

CALIFORNIA BROKER

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SERVING CALIFORNIA'S LIFE/HEALTH PROFESSIONALS FINANCIAL PLANNERS

AUGUST 2019

MEDICARE DOUBLE HEADER

Harry Thal and Humana's Rick Beavin talk Medicare



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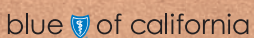


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M E D I C A R E N E W S

Medicare Part D: Coverage Options, Consumer Characteristics and Enrollment Trends

By RICK BEAVIN

In the late 1990s, U.S. spending on prescription drugs skyrocketed. Between 1997 and 2007, in fact, total spending tripled.

Researchers and legislators recognized that the population most vulnerable to rising prices was senior citizens and in 2006 a landmark agreement was signed by Congress to provide Medicare prescription drug benefits.

Medicare Part D is an optional benefit that helps Medicare recipients pay for prescription drug coverage. It is provided by private insurers approved by the federal government—via stand-alone prescription drug plans (PDPs) or Medicare Advantage prescription drug plans (MA-PDs).

Since its inception, enrollment in Part D coverage has steadily increased. Last year, more than two-thirds (44 million) of the 57 million individuals who enrolled in Medicare also enrolled in a Part D plan. Of those, nearly six in 10 (58%) enrolled in stand-alone PDPs, while just more than four in 10

(42%) enrolled in MA-PDs.

By 2060, the number of Americans aged 65 and older is projected to more than double, to over 98 million. By then, the age group's share of the total population will rise to nearly 24%.

Considering projected increases in both the Medicare-eligible population and the increasing proportion of its members electing to enroll in Part D coverage, selling these plans remains a large—and growing—opportunity for health insurance brokers across the country.

Immediate and Long-Term Payoffs of PDP Enrollment

Your members who take few or no prescription drugs may ask why it's worth enrolling in a Part D plan.

The answer is simple: like all kinds of insurance, PDPs protect members against high drug costs if and when they do need them in the future.

Encourage these clients to enroll in the available plan in their area with the lowest premium—so they benefit from coverage, but only

incur minimal costs.

If your members prefer to delay enrolling in a PDP but have no other drug coverage, make them aware of the consequences. First, they will only be able to sign up during the Annual Election Period (Oct. 15 through Dec. 7), and they will incur permanent financial penalties (One percent of the "national base beneficiary premium," \$33.19 in 2019, multiplied by the number of full, uncovered months for which they had no coverage. This amount is rounded to the nearest \$.10 and added to the monthly Part D premium).

In short, signing up for a prescription drug plan now can help lower your members' drug costs immediately—and protect them against higher premiums in the future.

Common Characteristics Among PDP Consumers

For consumers nearing Medicare eligibility, it can be difficult to determine how comprehensive their coverage should be. This is especially true for those

individuals in good health or who prefer to minimize their healthcare-related costs.

Forgoing prescription drug coverage (Part D) is often the default choice for consumers who are unaware that they can enroll in a Medicare Advantage plan (Part C). Medicare Advantage plans are "all in one" alternatives to Original Medicare (but note that consumers must enroll in and keep their Original Medicare coverage in order to enroll in a Medicare Advantage plan). Offered by private companies, they include Parts A and B, and usually prescription drug coverage as well.

As a broker, it's an advantage to understand and appreciate this confusion associated with initial enrollment in Medicare, as well as the common characteristics among consumers who choose to enroll in Part D coverage—either via stand-alone plans (PDPs) or Medicare Advantage Prescription Drug plans (MA-PDs).

Individuals with Limited Income and Resources

Anyone enrolled in Medi-

care is eligible for prescription drug coverage. Individuals with limited income and resources may also qualify for assistance via the Low-Income Subsidy (LIS) program—sometimes referred to as “Extra Help.” It’s a federal program that helps people with Medicare pay for prescription drugs and lowers the costs of Medicare prescription drug coverage (e.g., premiums, deductibles, and copays). It’s estimated to be worth about \$4,900 per year.

Currently, approximately 12 million Part D enrollees receive Extra Help. However, an additional nearly two million are eligible but not enrolled. And, unfortunately, members of that population are more likely than those in the enrolled population to report they do not receive necessary healthcare because of the cost.

Key barriers to enrollment in public benefit programs like LIS/Extra Help include lack of knowledge about the programs and the complexity of the application and enrollment processes.

For brokers, marketing to the LIS-eligible population can help these individuals access savings that result in huge differences in quality of health and life—while building your businesses along the way. This opportunity is especially

attractive, as LIS prospects are eligible for Special Election Periods and can be sold to outside of the Annual Election Period.

Brokers should assist individuals in confirming their LIS eligibility (beneficiaries must have Medicare Parts A or B, reside in one of the 50 states/D.C., and have income/resources below the levels set annually. Current levels are available via the Social Security Administration (SSA) website.

If an individual is eligible for LIS, you may help them apply via web, phone or in person. After their application is approved, they can enroll in a MA-PD or PDP plan that best fits their needs. Note: LIS eligibility will have an impact on their plan premium.

Individuals Who Prioritize Cost Savings

A related big driver behind Part D enrollment is the desire for lower overall costs.

Recent increases in prescription drug costs result in millions of patients forgoing medication and putting their lives at risk. Especially vulnerable are those who are uninsured or underinsured and must pay for prescription medication costs out of pocket. Many of these individuals are 65 and older.

For these individuals, Part D plans may help save

money on medications and provide additional funds for other necessary expenses.

Individuals Who Prioritize Convenience, Choice and Customer Service

Many Medicare Advantage plans combine medical and prescription drug coverage into one, easy-to-use plan. For consumers who prefer this kind of convenience, the plan choices are greater than ever.

In 2019, approximately 600 new MA plans were introduced across the country. More than 90 percent of Medicare-eligibles have access to 10 or more MA plan options, and in many areas the number of PDPs available is higher than ever as well.

Re-evaluating Drug Coverage Annually

After assisting a client in his or her initial enrollment in Part D coverage, it is advised you help them re-evaluate their coverage options annually.

This is because the details of prescription drug plans—including premiums, deductibles, copays, covered prescriptions, and cost-sharing and saving opportunities—typically change every year.

In addition, individual member needs change with regard to prescription drugs. As our age

increases, so too does the likelihood that we will be prescribed medications to mitigate the associated ailments.

According to recent research, one in four Americans aged 65 to 69 takes at least five prescription medications to treat chronic conditions, and that figure jumps to nearly one in two for those aged 70 to 79.

As the Annual Election Period (AEP) approaches, it is a broker best practice to spend time reviewing specific benefits and amenities that pertain to each available plan in your market. This will ensure your client has the best possible coverage for the year to come.

Rick Beavin is the California and Nevada Medicare president for Humana. In this role, Rick is responsible for oversight of Humana’s Medicare HMO and PPO health plans, prescription drug plans, Medicare supplement policies, and private fee-for-service health plans offered to those eligible for Medicare. Rick has more than 20 years of health care experience in both the commercial and Medicare markets. In his free time, he enjoys hiking and mountain biking. Humana offers a range of Medicare Advantage Prescription Drug plans (MA-PD) and Medicare Prescription Drug plans (PDP). The company currently covers 1 in 5 Part D beneficiaries²², has a network of more than 60,000 pharmacies, and coverage in all 50 states. To reach Humana in California call (424) 246-4834.



Are You Living in a Cannabis Desert?

Our friends at Norcal Cannabis Company sent us this map of the California cannabis retail desert.

LAAHU

Welcomes New Board

Congrats to the 2019-2020 Los Angeles Association of Health Underwriters Board!

Brian Sullivan, President
 Peter Seibold, President Elect
 Ross Pendergraft, Treasurer
 Teri Frankel, Secretary
 Bobbi Kaelin, Past President
 Dierdre Kennedy-Simington, Legislative Chair
 Scott Gilbert, Professional Development
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 Judy Daniels, Medicare Chair
 Fabienne DiMartino, Recruiting & Mentoring
 Charlotte McPherson, Communications Chair
 Donald Weiss, Member at Large
 May Jung, Member at Large
 Nathan Carlson, Executive Director

Cal Broker welcomes info from all California AHU chapters. If you have news from your chapter, please send to editor@calbrokermag.com.



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Here's an event not to miss...September 11 PERKS LA will bring you the largest selection of perks, services, amenities and benefits for your clients, prospects and their employees. Plus VIP workshops and fitness, giveaways, free food and drink samples, happy hour and more for all ticket holders. The best part is that CB readers get 20% off by using code CALBROKER. Register at perkscn.com and also check out sponsor/exhibiting details. PERKS LA is September 11, Magic Box @ The Reef, Los Angeles

Commish Lara Takes Heat for Industry Donations

Looks like our new insurance commissioner is taking some heat for industry ties. Soon after Ricardo Lara became the new California Insurance Commissioner he organized a reelection committee that began accepting tens of thousands of dollars in political contributions from folks with ties to companies he regulates. The donations, which are not illegal, contradict a pledge Lara made in the run-up to the 2018 election that he would reject contributions from the insurance industry.

Lara reported accepting more than \$50,000 in donations in recent months from insurance company executives and their apparent spouses, according to a San Diego Union-Tribune analysis of campaign funding data.



