How to Scale Your Medicare business

What does every agent have in common? They all want to write more business.

Anyone who has been in the industry for any amount of time can tell you that increasing your production isn't something that just happens. You have to plan and work to make it happen.

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Getting Started

Today, I want to talk to about some key principles you will need to consider when coming up with your business plan, that will be essential to scaling your business.

I'm going to share with you the factors that the nation's leading call centers and agencies focus on, to make sure they are running a successful business.

My hope is that by the end of this guide you'll have a little more insight on how you can work towards scaling your agency.

To start, we need to quickly go over three essential factors in any agency's business—Cash flow, Cost per acquisition (CPA), and Lifetime value (LTV)

- **Cash flow** is the net amount of cash transferring in and out of a business.
- CPA stands for cost per acquisition. This refers to the average amount it cost for you to get a policy issued & paid.
    - CPA is broken down into two sections. Media CPA and fix cost CPA.
        - Media CPA is the average amount you spend on leads or marketing to acquire a sale.
        - Fixed-cost CPA refers to everything else.
    - For an individual agent the fixed cost part is simple, but if you plan on hiring additional agents it gets more complicated.
        - How much did you have to pay that agent for the sale?
        - Are you paying admin to follow up on policies or to handle phones?
        - Office space, computers, dialer's, licensing fees, etc.
    - It's imperative that you be able to calculate your total CPA because you need to make sure it is lower than the third key factor, lifetime value or LTV.

Lifetime Value

"How much you want to grow the business is a personal goal, but once you know your CPA and LTV, you know exactly how much each policy is worth."

- LTV, or Lifetime Value, is simply the average amount of commissions you earn over the life of a policy.
    - This will vary from agency to agency based on many factors. If you know your LTV and your CPA you know how much total profit you are going to make for every client you put on the books.
    - An important thing to keep in mind is we are talking about "LIFETIME" value. Major companies don't judge the profitability of their business on just what they make the first year and neither should you.
    - As long as your LTV is higher than your CPA you are making profit.
        - If it cost you $300 to acquire a policy and the first year the commission is only $200, it may at first glance look like a bad investment.
        - But if the LTV on that policy is $1000 over the course of five years then you came out way ahead. You paid $300 to profit $700, it just took you five years to realize those profits.
    - Too often I talk to agents who are hesitant to invest in their business because they are only looking at first year profit margin. You are running a business and just like any other business you are going to have to invest in it to see it grow.
    - How much you want to grow the business is a personal goal, but once you know your CPA and LTV, you know exactly how much each policy is worth and from there you can figure out how many policies you need to reach your goal.

Now that we know how to calculate how much business it will take to reach your goals, we need to talk about your budget. Your budget is how much you have to spend on your business.

- This could be renewal commissions, savings or even a bank loan, but without a budget you won’t be able to scale your business.
    - Maybe you’re an established agent who is just looking to increase your sales by a few policies a month and your budget is $200 per week.
    - Maybe you’re looking to build out a 15 person call-center and your budget is $1.5 million per year.
    - Whatever it is, you need to have it defined and make sure it is available to be used as needed for leads and marketing.
- Once you’ve got your budget squared away it’s time to consider the management side of starting an agency. The hardest part of running an agency is managing agents and managing leads.
    - Even if you’re looking to just grow your personal business this still applies. You need to make sure you have enough leads coming in that you and your agents can hit their sales goals and remain happy.
    - You also need to make sure that you always have enough agents available to work the leads you are purchasing.
    - For example, let’s say you decide to run a five man call-center and purchase 20 leads per day for each of your agents. You now have 100 leads coming in per day.
        - What happens when two of your agents call in sick?
        - Are you keeping their work days so full that they can’t absorb the extra 40 leads you purchased?
        - For you individual agents, do you have a plan to pause your lead generation for times when you are out of the office?
    - It’s important to plan and find a balance that keeps the agents busy with leads but doesn’t over expose your business.

- You also want to have procedures in place to make sure that you are getting the most out of your leads.
  - When I say this most peoples minds immediately go to selling techniques and how to close more sales.
  - Often, it's more effective to focus on solidifying the sales you are already making to reduce attrition.
  - If you can reduce the percentage of clients who leave you yearly from 15% down to 5% then you will most likely see more profit from that than you would by increasing your closing percentage.

Here at PSM we focus on **Medicare Advantage** so I'm going to use that as an example, but this will apply to any product line.

