



**Interview Transcription  
of Hilton Sher, CFO,  
Consolidated Credit and  
Carlos Castresana, USI**

Feedback, Fall 2021

## **Tell us about the make-up of your company and what led you to self-fund your group health plan?**

**Hilton Sher:** Our group plan covers about 200 members and 300 lives and includes the whole gambit from call center to execs to a lot of highly paid tech people. The biggest issue always was, you have the people at the bottom that aren't earning as much, can't afford health insurance, and then we have people that want a nice strong robust plan. We have had quite a roller coaster. We had a number of years of really good claims and didn't really reap the benefit and then we just hit a downwards spiral of year after year high claims ratio, premiums going up and up and up.

The reality is that we reached the stage where health insurance became unaffordable. The expense got to about a 2-million-dollars of health insurance costs and for a group our size, very sizable. So, you know we started looking at what we could do, we had to, I had the CEO call me and say, "I don't care what you have to do, fix it."

## **Now, you were not originally with USI as your broker-you had a long-standing relationship with another broker- can you talk about that?**

**Hilton:** Carlos Castresana, at USI and I had a really great relationship reaching from the late 1990's and I knew Carlos in a previous life when I came to this position I had another broker, and one year we had a real problem-- we were trying to get our insurance premiums to a manageable level, so we went back to the insurance carrier and asked if they could reduce the premiums one more time as the increase they were showing was not warranted based on the claims usage. And the carrier pulled the quote! And we were literally stuck. I called Carlos and I said, "Carlos you got to come in and save me."

He did and got us onto another plan and then he became our broker of record, and he did the rollercoaster renewal with us a couple of times. But good years, a bunch of bad years, but we did quite a lot of magic together and then for political reasons, Carlos lost the account. A new broker came in and the spiral continued every year, and the premiums were going up and up.

And then, this is the best thing about Carlos, he kept in touch with us every year, we kept the relationship. And every year he'd come and give me some ideas. "Where are you going and what are you seeing" and I'd always bounce things off him. And we talked about self-insurance, and I went to my current broker, and we were with the large carrier at the time and said, "Get me a self-funded quote."



And the quote actually came back higher than our fully insured plan was. And right then, I knew we just couldn't stay with our current broker- they stopped fighting for us.

So I called Carlos, he came in with WellNet and gave us a great proposal and a deep analysis of the opportunities in our plan to save. I had never seen that before. And then the hard part is, when you've been used to a fully insured plan, it's nice to see a quote for self-insurance but it's not that simple, it really is looking at your plan through a new lens. We decided to make the change, and Carlos helped us and senior management through it.

In our first year we saved \$600k and \$400k more on renewal, because had we stayed fully insured, the large carrier would not be improving the plan and they would simply be trending up+ from the previous renewal. It was absurd. Not only did we not take an increase in premium, we lowered our cost.

### **What's your approach to getting your clients to understand that you're bringing something different to the table?**

**Carlos Castresana:** We all know that for all of the carriers, fully insured is the most profitable part of their business. They are also recording record profit. But I think the message here is the carriers don't sit on the same side of the table as the client. And that's the biggest message you have out there. These carriers really don't care about clients. The carriers don't care if they lose them. So there is just a really tremendous arrogant attitude.

So, the former broker, to bolster their case, put the large carrier self-insured quote on the table.

And obviously a CFO's going to go to the maximum allowed liability, be concerned, and run right back to fully insured. WellNet is able to get players to the table including Google's new stop loss division, Granular and put very thorough and well-underwritten quote on the table. So, by the time WellNet put together their self-insured quote, it came in substantially lower than the large carrier did. Which got Hilton's attention.

I want to tell you the probably biggest home run in the first year, was in pharmacy. The large carrier and every other carrier would have approved and paid a ton of these specialty drugs and once I saw the actual cost of these specialty drugs, you begin to say "wait a minute, there has to be a better way."

It's one thing to hear about the abusive costs, but when you see it hit your plan and you get into the specific of what drug it is, and how instead, WellNet now captures these claims immediately at the first prescription, we easily saved Hilton \$100-\$150k on just a few prescriptions. And I'm being very conservative, the large carrier would have approved these costs, and it would have blown up Hilton's renewal the following year.

