

2023/2024 HEALTH INSURANCE SALES FORCE
COMPENSATION INSIGHTS REPORT

Sales Compensation Plan Design in an Evolving Economy





Introduction

High-performing companies know the importance of regularly re-evaluating sales incentive plans to ensure they reflect changes to the external market, as well as changes to the company's go-to-market strategy. The recently published [2023 BDO Health Insurance Industry Sales Force Compensation \(HISC\) Survey](#) provides an in-depth look at compensation levels, plan designs, and incentive practices for industry-specific sales roles.

The full survey report provides extensive data and analysis which participating companies use to answer critical compensation issues and questions, such as appropriately incentivizing the sales force to drive business results while retaining high caliber sales professionals. This Insights Report highlights key findings from the full report, specifically:



Key drivers of pay levels for various sales positions — types of sales roles, product(s) sold, market segment(s)



Important considerations for the types of sales incentive plan(s) that should be used, including if companies are using sales bonuses, commissions, or a combination of both



Major factors that impact decisions regarding the amount of pay that should be at risk



Careful evaluation for the overall prevalence of using long-term incentives to incentivize sales positions

To get the full depth and breadth of analyses, [participate in our annual survey.](#)

Key Influencers of Pay Levels

The nature of sales responsibility (e.g., new sales vs. renewals) and the types of products sold have a direct impact on pay levels. The survey revealed the following key findings:

- ▶ Senior sales roles that focus on account management/renewals were paid more than roles that focus on new sales only, or a combination of both new sales and account management (see figure 1). This illustrates the need to retain clients in a highly competitive sales environment, and the importance of cultivating and maintaining strong client relationships. It also reflects a bit of a shift to somewhat lower pay levels for those who sell small group, individual, and Medicare products.
- ▶ Junior sales roles that focus on account management/renewals were also paid more than roles that reflect new sales, or a combination of both new sales and account management/renewals (see figure 1). This is driven by lower earnings for representatives who sell individual, Medicare, and small group plans as well as increases in pay levels for those who support large and major accounts.
- ▶ Senior sales representatives who sell specialty products only, or both health insurance and specialty products, are paid more than those who sell just health insurance (see figure 2). Some of these products require additional training, education, and certifications in order to sell, which warrants higher compensation. For junior sales representatives who may not have the same specialized training as their more senior counterparts, those who sell both health insurance and specialty products have the highest compensation.
- ▶ Sales representatives who focus on national and major accounts are the most highly paid team members (see figure 3). This finding is typical across most industries due to the skill set necessary for the scope of responsibility, including the need to interface with sophisticated client decision-makers.

FIGURE 1: MEDIAN ACTUAL TOTAL CASH COMPENSATION (TCC)¹ BY NATURE OF SALES RESPONSIBILITY

NATURE OF SALES ROLE	2023 MEDIAN ACTUAL TOTAL CASH COMPENSATION (\$000) ²		
	SENIOR REPRESENTATIVE	JUNIOR REPRESENTATIVE	JR AS % OF SR
New Sales	\$159.9	\$111.5	70%
Account Management/Renewals	\$179.9	\$120.7	67%
Sales and Account Management	\$124.8	\$110.1	88%

¹ Base salary plus annual and sales incentives.

² All compensation figures in this report are displayed in thousands (000s).

FIGURE 2: MEDIAN ACTUAL TOTAL CASH COMPENSATION BY PRODUCT (\$000)

