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FORRESTER®

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Health's eBenefit Networks

By 2002, benefits enablers, intermediaries, and insurers will create electronic benefit networks that address employers' benefits frustrations and create the platform for an employee-driven benefits system.

2 INTERVIEWS

- By 2005, 38% of employers will use the Net for purchasing employee health benefits; 86% for administering them.

6 ANALYSIS

- Benefits enablers, intermediaries, and insurers will fight for turf on the benefits automation frontier.
- By 2002, winners in eBenefit networks will be Sageo, Workscape, and CFN.

15 ACTION

- Carriers should automate underwriting and rating processes.
- Employers should force carriers to support eBenefit network functions.

16 WHAT IT MEANS

- Healthcare financing becomes dependent on decision tools.
- Life management eMarkets arise from employee desktops.

17 RELATED MATERIAL

18 GRAPEVINE

The go-go years of health benefits auctions.
Gateway invests big in CFN.
Carriers have desktop portal dreams of their own.

INTERVIEWS

Firms Want Out Of Health Benefits Hassles

Employers are burdened with rising medical costs and cumbersome administrative processes when providing employee health benefits. Forty percent of benefits managers we interviewed are turning to consultants and the Net for solutions. What employers really want: to get out of the middle and shift benefits responsibilities to employees.

HEALTH BENEFITS: WHERE DOES IT HURT?

In today's tight labor market, employers face escalating challenges in providing health benefits to their employees. To understand employers' top concerns with purchasing and administering employee health benefits, Forrester interviewed health benefits professionals at 50 US companies with 50 or more employees.

Seventy percent of our interviewees rated their health benefits purchasing and administrative processes as either effective or extremely effective. But they also detailed a range of problems like complex internal administration and difficult relationships with insurance carriers (see Figure 1-1).

“Our internal administrative processes are a nightmare. I need qualified claims processing personnel and specialized health insurance software.”
(Transportation company)

“Downsizing at insurance companies has resulted in poor customer service and support. The representatives are not knowledgeable about their own systems, insurance, or the healthcare industry.” (Appliance manufacturer)

Employers' Most Acute Pain: Rising Medical Costs

Sixty-six percent of employers we interviewed reported medical inflation as their top health benefits issue.

“This year, our HMO increased its premiums by 7%, but our PPO increased by 30%! We had to change health coverage, so now we have only one choice for our employees.” (Telecommunications company)

“With healthcare premiums rising, either we pay more or we decrease coverage. The employee has to foot the bill. It's time for employees to wake up and realize we're not going to keep paying 80% of medical costs.” (Technology company)

“Costs have been going up and employees are unaware. They have the false expectation that they will get whatever service or drug they want with just a \$10 copay.” (Manufacturing equipment company)

EMPLOYERS TURN TO THIRD PARTIES AND THE NET

To address these issues in providing employee health benefits, our interviewees are applying a range of standard tactics -- from using a third party for revising existing benefits strategies to dropping or switching health plans (see Figure 1-2).

“We’re working with a consultant to come down harder on the carrier. Our 15,000 employees are rolled in with their 180,000 other clients, so we get more leverage. They’re also improving our turnaround time on claims.” (Metals company)

“To deal with rising medical costs, we’re narrowing choices to a single, one-size-fits-all prescription drug benefit. Our consultant is doing all the work.” (Financial services company)

“Because customer service has been so bad, we’ve inserted performance guarantees in all of our contracts with carriers. If they don’t meet this aspect of the contract, we drop them.” (Telecommunications company)

Health Benefits Managers Expect The Net To Streamline Processes

One-third of employers we interviewed are currently using the Internet to simplify benefits administration. Motivated by the Net’s potential for greater efficiency, easier access to information, and lower costs, an additional 54% plan to switch from paper-based systems within the next five years (see Figure 1-3 and see Figure 1-4).

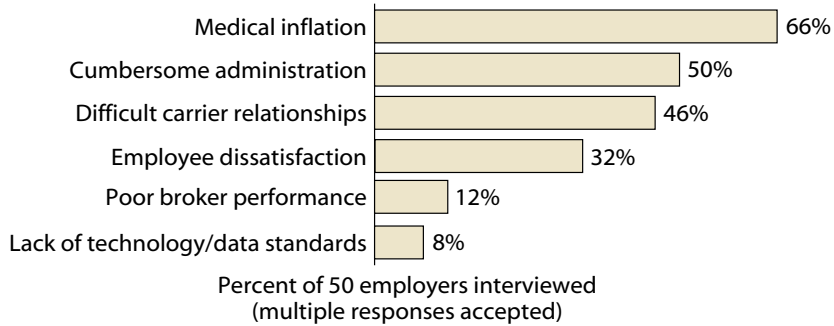
“Our requests for benefits proposals are completed online. We aren’t bogged down anymore with reentry on the back end.” (Drug manufacturer)

