

Health Insurer Benchmark Comparison Motivates Sales Compensation Redesign

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The Situation



A major health insurance carrier was struggling to motivate

representatives and drive cross-selling. Sales representatives believed their sales compensation plans were too complex, forcing them to spend hours each month reconciling payments instead of selling.

The Challenge

Sales leaders wanted to drive growth and increase seller focus without losing the strengths of their current sales compensation plans, which included geographical flexibility and strong upside potential. They asked the Alexander Group (AGI) to benchmark their sales pay levels and sales compensation design against peers in the health insurance industry.

The Solution

AGI analyzed the carrier's sales compensation plans and benchmarked them to a custom group of industry peers. AGI found that a highly complex, unchecked, multi-market approach had led to a hectic environment of variations on and exceptions to the core plan. AGI also identified that, while sales leaders wanted representatives to focus on penetration across lines of business (e.g., medical, dental, vision), the inconsistency between representatives' monthly targets and yearly bonuses actually discouraged broad cross-selling.

The Alexander Group also benchmarked pay levels, rates and quota achievements by role against industry peers. The carrier's commission rates were low versus the industry average, but book sizes were far above benchmark. As a result, top sellers were earning industry-leading rates of pay, and the carrier overall enjoyed high sales force retention rates and quota achievement. Book-based commission, however, also allowed for a large disparity in upside potential because of the variety of territory sizes across representatives.

The complexity of plan design and the variance in territory sizes resulted in a weak pay-for-performance culture with little to no correlation between seller performance and sales compensation. AGI recommended the carrier adopt a sales compensation plan with fewer mechanics and clearer measures to simplify incentives and smooth out pay-for-performance.

The Benefit

The Alexander Group designed a two-year roadmap to transition the carrier from a bonus-oriented, commission-based structure to a goal-oriented, point-based plan. The plan maintained geographical flexibility and strong upside potential. Additionally, instead of juggling monthly and annual goals, sales representatives would be able to focus on contributing to their aggregate annual goal each month.

The carrier implemented AGI's roadmap for the following fiscal year. They began by applying a standardized approach to drive consistency across markets in the short-term, before fully adopting the points-based system in the subsequent fiscal year. The AGI analysis to compare pay practices to peers informed sales leaders on how to change incentives to clarify and simplify sales compensation, and better drive cross-selling behavior.