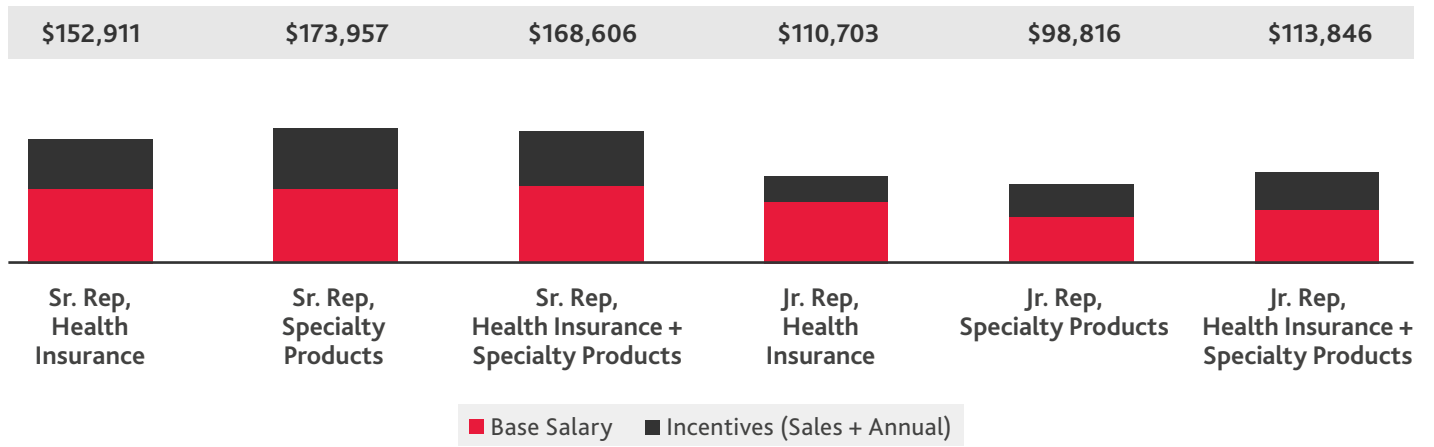
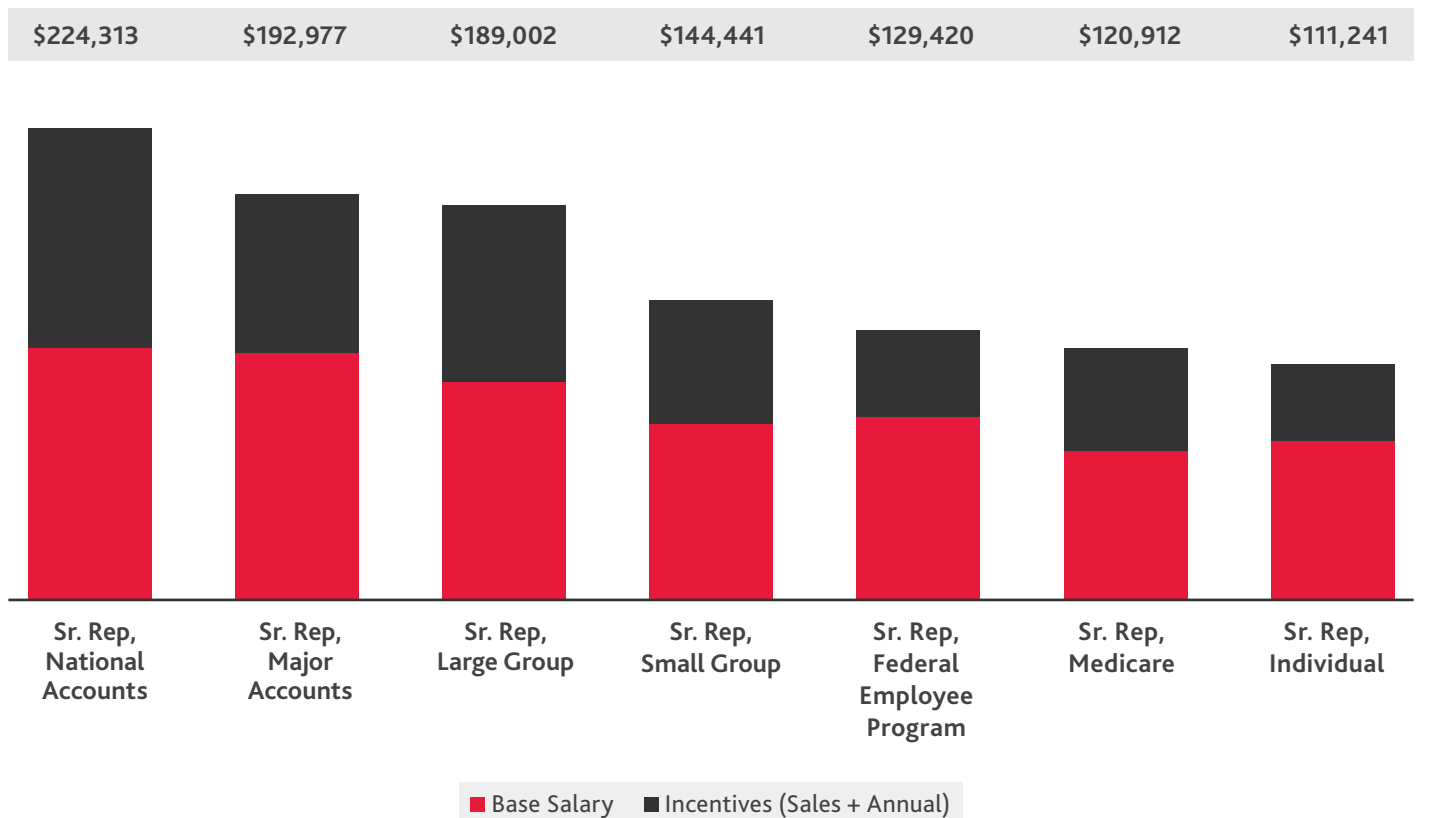