This is just an example of what an independent TPA is able to do, and a typical self-funded administrator that is connected to the traditional carrier does not do this. And I think that's the message. I want to share with all of you is that these large, traditional health carriers have tremendous biases. An independent TPA does not and is free of all the conflicts of interests and truly can go out to the open market and get our client's the best deal.

### **Can you talk about the transition and how you brought your employees into the fold?**

**Hilton:** One of the things we did do from the employee standpoint, we kept our plan the same. So, it made it a lot easier for the transition. I think, to them, nothing really changed that much, it was just a different ID card, and they knew the plan was self-insured, so we explained what it was. The biggest thing really was, I think that we now understood what we were doing, and where we are going. We got to know what was happening with the plan. I think our prescriptions were about 50% of total claims. Now with WellNet, we're definitely below 30%.

So, to the average employee, not much changed. From the company standpoint we just had access to so much data. With the data mining WellNet provides and the interpretation of the claims and suggested action, we know exactly where there are opportunities to improve every single month- and more, if I want it. We never had that before and now we have that with this plan. So, the biggest adjustment is really behind the scenes, we felt for the first time in 20 years that I've been here, we had a handle on where we were going and how to address it. This is not about taking benefits away or hurting the employee and their families.

### **What's your long-term view on your company health care plan?**

**Hilton:** So you know it's so funny, in my mind, I've taken healthcare and made it like another division in the company. I know every week what's happening in the plan. And what it's done, it's forced us to be so cognizant

of everything that's happening and that's a good thing. What I have learnt is "if you're going to do self-insurance, you have to do it properly". And what do I mean by that? I think you have to invest the time to understand it and keep current and see where you're going wrong. As an example, what were the specialty drugs that were hurting us? And one of the things we do with WellNet is we decided to source the specialty drugs differently as Carlos mentioned, and in many cases, at half the cost. And I think that, knowing each week, each month, where we're going gives you the knowledge as to where to tweak the plan. And you know, it's not a one and done. I think that's the biggest cultural thing, you have to keep working at it.

I want people to understand, nowhere did we hurt any employee's, we didn't exclude anything. We just find a better way to source it. The other thing is, we now have the ability where employees can call in to the concierge at WellNet to see if there is a higher quality, lower cost doctors for surgery or a specialist. They are not obligated to do this. But if they do, we'll waive the deductible for the member. It's a win for the employee – as we are improving outcomes, and allowing the employee to have no out of pocket cost and for us, as the company, the claim cost is much lower. It's a win, win.

### **Are you using incentives in anyway?**

**Hilton:** So, you know, when we started, we just mirrored the existing plans. Now, we're doing things like incentivizing our people by covering their deductible if they do come to the concierge and use preferred care providers. That's where we are now, we are having WellNet suggest these options, but we do not mandate them to our people. It's taken us to the next level in savings. The easiest path to me is you start with the same plan design so people don't feel like they are being short changed. Then over time, look at how to reduce more costs. It's all about education.

### **How do you typically approach a client about how to improve their group health plan?**

**Carlos:** Well, first of all I would deal with their pain points, and the main pain point is cost. Because when people go into a death spiral in a health plan, and a lot of health plans are what we call death spirals. You know, there is just only so long you can take the air out of one balloon and put it

in the other. There is just only so long you can beat up the employees on deductible, co-insurance and all of that. And I tend to seek out CEO's and C suite that are financially sophisticated and are ready to sit down and actually out in the time and effort. Because the work that WellNet does and what we give back to the client is fairly sophisticated.

That's the message I want to give all brokers. When you're converting people from fully insured to self-insured, it's not a lick, spit, and a polish. You have to walk through all of these components of the plan, and so they feel very comfortable in understanding how it works. Once a customer goes self-insured, to keep with the statistics, very rarely to the go back to fully insured. Once they see how effective it is on their medical and pharmacy spend, their concierge, their reimbursement of deductibles, that's where WellNet comes in.

### **Was there any concern about customer service by going to an independent TPA?**

**Carlos:** You see, here's the other beauty that customers love. They love the service, once you go to a WellNet model, it's like white glove service. Everything gets handled, one call resolution and nothing sits on the table. Any EOB, any claim, anything compared to the snail's pace of a carrier 1-800 number, it's like night and day. My clients love the service. And that's, you know, that's part of the win-win here. They get that white glove service. All I want to communicate to every broker/ advisor is there's work to be done with every group health plan. And you can't just go right from fully insured to referenced-based pricing plan, as that's way too aggressive for almost all businesses.

