

Many Employers are Dropping Health Coverage: Don't Let it Go – Ride the Wave!



Seventy-eight percent of brokers have had clients drop group coverage this year; and 17% expect to lose more than one-fourth of their business in 2015. These facts from Benefitter's survey of over 1,000 brokers are profound. A major carrier recently adjusted its forecast of how quickly small employers will transition to individual plans, compressing the time period from five to two years after citing a faster-than-expected migration. But of course, brokers already knew this was happening — our clients are dropping coverage every day.

Never in our lives have we seen such dramatic change in our industry in such a short time. Many brokers view this change as the beginning of the end of their business. But, I'm here to tell you that this could be the opportunity of a lifetime!

Why is This Happening?

The average annual cost of group health insurance for a family of four is about \$17,000. In contrast, the average annual cost of subsidized coverage in the exchange for this same family (making \$71,000 / year) is only \$7,000 — less than half price. Of course, no employer has only "average families" in their populations, so that's where creativity (and frankly, technology) can help you do what a broker does best — provide the best possible guidance to your clients.

Transitioning from group to individual insurance can be a win-win-win for employers, employees, and brokers, but only if managed properly. If an employer chooses to migrate some employees to the individual market, each employee will be affected differently depending on their income, family composition, and subsidy opportunity. That is why progressive brokers often recommend employers contribute additional post-tax compensation to ensure that most employees are better-off. This approach keeps the broker at the table, advising on the administration and design of this alternative compensation model.

Real World Experience

Recently, one California-based company exhausted all its options trying to respond to the 30% increase they were facing on their group plan. They had about 120 eligible employees, with 80 employees on their plan, and were spending about \$1 million on health insurance. They knew that any of the traditional options,

such as buying down their plan or increasing contributions, would simply pass the buck to employees, but they just couldn't afford to absorb the increase.

The broker was also in a tough position because the market didn't offer any alternatives. He was also following the historical path of delivering bad news, and not much value in the eyes of the employer. But, this time, the broker proposed an alternative model, saving the employer nearly \$500,000 while giving employees a major reduction in their overall costs as well. This savings is after paying the (\$2,000 per-employee) employer mandate tax, adjusting employee compensation, and paying program fees that are shared with the broker.

But the hidden benefit for many employees was that they could actually afford benefits for themselves and their families, and had more choices on types of coverage. Some employees received no additional compensation, and still ended up happier because what they really needed was for their employer to get out of the way. One employee sent a note to the employer that said, "When I heard our plan was being cancelled I thought the employees were being screwed, but as it turns out, I found a better plan for less money. I'm thrilled!"

What are Brokers to Do?

Brokers are the most determined people I know. It's the only way you can survive in this industry. No one is calling you asking to purchase the product you offer — instead you are fighting other brokers to generate new business and retain your existing business. When a massive tidal wave change like the ACA comes along, you have three options on how to respond:

1. Let it go.
2. Make lemonade out of lemons.
3. Ride the wave.

Let it Go

I don't encourage abandoning employers who are dropping coverage. The individual market is different and, in many ways, more difficult, but finding new clients is also tougher than retaining clients. Employers often need more help, and they are willing to pay substantial program fees to get it.

Make Lemonade Out of Lemons

Most of us have gotten where we are because

of our attitude and fortitude. I hear brokers saying that, when they learn a case is dropping coverage, they give everyone their number, or even setup shop at the employer and try to enroll the employees into individual coverage. This is not a bad strategy, but there is a better one.

Ride the Wave

Depending on whom you believe, in the next five years, 11 million to 135 million employees will be leaving group coverage and buying individual health insurance for the first time. Even if the actual migration is on the low end of the estimates, we are entering a real tidal wave of new opportunity.

Where do you want to be when the wave hits? Imagine if instead of delivering the same bad news year after year, you could tell your clients, "This year, I'm not going to talk about rate increases. Instead, I'm going to save you money on health insurance, cover more families without increasing costs, give employees more choice, reduce your administrative burden, and help you control cost increases from now into the future."

Brokers who take the bold step to transform their businesses, who embrace a personalized healthcare approach, leverage technology, and, and ride the wave will win in this new world. Those who do not, will wipe out.

I invite you to take a hard look at yourself and your business, and to explore the individual market opportunities. □

Brian Poger is the CEO and co-founder of Benefitter. Benefitter provides web-based tools to help employers and brokers take advantage of the newly created individual health insurance marketplace. Using a proprietary analytics engine, Benefitter compares the cost of group insurance to federally subsidized individual rates across all employees. A SmartCompensation tool lets employers adjust compensation in an equitable and compliant manner to ensure that most employees end-up better off. The company also provides communication, education, and enrollment support to front-line workers, and works closely with brokers to strengthen their advisory role. For more information, call 800-313-3170 or visit www.benefitter.com.