Covered Cal Unveils Prelim 2020 Rates

Covered California recently unveiled its preliminary rates for the upcoming 2020 coverage year. The preliminary average rate change for California's individual market will be 0.8 percent in 2020, which Covered Cal says is the lowest premium increase since 2014, and a fraction of the five-year actual average increase of 7.9 percent. The lower rate change was driven by two new state affordability initiatives: the restoration of the individual mandate and new state subsidies that an estimated 922,000 consumers will be eligible to receive, which will lower the cost of coverage. Together, the initiatives are projected to increase the number of Californians getting insurance by an estimated 229,000 people.

Colonial Life and Trupo Collab Offers Freelancer Products

Colonial Life announced a partnership with insurtech Trupo to launch three new insurance products for freelancers in New York. Freelancers can sign up for accident insurance and specified disease and cancer insurance. A spokesperson for Colonial Life says that while this partnership is beginning small, with three financial protection products only in New York, the companies hope to broaden the offer to other products and other areas in the months and years to come. We'll keep our ears open for California news!



SCAN Health Plan Appoints Crossover Health, Google Cloud Executives to Board of Directors

SCAN Health Plan®, one of the nation's largest not-for-profit Medicare Advantage health plans, announced the appointment of Celeste Ortiz, chief people officer of Crossover Health, and Brandon Jones, head of Americas Sales Development at Google Cloud, to its board of directors. In a written release, SCAN said the addition of Ortiz and Jones to the board reflects the company's commitment to selecting experts from various disciplines to help shape the future of care for all seniors.



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EVENTS

LAAHU and VCAHU 5th Annual Medicare Summit-- We'll see you here!

August 20-21, Pickwick Gardens, Burbank
Join Los Angeles and Ventura County Health Underwriters to "Become a Medicare Icon." Speakers, breakouts, CE and much more! More info at LAAHU.org.

NAHU Region VIII Leadership Conference

August 25-26, The Queen Mary, Long Beach
Training and strategic planning for all local board positions, plus an opportunity to network with other leaders. Early bird pricing of \$149 includes evening reception on 8/25 and a full day of conference on 8/26. Stay in a deluxe stateroom for only \$129. Patrick Burns, NAHU Region VIII vp, will preside as ship captain. The event is hosted by LAAHU and OCAHU. More info at LAAHU.org or OCAHU.org.

Association of Health Underwriters Senior Summit

August 28-29, Pechanga Resort & Casino, Temecula
The Sixth Annual Senior Summit sponsored by the Inland Empire, Orange County and San Diego Associations of Health Underwriters is the largest AHU Medicare event in the country. Keynotes, breakout sessions, CE and much more. Early bird pricing in effect until Aug 1: \$79 for members, \$99 for nonmembers. More info at IEAHU.org, OCAHU.org or SDAHU.org.

PERKS LA - The Employee Experience Expo

September 11, Magic Box @ The Reef, Los Angeles

See the largest selection of perks, services, amenities and benefits for your clients, prospects and their employees. Plus VIP workshops and fitness, giveaways, free food and drink samples, happy hour and more for all ticket holders. Register at perkscon.com with code CALBROKER (20% off!) and also check out sponsor/exhibiting details.

NAAIA National Conference & Empowerment Summit

Sept 11-13, Atlanta Marriott Marquis, Atlanta, GA
Leaders from across the insurance and financial services profession will come together at this high energy industry event to further the education, advancement and uplifting of African American insurance professionals. More info at www.naaia.org.

EXTRA: NAAIA Leadership summit sponsored by The Hartford is scheduled for Sept. 11 from 8:15 a.m.-2:15 p.m. at Atlanta Marriott Marquis Hotel. \$150 for early bird, \$175 otherwise. Breakfast and lunch included! Info for this event is also at www.naaia.org.

DCAHU 3rd Annual Medicare Summit

Sept 19, Villa Portofino Clubhouse, 4001 Via Portofino, Palm Desert

Scan Face to Face Level 3 Certification and much, much more! Here's the full schedule for the Desert Cities Association of Health Underwriters Medicare Summit: Registration 8:30 a.m. - Continental Breakfast Provided Course 9-11 a.m.

2 Medicare C.E.s & Vendor Lunch Meeting

"Understanding Social Security for the Medicare Agent"
Presented by Maggie Stedt

"Group Benefits vs. Medicare Benefits"

Presented by David Garcia from Warner Pacific
11a.m. to 2:30 p.m.

Aetna 2020 Benefits Overview Face to Face

Course 2:30-3:30 p.m.

Advance tickets are only \$40.00 - all Inclusive. After September 16 tickets are \$65. More info at DCAHU.org.

Alliance of Comprehensive Planners 2019 Annual Conference

Nov. 12-15, Hyatt Regency Mission Bay, San Diego
The Alliance of Comprehensive Planners (ACP) is a community of tax-focused financial planners who provide planning strategies for clients on a fee-only retainer basis. Conference early bird registration rates (which expire Oct. 11, 2019) are in effect now. Participation is open to all interested financial professionals. Companies interested in sponsoring the ACP Annual Conference should contact Jill Colsch at jill@acplanners.org. More info at acplanners.org.

CAHU Women's Leadership Conference

March 25-27, 2020, JW Marriott Resort&Spa, Las Vegas

Save the date! Get early bird pricing by registering by 8/31/19 and using code NAHU19. More info at www.cahu.org.

LISI presents BETA Health Benefits & Technology

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Consumer Directed Health Plans

Increasing cost transparency is always a good thing

By DAVID FEAR, SR.

About 25 years ago—mid 1990s—a new “thing” came out on the market called “Consumer Directed Health Plans” (CDHP). This was a time of great change in the group benefit market as HMOs were beginning to become more accepted by employers and employees, and PPOs were seeing double digit rate increases. Traditional benefit plan designs were being overhauled as the cost of coverage for traditional plans was increasing by double digits.

Here in California, with the passage of AB-1672, we had guaranteed issue coverage for small employers with 2-50 employees. Coupled with this was a change in rating and underwriting for small employers, which meant that benefit plans were becoming more standardized. As PPOs lost market share to HMOs, employers began to look for another path to preserve the fee-for-service model. This gave rise to CDHPs.

The passage of HIPAA in 1996 also brought a new product to the market—Medical Savings Accounts (MSAs) which, at the time, would be coupled with higher deductible health plans and allow some tax savings of both contributions and benefit payments. This changed in 2004 when the Medicare Modernization Act was passed and replaced MSAs with the new Health Savings Accounts (HSA). Either way, the legalization of these types of “savings accounts” gave new life to PPO plans, but with “high deductibles” that could be wrapped with a pre-tax MSA/HSA. They were referred to as CDHPs and have grown in popularity since then.

The theory behind a CDHP is that if the purchaser of health care services has skin in the game—i.e. deductible, coinsurance, copayment—they

would become better “consumers” and choose less-expensive health care. They would ask questions of their physicians such as alternative treatments, generic Rx equivalents or services provided in an outpatient setting. In reality, it doesn’t always work that way.

HMOs will tell you that they manage a patient’s care better than the patient themselves can manage that care. And that might be true. PPOs will tell you that HMOs don’t work for everyone and that patients should be able to have choices in where they get care and in the quality of the care they receive. In other words, decisions should be made by the patient.

Some people take advantage of information available on the internet and make provider and treatment decisions based on that information. However, we all know that there are many inaccuracies on the internet too. In the end, the best decision about one’s health care is to consult with licensed and experienced physicians who can provide viable options for patients. That is what Consumer Directed Health Care is about—the consumer working with their health care provider to make informed decisions.

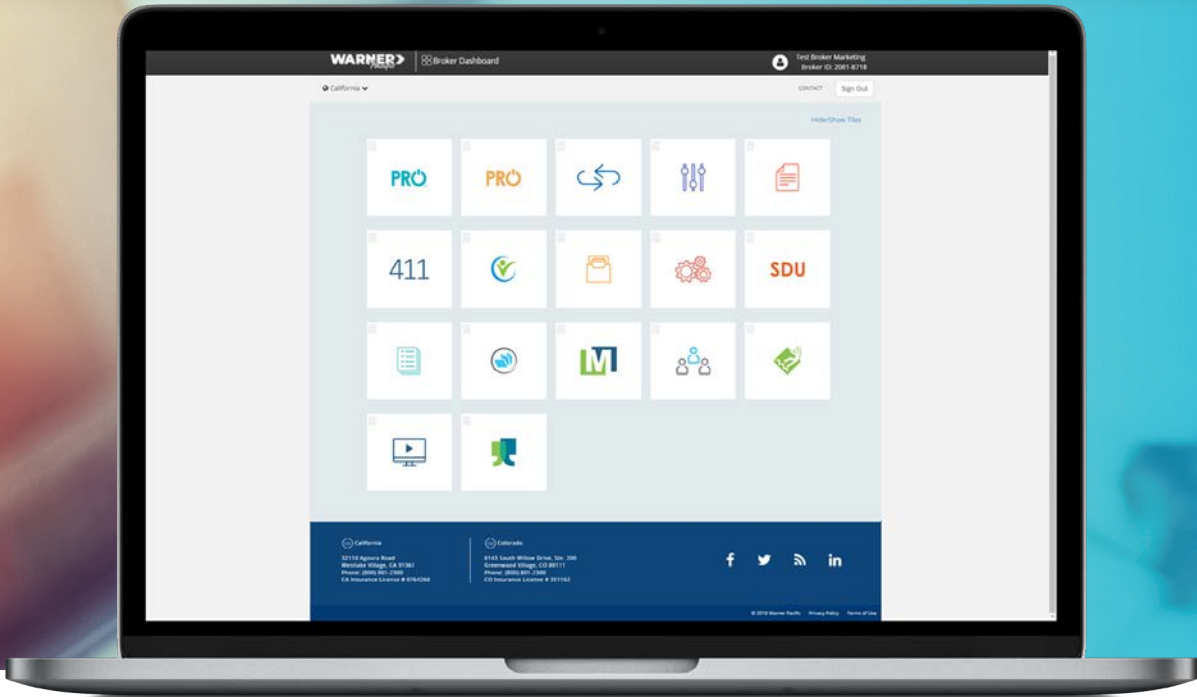
Over time, HMOs caught on to this and have brought out their own version of CDHPs—which today are high deductible plans that can be used for a variety of applications. The enactment of the Affordable Care Act pretty much guaranteed that CDHPs would continue to be around as we have high deductible health plans at nearly every level of benefit available (Platinum, Gold, Silver and Bronze). Some of these HDHPs are qualified to be used with an HSA and that is a good thing. However, over the past 15 to 20 years, CDHPs became popular with another program—Health

Reimbursement Arrangements (HRAs).

