KANSAS CITY BUSINESS JOURNAL

As seen in the June 2-8, 2006 issue of the *Kansas City Business Journal*

THE METRO AREA'S MOST COMPREHENSIVE BUSINESS COVERAGE

AS SEEN IN GROWTH STRATEGIES

Digging in

Employee benefits firm R.J. Dutton plows deep to find savings

BY ROB ROBERTS | STAFF WRITER

Ron Dutton graduated from the University of Kansas School of Journalism in 1974 – the year Woodward and Bernstein's reporting culminated in President Nixon's resignation.

There would be no Watergates for Dutton to investigate. His first communications job led to a career in employee benefits.

Nevertheless, Dutton has built a successful business on the motto: "We dig a little deeper."

Dutton, president of R.J. Dutton Inc., founded the employee benefits advisory firm in 1995 with a part-time secretary, a cardboard box for a desk and no clients.

Today, R.J. Dutton oversees more than $235 million in annual benefit expenditures for more than 50 large employers nationwide. And the deeper its seven employees dig for their clients, the higher the firm rises.

With plans to double its work force in 18 months, R.J. Dutton moved from its Country Club Plaza birthplace last month to more spacious quarters in Overland Park's Corporate Woods office park.

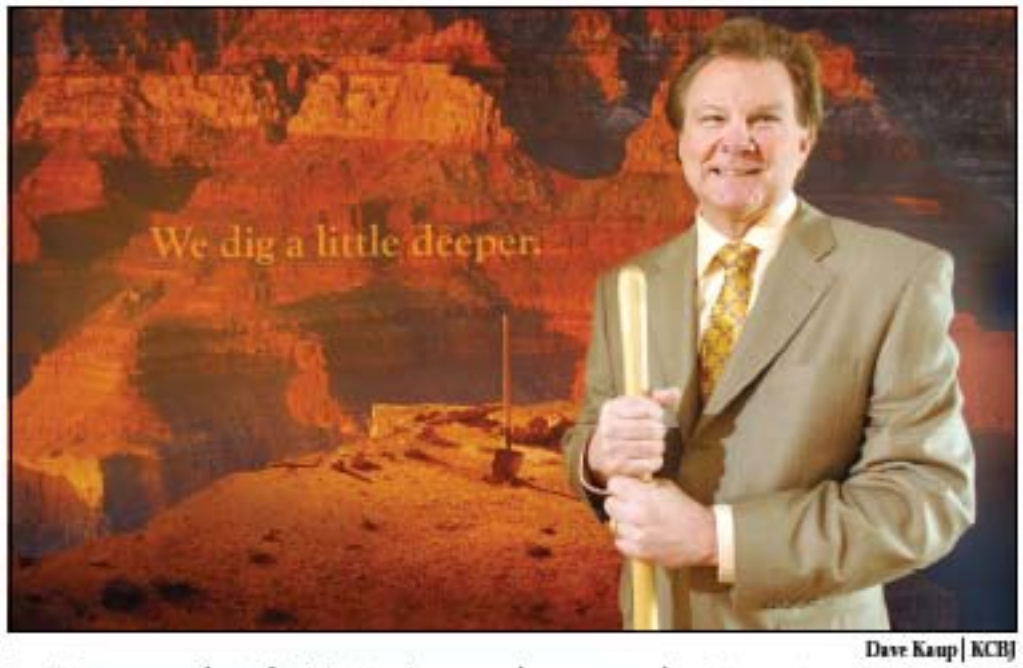
There, on the 10th floor of Building 40, visitors are greeted by the company motto – in golden letters across a wall-sized photograph of a shovel and the Grand Canyon.

An overstatement? Not if you ask Bruce Dale, CEO of Duckwall-ALCO Stores Inc., based in Abilene, Kan.

Before R.J. Dutton was recommended to the 254-store retail chain last year, it was struggling with the rising cost of a self-funded health plan that covers about 800 corporate center employees and store managers.

By implementing alternatives uncovered by R.J. Dutton, Dale said, Duckwall-ALCO is saving about $1.5 million a year on that coverage. That has allowed it to launch a 401(k) plan for management personnel and a limited-benefit medical plan for store employees, he said.

