

Building TPA Sales & Marketing Success... Shoot for the Moon (and Then Some)!

TABA 2024 Spring Conference

Sugar Land, TX

April 10, 2024



TPA Sales Goals Industry Standards

- Net Revenue Growth
- Retention (Shared with AM)
- Profitable Clients
- New Distributors
- Perpetual Distributor Relationships
- Quote Ratio/Close Ratio
- Ethics/Avoidance of Misrepresentation

TPA Sales Goals Industry Standards

- Net Revenue Growth (**15%**)
- Retention (Shared with AM) (**92.5%**)
- Profitable Clients (**\$3.65 PEPM**)
- New Distributors (**10% Growth**)
- Perpetual Distributor Relationships
- Quote Ratio/Close Ratio (**65%/20%**)
- Ethics/Avoidance of Misrepresentation (**0%**)

Impact of Success in Sales

- Diversification in Client Book-of-Business
- Critical Vendor Satisfaction
- Increasing Vendor Diversification
- Increasing Distributor Diversification
- Increase in Valuation
 - Linked to Multiple of Revenue
 - Dilution of Loss of Large Client Concern
- EBIDTA Increase allows for Necessary Investments

Sales Cannot Operate in a Vacuum

- Sales is a company-wide responsibility
 - Mutually developed sales targets
- Sales Impacts profitability
 - 1st Year Operational Cost is 135% of Ongoing Cost of Doing Business
 - Transition Claims and Care Mgmt Issues
 - Additional Calls
 - Handling of Adjustments
 - Unknown Service Requirements
 - Many TPAs Do Not Understand Cost or Knowingly Support “Loss Leaders”
 - Complexity is not recognized



Sales/Operations/Finance Linkage is Key



OPERATING EXPENSES

- Clear understanding of fixed versus variable cost
 - What is current capacity?
 - Are gains in efficiency expected soon?
 - Are there any gains other than spreading unit cost from growth in covered headcount?
 - i.e., “Stepped” vendor contracts
 - How much can I grow before some of my “fixed” becomes “variable” (headcount)?
 - Is there any opportunity cost to taking on new business?

Delineate Standard and Non-Standard Capabilities

- Developed in advance of sales efforts to guide efficiency of sales process
- Clear definition of finite services/processes/plan design
 - Home run swing
 - Accommodation
 - Broken China
 - Absolute deal killers
- Standard pricing models consistent with understanding of services and Operating Cost Plus

Sales & AM Team Building



- NOT Sales Rep acting in role of AM
- Pairing of Sales Rep, AM and marketing/clerical support into Sales and Service Team
 - Responsible for integrated service and responsiveness to clients and distribution network
 - Shared responsibility for implementation planning and knowledge transfer
 - Shared profitability responsibility
 - Shared client/distributor satisfaction responsibility

CQI for Distribution System

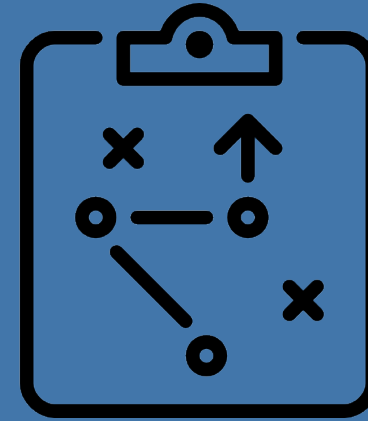
- Direct marketing
 - Best chance at controlling relationship
 - Challenges viability of all other methods
- Brokers
 - Usually control personal relationship but not knowledge relationship
 - Mixed loyalty typically influenced by commissions
- Consultants
 - Usually better knowledge and analytics
 - Loyalty based on background
 - Not risk takers

Distribution Management



Metrics management

Opportunities
Real opportunities
Real Prospects
Sales



Formalized review of broker's business, perceptions and structure

Book-of-business
Use and perception of competitors
Business processes/fragmentation
Support staff
Keys to success



Specific Business Development Strategy

Resources
Contacts
Differentiation

Differentiation
Reward Programs
Support
Flexibility



Distribution Outside the Box

- Healthcare Entities via Community Health
 - Development of multi-level relationship at hospital
 - Chief Financial Officer, Director of Managed Care, Medical Director, Human resources
 - Facilitation of Efforts to maintain or increase market share and limit carrier influence
 - Some specialization in sales resource necessary
- Trusted Financial Advisors
 - Based on increasing importance of benefits on prospect financial results
 - Message via Accountants and Financial planners is “control” ...watching checkbook



The Person Matters

“Student of the game”

Pattern and willingness to invest in knowledge of the business and prospect/distributor interests

Analytical skills

NOT to become an underwriter/SL coordinator

Basic understanding of trend, pricing impacts, program impacts, market analysis/competitive analysis

Competitiveness

If he/she doesn't win, finds out why and adapts

Controlled greed/understanding of accountability

High level of interest in earning incentives

Never crosses line with respect to ethical issues

Relationship skills/Organizational skills



Support Them...

