BROKERING SMALL AND MEDIUM BUSINESS SALES GROWTH

Health plans that effectively partner with brokers can protect and grow revenue
Small and medium businesses (2-500 employees) are the lifeblood for many health insurers—these companies represent approximately 43 million of the 125 million lives that comprise the private sector employer market.¹

Accenture analysis shows that while this segment represents only one-third of the private sector employer market, it accounts for more than two-thirds of total revenue (more than $150 billion in a $230 billion market). Small-to-medium business contributions to the insurer bottom line are approximately $8.5 billion; representing more than one half of the profit pool.²

However, new types of distribution models (e.g., digital brokers) are forcing carriers to compete head-to-head in a price-focused model. At the same time, customers are demanding new types of products (e.g., level-funded), which further erodes the traditional business model of selling simple, fully insured products.

Carriers need to find ways to protect existing business and find new customers to be successful. Furthermore, they must identify customers who are willing to purchase based on factors outside of price to avoid a “race to the bottom.”

¹ Accenture analysis of data from Kaiser Family Foundation, U.S. Census Bureau, Bank of America
² Ibid
BROKERS CAN HELP

Brokers continue to be the dominant channel for capturing the small-to-medium business segment. However, they face a variety of threats that include pressure from carriers. (See Figure 1.)

FIGURE 1  BROKER PERCEPTION OF KEY BUSINESS THREATS

Please indicate whether you would agree the following are a key threat to your business:

- **Health plans offering employer self-service capabilities**
  - Agree Strongly: 43%
  - Agree Somewhat: 40%
  - Disagree Somewhat: 12%
  - Disagree Strongly: 5%

- **Standardization of products and benefits**
  - Agree Strongly: 42%
  - Agree Somewhat: 42%
  - Disagree Somewhat: 12%
  - Disagree Strongly: 4%

- **Declining/compressed commissions**
  - Agree Strongly: 38%
  - Agree Somewhat: 37%
  - Disagree Somewhat: 19%
  - Disagree Strongly: 6%

- **Broker disintermediation**
  - Agree Strongly: 34%
  - Agree Somewhat: 44%
  - Disagree Somewhat: 17%
  - Disagree Strongly: 5%

- **New digital distribution models (e.g., Zenefits)**
  - Agree Strongly: 39%
  - Agree Somewhat: 43%
  - Disagree Somewhat: 14%
  - Disagree Strongly: 4%

- **Artificial intelligence/Virtual Agents**
  - Agree Strongly: 40%
  - Agree Somewhat: 37%
  - Disagree Somewhat: 16%
  - Disagree Strongly: 7%

- **Larger agencies capturing existing business**
  - Agree Strongly: 43%
  - Agree Somewhat: 40%
  - Disagree Somewhat: 11%
  - Disagree Strongly: 5%

- **Agency consolidation/M&A**
  - Agree Strongly: 36%
  - Agree Somewhat: 45%
  - Disagree Somewhat: 14%
  - Disagree Strongly: 4%

- **Employers no longer offering benefits**
  - Agree Strongly: 39%
  - Agree Somewhat: 36%
  - Disagree Somewhat: 15%
  - Disagree Strongly: 10%

Source: Accenture 2017 Health Insurance Broker Survey

Accenture research shows that if carriers are willing to reduce this pressure and move from an adversarial relationship to a partner relationship, both brokers and carriers can grow.

**Carriers gain three key benefits from using the broker channel:**

1. Brokers offer a **stable customer base** and continue to expect growth over time
2. Brokers bring customers that **value factors outside of price**, allowing carriers to sell a differentiated product vs. a commodity good
3. Brokers can help **reduce churn** to increase lifetime value of customers and reduce sales costs
STRONG CUSTOMER TIES LEAD TO GROWTH

Brokers in the segment have strong retention rates.

About 60% of brokers surveyed maintained at least 75 percent of their book of business.

95% of brokers maintained at least half.

The same respondents have high expectations for growth with four out of five brokers expecting growth over the next three years, and one out of five expecting greater than 20 percent growth.

In addition, brokers maintain strong relationships with their customers. According to Accenture analysis, although carriers continue to see rising Net Promoter Scores (NPS)³ with members, their NPS with employers remains low. For employers, Accenture research found that brokers achieved an NPS of 28 compared to -2 for carriers, indicating that brokers continue to be better potential advocates for carriers than carriers themselves.

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³ Net Promoter, Net Promoter System, Net PromoterScore, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc
Historically, price has often been a leading driver of employer buying decisions.

However, price sensitivity decreases as employer size increases. Nearly one quarter (23 percent) of employers with 2-100 employees see price as a top factor, compared to just 13 percent for employers with 301-500 employees. While price remains a top factor for many employers, Accenture research shows that within the broker channel, employers are open to considering a wide variety of factors outside of price. By using the broker channel, carriers can work with brokers to structure products and service offerings that deliver high quality benefits at better price points, helping to protect margin that would be sacrificed to win customers focused solely on price. (See Figure 2.)

