

## **Employee Benefit VP Goes All the Way**

Individuals who specialize in employee benefit programs are advocates for the people they serve. Therefore, it is not surprising that professionals dedicated to serving their customers are sometimes pulled into larger efforts that benefit a broader audience and impact people beyond their immediate clients and customers. When Ken Mensio, Vice President for an Employee Benefit Practice in Houston, Texas, began helping a co-worker on a customer insurance renewal, neither he nor his colleague realized that his efforts would directly impact the wording in a piece of Texas legislation to ensure that claim cost information is available.

Ken's involvement began in 2001 when a co-worker approached him concerning an insurance renewal for a privately held software support company in Houston, Texas. The client company had approximately 500 employees with a medical budget close to \$3 million. It was a NASA contractor and had contracts locked in for 3-5 years at fixed costs. Any substantial increase in employee benefit costs would have to be absorbed by the company by passing the increase on to employees, reducing benefits, or reducing staff numbers or individuals covered by the plan.

In this instance, the customer received a 40% premium increase which was extremely high for the year 2000 when measured against the norm of 8% as reported by Kaiser Foundation's 2007 report, Trends in Health Care Costs and Spending. Initially, Ken approached the insurance provider, a large national U.S. corporation, and requested the month-to-month claims experience for the past two years along with the monthly enrollment that coincided with the claims experience. Having worked for an HMO company (from 1994 to 1996 as an Account Executive, FHP a Health Care Provider), Ken knew that the claims experience should be available and could shed light on why the provider increased the renewal 40% in one year.

Generally, the "claims experience" is tracked by the insurance carrier (sometimes by a third party administrator) because it is the way they underwrite the risk for the group and determine the pricing for the plan's premium. The "experience" includes medical and prescription history month by month along with the number of lives covered including dependents. Normally the broker/consultant gets the "experience" along with the customer. In 2000, the company size and funding status determined who received this information. Self-funded groups always get "experience reports" because it is the employers' money. Insurance carriers that offered an HMO product rarely or never provide the "experience" unless a consultant is wise enough to get it or fight for it as Ken did.

Ken was told that the claims experience did not exist for an HMO. This was the standard comment by insurance carriers that offered an HMO, but Ken knew otherwise. Ken pushed ahead and contacted the

Regional Vice President and after an intense discussion was offered the claims experience for a price-- \$8,500. The previously "unavailable" claims experience was now "available for a price." Ken knew it was not normal to charge for the claims experience so he fought to have the charge removed.

Ken spoke with the Local Account Service Representative, the Local Sales Manager, and the Regional VP. He mentioned that if he did not receive the report he would go to the state capitol, Austin, to have legislation passed to require carriers to release claims information at renewal for every size group. Eventually, Ken's persistence and persuasiveness paid off and the Local Sales Manager faxed a copy of the claims experience to him at no charge.

With the claims experience in hand, Ken was able to gather all the company information and "market" the group to achieve the best price for the benefit services desired. The experience was so extraordinary that Ken decided to investigate how legislation could be drawn up to protect other companies from falling into the same trap. The cost of employer provided benefits is the second highest cost for an employer next to payroll. According to the Bureau of Labor Statistics (December 2006), Employer Costs for Employee Benefits Compensation was 29.9% of payroll. For small and medium size companies, increase in the benefit package costs directly impacts the company's bottom line.

With no prior experience lobbying, Ken went to Austin to meet with his state representative and discuss legislation wording that would protect personal privacy on medical records but also provide critical data needed for employers to obtain competitive pricing for their benefit packages. Like almost everything in Texas, the capitol building itself is massive--the largest state capitol in the U.S. with approximately 360,000 square feet. In 1888, the building was claimed to be the seventh largest building in the world, covers 2.25 acres of land, has 8.5 acres of floor space, and 392 rooms. Ken developed shin splints walking around it.

House bill 2146 was already on the floor receiving comments. Ken spoke with his representative and influenced the final wording to include, "On the request of an employer sponsoring a group health benefit plan, the issuer of the plan shall provide to the employer the claims cost information for the employees covered by the plan during the preceding calendar year." The bill also provides protections for individual medical history privacy. The House Committee on Insurance and the Senate Committee on Business & Commerce both voted unanimously in favor of HB2146. Governor Rick Perry signed the bill into law in June 2001.

Ken Mensio, a Vice President for an Employee Benefit Practice of a Houston insurance brokerage firm, stood up for one client company and in doing so influenced new legislation that ensures all companies operating in Texas can receive relevant claims data needed for them to achieve the best competitive pricing for their benefit packages. This may not be a Neil Armstrong (first man to walk on the moon) moment, but it was "one small step" in the right direction in Texas.

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