FIGURE 3: MEDIAN ACTUAL TOTAL CASH COMPENSATION BY MARKET SEGMENT (\$000)



Influence of Company Size on Pay

The size of the company had an impact on pay levels for sales representatives. A comparison of the pay levels for sales representatives at the 14 largest participating organizations (with revenues at or above \$10 billion) relative to the 17 smallest organizations (with revenues below \$10 billion) shows that larger companies outpace their smaller competitors in both base salary and total cash compensation. Base salary is 10% higher for senior representatives and 4% higher for junior representatives (see figure 4). Total cash compensation is 8% higher for senior representatives and 20% higher for junior representatives. These differences in pay levels may be due to the sheer volume of contracts at larger companies or as a result of more leveraged plans. This poses a dilemma for smaller organizations who must compete with larger organizations in the war for talent.

FIGURE 4: AVERAGE LARGE COMPANY PAY AS A PERCENTAGE OF SMALL COMPANY PAY

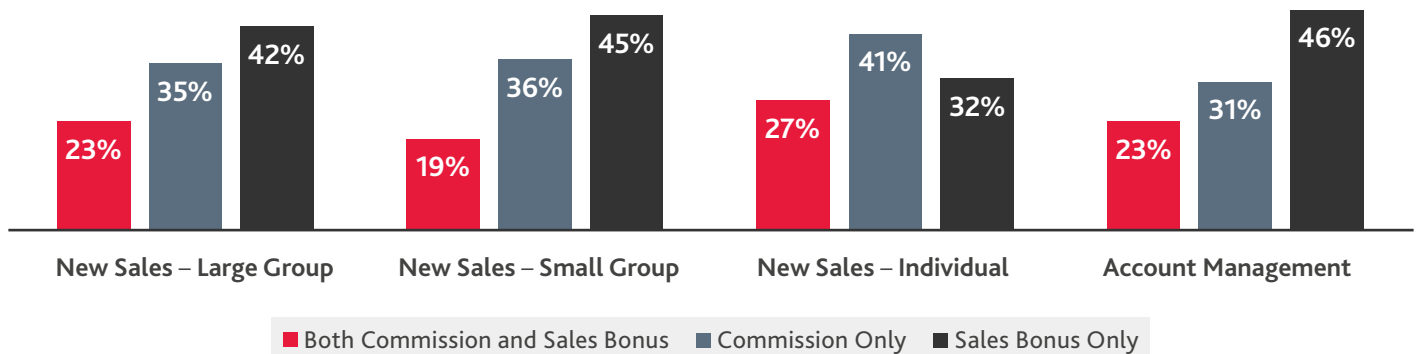
POSITION	BASE SALARY	TOTAL CASH COMPENSATION
Sales & Account Management: Senior Representative	110%	108%
Sales & Account Management: Junior Representative	104%	120%



