

- ### Key Healthcare Challenges For Employers
- Affordability
 - For the company
 - For plan participants
 - Employee Engagement
 - Meaningful choice
 - Competitive level of benefits
 - Predictability
 - Sustainable/manageable trend
 - Budgetable healthcare expense
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- ### Responding To The Challenges: Potential Strategies
- Traditional**
- Design – increased cost sharing
 - Pricing – increased contributions
 - Overall structure – more limited, design and provider choice
 - Innovative delivery solutions (e.g., clinics)
 - Compliance models
- Defined Contribution**
- Fixed/defined subsidy
 - Expanded design platform
 - Purchasing leverage through a healthcare exchange
 - Effective decision support and positive consumer experience
 - Uniform model across all participant groups (active, pre-65, post-65)
 - Evolution towards a total benefits solution
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What Employers Are Considering

State Exchanges

- Limited market segments
- Narrow range of benefits
- Limited choice architecture
- Concerns over consistency in service delivery and long term viability

Private Exchanges

- Emerging mechanism for offering benefits
- Primary vehicle is an online purchasing marketplace
- Exchange models typically incorporate defined contribution strategies

Defined Contribution

- Allows employer to create a "budgetable" trend line
- Most models are account based
- Absent other components, a fixed subsidy solution will have a limited shelf life

Retiree Medical Exchanges

- Existing alternatives in an accepting marketplace
- Marketing focus has been on post-65 individual coverage solutions
- Recent implementation challenges have resulted in some market volatility

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What Are Private Exchanges?

Emerging mechanism for offering medical and specialty employer benefits and wellness offerings through an online platform directly to retirees/consumers.

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Public Exchanges vs. Private Exchanges

(Anticipated Healthcare Reform Changes)

	<i>Public Exchange Will it Happen?</i>	<i>Private Exchange Is Happening</i>
Governance	State / Federal	Private
Market Segments	2-100 & Individual	All Group sizes
Product Offerings	Health & Dental	Health, Dental, Life, Wellness, all Ancillary
Carrier Choice	Determined by state	Determined and controlled by exchange and participating employers
Billing	Traditional billing methods	Integrated health account tracking to manage DC dollars
Funding	Government subsidies individually paid Traditional employer contribution	Defined contribution

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Defined Benefit vs Defined Contribution



Defined Benefit

- Variable employer cost
- Uncertainty over annual increases
- Limited coverage options selected by employer
- Point of service decision making



Defined Contribution

- Fixed employer subsidy
- Controlled rate of annual increases
- More plan choices for employees
- Combines point of enrollment and point of service decision making

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Core Principles of a Successful DC/Private Exchange Solution

- Not dependent on medical trend
- Employer determines the right amount to spend on health care

Fixed Subsidy

Improved Service Model

- Support for the new world of choice
- Decision support, plan recommendations
- Call center

More Design Choice

- More plan designs
- Paradigm shift
- Power of the purse

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Core Components of a Successful DC Solution

- Not dependent on medical trend
- Employer determines the right amount to spend on healthcare

Fixed Subsidy

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Core Components of a Successful DC Solution

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Why Design Expansion Is Critical: Defined Benefit Constraints

- Employer is at risk for migration and adverse selection
- Employee choice is limited, and employer subsidy is not transparent

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Why Design Expansion Is Critical: Defined Contribution Solutions

- Employer fixes (reduced) Defined Contribution, eliminating migration risk
- Employee choice spans a wider spectrum of plan value, and employees are happier having the power of the purse

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Core Components of a Successful DC Solution

- Support for the new world of choice
- Recommendations for great matches
- Call center
- Flexible Platform




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The Private Exchange Model

Employer

- Deposits money on behalf of each member into a Bloom Health account



Bloom Private Exchange

- Manages health accounts for employees
- Has various products and services "on the shelf"
- Helps individuals buy services tailored to their needs
- Brings stakeholders closer to impending health care reform changes

Consumer

- Uses dollars to purchase health insurance and other services
- Educated about their options and benefits




