



Private Exchange 101

Mikel Gray

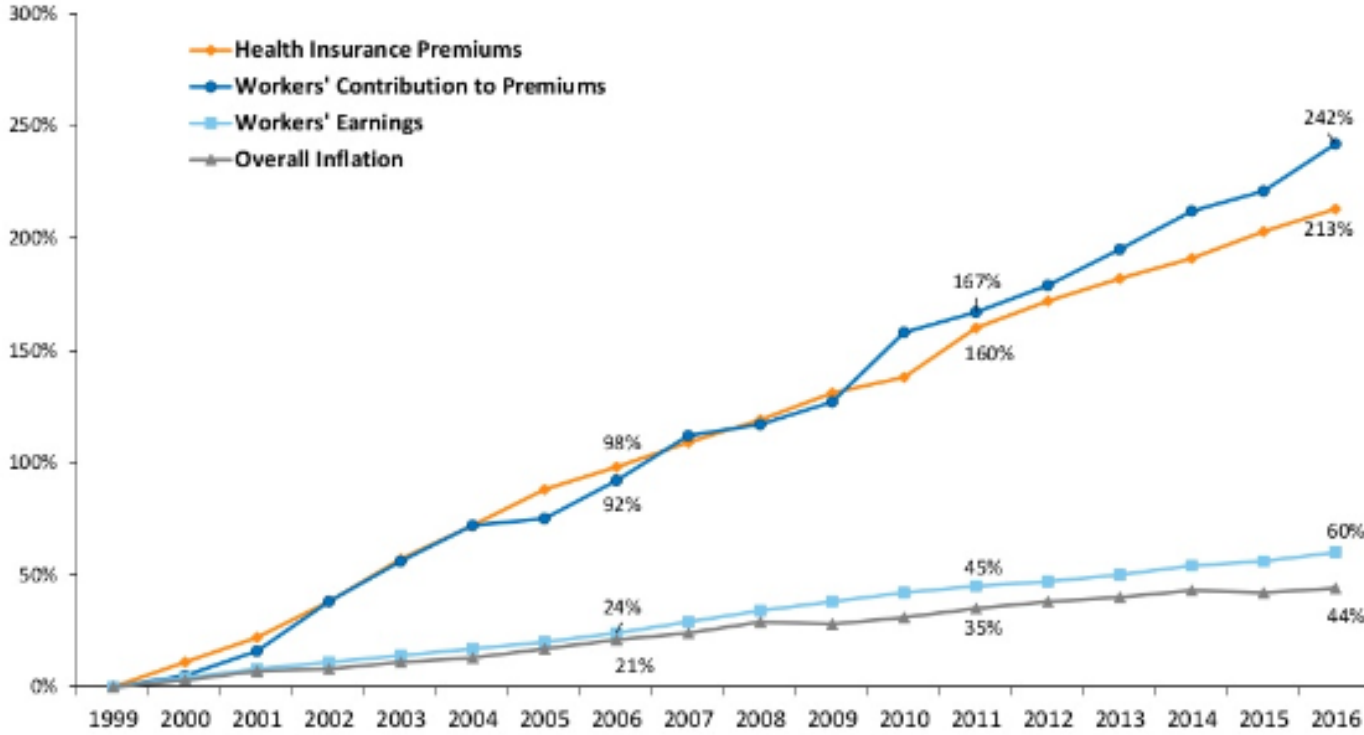
December 1, 2016

Agenda

- Overview - Benefits Environment
- Traditional Benefits Delivery
- Private Exchange Market
- Private Exchange
- Questions