What an HRA does is shift some of the risk for claims liability back to the employer who effectively ‘partially self-funds’ their benefit by reimbursing a portion of the deductible or out of pocket expense that the participant incurs during the year. Following passage of the ACA, new regulations were adopted pertaining to how an HRA can be used by employers. At the very end of the Obama administration, Qualified Small Employer Health Reimbursement Arrangements (QSEHRA) were adopted for employers with fewer than 50 employees. Most recently the Trump administration published final regulations which overturned regulations from the Obama administration having to do with HRAs and individual health insurance coverage.

So as of July 2019, the future continues to look bright for the continued adoption of CDHPs in both the group and individual markets. CDHPs offer catastrophic protection at a lower cost than traditional coverage and give the member the option of wrapping that coverage with a tax-favored program such as a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA). Having these choices available is good for both workers and employers. Even greater though is that such programs help make the cost of health care a bit more transparent to consumers who have been long out of touch with what the actual cost of health care really is.

Cal Broker editorial advisory board member David L. Fear, Sr., RHU, is managing partner of Shepler & Fear General Agency and a 40-year veteran of the employee benefits industry. He is a past-President of CAHU and NAHU and 2015 recipient of the NAHU Harold R. Gordon Memorial Award as ‘Health Insurance Person of the Year’.



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MENTAL HEALTH BENEFITS

Many companies focused on health and wellness are beginning to eliminate the stigma of mental health by educating and training employees.

COMPILED BY THORA MADDEN

Cal Broker reached out to a couple of carriers in the know for our first mental health benefits questionnaire. With your help we can expand the survey and info in years to come. Please tell us what you want to know when it comes to these important benefits. Use the subject line “mental health” and drop us a line at thora@calbrokermag.com.

1. Can you describe the behavioral health plans you offer?

Judy Buczek, director, group life and disability, Guardian:

Guardian offers several plans that provide assistance to employees who need it. Our WorkLifeMatters Employee Assistance Program (EAP) is a value-added service that provides employees and their family members resources to address a number of wellness issues. The program provides confidential, personal and web-based support for: stress management, dependent/elder care, emotional wellbeing, nutrition, fitness, as well as legal and financial issues.

We also offer employers Guardian AbsenceWorks®, which is a robust leave management program for employers, that includes EAP services for employees should they need it. When mental health causes an employee absence, Guardian has a

team of behavioral health and vocational rehabilitation specialists who understand the importance of providing support to employees during their difficult time and make themselves accessible to employees throughout the process. Guardian also incorporates health management program referrals for employees (e.g. employee assistance programs) as part of the program.

Finally, we offer several disability insurance plans for employers that include EAP giving employees access to programs focused on mental health, financial wellness and community services/support groups. We understand that mental health and disability leave go hand in hand, so Guardian’s plans focus on returning employees back to work by using the right resources such as behavioral health professionals.

Pam Jenkins, assistant vice president of product and market development at Colonial Life:

Colonial Life provides an Employee Assistance Program with our Group Term Life product. This provides free access to confidential counseling and resources via phone, in-person or online chat for a variety of personal and work issues. In most states, employers may choose to offer our disability plans with psychiatric or psychological condition benefits due to disability.

The impacts of stress and untreated mental health conditions have become more publicized and acknowledged by employers. The importance of providing benefits to treat mental as well as physical health continues to grow.

2. Are you seeing an uptick in interest in behavioral health benefits? Have there been any significant changes in recent years?

Judy Buczek: We have definitely seen an uptick in interest at the employer level for more programs, like EAP, that can help employees who are undergoing emotional, mental and financial stress. And this is something that we know is also important to employees. Guardian's 4th Annual Workplace Benefits Study revealed that most working Americans (82%) say improving their emotional wellness is important to them.

Take for example a recent analysis of Guardian's disability claims. It shows mental health as a leading cause for individuals to use short-term and long-term disability insurance. Often these claims lead to an extended period off work. Employers are now making the connection on how offering services, like EAP, can help with return-to-work as well as impact productivity.

Finally, many companies focused on health and wellness are beginning to eliminate the stigma of mental health by educating and training employees. It's important to not only educate your workforce, but also help them be aware of the resources or benefits available to them.

Pam Jenkins: The impacts of stress and untreated mental health conditions have become more publicized and acknowledged by employers. The importance of providing benefits to treat mental as well as physical health continues to grow. Recent Colonial Life research found that more than 20% of U.S. workers spend more than five hours on the clock each week worrying. It's costing employers billions in lost productivity and engagement. Employers have an interest in providing access to services, either by the type of voluntary products offered or through a separate Employee Assistance Program.

3. What can brokers and benefits people do to help employers/employees and individuals better understand their behavioral health benefits?

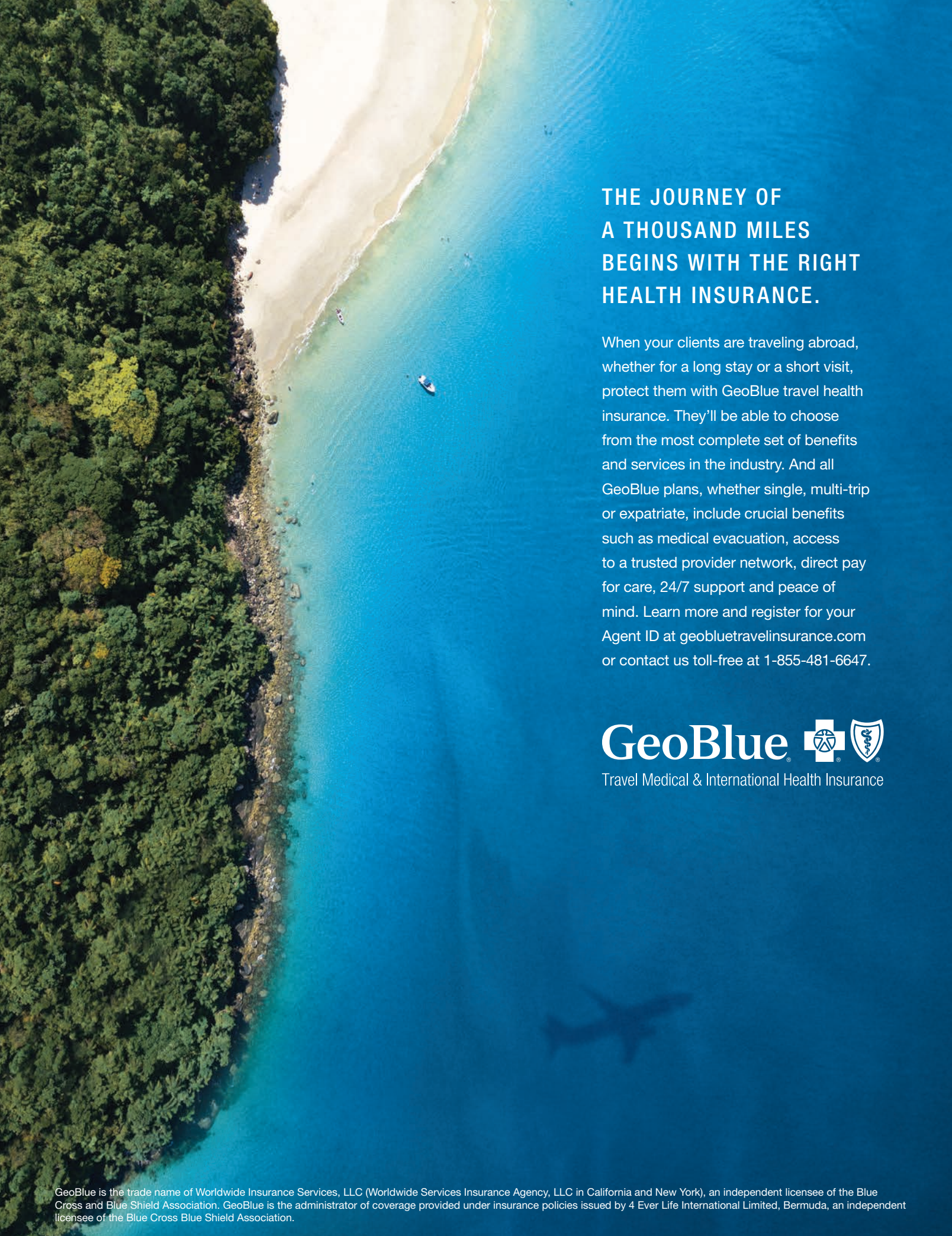
Judy Buczek: Guardian 4th Workplace Benefits Study showed that about half (53%) of all working Americans believe they have access to an employee assistance program (EAP) at work, but of those, only 1 in 10 report ever having used it. Those who have used EAPs do so mainly for relationship or mental health counseling (55%) and for help with stress reduction (30%).