**FIGURE 2** TOP FACTORS FOR BROKER CUSTOMERS

Please rank the top factor by level of importance to your client:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>20.8%</td>
</tr>
<tr>
<td>Product options (e.g., PPO)</td>
<td>8.9%</td>
</tr>
<tr>
<td>Design (e.g., cp-pay)</td>
<td>7.9%</td>
</tr>
<tr>
<td>Network coverage</td>
<td>7.4%</td>
</tr>
<tr>
<td>Employee service</td>
<td>7.9%</td>
</tr>
<tr>
<td>Employer service</td>
<td>7.1%</td>
</tr>
<tr>
<td>Health outcomes</td>
<td>7.4%</td>
</tr>
<tr>
<td>Brand recognition</td>
<td>6.2%</td>
</tr>
<tr>
<td>Digital experience</td>
<td>4.5%</td>
</tr>
<tr>
<td>Pharmacy offerings</td>
<td>6.2%</td>
</tr>
<tr>
<td>Ancillary bundling</td>
<td>4.3%</td>
</tr>
<tr>
<td>Client reporting</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Source: Accenture 2017 Health Insurance Broker Survey
Surprisingly, less than half of brokers shop for additional quotes every year.

In addition, 65 percent of employers need a rate increase of 10 percent or greater to trigger active shopping. Therefore, if carriers maintain reasonable price increases (less than 10 percent), in the majority of cases, they should not face additional competition at the point of renewal.

Currently, carriers focus on costs associated with brokers (e.g., commissions, cost-to-service), which is an incomplete picture. Accenture’s findings show that brokers also help to support cost avoidance (via reduced customer churn) and price growth (via less shopping for new quotes). Carriers should work to understand the bottom-line benefits of these components to round out the picture on broker value.
ADOPTING A PARTNERSHIP MINDSET TO THE BROKER CHANNEL

To gain the full benefits of brokers, carriers need to re-evaluate their approach and mindset. Carriers should think about brokers as true channel partners, rather than viewing them as transactional agents. Here is how to successfully make the transition:

**FIND THE RIGHT BROKERS.**
Not all brokers are created equal. Historically, broker data models have focused solely on revenue and commissions data. Carriers can and should be asking more questions. For example, which brokers have the highest service volumes? Who are the brokers that lead to higher NPS scores among employers? By creating a more complete picture of brokers, carriers can identify the brokers that are the right targets for partnership.

**BE THE HIGHEST VOLUME PRODUCT ON THE BROKER SHELF.** Survey findings show that brokers are willing to be advocates on behalf of carriers; however, this advocacy is conditional on volume. Broker NPS for top volume carriers was 36. This number dropped to 22 for the third-highest volume carrier. Therefore, carriers will need to work with brokers to understand not only their own sales volume through the broker, but also the sales volume of their competitors.

**TREAT BROKERS LIKE CUSTOMERS.** Carriers should define a “broker experience” as they would their client experience. By helping brokers along the value chain, carriers can not only increase placement, but also help to create stickiness with brokers over time by bringing them unique tools and services they can use to optimize employer experiences. This level of broker support will help carriers and brokers succeed in their mutual goals—growing business and pleasing customers. (See Figure 3.)

Insurers that do not re-evaluate their broker strategy in the small and medium business segment could be the ones facing disintermediation.

Both carriers and brokers are feeling the effects of disruption. By working together, carriers and brokers can deliver against growth expectations and outcompete those who follow traditional strategies. Deploying this model will require a new way of doing business—one that emphasizes partnership with the brokers rather than conflict.

**FIGURE 3  BROKERS ARE SEEKING SUPPORT FROM CARRIERS ALONG THE VALUE CHAIN**

Please rate the level of importance of each health plan capability/service when considering placing business.

<table>
<thead>
<tr>
<th>SELL &amp; ENROLL</th>
<th>OPTIMIZE</th>
<th>SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>88% Digital quoting tool</td>
<td>91% Access to client data</td>
<td>86% Sales to ID card status tracking</td>
</tr>
<tr>
<td>92% Enrollment tools</td>
<td>89% Analytics/reporting</td>
<td>92% Issue management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>87% Broker self servicing (e.g., commissions)</td>
</tr>
</tbody>
</table>

**PROSPECT & MAINTAIN**
89% Market analysis
90% List of key risk accounts

**Source:** Accenture 2017 Health Insurance Broker Survey
ABOUT THE ACCENTURE 2017 HEALTH INSURANCE BROKER SURVEY

Accenture surveyed 1,000 health insurance brokers servicing small and medium businesses (2-500 employees) in the United States. The survey explored brokers’ insights into buying behaviors and attitudes of small and medium employer groups, barriers to growth for brokers, and preferences when doing business with health plans. The research was conducted in November 2017.

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