

The following report, from the editor of *Customer Service Newsletter*, summarizes the details of a rep compensation plan developed by Sibson & Co. for a major health insurance company.

— **Editor**
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Sibson's compensation solution

While Sibson & Co. looks at a variety of factors that impact work performance when they take on a client, their specific assignment in many cases is to help create a compensation plan that will improve performance and align with strategic goals. Here's what it came up with for the health insurance company described in the article "Fix Service Problems by focusing attention on processes in addition to people."

"The basic plan is a bonus on top of a base salary," says Debra Schmitt, call center effectiveness leader for Sibson. "And the bonus is paid only on a pretty significant improvement over the median performance."

"Significant," she says, means that, in order to get any part of the bonus, customer service employees have to achieve a performance level that is 20 percent higher than today's median. She adds that the plan is structured so that the bonus target will continue to go up every quarter, until the company is satisfied that it has reached a reasonable industry level with which it is comfortable.

The plan uses a multiple factor based on production, with call or claims quality as a modifier. "So your production volume will tell you the level of bonus you might get, but your quality level would be a modifier on top of that — so you might have a 1.5 or a 1.0 modifier, depending on your level of claims processing accuracy or customer callbacks or some other factor," says Schmitt.

There are also a number of "gates" that the rep must pass in order to participate in the bonus plan. "For example, anyone who falls below, say, 50 calls per day on average wouldn't be able to participate," Schmitt says. Sibson's health insurance client also has a gate for the number of "pends" — that is, the percentage of claims pending while waiting for additional information or for other reasons. If reps' pends are higher than a given percentage of their total claims handled, they aren't eligible to participate in the bonus plan.

The plan is very clear up front that the bonus requirement will continue to be raised, so there should be no false expectations on the part of reps.

Schmitt says that for the first couple of pilot periods under the plan there will only be a small percentage of people who will be able to achieve it. "But that small percentage is enough to prove to people that it is possible," she says. "Then your next pilot, usually another three months later, you'll get a higher percentage, and by the time you are nine months or more into it, you should have participation of close to 90 percent."

If the thought of paying out bonuses to 90 percent of your reps sounds expensive, it's not, says Schmitt. "We always recommend that plans be self-funded, so that the company's gains from improved production are more than enough to fund the bonuses."

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