“With Net-based systems, I will be able to update our provider directories, and our 1,000 employees can research and revise their benefits information in real time.” (Media company)

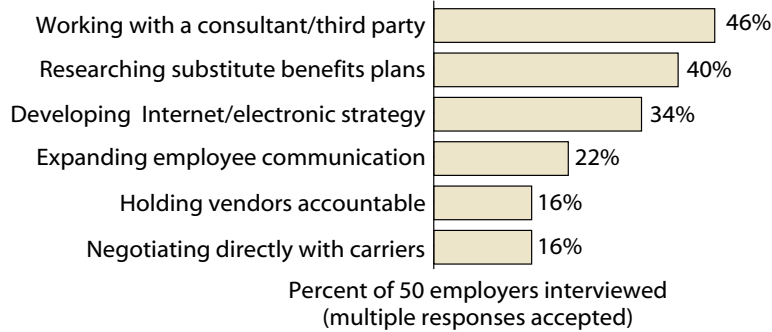
“We use the Internet for employee eligibility and enrollment. Self-service for our employees provides better customer service, and this in turn manages skyrocketing costs.” (Insurance company)

Figure 1 Employers' Strategies For Addressing Health Benefits Pain

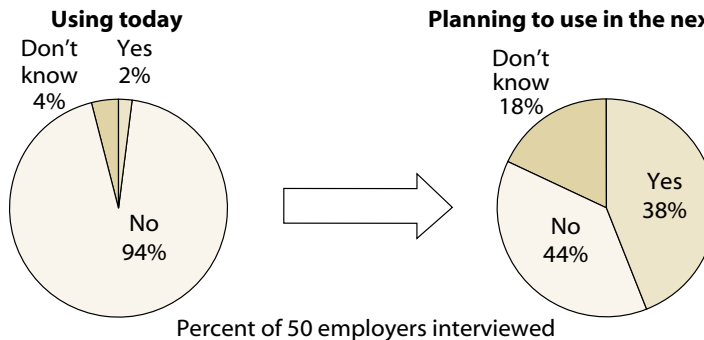
1-1 "What are your top issues with purchasing and administering employee health benefits?"



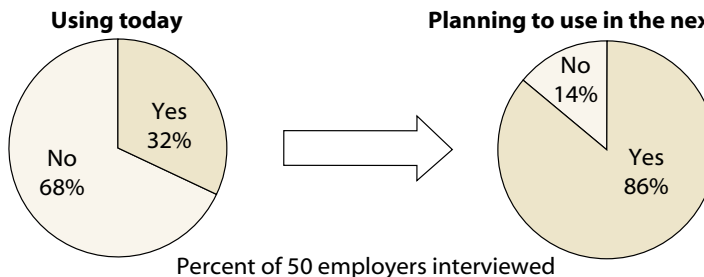
1-2 "What is your company doing to address these issues?"



1-3 "Are you using or planning to use the Internet for purchasing employee health benefits?"



1-4 "Are you using or planning to use the Internet for administering employee health benefits?"



Source: Forrester Research, Inc.

The Perfect Benefits World Is Automated And Employee-Driven

Ultimately, many employers see the antidote to benefits woes in shifting responsibility and purchasing power to employees. Foremost, this shift means creating real-time benefits systems that enable employees to help themselves.

“In the ideal health benefits system, all the administration and billing is completely automated. Any employee question would be fielded by an outside source.

Basically, I would be out of a job.” (Financial services company)

Two-thirds of employers we interviewed also envision some form of defined contribution as an opportunity -- even a necessity -- to help address current imbalances in healthcare financing. Despite the positive response, only 22% of our interviewees plan to implement a defined contribution option. Major obstacles, like unfavorable tax codes and poor access to innovative products like medical savings accounts (MSAs), stand in the way.

