# Preparing for the API-Driven Future in Group Insurance

INTRODUCTION

To remain competitive over the long term, group insurance companies need to modernize their external integrations with benefits technology partners. Offering seamless, real-time enrollment and servicing approaches will become more and more necessary to meet the digital engagement expectations of employers, brokers, and employees. For effective digital engagement, group insurers need the real-time, fully validated data exchange capabilities provided by application programming interfaces (APIs), which traditional electronic data interchange (EDI) integrations cannot support. APIs are in the early adoption phase for group insurance companies and require holistic approaches to investment prioritization, lifecycle management, and overall technology modernization for the best outcomes.

THE COMPLEX GROUP INSURANCE ECOSYSTEM

A complex ecosystem of self-service portals, human resource, benefits enrollment, and payroll systems, TPAs, data providers, and product manufacturers (group insurance companies) has evolved to distribute and service group insurance products. Each time an insurer onboards a new employer client, that employer requires different integrations between the insurer and some combination of these services.
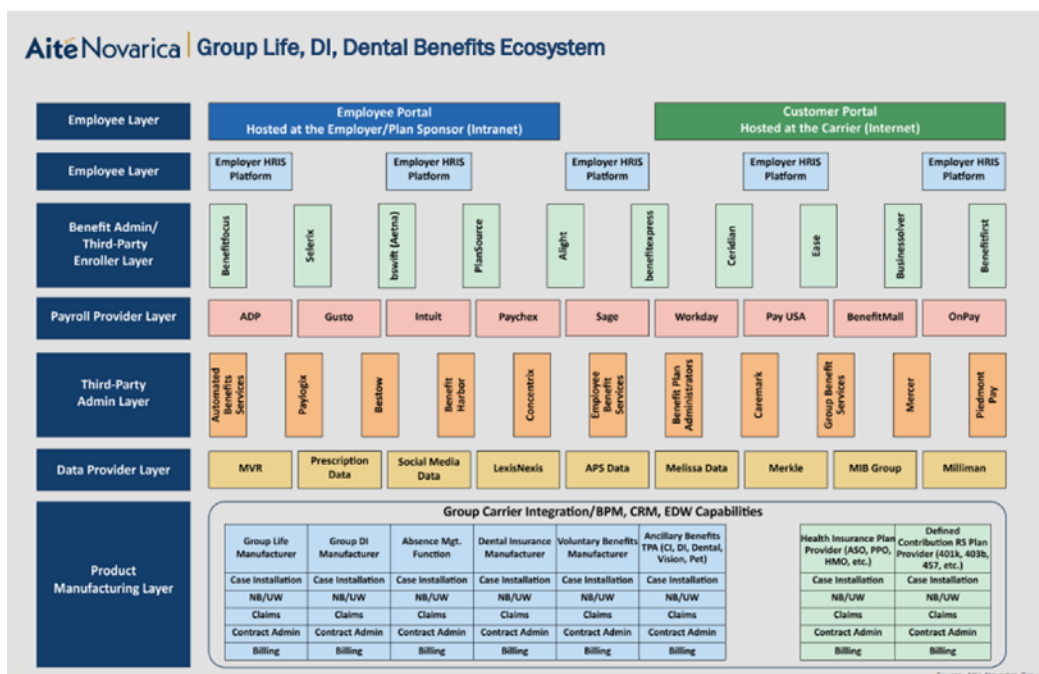
These complex integration requirements pressure the margins of group insurance companies, drive up product prices for employees, and can hinder the overall efficiency and effectiveness of onboarding, enrollment, and post-enrollment servicing.

EDI LIMITATIONS

Electronic data interchange (EDI) remains group insurers' predominant approach for integrating with their benefits technology partners. Since the 1990s, EDI has replaced paper document exchanges with data that's in an electronic format and can be exchanged using protocols like HTTP or FTP. But EDI lacks data validations and is error-prone, requiring insurers to verify the data exchanged and then respond to the sender after multi-day or multi-week delays. These delays break the user experience and drive down efficiency for the company and their clients.