One way R.J. Dutton stretched the retailer's benefits budget was by putting plan administration and reinsurance contracts out for bid. But R.J. Dutton goes beyond the "shopping service" that typical brokers provide, Dutton said.



Dave Kaup | KCBJ

Ron Dutton, president of R.J. Dutton Inc., says the company doesn't accept contingency commissions because he wants clients to know he is only looking out for their best interest.

For example, he said, R.J. Dutton generally carves pharmacy benefit management out of health insurance contracts so better drug discounts can be negotiated and the client can collect manufacturer's rebates otherwise pocketed by a vendor.

In Duckwall-ALCO's case, the discounts and rebates will add up to about $100,000 a year, Dutton said.

In addition, R.J. Dutton achieved substantial savings for the retailer by redesigning its plan offerings.

Specifically, the retailer added a high-deductible health plan and a flexible spending plan that allows employees to set aside pretax dollars to cover higher cost sharing.

Two-thirds of eligible employees gravitated to the high-deductible plan, the cheapest of three options, Dutton said, and the other two were tweaked so that employees bear more of their costs.

"Ron really does dig a little deeper," said Ben Frisch, a vice president of FMH Benefit Services Inc. in Overland Park. "He is exceptionally thorough in his evaluation of customers' needs and in identifying which companies are going to be a good fit for each individual client."

FMH has been selected as the third-party administrator for several of R.J. Dutton's self-funding insurance clients. But clients can be confident that R.J. Dutton's provider recommendations are based strictly on merit, Dale said.

"We really felt Ron and his people were on our side and our employees' side versus being on the side of the provider," Dale said.

To prove loyalty to clients, Dutton does not accept contingency commissions – the carrots some carriers dangle to encourage more volume from brokers.

"Over the last year, we have probably qualified for – and turned down – contingency commissions in excess of $200,000," Dutton said. "It makes it difficult to compete against the large companies that do accept contingency commissions. But I want to be able to look clients in the eye and say, 'I didn't put you with this insurance carrier because I got an extra 2 percent commission.'"

R.J. Dutton generates revenue of about $2.5 million a year through standard commissions on product placements plus fees for managing self-funded plans.

That's a drop in the bucket compared with the revenue of national benefit brokers such as Marsh Inc., Aon Corp. and Lockton Cos. Inc. But R.J. Dutton's membership in United Benefit Advisors helps it compete with those firms.

Founded about four years ago, United Benefit Advisors includes 138 members throughout the country, most of them the top independent benefit firms in their markets, UBA co-founder David LoCascio said.

UBA provides members with services such as actuarially based benefit-modeling software and national benchmarking studies that help clients stay competitive with their benefits.

In addition, UBA members help one another by sharing best practices, knowledge of their markets and expertise in various facets of the industry.

Dutton, who teaches self-funding insurance courses to fellow members, "is one of the thought leaders running the firms that are UBA members," LoCascio said.

Dutton appreciates such compliments but prefers to play up the seven-member team he's assembled.

Brent Simmons, who came to R.J. Dutton with an extensive background in self-funded medical plan administration, said larger competitors often assign new cases to account managers fresh out of college. At R.J. Dutton, clients always get the A team, he said.

That team includes financial analysis director Randy Alexander, who has 20 years of underwriting experience, and senior client consultant Anita Drew, who has helped several Fortune 100 firms manage cafeteria plans.

Then there's Mark Lambertz, whom Dutton worked with years ago when Lambertz was an intern at Woodsmall Cos. in Kansas City.

Pete Woodsmall, the CEO of that company before it sold in 1991, loaned Dutton $75,000 to start his company four years later.

Now, Lambertz is a vice president in charge of digging up new clients for R.J. Dutton, and he's employing an interesting tool.

Along with client testimonials and information on R.J. Dutton's services, Lambertz said, each new prospect receives a shovel.

roberts@bizjournals.com | 816-421-5900

© 2006 *Kansas City Business Journal*

This article has been reprinted with permission of the *Kansas City Business Journal* and further additions, changes or modifications by any other party are strictly prohibited. © 2006