“The ideal system would give employees money on a pretax basis to choose and finance their health plan. Let them handle the administrative end, then we're out of the middle.” (Energy company)

“It will be heaven when I say to the employee, ‘Here's your voucher,’ and then move out of the picture. The problem is that the insurance industry will have to change dramatically to fit the individual, rather than the group.” (Retail company)

“We won't switch to a defined contribution model until it is tax deferred and risk is not cherry-picked. For this to happen, the federal government needs to issue a common set of regulations across providers and plans.”
(Manufacturing equipment company)

INTERVIEW CONCLUSIONS

Based on our interviews with a cross-section of health benefits professionals in mid-sized and large companies, Forrester concludes that employers:

- Suffer from increasing medical costs, troublesome administrative processes, and unresponsive carriers.
- Are turning to third parties and the Net for solutions.
- Ideally want to adopt online systems and shift responsibility for purchasing and administering health benefits to their employees.

ANALYSIS

eBenefit Networks Catalyze Health Benefits Shift

Electronic benefit networks that automate employee health benefits processes will take hold by 2002, driven by a confluence of efforts by enablers, intermediaries, and insurers. eBenefit networks will help set the stage for the employee-driven benefits system of the future.

EMPLOYERS STRUGGLE TO CONTROL HEALTH PREMIUM COSTS

Employers are facing 8% average premium increases in 2000 -- the highest in seven years. To stave off further health benefits cost growth, employers are trying well-worn methods like negotiating more aggressively with carriers and shifting costs to employees through increased copays, especially for prescription drugs. But employers' cost-containment efforts will have marginal impact as:

- **New drugs and therapeutics drive medical inflation.** The largest component of medical inflation is demand for new, expensive drugs -- like Cox-2 inhibitors. With demand stoked by nearly \$2 billion in annual direct-to-consumer pharmaceutical advertising, higher prescription spending is inevitable.
- **Employees demand more choice and better service.** Today's tight labor market compels employers to offer high-value health benefits to attract and retain employees. Employees' continued demands for provider choice and more direct access to physicians will push employers to offer more flexible -- and, consequently, more expensive -- open access plans like PPO or POS options.

Barriers Prevent Shifting Purchasing Responsibility To Employees

Shifting health benefits purchasing and administrative responsibility to employees -- a central aspect of employers' ideal of the automated, employee-centered health benefits system -- will be a huge challenge because of:

- **Inexperienced employees.** While accustomed to choosing providers, few employees are directly responsible for purchasing health insurance products. Over the past decade, health insurance purchases by individuals have hovered between 14% and 17% of the total insured population.

- **Weak decision-support tools.** Report cards and healthcare quality data have had little impact on informing employees' selection of health plans and providers. Most consumers do not understand how to use quality information like HEDIS data and instead rely on word of mouth to make coverage decisions.
- **Poorly structured insurance products.** The lack of tax deductibility for individuals purchasing health insurance, combined with an insurance marketplace built to underwrite group products, make employers reluctant to shift purchasing to employees through defined contributions for fear of employee backlash.

