

# Unique Background Makes Wood Innovative Broker

BY TODD CALLAHAN » EDITORIAL DIRECTOR » THE INSTITUTE FOR HEALTHCARE CONSUMERISM

**C**hanging the health care cost paradigm is done one company at a time. That is one of Scott M. Wood's core beliefs, and it directs him every day as he crusades for lowering health care costs for employers and employees.

Wood's mission is waged not only with employer-clients; he also is a crusader with insurance companies, pushing them to provide innovative benefit structures, more consumer-friendly programs, and tools to make it easier for individuals to take charge of their own health care.

He feels comfortable going toe-to-toe with the most seasoned of employers and high-ranking executives in the health care industry and is able to work effectively with insurers because he speaks their language. A former insurance company executive, Wood has walked in their shoes, and he innovates with them.

"I have a pretty unique background," said Wood, who believes the biggest problem with employer-sponsored health care is the fact most c-suite individuals have no idea what they are doing. "I have seen it and lived it as a CEO. It takes courage and faith to make decisions. The problem in our business is poor strategy and execution. If you don't balance out the funding and contributions and you don't execute well with the strategy and education, you're going to have a problem with poor plan design and execution."

Wood has been on both sides of the negotiating table when it comes health plans.

He was the COO at Independence Holding Company & American Independence Corporation, an organization of affiliated insurance carriers, marketing and administrative companies and agencies dedicated to delivering insurance solutions to groups and individual and was a senior vice president of a major insurance company.

However, Wood was seasoned on the other side of the table, holding the position of CEO of Insurers Administrative Corporation (IAC), a firm specialized in third party administration of health plans. During his 24 years at IAC, Wood directed all operations, including contracts with insurers, reinsurers, PPOs, producers, and vendors.

Armed with a full circle of health care knowledge, Wood, along with the Benefit Commerce Group, analyze needs and develops both near-term and long-term strategies for employee benefit programs.

The No. 1 objective is controlling health care costs through plan design, wellness programs and funding structures that emphasize individual responsibility for health care.

For clients added during the past year Wood has saved an average of \$1,700+ per employee per year, while maintaining the economic value of employee benefits.

Wood also is a big believer in moving to full-replacement consumer-directed health care plans. The majority of his clients have moved to an account-based plan, eliminating the traditional health plans and having his clients offer their workforce one plan, eliminating choices and also eliminating mistakes during open enrollment.

Wood adds his biggest thrill being a broker is sitting down with a company CEO and showing them how their increased health care spend is growing at a higher percentage than the company's profit margins and the status quo is not

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a viable option.

"It is rewarding when CEOs have the courage to do it," Wood said of c-suite executives getting

on board with curtailing their health care spend by moving to a CDHP and educating their employee population about better health care choices. "I tell them you can continue down the road you are going, or you can put a stake in the ground and do something about it."

One example of Wood's cost-effective solutions is an industrial machinery company based in Phoenix. The company was offering employees seven plans from four carriers. Choices may be good at a restaurant but it was not the answer, as the company was facing double-digit premium increases annually.

In 2010, with Wood's insights, this company began to approach its health plan as it did every other budget item, with analysis and strategy. In the first plan year, health plan costs were reduced by 21 percent from the previous year without cutting benefits or shifting costs.

For 2012, expected medical costs remain 8 percent below 2009 costs, employee contributions will not change and employee cost share for the plan is being reduced by 16 percent.

Although not a large company (approximately 500 covered members), Wood proved CDHP are not just for big companies anymore.

The company moved from fully insured to partially self-funded and made HRA deposits of \$500 individual/\$1000 family. The contribution is expected to increase to \$750 and \$1500 for 2012. The CDHP also included strong incentives for preventive medical and pharmacy benefits. The program included a fully integrated administrative platform, including employee education, web tools and wellness strategies.

Employee engagement proved successful for the Phoenix-based industrial machinery company, as 98 percent of employees participated in the biometric screening and health risk assessment. The incentive to participate: only those who participated received HRA deposits.

"I am not big on encouragement through gift cards," Wood said. "I like to tie encouragement back to economics. I use it as a carrot. You take 15 to 20 minutes to fill out a health risk assessment and we will fund your deposit. You just made \$1,500 for a half hour of your time."

Wood attributed a great part of this success story to the company's executives. The CEO, HR manager and others have embraced the program for their company, their employees and themselves. They have become the best ambassadors for the consumer directed plan and advocates for Wood's methods and strategies. **HC**