Sales Incentive Plan Usage

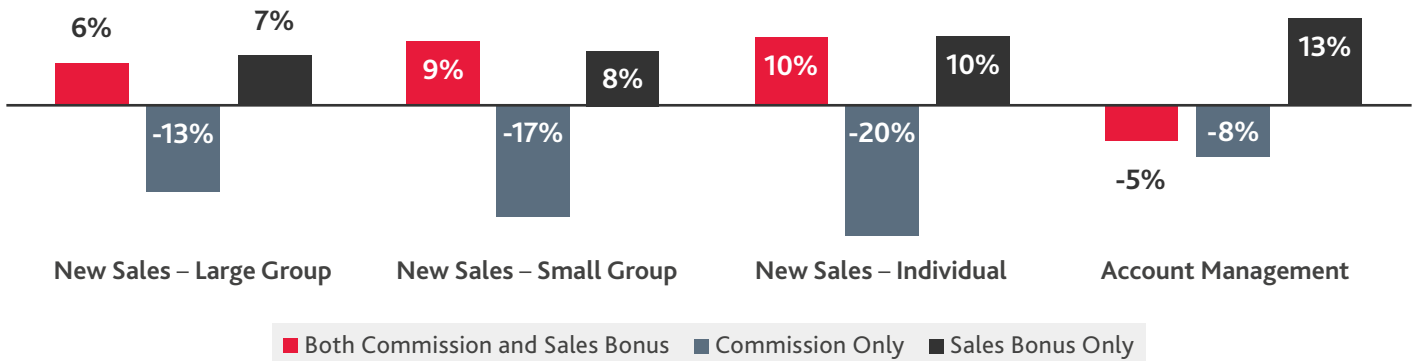
This year we saw a return to the use of sales bonus plans for the representatives that cover group sales. Prior to 2020, the most common plan vehicles were sales bonuses or a combination of a sales bonus and commission plan. During the period of uncertainty caused by the COVID-19 pandemic, the use of commissions increased — a not uncommon strategy when facing difficult-to-predict sales volumes. Last year, the prevalence of commissions exceeded the prevalence of sales bonus plans for all four market roles (senior and junior levels combined). This year, for three of the four roles, the plan type with the highest prevalence is sales bonus only (see figure 5). Only roles focusing on new sales for individuals had a higher prevalence of commission-only plans, which sends a strong message that sales volume is a top priority.

FIGURE 5: SALES INCENTIVE PLAN TYPES



Account management representatives saw the biggest jump in sales bonus prevalence, with an increase of 13 percentage points in sales–bonus–only incentive plans (see figure 6). Sales bonus plans are typically used in conjunction with specific target performance objectives and allow companies to focus their sales force on both customer retention or product sales goals and other strategic priorities, such as product type or profitability.

FIGURE 6: YEAR-OVER-YEAR CHANGE IN SALES INCENTIVE PLAN PREVALENCE



When designing sales incentive plans, selecting the correct performance metrics is critical to the success of the plan. Among companies surveyed, it is interesting to compare some of the key metrics used in plans for new sales vs. account management/renewals.

PREVALENCE OF PERFORMANCE MEASURES	NEW SALES REP – LARGE GROUP	ACCOUNT MANAGEMENT/RENEWALS
Number of new health insurance contracts sold	92%	62%
Number of health insurance contracts renewed	46%	85%
Number of dental contracts sold	69%	65%
Number of vision contracts sold	62%	54%

Not surprisingly, most companies focus on health insurance contracts sold for sales roles and renewals for account management roles. Strategically, however, companies also encourage sales teams to sell dental, vision, and prescription/pharmacy contracts as part of a full-service suite of insurance products.



We are seeing some important trends this year most likely driven by changes in the health insurance market. The desire to strategically direct the sales force to sell specific products and/or focus on profitability is most effectively achieved through the use of bonus plans, which are seeing a resurgence.



JUDY CANAVAN
Global Employer Services Managing Director

Long-Term Incentive Prevalence

Long-term incentives (LTIs) are not a large component of pay for sales representatives but are used for more senior sales roles. There is also a somewhat higher prevalence in the use of long-term incentives at larger organizations (with revenues at or above \$10 billion) (see figure 7).

When long-term incentives are provided to sales representatives, there is significant variation in prevalence based on the market segments. Representatives that sell to national and major accounts are the most likely to have long-term incentives included in their pay packages, though it is less than 50% of incumbents who are eligible (see figure 8).