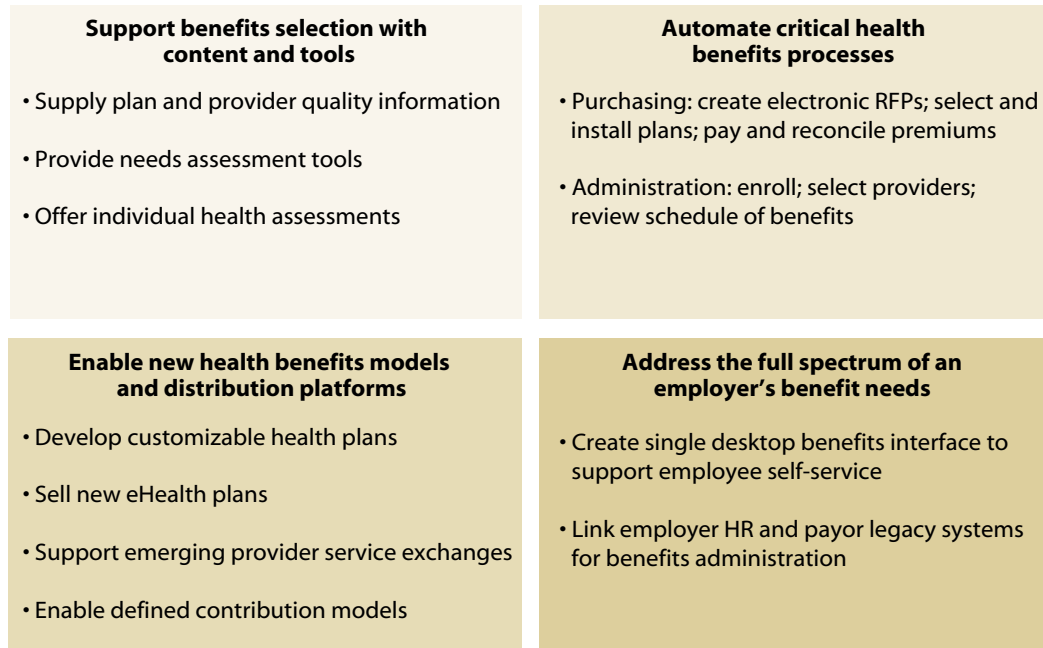
INTRODUCING ELECTRONIC BENEFIT NETWORKS

Underpinning employers' ideal of employee empowerment and automated benefits systems is the belief that controlling healthcare costs is best achieved through making healthcare services into a true market -- where the users of care also pay for it. The best way to achieve employers' ideal will be through eBenefit networks, which Forrester defines as "combinations of employers, carriers, brokers, benefits consultants, and other eHealth vendors that use the Internet to link internal and external systems for purchasing and administering employee benefits."

By 2002, eBenefit networks will provide four benefits-related functions (see Figure 2). They will:

- **Support benefits selection with content and tools.** Online provider directories, health plan report cards, and needs analysis engines from companies like FirePond and Selectica will fortify both HR professionals and employees with the resources to make informed plan choices.
- **Automate critical health benefits processes.** Using applications from vendors like ChannelPoint and BenefitPoint, eBenefit networks will Webify the continuum of today's largely paper-based purchasing and administrative processes between employers, brokers, and carriers.
- **Enable new health plan models and distribution platforms.** By providing the transactional backbone between employees, employers, brokers, and carriers, eBenefit networks will support the creation of personalized health plans and serve as distribution platforms for new health benefits models like Myhealthbank.
- **Address the full spectrum of an employer's benefits needs.** Life insurance and retirement plans, like 401(k)s, figure prominently in employers' compensation schemes. Employers will use companies like Workscape and CFN to create single employee benefits interfaces -- binding employers' disparate benefit plans to enable employee self-service while streamlining HR processes.

Figure 2 eBenefit Networks Serve Four Functions



Source: Forrester Research, Inc.

CONFLUENCE OF PLAYERS' EFFORTS DRIVE eBENEFIT NETWORKS

Over the next two years, eBenefit networks will arise from the coordinated efforts of three sets of players -- enablers, intermediaries, and carriers -- to meet employers' demand for streamlined health benefits purchasing and administration (see Figure 3).

- 1) **Benefits enablers** will develop and deploy benefits applications, integrate HR systems, and create technological platforms for employers, brokers, and carriers.
- 2) **Benefits intermediaries** will focus on becoming a part of shared service platforms and will develop Web-based support tools to automate advice.
- 3) **Carriers** will pursue multichannel strategies by marketing, selling, and administering insurance products directly through their own sites, as well as shared service platforms.

Benefits Enablers Will Ratchet Up Competition

Because of the insurance brokerage industry's stifling lack of automation, vendors like BenefitMall.com and eBenX have a huge opportunity for supplying the electronic platform for benefits transactions between employers, intermediaries, and carriers.

Figure 3 Today's eBenefit Network Players

	Example companies	Products & services	eBenefit network functions				Enable new models & distribution
			Support benefits selection	Purchasing	Automated Administration	Address full benefits spectrum	
Benefits enablers							
eBrokers	<ul style="list-style-type: none"> Digital Insurance eHealth-Insurance SimplyHealth 	Web-enabled insurance sales and distribution	✓	✓			✓ (Distribution only)
Benefits platforms	<ul style="list-style-type: none"> eBenX ChannelPoint BenefitPoint BenefitMall 	Provide apps & services to automate processes	✓	✓	✓		✓
Employee self-service portals	<ul style="list-style-type: none"> Simpata iBenefits Workscope CFN 	Develop benefits interfaces, integrate HR systems	✓ (CFN)	✓ (Limited)	✓	✓	✓ (Distribution only)
Benefits intermediaries							
Agents, brokers, consultants	<ul style="list-style-type: none"> Agents' Umbrella Group Pacific Health Brokers Aon, Towers Perrin 	Sell and distribute insurance policies, advise employers	✓ (Consultants only)	✓	✓		
Carriers							
Insurers, payors, managed care orgs.	<ul style="list-style-type: none"> CIGNA United Pacificare 	Underwrite policies, assume risk, administer benefits		✓	✓		✓

Source: Forrester Research, Inc.