This demonstrates an opportunity for brokers/benefits consultants to help employers and employees better understand their benefits, such as EAP. At Guardian, we have the following best practices to help employers use their EAP to improve their employees' well-being. This includes:

- Designate people to champion EAP within your organization
- Promote awareness of the program throughout the year
- Promote the services available in your EAP Program
- Highlight the work/life resources available through your EAP Program
- Consider your EAP program as an extension of the HR Department

The key takeaway is that if brokers and benefits consultants are working with clients who have EAP or are interested in having one, a year-round communications plan that educates and promotes the services is paramount to its success and well-being of their workforce.

Pam Jenkins: Continue to talk about the importance of dealing with any mental health issue as just that - an issue of health! Recognize the impact to an employer's bottom line if employees are struggling to find help with personal issues. This can result in higher absenteeism, poor job performance, impact to co-workers, or other outcomes.



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OUTSIDE THE BOX MEDICARE MARKETING



By HARRY P. THAL

When you first walk into our office you step across the threshold and are greeted with our welcome mat. This mat sports our logo, which is a caricature of me in my newsboy style leather cap. I was wearing this cap when a photo was taken, and it was sent to the artist who rendered first a line drawing, and then the full-color logo that we use today.

I have many agency friends and associates who have logos, all of which are some type face or stylization of the company name. These are very pretty on letterhead, but it don't do much in selling your products or your being recognized in the marketplace.

I wear the cap wherever I go in my community or at any professional event. At the NAHU convention recently I sported the logo on my golf shirts and my sweatshirt. The cap was on and was recognized as me and my logo. At the formal Gordon Memorial Dinner, the black cap went well with my tuxedo even.

I use this logo on almost everything. My office is a storefront with a small (AstroTurf) lawn out front. We have a sign with a clipart photo of a dog lapping up water and the logo, adjacent to a water station for dogs, cats and nighttime wildlife.

I write a column which appears in our weekly hometown newspaper as well as another article in a monthly publication which has a circulation into far-reaching rural communities. In addition to the informative articles, I always place an advertisement with the logo (important point: we need to financially support these papers).

Of course, it also appears on all our stationery, brochures and other advertising. You can't go to our single screen local movie theater without seeing our pre-movie ad featuring the logo. There are two back-to-back slides. The first shows the logo and asks the question, "Do you recognize this person?...If 'YES'...Clap Once. The next screen has a photo of me, with the hat and an ad with the agency information and what we do...sell Medicare and individual insurance.

A while ago I was coming out of the local pharmacy. Now, this pharmacy provides my business cards and brochures to their clients. My logo is well known. Directly outside the pharmacy street door is a bench. It was very hot outside. I was not wearing my "trademark" hat. A man, unknown to me, looks up and asks, "Where's your hat?"

When I present a seminar on marketing, I begin with a slide of the 'Golden Arches', then a slide of the Nike 'swish' and ask the audience to identify the

company related to the logo. The next one is a little harder, the PH for the Las Vegas hotel Planet Hollywood. That one, being local, is only known to the locals and some visitors. Lastly, my caricature and I explain that in my local community I am not up there with McDonalds, but more recognizable than the "swish".

Several months ago, my nephew brought up three tour busses of Girl Scouts from San Diego for camping, white water river rafting and other local activities. The girls had a great time and have made this now an annual outing. My wife and I greeted the girls when they arrived, saw them off while getting outfitted for their rafting trip and, on their departure, I thanked them for coming to our community. (They spent \$36,000 with local merchants). One young lady raised her hand with a question. Says I: "Yes?" "Are you the Mayor?" she asks. "I see your picture all over town." Marketing works!



Harry P. Thal, MA, is a licensed insurance broker in California and 27 other states. He shall be presenting more out of the box marketing ideas at the Los Angeles/Ventura County Medicare Summit on August 20-21. To register: <http://laahu.org> Harry may be reached at (760) 376-2100 or harrythal@aol.com.

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GOODBYE TO ONE SIZE FITS ALL: INNOVATIVE GROUP PRODUCTS MEET DIVERSE NEEDS

By RICH WILLIAMS



Today's consumers increasingly want products and services tailored to their unique needs. For example, take the athletic-wear industry. Whether the buyer is an elite athlete who has workout gear custom-fitted based on a three-dimensional body scan or a teenager who goes online to select the right color and design for that new pair of athletic shoes, the trend toward customization is clearly on the rise.

A 2018 study found that 26% of Americans have bought a personalized product—a jump of nine percentage points in the last three years. Those purchases are happening in a wide range of industries, from apparel and footwear to vacation travel and household goods. More narrowly, this movement away from a “one-size-fits-all” mindset is also found in the insurance industry, where some companies are evolving their supplemental group insurance with innovative features to help meet the diverse

needs of the people they serve.

Companies are increasingly looking at supplemental coverage as a strategic way to help enhance employee offerings and hire and retain valuable workers. According to the 2018 Aflac WorkForces Report, 55% of employees admitted they are at least somewhat likely to take a job with slightly lower pay but a more robust benefits package.

For brokers and agents who want to unlock new sales opportunities, now is the time to ride this customization wave and feed into the still-growing appetite for comprehensive benefits. Make your clients aware of the variety of supplemental coverage available that can help employees find the right fit for their circumstances.

Supplemental coverage addresses advances in medicine

For years, supplemental coverage has helped people pay for the costs of illness or accidents that their health insurance does not cover. But many

Americans are becoming aware of their increasing need for better and more specialized coverage—and insurers are putting in the work to match that demand. Supplemental coverage is changing to include advancements and innovations that satisfy a broader group of medical needs.

Consider these supplemental plans focused on different kinds of medical events as examples of how plans are growing to help meet specific needs:

- **Critical illness insurance**—This kind of coverage offers financial help for serious health scenarios and conditions such as major organ transplants, cancer, heart attack, stroke, end-stage kidney failure and more. For people who have a family history or other risk factors for critical diseases, these plans can be a wise component of their benefits package, helping give greater financial peace of mind.

One innovative feature to look for when considering critical illness coverage is a cash benefit for being regis-



tered on the national organ transplant waiting list in addition to receiving a transplant. For patients with cancer, leading-edge plans help provide financial help not just at the time of diagnosis but even after becoming cancer-free.

- Hospital indemnity insurance—Any kind of hospital stay can generate unexpected medical bills and put a strain on the family budget. Hospital indemnity coverage can help pay out-of-pocket copayments and deductibles, but the cash benefits can also be used toward rent or mortgage payments, child care expenses or other urgent bills. With this kind of coverage in place, the family can better stay afloat during a hospitalization without having to drain hard-earned savings.

Other hospital plans offer benefits for the whole family. Look for features such as benefits for health screenings for preventative care, as well as NICU and PICU care for babies and children.

- Accident insurance—Accidents can happen anytime to anyone. When a significant injury strikes, the costs of care, diagnosis and potential rehabilitation can pile up fast. For those who lose pay while out of work, the financial impact can be devastating. Many

people choose to help reduce their risk with accident coverage, which helps pay for costs associated with injuries big and small.

The latest innovations in accident coverage include plans designed for workers in high-risk occupations, such as an offering for public service workers, whose livelihoods can put them at higher risk of accidents while working.

Employers embrace new supplemental benefit options

It is easy to understand why supplemental group coverage can be a great option for brokers to offer clients. They can be a valuable part of employees’ benefits offerings to help boost workers’ engagement, recruitment and retention. Yet, they can be offered at little or no cost to the company. It is no wonder that a recent survey found that U.S. employers are expanding their menu of supplemental benefits, with more than two-thirds saying they expect these benefits to be a very or more important component of their employee value proposition in the next three to five years.

Meeting this demand for personalization and simplification are products

uniting the best aspects of several supplemental plans into one convenient option. For example, Aflac’s BenExtend® combines accident, hospital indemnity and critical illness benefits into one simple plan design. It is offered with options to accommodate a variety of benefits budgets and scenarios. This, along with the ability to submit claims online, can help clients reach younger workers who may appreciate fewer choices in their busy schedules.

Clearly, now is the right time to have conversations with your customers about supplemental group coverage. Your clients and their employees now have a greater ability to find products that fit them like a glove—or a customized sneaker.



Rich Williams is executive vice president and chief distribution officer at Aflac, responsible for leading the fully aligned distribution team of independent career agents and brokerage professionals. He focuses on the alignment and strategic growth of current distributions, including product development, enrollment and account management for Aflac U.S., as well as further distribution and expansion.

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Retirement Planning and Social Security

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11:00 - 12:00

Migrating to Medicare

The Sales Process

Course #373213 1 CE Credit

Carrier Panel Discussion:

2020 Forecasting and AEP

1:45 - 2:45 Breakout Session

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Course #207905 1 CE Credit

1:45 - 2:45 Breakout Session

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August 13th:

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Alignment 2020

In Person Certification Class

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2019 NAHU CONVENTION



The event was high energy and positive, with the brightest and the best in the industry acknowledging the obstacles, yet determined to find a way to push forward.

