

Case Study

Company with Large Producer Force Cuts Commission Overpayments by \$22 Million

Situation

A leading health insurer provides services to more than one million members. Amid rising premium costs and a dynamically changing marketplace, the company needed a commission management solution that could quickly adapt to changes, provide timely and accurate communications, and strengthen the relationship with its distribution network of 2,500 producers.

Problems

Producer commissions were being managed using a combination of legacy systems and manual processes. The company needed a compensation plan that more accurately reflected producer performance, but the changes could not be implemented within the existing system. Inefficiency and inflexibility were preventing alignment of compensation plans with corporate strategy, which created numerous problems, including:

- The company was overpaying producers by \$11 million per year because the incentive plans did not compensate for inflationary changes in premiums.
- Management lacked visibility into producer performance due to delayed and uninformative payment reports.
- The relationship with producers was degraded because of inaccurate payment results.
- The company was spending money employing a support team dedicated to handling commission-related questions.

Outcomes

Optymyze redesigned and automated the sales commission management processes, implemented a new compensation plan that aligned commissions with sales efforts, and designed a comprehensive set of reports and analyses for managers and producers. The improvements were rapid:

- The company saved \$5 million in the first six months, with an expected savings of \$12 million each year going forward—an ROI of more than 400 percent.
- Management gained greater visibility into plan effectiveness through frequent, more complete reports with a multi-dimensional view into the elements of the commission plans.
- Producers were happier and inquiries dropped dramatically, since payments were backed up by an online report that clearly explained the calculations behind the payment.
- Changes could be made quickly, guesswork was eliminated, and risks were substantially reduced since proposed plan alternations were modeled and the impact on costs analyzed before the plan changes were rolled out.

PROBLEMS SOLVED:

- Strategic Misalignment
- Limited Modeling
- Lack of Understanding

ROOT CAUSES FIXED:

- Lack of Expertise, Experience, and Time
- Inefficient Processes
- Inflexible Systems

PROCESSES IMPROVED:

- Change Management
- Management of Staffing Needs
- Loading and Integration of Data
- Validation and Cleansing of Data
- Calculation of Performance Measures

About Optymyze

Optymyze helps companies improve sales and channel performance with enterprise cloud applications and professional services for aligning sales goals and compensation; efficiently executing sales strategies; driving faster increases in sales results; and gaining visibility into sales performance.