Racing to be first to market with a total solution, benefits enablers will invade each other's turf in 2000, offering a broad set of eBenefit network capabilities. In this increasingly competitive environment:

- **eBrokers will add administration and self-service portals will add purchasing.** Digital Insurance, an eBroker, is actively adding administrative capabilities for the next rev of its site this fall. And employee self-service portal iBenefits recently purchased UltraLink, a health benefits purchasing eMarketplace. Other eBrokers like SimplyHealth.com and employee self-service portals like Simpata will follow suit and offer employers automated benefits administration and purchasing.
- **Benefits platforms and eBrokers will develop self-service functions.** Employee self-service portal leaders like Workscape already offer front-office self-service through Employee.com, with back-office benefits purchasing and administration through iSolutions. To keep pace, benefits platform vendor BenefitMall and eBroker eHealthInsurance Services will add employee self-service portal features to their offerings by mid-2001.

Benefits Intermediaries Will Join Platforms And Automate Advice

Fighting carrier efforts to reduce commissions, intermediaries will retain and grow market share by using BenefitPort's and BenefitPoint's platforms to automate employers' benefits processes. To preserve their status as key advisors, consultants like Watson Wyatt Worldwide and Aon will also encode their expertise in decision-support tools that help employers and employees make better health plan selections.

- **Agents, brokers, and consultants will continue to join benefits platforms.** Only a handful of the largest benefits consultants, like Marsh & McLennan and Hewitt Associates, have the tens of millions of dollars needed to create electronic benefits platforms from scratch. Instead, most benefits intermediaries will go the shared services route and join benefits platforms. Over the next year, for instance, four of the largest benefits and human resource consultancies and more than 120 regional brokerages will begin using BenefitPoint's applications to automate purchasing and administration.
- **Consultants will develop tools for HR managers and employees.** Bolstering their role as trusted advisors, consultants will create Web-based tools that help managers and employees make informed plan selections. Towers Perrin's new Essentia suite of health plan tools will help HR professionals manage large employer's health benefits programs via the Net. The Web site for Hewitt's Sageo provides employees with tools for selecting and enrolling in Sageo's standardized plans and will support more than 2 million users by the end of 2002.

Carriers Will Pursue A Multichannel Strategy

Focused on retaining members and controlling administrative costs, insurance carriers will use the Net to increase member satisfaction, supercharge marketing, and bolster sales. Over the next two years, carriers will:

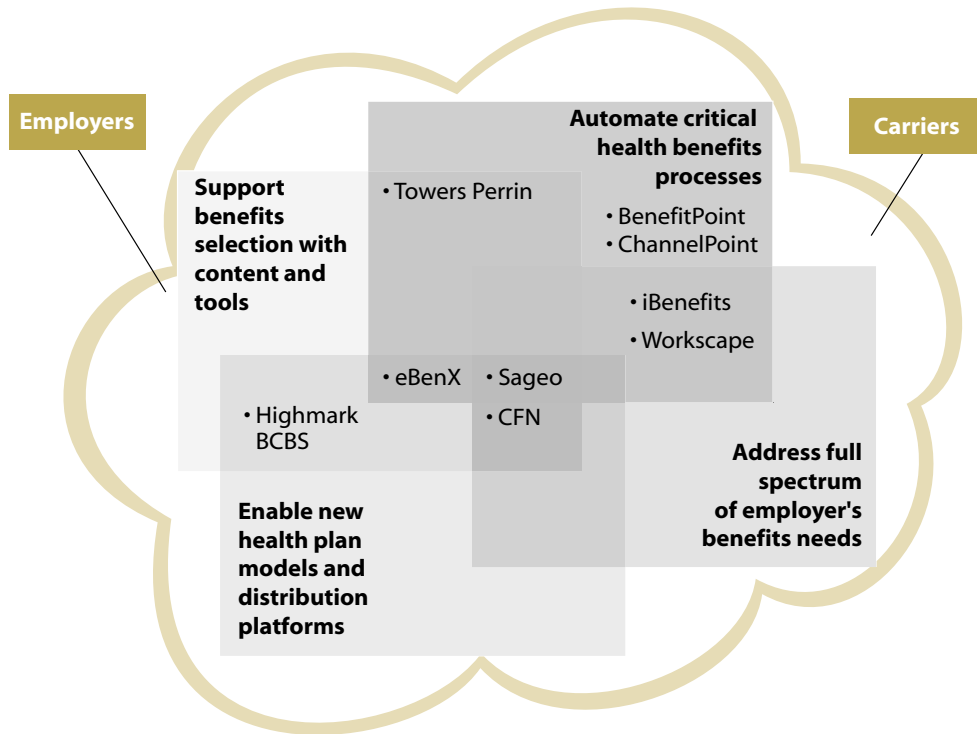
- **Add direct sales and administrative capabilities to existing sites.** Working with FirePond, Blue Cross and Blue Shield of Minnesota developed Blue Edge -- a suite of agent-focused sales support tools. And Aetna U.S. Healthcare's Web site has supported online enrollment for almost two years. Other regional Blues plans and national carriers like CIGNA will add sales and administrative functionality to their sites over the next year.
- **Participate in benefits platforms.** Insurers know that employers rely heavily on benefits intermediaries for health plan assessment and purchasing. As a result, insurers will be compelled to join benefits platforms as the intermediaries use them to automate employers' benefits processes. For example, by the end of 2001, we expect the top 10 carriers and two-thirds of the regional Blues plans to agree to use BenefitPoint's applications.
- **Develop new eHealth plan products.** This year, Highmark Blue Cross Blue Shield rolled out BlueChoice, which uses a Web-based needs analysis tool to configure a single plan into 16 customized choices. And Regence BlueCross BlueShield of Oregon is partnering with startup Myhealthbank to develop a defined contribution plan for employers. To compete with traditional carriers, as well as incipient eHealth plans like Definity Health, other carriers and payors like Aetna and Humana will build Web-enabled, customizable plan options.