The National Association of Health Underwriters held its annual convention at the Sheraton San Diego Hotel and Marina June 29-July 2. NAHU outgoing president Rusty Rice gave a moving speech and received repeated serenades for his birthday, which happened to coincide with the event. Karen Kirkpatrick's Friday night thought leadership dinner attracted a team of innovators and LAAHU's Saturday evening soiree at Coasterra Restaurant provided a lot of good conversation plus some ridiculously beautiful sunsets (oh, yes, and some great margaritas). The keynote speaker at the conference, U.S. Army Master Sergeant Cedric King, brought down the house. King lost his legs serving our country and yet somehow gained mind blowing insight and strength. Oh and did we mention that underwriters awoke one day for a 6:30 a.m. meditation and yoga? Even the ones who attended the Trailer Park After Dark Vanguard event seemed to rise and shine just fine for a very early morning breakfast discussion. Of course, there were sessions: wellness, cannabis, Medicare and a whole lot more. Naturally, Region 8 showed up in force—especially for the boat events.

—Victoria Alexander

PHOTO ESSAY BY RAMON SANDOVAL

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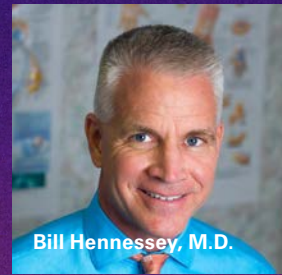




Susan Rider



Daniel Corliss



Bill Hennessey, M.D.



Dr. Josh Luke

We asked some attendees to share their insights and take-aways from the NAHU conference. Here's what we heard...

"The 2019 NAHU Convention in San Diego was exceptional. It drew several hundred like-minded insurance professionals from all over the country, who all share deep passions about improving health care and increasing the availability of health insurance coverage. When we get together, think together, and innovate together, we get to change people's lives. That was the shared theme of the four-day event. When we improve health care, we impact the lives – and health – of our residents and country. Improved care leads to better health and lets people thrive, while creating the opportunity for them to change the world. The ripple we get to create globally is massive and deeply meaningful, and it was inspiring to be among the thought leaders and innovators leading the charge together at NAHU."

Paul Roberts
Compliance Manager
Word & Brown General Agency

"What a special gathering of beautiful industry thoughts leaders. The energy was so special as for #healing #collaboration #solutions and #love. We are truly super fortunate to be part of this amazing event. It felt like a family gathering!"

Naama O. Pozniak
Chief Executive Officer
A+ Insurance Services
@aplusinsurances

"The NAHU leadership dinner pointed out repeatedly where the market is headed, and it is following the financial world foot steps. Regular health broker commissions are going away. Instead, health benefit consultants are desired for two reasons. First, this creates financial alignment and eliminates the financial misalignment. Second, employers want real solutions to skyrocketing healthcare bills instead of paying a larger health insurance bill blindly every year. This dove tails into our medical cost transparency business model

which includes a one-of-a-kind executive report of medical cost drivers by test name, provider name and real prices paid. The benefit consultant is empowered with the ability to consult and manage cost drivers."

Bill Hennessey, M.D.
Founder and CEO, Pratter
Twitter: pratter_us

"I'm so glad I attended the NAHU 2019 Convention in San Diego this year. The content and speakers were outstanding. But above all else, the opportunity to be with friends from all over the country was priceless. I am consistently impressed with this group of people that are committed to advocating on behalf of their clients and working with legislators to improve the industry as a whole."

Bobbi Kaehlin
PayPro Administrators
Immediate Past President Los Angeles Association of Health Underwriters
Board Member of EBPA - Los Angeles

"It was clear that industry leaders are embracing continued change, proactively educating themselves and their clients, and preparing now for inevitable transformations to come. The widespread enthusiasm in the conversations I had with brokers, carriers, and other industry stakeholders left me feeling excited for the future of our industry."

Eric Rentsch
VP of Product Management
Zywave

"For anyone who wasn't able to attend, there are two main things I'd like to relay: Broker compensation - The argument is not that brokers should not be compensated for the work they do; the request is that compensation and additional bonuses be disclosed so that true value in the exchange of service and compensation can be measured, and perhaps adjusted where needed. It is understood that in small group



Chris Yarn



Paul Roberts



Emma Passe



Eric Rentsch



Naama O. Pozniak

markets the commission cannot be stripped from the rate, but it CAN be disclosed to the client to help the broker align their interests with the client they are representing. And then there's reference based pricing - This is not the solution to the mismanagement of healthcare costs; it is the payment mechanism required to remove the carrier network, which has been perpetuating the issue with 'discounts' and network dilution. Reference based pricing is simply the replacement we need in lieu of a network so we can implement the real cost and quality management strategies like direct contracting, direct primary care, and pre-negotiated bundled care services."

Emma Passe
Chief Operating Officer
E Powered Benefits

"My favorite experience was the sharing of ideas with industry peers. And in my favorite session I learned about Josh Butler championing a Texas law that needs to be national. The law makes sure clients own their loss ratio data all the way down to groups of two employees!"

Christopher Yarn
Managing partner
Walk On Clinic, Inc.
Be sure to check out Yarn as his alterego
Frank MicDroppa on YouTube

"I spoke on the subject of 'learning with a twist.' Remember we all learn differently. As professional learners in employee benefits we thrive in any situation presented. Success is not always easy to define. It takes hard work, dedication, and an open mind. Be authentic. Be kind. Be a mentor."

Susan Rider, MS, CSFS, CDHC, ASF
Vice President, Employee Benefits & Human Capital
Strategies | Gregory & Appel Insurance
Twitter: GA_SusanRider

"My takeaway was that the health and benefits landscape is changing more rapidly than ever. However, we should rest well knowing we are in such good hands with the current thought leaders, innovators and change agents within the NAHU organization today."

Daniel Corliss
Benefits Professional & Healthcare Journalist

"In my two years speaking at NAHU annual meeting I have been so impressed with the knowledge and expertise of members who attend, it gives me great confidence as I enter this space to encourage business owners and benefits advisers to declare their health spending tipping point and start bending the curve back to pay less for health benefits and improve access and overall care. Keep up the great work NAHU!"

Dr. Josh Luke
Futurist, Keynote Speaker & Podcaster
Adjunct Faculty, University of Southern California

NAHU Region 8
Welcome the new NAHU Region 8
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- Dave Fear, Jr.- Legislative
- Keith Wallace- Membership Retention
- Jolene Bryant- Membership
- Maggie Stedt- MediCare
- Emma Passe - Chapter Leadership Development
- Naama O. Pozniak - Media
- Kelly Pastore- Professional Development
- Heidi Sterner- LPRT
- Cathy Dogherty- HUPAC
- Ryan Dorigan - Vanguard
- Sarah Knapp - Awards

MILLENNIALS HELP DRIVE MENTAL HEALTH STRATEGIES TO A BETTER PLACE

By TERRI L. RHODES

Millennials comprise more than one-third of the U.S. labor force and are the largest generation currently in the workplace. Much attention has been paid to the recruitment and retention of millennials, who often bring different expectations and needs, including work/life balance expectations.

Employers have also learned millennials bring something else to work: a heightened emphasis on mental health. Part of this could be higher incidences of mental health issues among this generation. For example, a 2018 report from the Blue Cross Blue Shield Association found a 47% increase between 2013 and 2016 in depression diagnoses among 18- to 34-year olds. In the same year, the American Psychiatric Association, based on poll results, dubbed millennials the most “anxious generation.”

But another part of the equation is an increased awareness of and willingness to openly discuss mental health among millennials and younger generations. Depression, anxiety and eating disorders are all illnesses portrayed in the media. Celebrities such as Demi Lovato, Lady Gaga, and Dwayne “the Rock” Johnson have publicly discussed their struggles with depression. Many therapists also credit social media—often criticized as a source of millennial distress—with helping to normalize mental illness.

Surveys indicate this has resulted in less stigma about mental health among millennials. This, in turn, is reflected in greater willingness to consult with therapists among millennials and college students. Many younger people pursue therapy as another form of self-improvement and personal growth, not unlike yoga or meditation. According to a 2017 report from the Center for Collegiate

Mental Health at Penn State University, which compiled data from 147 colleges and universities, the number of students seeking mental health help significantly increased from 2011 to 2016.

More than the generations before them, millennials acknowledge mental health issues, will talk about them, and will seek help to address them. At work, that means seeking assistance and support from their employers. Many organizations are not prepared for this changing reality. According to The Standard’s 2017 Disability Leave Survey, less than one-third of HR decision makers feel very confident accommodating behavioral health conditions. Far too often, there is still stigma attached to mental illness among those who have been in the workforce for a longer period of time.

The result can be less treatment and reduced performance, including more

More than the generations before them, millennials acknowledge mental health issues, will talk about them, and will seek help to address them

absence and disability. According to The Standard's 2017 survey, those with mental health issues are on leave for an average of 112 days. This compares to 59 days for those without mental health issues. In addition, unaddressed mental health issues often give rise to behavioral health issues like drug abuse. This can lead to yet more absence and disability. Finally, there is legal and regulatory risk, with laws like the Americans with Disabilities Act (ADA) and the Family and Medical Leave Act (FMLA) that encompass these issues.

An effective workplace health strategy that includes mental health support and assistance starts with a proactive program of education and communication. To this end, there are a number of steps—often costing nothing—that employers can implement to better promote and support the mental health of their workforce, particularly millenni-



These programs also have the added benefit of communicating an organization's commitment to work-life balance, an important factor in attracting and retaining millennial employees.

als. These include: Actively Eliminate Stigma. Millennials are widely credited as the generation shattering workplace stigmas associated with mental health. Thus, a work culture that passively tolerates stigmas can amplify feelings of conflict for millennials, which can be a hindrance to their full participation and successful re-engagement after an absence. There are a number of steps to eliminating stigma.

