

PPACA'S RATE STRUCTURE WILL FORCE AGENCIES TO ADOPT AN ENROLLMENT PLATFORM IN 2014

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PPACA's rate structure has transformed online enrollment from an optional service to a requirement to stay in business.

Employee Navigator came to this conclusion after updating our enrollment software to accommodate the new age banding structures and seeing firsthand how difficult it has become to present insurance options to employees. Until now, the market did not require brokers to support a technology platform (especially for small groups) and most brokers could get away with referring their larger clients to benefit-administration firms. Insurance brokers who do not offer

employers a tool to manage premium and payroll deduction calculations will lose clients to agencies who embrace technology as a way to simplify the overwhelming number of rate permutations for HR and employees.

HANDING OUT A GRID OF RATES AT EMPLOYEE MEETINGS WILL NOT WORK

We have all been at a meeting where someone selling critical illness or cash-value life insurance hands out a rate sheet littered with a bunch of ages, benefit amounts and premiums. PPACA rate structures in most

states have created too many rate variations, making paper calculations impossible. For example, a company with seven single employees, three families and five employees with double coverage could have 15 different monthly rates. If the employer offers high and low option medical plans, the number will increase to 30; if there is smoker penalty, there will be over 60 payroll deduction permutations. The only realistic solution is to present the plans and deductions to employees on a system that allows them to quickly model different enrollment scenarios and calculate the rates in real time.

WHAT TYPE OF CALCULATIONS ARE INVOLVED WITH PPACA RATES?

- Employees will need to calculate their age and rates based on a future effective date.
- Premiums may be based on the employee's home address or office location (varies by carrier).

INSURANCE BROKERS WHO DO NOT OFFER EMPLOYERS A TOOL TO MANAGE PREMIUM AND PAYROLL DEDUCTION CALCULATIONS WILL LOSE CLIENTS.

- The premium for dependents over age 21 must be calculated.
- Only the first three dependent children under age 21 will be charged a premium.
- Employer contributions and payroll deductions will be different for virtually every employee.
- Some employers have multiple payroll frequencies.

ALMOST ALL COMPANIES WILL USE NEW RATE STRUCTURES BY 2016

There are approximately 5.3 million businesses in the U.S. Of these, only about 45,000 file an IRS Form 5500, which is required for companies with over 100 employees on a welfare plan. This means that when PPACA expands in 2016 to companies with less than 100 employees, only one percent of businesses in the United States will be able to avoid the PPACA rate structure. As a result, the need for brokers to use a tool to communicate with and enroll employees online exponentially increases with the size of the employer.

CURRENT BENEFIT SYSTEMS ARE NOT UP TO THE TASK

Leading benefit administration firms have been around since the early 1990s and their business model remains mostly unchanged. Existing software platforms were custom-built for large companies and cannot be easily adapted for small employers. They also require a long lead time to get a company up and running, and the software configuration is not intuitive. In short, software platforms supporting smaller companies will quickly move into the large-case market and force classic benefit administration firms to retool their business.

DECENTRALIZED BENEFIT ADMINISTRATION WILL REPLACE THE CENTRALIZED SERVICE MODEL

As more employees begin using an enrollment tool, support will need to come out

of the central offices of the benefit administration firms and into the hands of brokers and HR. For example, when a client changes the employer contribution at the last minute, is the broker going to pick up the phone and call a service center to make the change? These and other real-world situations make the central service model impractical when most of a broker's book begins using a single platform. The decentralized service model allows the work to be distributed among brokers, their clients and the employees and will force a realignment of roles, allowing insurance brokers to focus on quality service and policy management while HR managers can oversee employee messaging.

MONTHLY FEES OF \$4 TO \$8 PER EMPLOYEE PER MONTH RE HISTORY

A lot of private exchanges have popped up that provide a marketplace feel, but the fees are high and the private exchange provides the call-center support for the HR manager, thus taking the broker out of the loop. A traditional \$6 per employee per month charge for an existing private exchange means that an agency with 100 groups with an average of 15 employees would have to pay over \$100,000 per year. Even if the fees were reduced to \$3, it would still cost an agency \$50,000. Once it becomes clear that benefit enrollment systems are a necessity, many companies will enter the market and the new competition will bring down administration fees. This, along with the decentralized support model, will contribute to further price reductions and eventually the "brick and mortar" benefit administration firms will abandon their old pricing model. Some experts might argue that certain firms will remain exclusively in the large-group arena. Of course there will be a few, but firms such as Salesforce effectively support large and small businesses, putting that model in danger. (Note: Salesforce does not charge based on the number of contacts.)

THE ENROLLMENT SOFTWARE IS THE NEW EMPLOYEE MEETING

It wasn't too long ago when brokers would assemble carrier reps for the various benefits being offered at the annual employee benefits meeting. Brokers created plan summaries and comparisons for employees and then headed out to their clients' office. The meeting would begin with a discussion on health insurance and would include a summary of changes for the upcoming plan year. Depending on the employer, there might be a dental, vision, voluntary life, accident or an FSA presentation afterward. At the end of the meeting, you would hang around and answer questions from employees and give some very helpful advice, get in your car and bug your clients for the enrollment forms. Today, software can handle just about all of these functions for your agency. Since employees will need to use an enrollment tool to calculate premiums, it will be easy for brokers to offer voluntary products as part of the medical enrollment workflow.

THE AGENCY THAT CONTROLS THE CENSUS DATA WINS

The agencies that move to a unified CRM, communication and enrollment system will place themselves at a competitive advantage, making it virtually impossible to unseat incumbent brokers. Employers not using an enrollment platform will be easy BOR candidates. Additionally, the system managing the employee enrollment portal will control access to the employees and their wallets. Every agency wants to place more voluntary premium and the only efficient way to accomplish that is with an enrollment system. The concept of data control has been around for years, however, the PPACA rate structure is going to act like a trip wire and create awareness within the brokerage community that if you do not have a system, your healthcare commissions will be in jeopardy. Finally, as enrollment software becomes more affordable, the software support provided by agencies will become a market differentiator. HIU