Consumer shops for services in the Private Exchange

- Significantly more efficient and targeted sales and marketing

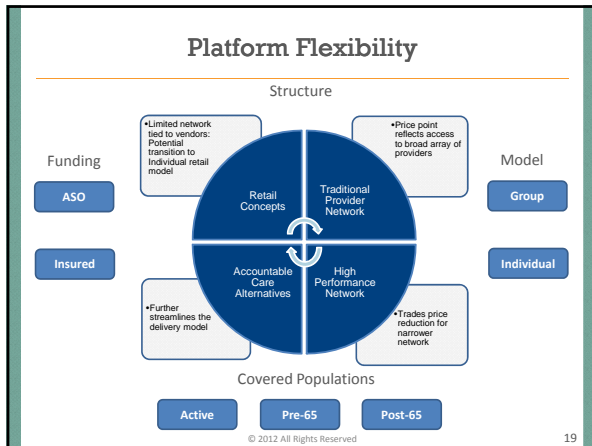
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Decision Support

A combination of online and live support that generates a custom list of recommended health products and related services that best match specific needs.

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Key Funding Considerations

Self Funded	Fully Insured
<ul style="list-style-type: none"> PROS <ul style="list-style-type: none"> Allows for greater design flexibility Allows larger employers, who can handle claims variability, to avoid risk charges and premium taxes Capitalizes on potential impact of medical management initiatives Benefits directly from "buy down" effect CONS <ul style="list-style-type: none"> Not a true DC solution Limits potential leverage of a multi-carrier model 	<ul style="list-style-type: none"> PROS <ul style="list-style-type: none"> Risk transfer creates true DC approach Allows for future trend to be tied to non medical inflation indices Facilitates multi-carrier solutions (with effective risk adjustment) Defines true value of medical management/wellness CONS <ul style="list-style-type: none"> Imposes risk charges and premium taxes Requires compliance with insurance regulations

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Value Delivered Through the Defined Contribution / Private Exchange Model

Employer Value Proposition	Consumer Value Proposition
<ul style="list-style-type: none"> Delivers greater control over total benefit costs and annual spending increases Offers solution for employers seeking to transition Retirees and/or Actives to defined contribution benefits Provides engaging, consumer-friendly channel Reduces administrative burden and costs Supports employer in promoting healthier, happier, more productive workforce 	<ul style="list-style-type: none"> Expands consumer choice and control Optimizes plan selection based on employee needs, financial status, and risk tolerance Promotes increased awareness of costs and cost variance Delivers familiar, online consumer-friendly retail experience

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The Competitive Landscape Private Exchange Market

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What Differentiates the Competitors?

Philosophy	Scope of Service
Flexibility	Decision Support
Carrier Support	Long Term Sustainability

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DC Impact Analysis

- Focused actuarial analysis to determine Defined Contribution (DC) value proposition for employer
- Assesses financial impact on three key stakeholders
 - Employer
 - Employees
 - Shareholder
- Facilitates strategic discussion regarding
 - Structuring plan design alternatives
 - Setting the DC subsidy
 - Creating balance between employer's objectives and the ability to deliver a competitive/affordable benefit to plan participants

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Data Requirements

From most recent plan year prior to proposed DC implementation:

- Employee Census
 - Plan and coverage tier elections
 - Include opt-outs
- Summary Plan Descriptions
 - Or equivalent benefit provision detail
 - Include detail of any employer funding of HRA or HSA
- Insured Premiums or Budget Rates
 - Include employer cost for any funding of HRA or HSA
- Employee Payroll Contributions

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Employer Recommendation Engine Dashboard

Real-time, interactive modeling helps client establish DC amount, identify potential savings, and understand out-of-pocket expense for employees.

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Employer Recommendation Engine Key Exhibits

Impact on expected plan migration, average premiums and contributions, and potential savings for all key stakeholders.

2013 PEPY Premium Cost

Scenario	XYZ Company Subsidy/DC Amount	Employee Contribution
Status Quo DB	\$8,496	\$8,228
Bloom DC	\$3,839	\$2,764

2013-2015 XYZ Company Cost

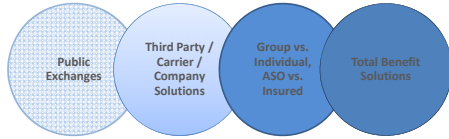
ΔEPS (Pre-Tax)

Scenario	2013	2014	2015
DB	\$0.000	\$0.000	\$0.000
DC	\$0.008	\$0.018	\$0.027

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The Future Landscape

The exchange market is evolving. The future of the marketplace will be determined by several factors, including unsustainable cost, the Affordable Care Act, and different market actors. To a large extent, the direction exchanges head will be determined by the market itself.



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QUESTION & ANSWER

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