First, dispel myths about mental illness. Those who suffer from it are no more likely to be violent, able to overcome it by "toughing it out," or embody any of the long-standing mental health myths propagated in popular culture.

Second, discourage stigmatizing language. No more talk of someone being "crazy," or saying, "this job is so tough it makes me want to kill myself." We wouldn't speak this way about cancer or heart disease. Illness is illness.

Third, offer and regularly communicate about an employee assistance program (EAP) and health insurance benefits. This includes offering resources and materials about mental and behavioral health. What we see and hear regularly is what we come to know as normal.

Finally, executives can use clear and direct language in support of addressing these issues. Support from the top has an enormous impact on culture and attitudes about what is acceptable in any organization.

Strategically Target Key Triggers

There is no single solution for addressing mental health in the workplace, including the most common condition, stress. But there are key triggers for all employees, including millennials. For example, worries

about money—financial wellness—are a major factor impacting employee performance. In a recent study by a financial wellness company, 36% of millennials showed symptoms related to post-traumatic stress disorder due to financial stress.

Another trigger is adequate time off to help care for family. Millennials certainly have children. They also have aging parents and other relatives. This stressor trigger is increasingly addressed through family leave programs, including paid leave.

Offering targeted programs like a financial wellness or family leave program can help augment an organization's larger mental health strategy. These programs also have the added benefit of communicating an organization's commitment to work-life balance, an important factor in attracting and retaining millennial employees.

Stay in Touch

Keep an open connection with employees while they are on leave to help mitigate additional stress. A lack of communication can be interpreted as stigmatization. Additionally, returning to work and finding they are behind the learning curve on significant organizational initiatives or changes can be very stressful. This is particularly important for millennials who, as a generation, are used to having unlimited access to an endless stream of information via texts and social media. Losing that connection to the workplace can be a major source of stress.

It's important to make sure any communication with employees on leave complies with the FMLA and other laws and respects an employ-

ee's desires as to the extent of communication, and with whom.

Support Return to Work

The overwhelming majority of people with a mental health issue experience recovery. So if an illness results in leave or even disability, an ill employee is likely to return to work. Communicate openly regarding the return-to-work process. Ensuring that employees know they have a supportive pathway back to the workplace facilitates return-to-work efforts.

It can also help to promote stay-at-work initiatives. That's critical, especially with millennials. As noted above, these employees place a high value on connection and inclusion. Programs designed to help employees keep working and contributing—even while they suffer from stress, anxiety or other mental health issues—improves morale and facilitates recovery.

Fostering a workplace that recognizes millennials' mental health expectations and experiences is a good way to attract and retain these employees. But it does a great deal more. Reducing stigma and increasing access to care for all employees moves organizations toward a prevention and early treatment model. Just as with physical health, over time that lowers costs and risk. That's good for every employee and stakeholder.



Terri L. Rhodes is CEO of the Disability Management Employer Coalition. Rhodes was an Absence and Disability Management Consultant for Mercer, and also served as Director of Absence and Disability for Health Net and Corporate IDM Program Manager for Abbott Laboratories.



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USING VIDEOS FOR BENEFITS 101 AND BUSINESS DEVELOPMENT

By IAN CABRERA WITH PHIL CALHOUN

For the past several years videos have become the preferred method of learning and promotion. In addition, many brokers use LinkedIn or other social media to build their brand and create relationships. Video content is a great fit for social media and enables brokers to promote how they are unique. Using this kind of basic tech also enables brokers to provide solid education for clients and prospects. Content that is fresh and focused on educational videos can propel brokers above their competition.

Brokers can produce their own videos with some effort. A camera and the ability to record and edit to arrive at a professional video of three to five minutes is needed. Since many brokers don't have the tools or time, video production is now a greater part of our work.

Business Videos

Businesses love two main types of videos. First, business owners and

other groups such as religious organizations like the traditional style video where a "human" speaks about the company's mission statement and they often explain a personal "why" story. The "why" would give a broker a chance to explain why they do the work they do, as well as why they work for an agency/company.

The other popular style used mostly for educational videos is a white board video. White board videos are a solid way to present facts in a visual and auditory manner that is enjoyable and easy to understand.

Broker Use of Video

Brokers can use video in three highly effective ways. First, brokers can feature their personal information and facts about their business and services. These videos are highly customized and should be done professionally to get the best video result. Second, brokers can use videos to educate their clients. Short three to five minute videos can

cover enough general information to be very useful. Think about topics such as: What is an HMO? or How Does Part D of Medicare work? Brokers can expect to spend about \$2,000 to create a professional three to five minute "WHY" video. White board education videos will likely cost approximately \$1,500 each. The third way videos can be used is to create your own short update. Often these are done more frequently and include news and information that has changed. Video updates can be added to your existing video channel. Similar to a blog, these short videos can cover one topic and be a minute in length. Many brokers simply use their smart phones to take these videos.

Why Video?

The use of videos in teaching and learning is proven to be valuable in many ways and for many people and organizations. According to Wyzowl, 63% of businesses surveyed have started using video content. Out of those us-



ing video, 82% feel video marketing is an important part of their strategy and gives a solid return.

Video is easy to consume and fits the busy lifestyle of many people today. A three to five minute video is perfect and fits well for many health insurance clients and also a broker's budget. With 98% of consumers reported to use videos to help them learn more about a service or product, brokers are in a great position to keep their clients current with their benefits and engaged.

Many brokers share with us how they've lost sales from competitors who have an online presence that includes videos. Brokers who add videos know they eventually are selling a relationship with the client and not just a set of benefits and coverage. Videos serve two vital purposes, first as a door opener to gain the opportunity to build a direct relationship with a prospect and second as a support tool for client education which helps with retention.

"Don't toss your business cards, brochures, or product summaries. Videos are a great way to attract attention when used as part of your social media and traditional media efforts. Our website has the WHY video about our agency and is our silent sales tool as it is available 24/7, listed on my business card and linked from my email," says David Ethington, Integrity Advisors.

Branding

Much of the marketing focus for companies over the past several years has been using words and images to create a brand for products and businesses. Videos help keep the branding messaging fresh and you can control the content using your preferred visuals and words. Basically, you pick which photos, video and script you prefer. Customized videos we use tend to focus on communicating the "WHY" message for the broker. Research shows that as people become customers they often want to know more about you before making the buy decision. Your clients look to find who they are working with and WHY you are in the business. Sharing your personal client success stories about how problems were solved can also be included in video. Adding photos in your videos is also important. For brokers looking to promote their brand, often more than a list of medical plans or other benefits offered is needed. Branding is more about sharing details about you and your key team members and sharing your WHY or mission. With a focus on succession planning for brokers Phil Calhoun uses videos to display relationships with brokers and touch on some technical aspects of planning well. He uses videos to tell stories that educate and enhance his agency's credibility.

Client Retention and Cross Selling

Videos can be used to keep current clients involved and engaged. Add video to your newsletters and add links to your videos in your email. Making your videos easier to share with clients and also their friends and family is critical to spread your messages and content at virtually no added cost. Brokers often look for ways to build deeper relationships with their clients. Videos that explain how to use medical benefits are great for open enrollment and throughout the year. At Integrity Advisors, video has become essential. "We use videos during open enrollment to further educate employees. The employers love it and we like the 24/7 accessibility," says Carmen Ponce-Robiatti, director of client services.

Many brokers looking for ways to reach employees directly find video very effective. Retention and satisfaction are key to keeping commissions. Education about the medical benefits an employer offers is non-stop. Videos are helpful because of the ease of access and the ability to stop and start the video which enhances understanding of the information. "Most people pick a plan and then months later may use the plan. What is forgotten is what the coverages are and how the plan works. We find often what people may have learned at open enrollment is for-

Video is easy to consume and fits the busy lifestyle of many people today. A three to five minute video is perfect and fits well for many health insurance clients and also a broker's budget.

gotten quickly," says Ponce-Robiatti. Videos work to reinforce general information and can also link back to you to ask personal and detailed questions. Great service leads to a happier client which leads to retention.

Cross selling other insurance products can also be added to videos focused on education about core medical benefits. Brokers often customize our videos from our library of health insurance videos. Brokers have the responsibility to make sure the content they provide is within any guidelines.

Using YouTube or another video storage location to place your videos helps you offer ways for the viewer to follow up on other videos you have but most importantly contact you directly or visit your website. Videos offer a simple way to link the viewer to you. Most brokers like to make it easy to share their videos by enabling the viewer to simply text or email the link you place on your video.

Sales

Video helps convert views to clients. Surveys show introductory emails with a click through to a video have a 90% click rate. "With medical plan rates and coverages becoming more standard many brokers look for ways to set them apart from the competition," says insurance broker David Ethington. Directing potential customers to your website which has a video on the landing page will lead to increased viewership. Video is helpful to brokers since insurance isn't something that can be held and manipulated. And since it's often purchased and not used for weeks, video is helpful to both explain the coverage and remind the policyholder

what they purchased. Brokers may take it for granted that plan coverages and provider networks are understood, but many people don't understand. Videos are perfect to cover this basic info and helpful for employees and clients to revisit many times.

Production

For both traditional and educational videos, brokers don't need to be movie stars. A good videographer will blend in photos with voice over, add in video shots with voice over, and limit the time you need to be on camera and talking. The typical viewer wants to see images that change frequently and are interesting. We find whiteboard videos a great fit for education videos as they can have an introduction and an exit section brokers can use to explain their WHY and agency details. These videos cover most marketing needs and are easy to produce and more affordable.