- Start with the right person
 - Can you really teach an old dog new tricks?
 - Can a relationship seller become a consultative seller?
- Understand strengths/weaknesses and provide support where needed
- Weekly sales reporting and “round table”
 - Broker and prospect “rounds”
- Other training opportunities



Sales Culture, Commitment, Contract

- Outstanding Work Ethic: We will outwork our competition in every aspect. This includes our Producer Development Plans, local networking, opportunities to expand out TPA brand equity and opportunities to learn more about the industry, our competitors or the concerns of producers and prospects.
- Technical Knowledge: We will use our knowledge of the industry, our local markets, stop loss products and our product and service portfolio to bring creative solutions to the producers and demonstrate our desire to be a true partner.
- Strong Ethics: We will always take the high road in every business situation and align ourselves with producers that don't stretch the boundaries of ethical business practice.
- Teamwork: We will always look out for opportunities to benefit our TPA and our fellow Sales Team members.
- Closers: We will not be satisfied with second place and will make every effort to close a sale. If we are not successful, we will very professionally obtain information that will make us better on the next opportunity.

Sales Comp Model



- Incentives are paid for the first year of the contract only, subject to 50% upon signature of the Administrative Services Agreement and payment of the first monthly invoice and 50% over the remainder of the first year 11 equal payments).
- Commission rate to be:
 - 6% of the first \$500,000 of TPA revenue (including administrative fees, stop loss commissions, PBM-related fees and “mark-ups” on vendor fees);
 - 7% of the next \$500,000 of new revenue and
 - 8% for all revenue exceeding \$1,000,000.
 - There is a \$100,000 “cap” on commission payable per case.
- If an account terminates their contract after one year unrelated to service issues, there will be a “give back” equal to 50% of commissions received for that group. The “give back” will be taken from future commissions

Sales Tools



- “If we build them tools, sales will come”
- Must be current and VALUE oriented
 - ✓ 5-8 things that make TPA different
- Minimum Standards
 - ✓ 1-2 Page Value Statement leave behind
 - ✓ Standard presentation with current messages
 - ✓ 2-3 page proposal executive overview
 - ✓ Well-designed service summary
 - ✓ Client/Broker monthly newsletter

Culture of Accountability and Self-Reflection

- Annual Development Plan/Budget
 - What am I going to focus on to improve rate of quality opportunities?
 - What do I need TPA's support with?
 - What can I do to continue to improve my skills?
- Monthly Activity Summary
 - Market Development Activities
 - Broker/Prospect Development Activities
 - Proposal Status
- Weekly Reporting
 - Update on Proposal Status
 - Broker Evaluation



Concentrate on Stop Loss

- Do you have the right person working stop loss marketing?
- Has the foundation of relationship been laid?
 - Do you have the right markets? Do others beat you due to Stop Loss?
 - SWOT Analysis at Market Level
 - Does your process match the industry standard?
- Do you really know how good you are? Have you told the markets
 - Thorough review of medical management and other early warning processes
 - Claims adjudication and CONTROLS
 - Integrated results of Business Partners (Networks/Carve-outs, PBM, OON, Care Management, Point Solutions)
- Mantra...NO TWO TPAs ARE ALIKE

Closing the Deal

- Always prepared for BAFO
- Service Level Agreement
 - Client Satisfaction, Participant Satisfaction, Phone Service, Portal Service, Claims
 - 10-15% of Administration Fees
- Risk Sharing Model
 - If cost control is a pillar of your proposal...
 - Additional level of “money where your mouth is”
- JOC Relationship Structure
 - Goals, Results, Adjust
- Transition Issue Avoidance
 - “We have been here and are totally committed to seamless transition” (in the midst of multiple moving parts)



Glenn McLellan
President
McLellan Consulting Services
13805 Moonstone Canyon Drive
Riverview, FL 33579
Cell: (860) 604-0410
EMail: glenn@mclellanconsulting.com
www.mclellanconsulting.com