eBENEFIT NETWORKS COALESCE CIRCA 2002

Of today's benefits enablers and intermediaries, Sageo comes closest to the eBenefit network ideal -- although still lacking customizable health benefits plans and providing limited employee self-service. By 2002, the employee benefits landscape will be broadly populated with similar players providing overlapping eBenefit network functions (see Figure 4). The formation of eBenefit networks over the next two years will drive benefits enablers and intermediaries to consolidate benefits functionality; revamp companies' HR departments; and prepare employees to accept more responsibility for their health benefits.

Figure 4 eBenefit Network Players Merge Benefits Functions

eBenefit network vendor landscape circa 2000



eBenefit network vendor landscape circa 2002



Source: Forrester Research, Inc.

Benefits Enablers And Intermediaries Will Consolidate

The sprint to become the gateways for employers' benefits needs will have two major effects on the benefits enabler and intermediary landscape:

- **Benefits enablers will merge.** As eBenefit networks develop, the redundant infrastructure provided by benefits enablers will result in excess transactional capacity and decreased ability to differentiate on service offerings. Faced with commoditization of services and a race-to-the-bottom price war, benefits enablers like Digital Insurance and Simpata will merge and wring capacity out of the system -- reducing today's 50 enablers to 25 in 2002.
- **Small agents and brokers will be left in the dust.** Skyrocketing premiums will force employers to shift from today's relationship-based benefits purchasing practices to performance-based ones. And as eBenefit networks scale up, fewer intermediaries will be needed to support the benefits sales cycle -- putting severe downward pressure on broker's commissions. The result? A reduction by order of magnitude in the ranks of tens of thousands of agents and brokers active today.

Employers Will Retool HR Departments

While eBenefit networks will perform the same four functions across employers, different-sized employers will adopt specific eBenefit network functions more rapidly than others over the next two years (see Figure 5). For example, since small group employers purchase prerated plans and have simple administrative needs, they will be first to adopt fully automated purchasing and administration. Across all employer groups, eBenefit networks will make a profound impact by:

- **Crushing employers' administrative costs.** By 2002, the reduction of paper combined with the capture of correct member data through automated enrollment will decrease employers' health plan administrative costs by 60% or more.
- **Transforming HR managers into corporate strategists.** By moving employees to self-service platforms, eBenefit networks will facilitate the transformation of HR departments to strategy centers within enterprises. Instead of spending time answering questions about what's covered under company health plans, tomorrow's benefits managers will become business analysts -- helping senior management align recruitment and compensation schemes with firm objectives.