Our Solution

In response to the need for health benefits education videos, we developed a library of health insurance topics that are used by brokers. Brokers provide the introduction content in writing and also the exit information along with logos and any photos or visuals. We take this content and voice it over the visuals to create the introduction and exit. This customization approach is used with core information on one or several health insurance topics and adds a special personal touch for each broker or agency. All of our white board style videos on health education topics are available for customization at a price point much lower than the cost of

creating a new video. We help brokers affordably add video education into their social media marketing.

Results

A recent broker survey shows that the majority of brokers either use or plan to use videos. Most use the videos for client education while others also use them for prospecting. Of the brokers surveyed, only a few have their own education videos as most use carrier videos to educate clients.

Videos are a must-have for the future success of an agency or brokers. Today businesses and individuals look to find out your WHY story online. Educational videos linked with your website and agency name will enhance your social media and help people find you and connect you as a source of information. Both current clients and potential new ones will not have to look hard to find your WHY story. Final advice: find someone you can trust who has experience producing quality videos and get started.

Ian Cabrera is a videographer and filmmaker at Orange County-based Above All and Transformed Media. He has a decade of experience helping clients tell their stories and enjoys working with brokers. Above All and Transformed Media offers a library of video insurance topics they've created as part of a partnership with Cal Broker editorial advisory board member Phil Calhoun, president of Integrity Advisors. The library offers brokers an easier way to use videos within budget. For information and to see the library of health insurance topics, go to www.AAATMedia.com or visit YouTube and search for Integrity Advisors to view the projects produced for them. Cabrera can be reached via email: ian@aatmedia.com

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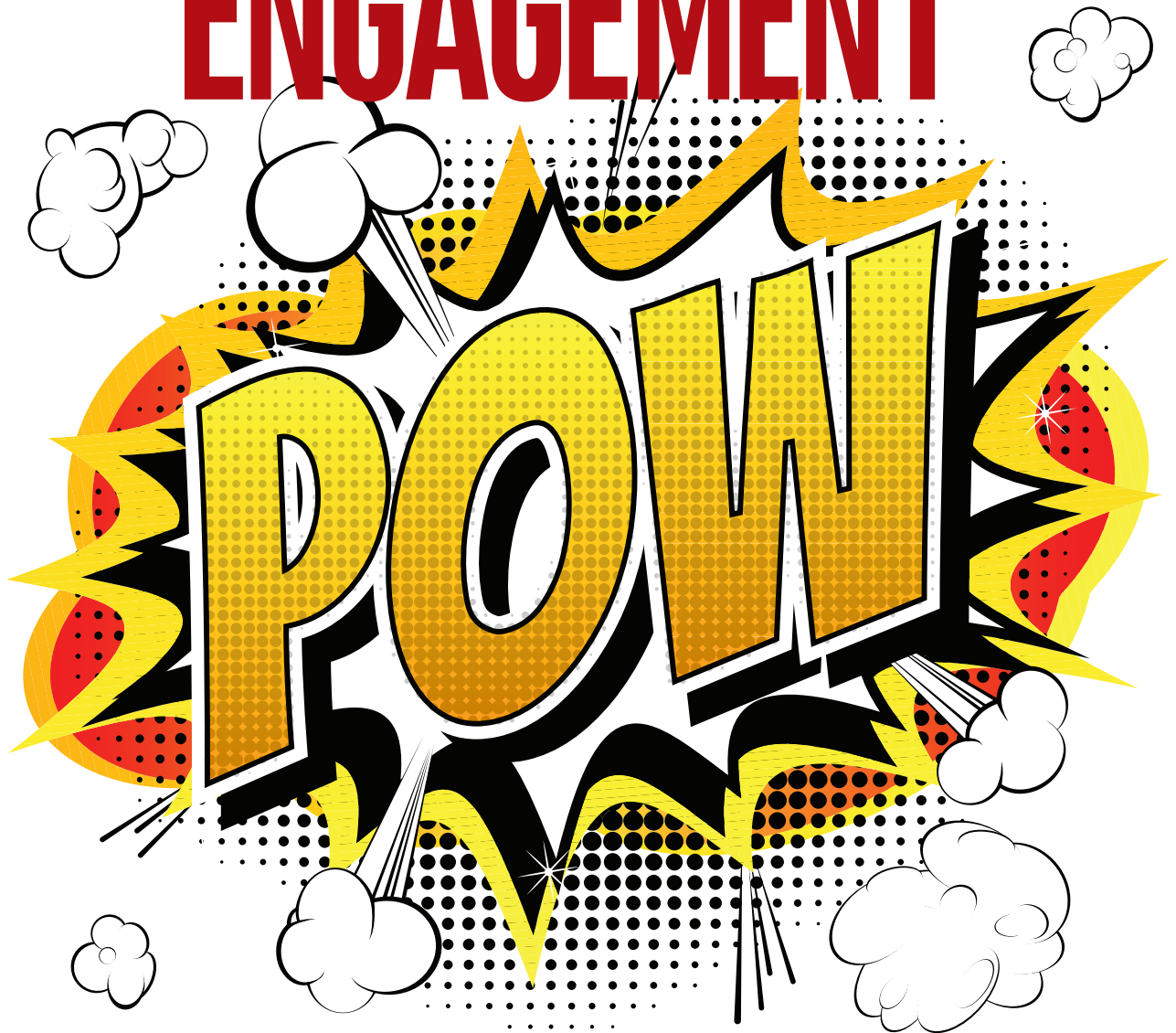
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HOW TO BE THE SUPERHERO OF EMPLOYEE ENGAGEMENT



Once you help a client determine what the engagement goal is for that year, then you can put together a strategy that will help them solve their needs.

By MEGAN RUNCI

According to the annual Business Pulse Survey by Suntrust, 43% of employers increased benefits in order to stay competitive attracting and retaining talent. So how are you going to engage your employees? That's the million dollar question for most employers, yet this isn't a one-size-fits-all question or answer.

The challenge when asking employers this question as it relates to their benefits strategy is that it means something different to every company. Therefore, in order to be the superhero and provide the right engagement strategy, the first question to ask an employer around engagement is What are you trying to accomplish? Chances are, this response will be different for all employers, and can change every year.

Looking further, it's easy to see that there isn't one single superpower for engagement that can save all clients. Every client has their specific needs for their employee population. For some clients, engagement could be as simple as getting everyone to go online and complete their enrollment during the open enrollment window. For other clients, it could mean providing a consistent message across multiple locations and generations to ensure employees understand the benefits offered to them and their families.

Once you help a client determine what the engagement goal is for that year (i.e., what they're trying to accomplish), then you can put together a strategy that will help them solve their needs. As mentioned, this means different things to different companies.

Below are two improvement scenarios to target

Improve Participation

Sometimes you'll find clients who just want to get everyone enrolled within their open enrollment window. Here, the advice for getting employees engaged would be to provide multiple ways for employees to enroll (i.e. phone, tablet, or computer) so everyone has the ability to enroll via their preferred method. This traditional self-service method is great for passive enrollment years and allows employers to electronically capture enrollment information and provide data to the carriers. The benefit of providing multiple avenues for employees to enroll is that the mobile functionality also provides employers with a channel to communicate with employees who don't have access to a company email or computer. Having this additional feature can increase participation on the employee's end because they can be reminded to enroll through their phone.

Improve Education

Educated employees are engaged employees! For clients who plan to make major benefit changes and want to ensure employees are in the correct plan, the proposed engagement strategy could be a one-on-one counselor assisted enrollment or enrollment using a decision support tool. Benefits are confusing and when you add additional plans or provide benefits at no cost to the employee, but don't communicate it, there is no ROI in the new offerings to the employer and employee. Therefore, creating a campaign that requires all employees to either sit down face-

to-to-face or by phone with a licensed benefit counselor to walk them through all their individual needs, is a great way to provide engagement across generations. If one-on-one meetings seem too far stretched for an employer, a decision support tool can really assist employees in choosing the right benefits through their benefits delivery platform. In this enrollment method, employees can learn which plans work best for their families and why. At Hodges-Mace, we have received survey comments such as "Everything was great and I feel confident in my decisions in regards to my benefits" and "I better understand the options that are given to me now more than ever" from both our counselor assisted and decision support enrollment methods.

To simplify, the answer to an employer's question regarding engagement is truly a question back to the employer about what they are trying to engage employees to do. If we ask that question, the benefits industry will be better equipped to solve our client's challenges through technology, services or a combination of both. Employers cannot rely on their typical ways to engage their populations and need the superpowers of engagement strategies to reach their goals.



Megan Runci is senior sales consultant for Hodges-Mace. She was just named a 2019 Top 20 Rising Star by Employee Benefits Advisor Magazine. She closed \$2.6 million+ in new revenue in 2018 and was named Top Sales Performer six times. She also won Comeback of the Year Award in 2018. Connect with Megan on LinkedIn.

HELPING BUSINESSES TRANSITION WITH AN ESOP

By RICH COFFIN

Sixty-year-old Toby Phillips (not his real name) started his business a few decades ago out of his garage in Southern California. What initially began as a hobby, turned into a way to make a few extra dollars on the weekends. Soon his hobby rapidly grew into a thriving business.

Toby wasn't the only one having success in his industry. The competition was fierce, and innovation meant everything. Like most business owners, Toby invested most of his profits where he knew he could reap the highest return on his money – back into his business. He bought equipment, expanded his marketing and traveled the country to show off his products. Toby would put everything into his E-ticket ride into retirement. The plan? Grow and perfect the business and sell to the highest bidder! Surely, they'd be lining up to buy such an amazing business.