- First, align your agents with how the agency is paid. You can bonus your agents after the rapid disenrollment period is up and charge them back if a client disenrolls during that period.
  - The idea is that the agent gets paid when the company does and charged back when the company does. This pushes the agent to not only write cleaner business but also to engage in post sale activities ensuring the business stays in force.
- Second, you also want to have sales monitoring procedures to make sure your agents are following proper procedures. Make sure they are looking up doctors and drugs on every presentation. Make sure they are assigning a PCP on every call. Make sure all compliance requirements are being met. And make sure they are doing an HRA on every call.
- Lastly, you want to have a plan for post sale activities. Follow up with your clients when the policy is issued and then at regular intervals. 30, 60, 90 days and then again every six months or so. Make sure they know how to use their plan and if they are happy with it.

By doing all of this you will drastically increase your placement and persistency rates. Placement and persistency are vital to your success. You spent the money to acquire these clients, so you need to make sure you keep them.

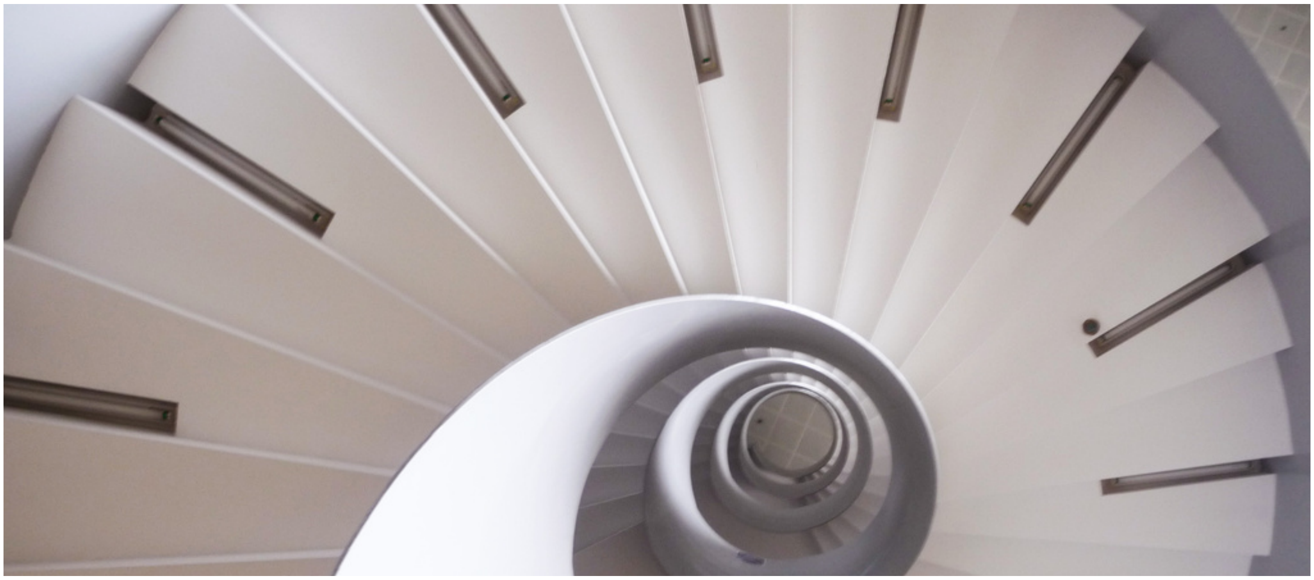
The Role of Ratio

So far we've covered the key factors you need to consider when planning to scale your business. How to maximize commissions, managing your leads to workforce ratio and how to calculate the profitability of your business using LTV and CPA.

The last thing I want to leave you with is how to calculate the value of your business using a ratio. This simple method will give you a snapshot of the overall health of your business model.

- Take your LTV and divide it by your customer acquisition cost, or CAC. CAC is similar to CPA but measures placed policies rather than submitted policies.
- For Medicare advantage this will be any policy that clears the rapid disenrollment period.
  - For many of you this will be nearly identical to your CPA, but for tele-sales models or call centers, your CAC will be higher than your CPA.
- If your LTV to CAC ratio is 1.0 or lower that's bad. You are only breaking even because the LTV is the same as what you are paying to acquire that policy. Aim for 3.0 or higher—This means your profit is twice as much as you invest.

If I told you I'd give you $300 tomorrow for every hundred dollars you give me today you would take that deal, right? I know I'd take that deal, and I'm sure most of you would, too.



Final Thoughts

That's all I have for you today. I hope that you are able to take some of this information and apply it to your own personal situation.

If you have any questions or want to talk about how to best scale your business please give us a call and ask to speak with one of our marketing directors. We'll be happy to take the time to go over any of this in more detail and can even run a personalized calculation for you on what kind of ROI you can expect.

Thank you for your time and have a wonderful day.

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