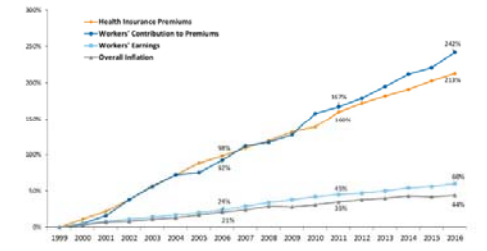


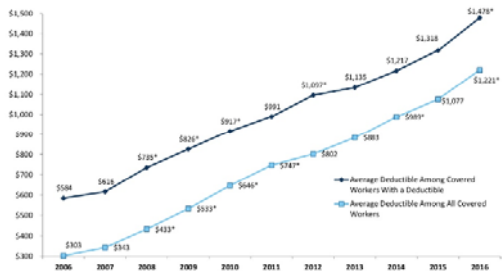


Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2016



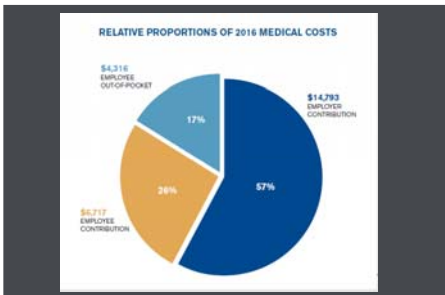
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2016; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April, 1999-2016); Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2016 (April to April)

Average General Annual Deductible for Covered Workers Enrolled in Single Coverage, 2006-2016



* Estimate is statistically different from estimate for the previous year shown (p < .05).
 NOTES: Average general annual deductible is among all covered workers. Workers in plans without a general deductible for in-network services are assigned a value of zero.
 SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2016.

Who Pays – Milliman Medical Index*



* The Milliman Medical Index is an actuarial analysis of the projected total cost of healthcare for a hypothetical family of four covered by an employer-sponsored preferred provider organization (PPO) plan.

Traditional Benefits Delivery

Milliman 7

Traditional Benefit Offering

- Medical
 - PPO – 2-3 plan options
 - Some areas have HMOs (Kaiser/Group Health)
- Spending Accounts
 - FSA, HRA, and Dependent (Child Care)
- Dental
 - One plan, one carrier
- Vision
 - One plan, one carrier
- Life, Disability and AD&D
 - Some supplemental choices

Milliman 8

Traditional Benefit Offering – Management
Annual Responsibilities – With Assistance from Consultant

<ul style="list-style-type: none"> ▪ Renewals <ul style="list-style-type: none"> ▪ Review and negotiate financial terms ▪ Revise contracts ▪ Plan Design <ul style="list-style-type: none"> ▪ Make market practice decisions ▪ Make budget driven decisions ▪ Review contribution structure and set team contributions ▪ Budgeting <ul style="list-style-type: none"> ▪ Forecast for self-funded plans ▪ Estimate impact on Employer's budget ▪ Combine with renewals of fully-insured plans ▪ Present package to decision makers ▪ Accept or revise plan design changes ▪ Compliance <ul style="list-style-type: none"> ▪ Review new regulations ▪ Consider potential State and Local initiatives ▪ Integrate into renewals and budgeting 	<ul style="list-style-type: none"> ▪ Administration <ul style="list-style-type: none"> ▪ Open enrollment ▪ New hires ▪ Change in status ▪ Vendor feeds ▪ ACA notices and reporting ▪ Other Federal reporting ▪ Communication <ul style="list-style-type: none"> ▪ General communication ▪ Technology for online enrollments ▪ Assist with plan selection
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Milliman 9

Private Exchange Market

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Private Exchange Players

- Aon Hewitt
 - Originally only offered Fully-Insured for Medical
- Willis Towers Watson
 - Originally only offered High Deductible Health Plans
- Mercer
- Buck Xerox
- Aetna
- Cigna
- Major improvement in flexibility

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Exchange Technologies

- Exchange technologies used by multiple exchange vendors
 - Key players include:
 - Benefit Focus: powers several carrier exchanges, as well as Mercer and other brokers, directly contracts with large employers
 - bSwift: powers several state exchanges, just launched its own exchange, powers some brokers exchanges, purchased by Aetna in 2014
 - Liazon: distributes its own exchange and powers several large broker exchanges (Gallagher, Willis, Lockton, USI, HUB), was acquired by Towers in November 2013
- Build out of legacy benefit-administration systems, often sold as part of benefit outsourcing
 - Aon Hewitt, Towers and Buck

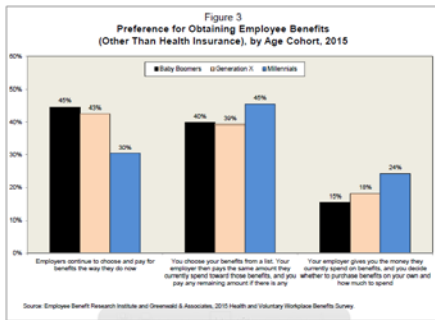


2015 Mass Mutual Study

Which 3 Benefits Would You Most Like to See?

Favorite benefit	Millennials	Gen X	Boomers
More vacation	48%	44%	50%
Better 401(k) matches	35%	47%	43%
Flexible work schedule	43%	41%	30%
Expanded healthcare	28%	37%	43%
No healthcare premiums	27%	32%	38%
Free gym membership	28%	25%	23%
Education/tuition reimbursement	30%	19%	15%
Free lunch	17%	17%	13%
More investment choices	13%	11%	24%


2015 Mass Mutual Study



Advantages and Disadvantages of an Exchange

- Advantages
 - More complete outsourcing
 - Cost savings associated with network optimization
 - Multiple carriers offer better premiums in all areas of the country
 - Greater Level of Choice
 - Shopping Experience
- Disadvantages
 - Loss of primary control over plan design and carrier relationship
 - Greater Level of Choice
 - Choices can be overwhelming for some
 - Relatively new, difficult to filter the sales pitch to realistic benefit of exchange model
 - Difficult to exit once an exchange is implemented


Private Exchange



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Illustrative Exchange Offering

- Medical
 - Cigna, Aetna, Blue Cross/Blue Shield, United Healthcare + regional HMOs
 - 4-5 plan options per carrier
 - Survey results show migration toward high deductible plans
- Spending Accounts
 - FSA, HRA, HSA and Dependent (child care) FSA
 - Migration toward high deductible plan leads to higher use of HRA and HSA
- Dental
 - 1-6 carriers, multiple plans
- Vision
 - 2-7 carriers
- Life, Disability and AD&D
 - Primary choice comes from supplemental offerings



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Illustrative Exchange Offering – Management
Annual Responsibilities – Private Exchange Vendor Primary

<ul style="list-style-type: none"> ▪ Renewals <ul style="list-style-type: none"> ▪ Handled almost exclusively by Consultant ▪ Budgeting <ul style="list-style-type: none"> ▪ Employer's responsibility depends on defined contribution decision/strategy ▪ If no defined contribution, then some budget review and decision making on employer's contribution ▪ Compliance <ul style="list-style-type: none"> ▪ Mostly outsourced, minimal responsibilities kept 	<ul style="list-style-type: none"> ▪ Administration <ul style="list-style-type: none"> ▪ Outsourced ▪ Communication <ul style="list-style-type: none"> ▪ Only focused custom communication necessary for employer
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Questions

 Milliman

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