FIGURE 7: LTI PREVALENCE BY LEVEL FOR ALL ORGANIZATIONS AND LARGE ORGANIZATIONS

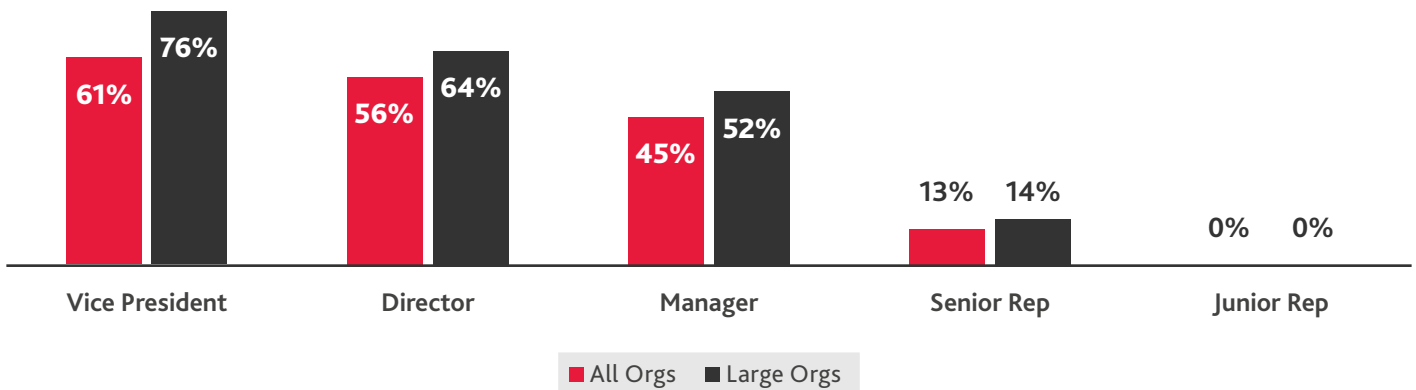


FIGURE 8: LTI PREVALENCE BY MARKET SEGMENT FOR SALES & ACCOUNT MANAGEMENT

LTI PREVALENCE BY MARKET SEGMENT	% ELIGIBLE
Senior Representative – National Accounts	45%
Senior Representative – Major Accounts	33%
Senior Representative – Mid-Sized Group	13%
Senior Representative – Large Group	8%
Senior Representative – Medicare	1%

Conclusion

As the economic landscape evolves, so too do sales compensation plans. The sales force is the front line and needs to be rewarded for performing in the face of ever-changing market conditions. From 2020 through 2022, uncertainty and volatility made goal setting difficult, so overall sales were the focus. We have now seen companies pivot to refocus on customer retention and profitability, either shifting to a commission plan when it was not possible to set specific goals or shifting back to a sales bonus plan to redirect focus on account retention and profitability. Developing effective sales incentive plans is one of the most complex compensation design challenges for any company. Using credible survey market data is a critical starting point for designing an effective plan.

Companies should combine market data with an internal review of their company's go-to-market strategy and use both to inform their analysis and plan construct. The development of any sales incentive plan is an art and is intended to ultimately drive the behaviors that enable achievement of business goals. Keep in mind, though, that as industry models and economic forces change, incentive plans may need to change as well to help find success in new health insurance business environments.



ABOUT OUR SURVEY

BDO's annual [Health Insurance Industry Sales Force Compensation Survey](#) of 1,900 positions reports compensation data including base salary, sales incentives, commissions, and corporate incentives. It provides details about the use of long-term incentives and plan design information for sales representatives, account managers, inside sales, and customer service staff. The survey also explores pay-for-performance relationships that are fundamental to developing effective sales incentive plans. Survey responses are gathered annually from participating health insurance organizations with three categories of analyses:



COMPENSATION
LEVELS



SALES INCENTIVE
PLAN DESIGN



PAY FOR
PERFORMANCE



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GLOBAL REWARD TAXATION

Expatriate Tax

Working with multinational employers to minimize tax burdens and compliance risk while providing integrated services and essential tools, such as our business traveler tracking application, to enable seamless global and domestic employee transitions.

Mobility Consulting

Developing strategies with company stakeholders to determine key objectives and create or modify a global mobility program to meet these objectives through enhanced assignee selection criteria, policy design, repatriation strategies, cost analysis, market analysis, and effective communication.

Global Equity

Helping employers with multinational stock compensation programs to minimize tax burdens and compliance risk through our international network and tools like the BDO Global Equity Mobility Solution and Global Equity Rewards Matrix.

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Providing payroll review, recommendation and implementation; assignment benefit and compensation gathering; and compensation schedules to reconcile U.S. and foreign payrolls.

U.S. Employment Tax

Identifying and implementing strategies to help reduce current and future employment tax burden and exposures; taking advantage of federal, state, and local opportunities to recover overpayments and maximize credit opportunities; and managing the unique complexities of remote and flexible work arrangements.

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Compensation Consulting & Surveys

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ERISA Consulting

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Actuarial Services

Providing cash balance and other tax-qualified defined benefit plan services in addition to retiree health/welfare and non-qualified plans; design, implementation and administration of employer-tailored cash balance plans; resources for long- and short-term planning, funding, accounting, termination, and M&A.

Contact Us

If you have any questions, comments, or suggestions, please contact us.



JUDY CANAVAN
215-636-5635
jcanavan@bdo.com



KEOLANI BRADLEY
203-905-6305
kbradley@bdo.com

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