That's why WellNet's Crawl, Walk, Run approach makes so much sense. They allow companies to manage their health plan at their own pace.

It's another thing when you're walking a customer through their plan and you're analyzing their data, and you're trying to see the impact of moving to an optimized self-insured plan. All the parties need to get comfortable and evolve. We're in a marketplace here in south Florida. We're the last to go self-insured. The rest of the country is moving a lot faster than we are. And part of it, is that people just don't have the comfort level. WellNet makes an enormous investment into your customers, so that companies are comfortable to make the move.



## How did you approach senior management before making the health plan change?

**Hilton:** The biggest thing I'm going to tell you is that you have to have buy-in by the senior people. You cannot have the broker only driving this program. It will not succeed, you have to get buy-in. You know Carlos and I had that, and I went to my management team, and I made sure they understood, and I had them buying into it too. You cannot push it alone, because if you don't have management buy-in and they don't fully understand it, I personally think, it's going to be a recipe for disaster. But once they buy-in and feel that they understand, and they have input and know what know to expect, I think it works great. It has to be a buy-in from the company at a very high level.

There are two phrases we use now internally. The first is: Crawl, Walk, Run. You start slowly, move to self insurance with minimal plan changes and then make plan enhancements as you further understand the plan and where you need to take corrective action. And the other is we are proactive vs reactive.

With current claims data available to us, we are able to analyze trends as they happen and decide what current actions to take to minimize costs. I think that's one of the biggest enhancements. We are not waiting for the renewal and always being behind the eight ball. We are being ahead of the game.

As a CFO, I think the key is you have to show us how we're going to save money and why we won't have a loss of service. But I think to get the C suite involved you have to show them how there is going to be savings and how it's not going to hurt the employees. Because remember, we are not just the C suite; we are also on the health insurance plan too.

So, I think the big key is how are they going to save money? And I think, how you do that is what WellNet provides, they take existing claims and can show how those claims cost can be reduced. So, you have to use those kinds of tools to show that there can be savings in the system. But you have to make sure that the C suite understands and the reason we're making this improvement is because we have the same kind of benefits and at the same time are going to reduce our healthcare costs.

**Carlos:** Let me jump in and add – what you guys do, the deep dives into the existing claims of the customer, that's very powerful. You take something that is a general concept, you know eliminating the waste, the efficiency, sourcing things less expensively, and you take it down to the level of the company to make it easy to understand. And I think that's very powerful for a CFO to see.

**What are some things you think company executives need to know about the health insurance industry that they may not be aware of? / or Any closing thoughts?**

**Carlos:** I think I have to talk about the industry, and the dirty secrets of the industry. That's the bottom line. I walked into a meeting yesterday in south Miami with my team, with a senior C-Suite Executive that got brought in by a private equity player. And I just laid out the facts. The traditional health insurance industry players do not sit on the same side of the table as the employer. And that's really powerful because when you explain the affordable care act and why are health insurance companies having record profits, and how there is no desire to mitigate claims and to help employers lower their costs, the job that the carrier's supposed to be doing.

Why are all these companies in existence? You would imagine that's the job of the health insurance carrier. To mitigate claims. All these companies have blossomed and grown in America, because the fox is watching the hen house. And people aren't woken up to it. You're not mitigating claims.

Tell me - how are you going to mitigate claims? By doing the same thing every year - *with a broker who continues to go to the fully insured markets* - and quote everybody?

Are you going to do it with the same bad news that your increases are double digit again? Or are you going to take back control of your health plan? There's got to be a better way. And the good news is, that gives companies the guts to go "Woah, you mean that guy in Parkland, did it? Oh, you mean that company in Coral Gables, did it?" That carries a lot of weight.

**Hilton Sher**

Chief Financial Officer  
**Consolidated Credit**

*Location: Fort Lauderdale, FL  
200 members on the plan  
Formerly fully insured  
3 years with WellNet*

**Carlos Castresana**

Executive Vice President  
**USI Insurance Services**

