verify the clients' objective and estimate the likely results.

Consults point out too that problems are not necessarily self- contained, isolated events.

Indeed one of the values of hiring a consulting firm is so the outsiders can help clients view their benefits program in totality.

“Many organizations don’t take time to develop a benefits plan that coordinates with their overall business strategy,” Borden says. “ It surprises me to see how many employers do not manage health care and benefits the way they manage, say, purchasing or inventory control.”

To bring their operations in line, Borden recommends a three-year benefits strategy with detailed objectives for the first year and more general goals for the following two. Articulating short and medium term goals keeps an organization focused while affording it enough flexibility to adjust its goal; to meet it’s changing circumstances, he says.

Over the long haul

But common goal aren’t limited to such objectives, and employers say the best consultants are those with a larger understanding of their organizations’ needs, structures, priorities and internal politics. Which is why Bowdoin’s Gubser goes to great lengths to make sure consultants understand the college’s committee-oriented decision- making process before bringing them on board.

“You have to convey the institutional culture,” says Gubser. “ If we get consultants in here and they think they’re going to get a decision by noon tomorrow on information they present today, forget it. It’s not going to happen. You need a consultant who can work within your culture. If you get a bad fit you are going to be miserable.”

Chemistry is a theme consultants and employers return to repeatedly, as crucial to a health business relationship as it is to a happy marriage. “Anytime you’re working with someone outside the organization the chemistry is critical,” Borden asserts. “For a benefits strategy to be successful, it really has to reflect the values and attitudes of the entire organization.”

Chemistry, Payne recalls, was critical to the selection committee’s choice of McCleerey for his first engagement with Wichita in 1993. “It was apparent he would tell us what he would tell us what he truly thought- not just what he thought we wanted to hear. My thinking was, “If we’re going to pay an outsider, that’s what we want.”

That honesty has led to a fulfilling affiliation. Payne speaks to McCleerey about one issue or another every week or two. Although the phone calls don’t come cheap, Payne calls McCleerey’s a “ value-added service.” After all, he says,” Our total annual cost is much lower than if I hired a full-time employee to handle these projects.” The relationship has saved Wichita money, partly because both parties have hung in there for the long haul.

While he might have turned to any of a handful of consultants over the years, Payne has

reengaged McCleerey because he understands the city's organizational structure and its needs. That's an understanding that comes only from an established, long-term relationship.

"There's a large learning curve for a consultant," Payne emphasizes. "And if you repeatedly swap services and change consultants you end up paying for the same learning curve over and over again.

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