A few offers came but they weren't what Toby needed to ride off into the sunset and certainly not close to what he believed the business was worth. After all, he had his best years of blood,

sweat and tears in the business. Meanwhile, his number one competitor sold to a large corporation in a highly strategic acquisition. With much deeper pockets than Toby's, the competition quickly overshadowed Toby's business with better distribution, lower prices and greater manufacturing efficiency. Toby's business soon began to plateau despite the efforts he put forth to stay competitive. The offers to purchase Toby's business disappeared. It was time for plan B. Sadly, there wasn't a plan B.

Looking for an Exit Plan

Toby's story is no anomaly. According to a study done by Exit Planning Institute "The State of Owner Readiness, Greater San Diego, 2017", of the roughly 6 million privately owned businesses in America, only 20 to 30% of them will transition successfully. Unfortunately, it's going to get worse. Of those 6 million businesses, two-thirds are currently owned by baby boomers between the age of 54 and 72. The over 75 million members of the baby boom generation, by the sheer size of their demographic, have caused an economic ripple across

the nation during each decade of their existence. From healthcare to Social Security, their masses left a wake of destruction behind them. As they enter the retirement phase of their life cycle, they've come to be known as the "Silver Tsunami." Now, Toby has another problem—supply and demand. The supply of businesses like Toby's is growing as aging owners find themselves tired of being on the hamster wheel or being forced out as a natural result of aging. Half of all businesses fail because of one of the five Ds—Death, Disability, Divorce, Distress and/or Disagreement. Health issues and, in many cases, death will cause a business to go into a fire sale mentality as heirs frantically try to grab onto the life preserver and sell off the assets of the business for pennies on the dollar to the vultures lying in wait.

ESOP

Will the Silver Tsunami crush you as well? Or can you shape a board (of directors) and ride the wave? To solve the problem of finding a buyer at the right time, offering the right price and under the right conditions for all involved, busi-



ness owners are looking to sell their business to the people who are most deserving and know best how to run it—the employees. The tool for this is the Employee Stock Ownership Plan or ESOP. Louis Kelso, a political economist, investment banker, a corporate and financial lawyer, created the first ESOP in 1954 when he helped the employees of Peninsula Newspapers Inc., in Palo Alto buy the company from the owners.

In 1974, the Employee Retirement Income Security Act (ERISA) added the ESOP to the IRS code for the first time. An internet search of the acronym ESOP will result in information on the traditional Leveraged ESOP. The Leveraged ESOP is primarily for an owner wanting to exit the business in 12 to 24 months. They should have key people already in place to take the reins and are confident that stepping away will not hinder the growth of their company. How this happens is through

the borrowing powers and benefits of an ESOP. The ESOP is typically limited to borrowing no more than 50% of the business value from a lending institution. As a result, the owner gets half the value of the business up front and takes a promissory note from the ESOP for the remaining 50%. This often presents a significant risk to the business owner since the company is hindered with the liability of paying back the lending institution and simultaneously paying the owner the remaining balance owed. Should the company go into a decline, it could be difficult for the ESOP to fulfill the loan obligations to the bank first and the owner second. This could prevent the owner from obtaining full value from the transfer of the business. That's a difficult situation for most business owners to accept. That is where Kelly R. Smith Sr. decided to flip the script on an old idea to keep the business owner in control of the business and the buyout.

Leveraged ESOP

Kelly R. Smith Sr., CLU, ChFC, founder of CapitalSmith Financial & Insurance Services (CapitalSmith), began his career in financial services over 43 years ago, qualifying every year, including his rookie year, for Million Dollar Round Table (MDRT). He has 17 years of Court of the Table and 11 years as Top of the Table. After receiving an endorsement by the Los Angeles Association of Deputy District Attorneys to design life and disability programs, he worked as a consultant to the NFL Players Association for Insurance, Finance and Retirement. Kelly then went on to pursue valuable experience in the fields of Mergers and Acquisitions, turnarounds and investment banking. It was during this time he developed his proprietary Offset Strategies™. After meeting economist Louis Kelso, Kelly went on to design his unique version of a Leveraged ESOP.

To address the problem of burdening the business with loan obligations, Kelly

The over 75 million members of the baby boom generation, by the sheer size of their demographic, have caused an economic ripple across the nation during each decade of their existence.

discovered that a corporation could issue new stock and transfer, not sell, it to the ESOP. This transaction creates a dollar for dollar deduction that effectively turns profit into Tax Exempt Retained Capital™ (TERC™) that can be used to grow the business, purchase a building, purchase equipment or fund the businessowner's retirement and exit. Of course, this method takes time, so it wouldn't be the ideal method for an owner looking to exit in the next year or two. Fortunately for this strategy, the additional time is often what is necessary in order for the businessowner to identify and train internal personnel or recruit from outside the key people necessary to continue the business. Kelly calls his strategy a "Pre-Leveraged ESOP™." This option allows the business to avoid being burdened by debt. In fact the opposite is true—it frees up capital that would otherwise have been paid in taxes.

After hearing Kelly present on his Pre-Leveraged ESOP™ at a local forum, Toby's financial advisor arranged for Kelly to meet with him and his client. Kelly met Toby Phillips and heard all about the history of his business and his current situation. Toby would have to either continue running the business or squirrel away enough to one day walk away from it. Kelly considered several options that might help Toby eventually exit his business if the right buyer didn't appear.

A Real Exit Plan

A pension plan or possibly a deferred compensation plan came to

mind but the income taxes on the back end crippled those plans. Additionally, funds allocated to those plans couldn't be used to grow the business or weather hard times. What made the most sense for Toby's situation was Kelly's Pre-Leveraged ESOP™. This strategy would create the buyer for Toby's business, provide him with a fair market price, substantially reduce his tax liability and redirect those dollars into growing the business or funding his buy-out without restriction on how and when to access those funds. Moreover, Kelly illustrated several other things that Toby hadn't thought about. What would happen to his employees had he sold to a private equity group or third party? Would they retain their positions? Would the new owner move the company or downsize operations? His employees were like family to Toby and he wanted them taken care of. With the ESOP in place, not only were they able to keep their jobs, they now had an ownership interest in the company they helped build. Employee performance can be surprising when they have skin in the game. Toby noticed that workers became more efficient and more cognizant of what certain actions meant to the success of the company, and ultimately their own success.

Fair market value for Toby's business was enough to fund Toby's retirement. What Toby didn't consider were the capital gains taxes he would have to pay on the sale of his company. Between federal capital gains

tax rates and state taxes (California does not have a separate capital gains rate—it's all ordinary income), Toby was looking at giving up close to 35% in taxes. Suddenly, fair market value wasn't enough.

What is important to understand though is that the Pre-Leveraged ESOP™ is not a sale of stock to the ESOP. It's a transfer of newly issued shares of the corporation that slowly divests Toby's ownership while providing a dollar-for-dollar tax deduction to the company. Before Toby is diluted more than 51%, a final sale of Toby's personally owned shares of the company are sold to the ESOP. At that point, a 1042 exchange allows Toby access up to 90% of the sale price and defers the capital gains tax for 30 years. Through proper estate planning, the tax due in 30 years is either paid by using investment returns or is eliminated through a step-up in basis at death should that occur before 30 years.

Because the strategy does not require actual money to be paid to the ESOP at the time of transfer, the deduction frees up previously allocated tax dollars that are then used to fund Toby's buy-out. In Toby's case, a whole life insurance policy was used as a holding vehicle for those dollars. An analysis done by ATI Capital Group of Colorado, LLC compares the different options for funding an ESOP repurchase obligation. Of all the options, life insurance was the only option to receive an "A" grade by meeting all 11 attributes of a repurchase obliga-

This option allows the business to avoid being burdened by debt. In fact the opposite is true—it frees up capital that would otherwise have been paid in taxes.

tion. The reasons are obvious. If Toby should suffer an untimely death, the death benefit immediately funds any repurchase obligation to the ESOP and allows Toby's family to not have to worry about the value of the business plummeting with Toby gone. The cash in a dividend paying whole life policy grows tax deferred and distributions done properly are income tax free. Because of the contractual guarantees of the policy, growth is protected, conservative and predictable even during times of market downturns, falling interest rates or geo political unrest. This funding method does not diminish the value of the company. Using the life insurance for the repurchase obligation creates what Kelly has coined as a "Fully Insured Financial Infrastructure™."

With the unique planning by Kelly and his team, along with the help and collaboration of Toby's financial advisor, Toby retired seven years later having received full fair market value of his company without the tax burden of an ordinary sale. In this case, implementing the Pre-Leveraged ESOP™ allowed Toby to create enough capital to purchase additional machinery using loans from his whole life insurance policy to the company. This decision, along with the increased productivity from employees with an ownership mentality, created a much more efficient and profitable company. The loans to the life insurance policy were paid back on schedule. Eventually, a third party

took notice and made a lucrative offer to the ESOP board of directors to buy the company. The third party bought the shares from the ESOP, providing the employees with a fully vested and very profitable retirement account. Had a third party never come along or the board determined it was not in the best interest of the employees to sell,

the plan would still have succeeded. In the end, Toby's E-Ticket ride into retirement was done using his board (of directors) to surf the silver tsunami and avoid being crushed by it like so many others have.

Rich Coffin is a financial advisor with CapitalSmith Financial & Insurance Services.



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