Employees Will Increasingly Take The Reins

While a sea change from employer-based health care to a voucher-style defined contribution system may never materialize, the advent of eBenefit networks for health benefits purchasing and administration will give employees more power and choice by:

Figure 5 Employer Size Determines Adoption Of eBenefit Network Features

Group size	Employer characteristics	Top benefits concerns	Adoption of eBenefit network features				New benefits models
			Decision support tools	Purchasing	Administration	Employee self-service	
Small (2-50)	<ul style="list-style-type: none"> • Mostly single site • Fully insured • Community-rated 	<ul style="list-style-type: none"> • Affordability 	Slow	Fast	Fast	Fast	Moderate
Midsize (51-1000)	<ul style="list-style-type: none"> • Single, multi-site • Mostly self-funded 	<ul style="list-style-type: none"> • Some affordability • Benefits coordination 	Fast	Moderate	Fast	Fast	Moderate
Large (>1000)	<ul style="list-style-type: none"> • Multisite • Self-funded • Complex underwriting 	<ul style="list-style-type: none"> • Benefits coordination • Benefits mix 	Fast	Slow	Fast	Fast	Fast

Source: Forrester Research, Inc.

- **Increasing self-service.** eBenefit networks establish a self-service beachhead on employees' desktops by fusing front-end benefits portals with back-end Web-based systems -- expanding the importance of Web channels for health plan selection and for administrative transactions between employees and carriers.
- **Enabling informed coverage choices.** Using eBenefit networks to anchor decision-support tools in the health plan and provider selection process will give employees more practice using report cards and quality information in selecting health plans. The result? Employees take a step toward sharing more responsibility with employers by developing an understanding of plan value -- cost, quality, and access.
- **Serving as a distribution channel for new benefit plans.** To provide employees with greater latitude in coverage decisions, employers will use eBenefit networks to offer new eHealth plans from Definity Health, voluntary benefits from aggregators like CFN, and provider service exchanges from HealthMarket and HealthAllies.com. This will address employees' demands for more choice and flexibility and give them experience in being active healthcare consumers.

ACTION

To prepare for and profit from the development of eBenefit networks:



Carriers should retool proposal processes . . .

The advent of eBenefit networks will compel carriers to respond to employers' RFPs more quickly -- shortening the cycle time from months to weeks. To enable seamless data exchange over eBenefit networks, carriers should invest in XML/XSL and middleware from vendors like webMethods. More important, carriers must transfer the underwriting and rating rules from Excel spreadsheets and underwriters' minds into centralized, Web-accessible systems. The goal? A system that supports nearly hands-free proposal generation.



. . . and use eBenefit networks to rationalize sales channels.

Carriers should use eBenefit networks to focus on and grow their top-line sales channels by tracking, rating, and rewarding brokers that deliver the most business electronically -- and dropping the rest.



Large employers should flex their purchasing muscles.

To realize the full potential of eBenefit networks, employers should force insurers to support eBenefit network-related functionality like Web-based enrollment. If payors cannot provide evidence of such capability or will not contractually obligate themselves to develop it in a specified time frame, employers should drop the plan.



Benefits platform vendors should demonstrate regional success.

Benefits platform vendors like ChannelPoint and BenefitPoint already provide carriers with private-label and co-branding options. Nonetheless, payors are concerned about disintermediation. To allay carrier concerns and facilitate adoption, benefits platform vendors must first prove they are not a threat by designating a region as a proof-of-concept zone. Built as a free service to carriers, this practical demonstration will show how carriers' brands are preserved and promoted through benefits platforms.



Brokers should start rolling themselves up now.

eBenefit networks will present brokers with a clear choice: Live together or die alone. Brokers should choose life by encouraging platform vendors like BenefitPoint to do for them what BenefitPort mostly did for general agents: become aggregators.

WHAT IT MEANS



Decision tools become critical to healthcare financing.

As eBenefit networks proliferate and more employees come to rely on needs assessment and decision-support tools for selecting health plans and providers, these tools will increasingly determine how many covered lives a carrier can capture. The upshot? Health plans and providers will win or lose market share based on their ratings in tools like NCQA's Health Plan Report Card or CFN's Health Pages. Low-scoring carriers and providers will fight back by scrutinizing measurement standards and creating more yardsticks of their own.



Employee desktops become "life management" eMarketplaces.

Looking for more effective means to retain employees, employers will leverage the desktop self-service aspect of eBenefit networks into eMarketplaces for a range of products and services that help employees better manage their lives -- parking, grocery delivery, child- and eldercare, auto insurance, and home mortgages. Employers will turn to vendors that can support private-labeled, Mercata-style aggregation hubs -- where the more employees sign up for discount dry cleaning services, the cheaper these services become -- and preserve the employer's identity as the benefits sponsor.



Employees will demand clear privacy guidelines from employers.

Consumers are already blurring their professional and personal lives: Cell phones, PCs, and pagers keep us connected to home and office at all times. But when employees are invited to manage personal affairs through the corporate portal, employers must be prepared to answer concerns over who owns and can access personal data. The best approach: clear guidelines and annual audits.