Overview - Benefits Environment

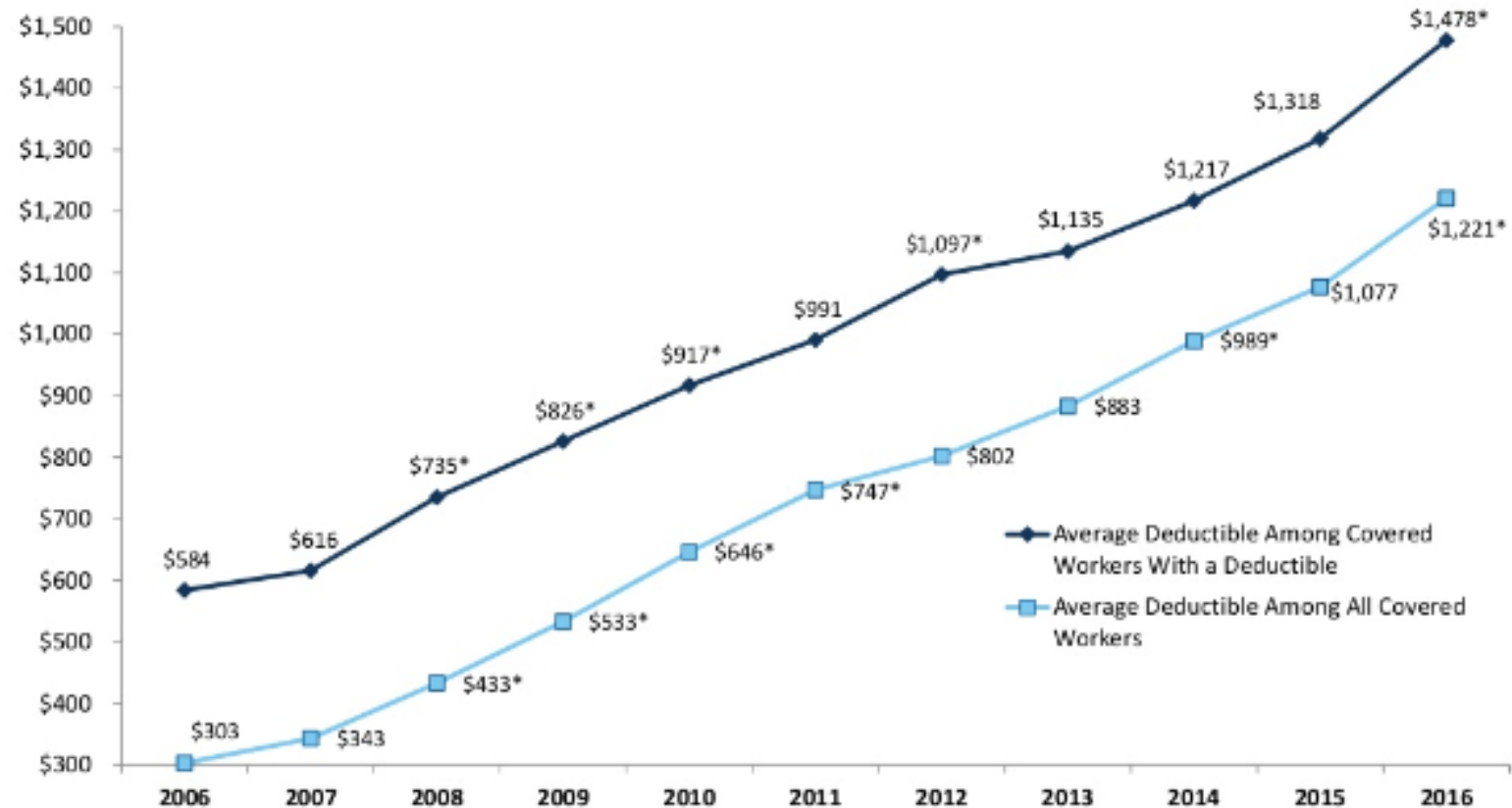
Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2016