EDI-related integration obstacles will challenge group insurance companies and their employer clients even more in the future because:

- Almost half of employers in the U.S. expect to offer more benefits five years from now than they do today, while 26 percent plan to work with more insurance carriers.

- Nearly half of U.S. employers are contemplating offering some benefits to contract or freelance workers in the future. This will add a new layer of complexity to group insurance product distribution and servicing and require a much more efficient approach to integration.

- More than 7 in 10 U.S. employers predict that digital capabilities will play a larger role in carrier selection in five years. When selecting a carrier for a new benefit, two-thirds would choose a carrier that works well with their existing benefits technology platform, even if the carrier's product is a little more expensive.[1]

APIS PROVIDE THE LONG-TERM ANSWER FOR REAL-TIME INTEGRATION

API adoption by group insurance companies is early but growing. Most major group insurers in North America now initially support data exchange via APIs and are doing this with their benefits technology partners. Those that aren't are in the development or initial implementation phase for API-based data exchange. The most common use of APIs is for evidence of insurability, eligibility management, employee demographics information changes, and payroll deduction information.[2]

The future vision for group insurers and their benefits technology partners is to replace as many EDI data exchange processes as possible with APIs, but challenges remain with automating the clean-up of enrollment data and with the response delays caused by insurance company mainframe, batch-based legacy systems. Over the long term, data accuracy and security concerns will likely push the adoption of APIs as it's more secure and accurate than EDI.

To be successful, insurers should integrate APIs in their overall technology strategies in the following ways:

- **Evaluate current and planned capabilities.** APIs can be expensive to implement and require ongoing support, so group insurance companies must evaluate their current and planned capabilities

for building and supporting them. Frameworks like Gartner's API Strategy Maturity Model can be useful for this, which evaluates maturity in areas such as business alignment, developer enablement, measuring business value, lifecycle management, and secure communications.[3]

- **Work with business stakeholders to determine how APIs can help achieve critical business goals.** For instance, if a business goal, like better underwriting results, doesn't require real-time data exchange within the benefits ecosystem, then APIs may not be a high-priority investment. If most employer customers use a particular benefit enrollment service and great business value can be achieved through APIs and real-time data exchange, then the API investment makes more sense.

- **Consider a middleware approach to bridge from EDI to API-driven data exchange.** Certain third-party API hubs provide middleware that includes the business rules and validations from the insurer and enables real-time responses to errors that may exist in submissions. This ensures that EDI files sent to the insurer have fewer errors. APIs provide a 100% solution over the long term, but a middleware approach can provide an adequate, 80% solution in the short to medium term.[4]

- **Choose the right API management solution** to help make sure that both internal and external APIs are designed and managed in a cohesive, well-documented way and that they are both consumable and secure.

- **Include API investments as part of an overall system modernization plan** that will often include modernized policy administration software with real-time integration capabilities and robust APIs. Real-time data exchange is difficult if much of the group insurance companies' data resides in mainframe systems where the data is updated in nightly batch cycles.

CONCLUSION

While API integrations may present a challenge to group insurers, managing the obstacles of a complex ecosystem on legacy technology with EDI integrations will prove to be even more burdensome and costly in the long term. A forward-thinking API strategy is essential for delivering the personalized services customers demand, improving operational efficiencies, and enabling long-term success. Start preparing your strategic approach now – it's APIs or bust.

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1   Limra, "Fast Forward: Employer Views on the Future of Benefits", January 2023.
2   Eastbridge Consulting, "Enrollment and Benefit Technology Partnerships: Carrier and Vendor Perspectives", October 2022.
3   Gartner, "Gartner's API Strategy Maturity Model", October 2019.
4   Ideon, https://ideonapi.com/resources/blog/arguing-api-vs-edi-is-missing-the-point/