Health insurance rating goes digital.

By providing a conduit for aggregating massive amounts of employee census data, eBenefit networks will support new underwriting instruments that assess the risk of enrolling populations more granularly than do today's methods. An early leader is eBenX, whose Risk-Adjusted Pricing System (RAPS) purports more precise price coverage through a detailed assessment of individual enrollees' experience. But Forrester sees regulators on the horizon. By 2002, the National Association of Insurance Commissioners will challenge the proliferation of individual rating systems that highly segment the risk pool and run directly counter to well-established community rating methods.

RELATED MATERIAL

For this report, Forrester spoke with 50 health benefits professionals at US companies with 50 or more employees. We also spoke with industry experts at consulting organizations, insurance firms, and technology companies.

Companies Interviewed For This Report

Aetna
www.aetna.com

Aon
www.aon.com

BenefitPoint
www.benefitpoint.com

BenefitPort
www.benefitport.com

BlueCross BlueShield
www.bluecross.com

ChannelPoint
www.channelpoint.com

Digital Insurance
www.digitalinsurance.com

eBenX
www.ebenx.com

FirePond
www.firepond.com

HealthAllies.com
www.healthallies.com

HealthMarket
www.healthmarket.com

iBenefits
www.ibenefits.com

Myhealthbank
www.myhealthbank.com

National Association of Insurance
Commissioners (NAIC)
www.naic.org

PacificCare Health Systems
www.pacificare.com

Sageo
www.sageo.com

Simpata
www.simpata.com

SimplyHealth.com
www.simplyhealth.com

Towers Perrin
www.towersperrin.com

Vivius
www.vivius.com

Watson Wyatt Worldwide
www.watsonwyatt.com

William M. Mercer
www.wmmerc.com

Willis
www.willis.com

Workscope
www.workscope.com

Related Research

August 2000 Forrester Report “Health Claims’ New Intermediaries”

August 2000 Forrester Report “Personalized Medicine”

April 2000 Forrester Report “eBusiness Networks”

July 1999 Forrester Report “Smart Personalization”

GRAPEVINE

The go-go years of health benefits auctions.

Over the past year, Hewitt and UltraLink have sponsored Web-based reverse auctions to help firms like IBM and American Airlines automate health benefits purchasing and reduce premiums. While these auctions saved employers between 2% and 21%, Forrester does not believe they will be as successful in reducing employers' premium costs across the board. Why? Carriers can offer steep discounts to a few clients, but can't remain viable extending 21% discounts to their entire book of business. Expect the savings to plateau and trail off by 2002. Employers: Pile on and save while you can.

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Gateway invests big in CFN.

Last June, Gateway finalized a \$150 million equity investment in voluntary benefits portal CFN, as well as an agreement to market a prepackaged set of PC, connectivity, and life management services to employers who want to provide their employees work- or home-based Internet access. By tying a computer manufacturer into their distribution chain, CFN brilliantly positions itself for eBenefit networks by becoming the preloaded self-service portal -- the Microsoft DOS for life management services.

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Carriers have desktop portal dreams of their own.

Carriers like UnitedHealthCare have developed self-service Web sites for plan members. By supporting self-service, these sites are angling for a slot on the employee desktop -- acting as both a transaction platform and marketing tool for ancillary products. Forrester believes these sites will fail as employee desktop portals because they lack private-label options and don't consolidate employers' benefit programs. Carriers instead should focus on customer service and health quality issues at their own sites -- and choose technologies that make content and services modular enough to be plugged into any employer's preferred platform.

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QUICK VIEW

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To realize the full potential of eBenefit networks, employers should force insurers to support eBenefit network-related functionality like Web-based enrollment. If payors cannot provide evidence of such capability or will not contractually obligate themselves to develop it in a specified time frame, employers should drop the plan.



Benefits platform vendors should demonstrate regional success.

Benefits platform vendors like ChannelPoint and BenefitPoint already provide carriers with private-label and co-branding options. Nonetheless, payors are concerned about disintermediation. To allay carrier concerns and facilitate adoption, benefits platform vendors must first prove they are not a threat by designating a region as a proof-of-concept zone. Built as a free service to carriers, this practical demonstration will show how carriers' brands are preserved and promoted through benefits platforms.



Brokers should start rolling themselves up now.

eBenefit networks will present brokers with a clear choice: Live together or die alone. Brokers should choose life by encouraging platform vendors like BenefitPoint to do for them what BenefitPort mostly did for general agents: become aggregators.