



# Small Employer, Big Benefits

## More Small Employers Make the Switch to Private Online Health Insurance Marketplaces

The 2017 enrollment season for U.S. healthcare benefits may have drawn to a close, but the trend to shift employees to online health insurance marketplaces is just getting started – particularly among smaller employers. In recent conversations with market participants, RGA has found that both established and startup insurtech organizations are focusing more on the small group sector – and their insurer partners are making adjustments to keep up with the trend.

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Digital health insurance marketplaces, or private health exchanges, enable small employers to offer an annual enrollment experience in the United States. During this period, also known as open enrollment, U.S. workers elect different forms of healthcare insurance coverage online, or “full exchange services”. Traditionally, private exchanges have been the province of large enterprises, with high entry costs preventing benefit brokers from pursuing groups of fewer than 100 lives.

### A Changing Game

The maturation of easy-to-use enrollment technologies is changing the game, enabling more efficient brokers to afford to customize services for organizations with as few as five employees. These small employers can also offer coverage options of increasing scale and sophistication, including ancillary or voluntary products.

With competition for talent fierce, private exchanges enable the often understaffed human resource groups at small employers to offer a wider and more attractive range of benefits packages. The tools are relatively easy-to-implement, representing a sharp break from the high costs and lengthy delays associated with exchange systems in use just a few years ago. Until very recently, the exchanges were simply inefficient for smaller cases relative to the revenue generated in premiums. Today, brokers can load in a new case with benefits from a census and be ready for an enrollment in a few hours or less.

With the new generation of private exchange systems, customer acquisition is far more cost effective as well. New-to-market digital brokers who utilize modern lead generation and customer acquisition tools appear to be able bring on new clients at a rate that makes economic sense even in the very small case market.

### A Crucial Role for Carriers

Carriers will be crucial to sustaining the market’s positive momentum. Insurers must continue to offer a supportive compensation structure to enable brokers to justify the smaller group business. In addition, it will be essential to develop the right products for the small group market. For example, enrollment technologies now allow employers to bi-furcate offers so full-time regular employees as well as contract or 1099 staff can purchase benefit offers. Employers also are offering individual product bundles that mirror true group benefits via digital enrollment. In some cases medical offerings are being replaced by less expensive alternatives that provide benefits in case of serious illnesses and accidents.

The under-100 employee group and digital benefits marketplaces are empowering benefit brokers to pursue new customers and offer greater benefit enrollment choice. Carriers also have an opportunity to develop new products and access a market segment in a cost effective way through digital distribution – which could translate into increased revenue. If nothing else, this is a market that bears watching, which is why RGA recently began publishing findings and observations in a new Benefits Marketplace Bulletin distributed to clients. To learn more about RGA’s health reinsurance offerings and insights, visit us at [RGARE.com](http://RGARE.com)