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



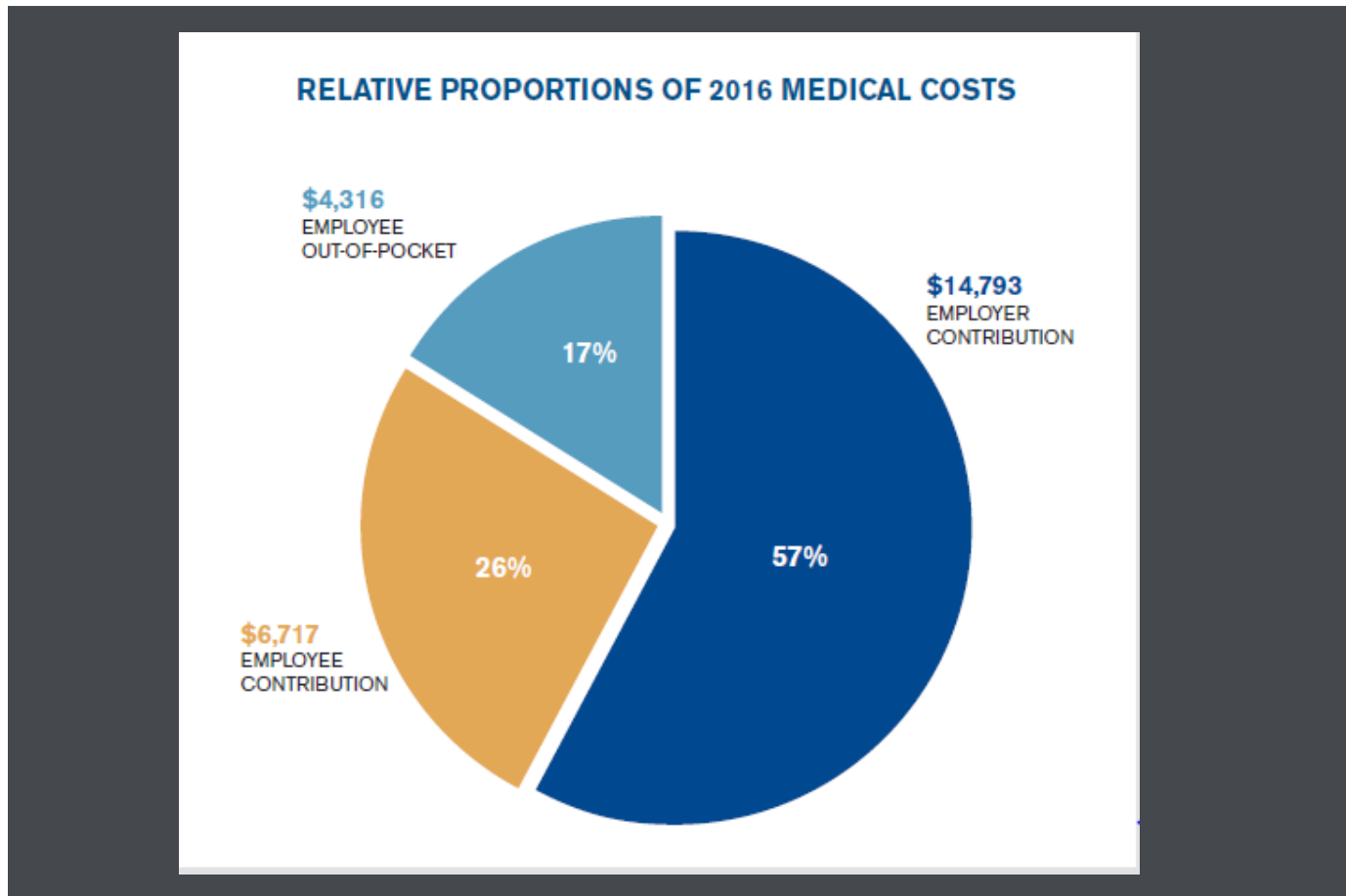
* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTES: Average general annual deductible is among all covered workers. Workers in plans without a general annual 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

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

Traditional Benefit Offering – Management

Annual Responsibilities – With Assistance from Consultant

- **Renewals**
 - Review and negotiate financial terms
 - Revise contracts
- **Plan Design**
 - Make market practice decisions
 - Make budget driven decisions
 - Review contribution structure and set team contributions
- **Budgeting**
 - 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**
 - Review new regulations
 - Consider potential State and Local initiatives
 - Integrate into renewals and budgeting
- **Administration**
 - Open enrollment
 - New hires
 - Change in status
 - Vendor feeds
 - ACA notices and reporting
 - Other Federal reporting
- **Communication**
 - General communication
 - Technology for online enrollments
 - Assist with plan selection

Private Exchange Market

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

Exchange Technologies

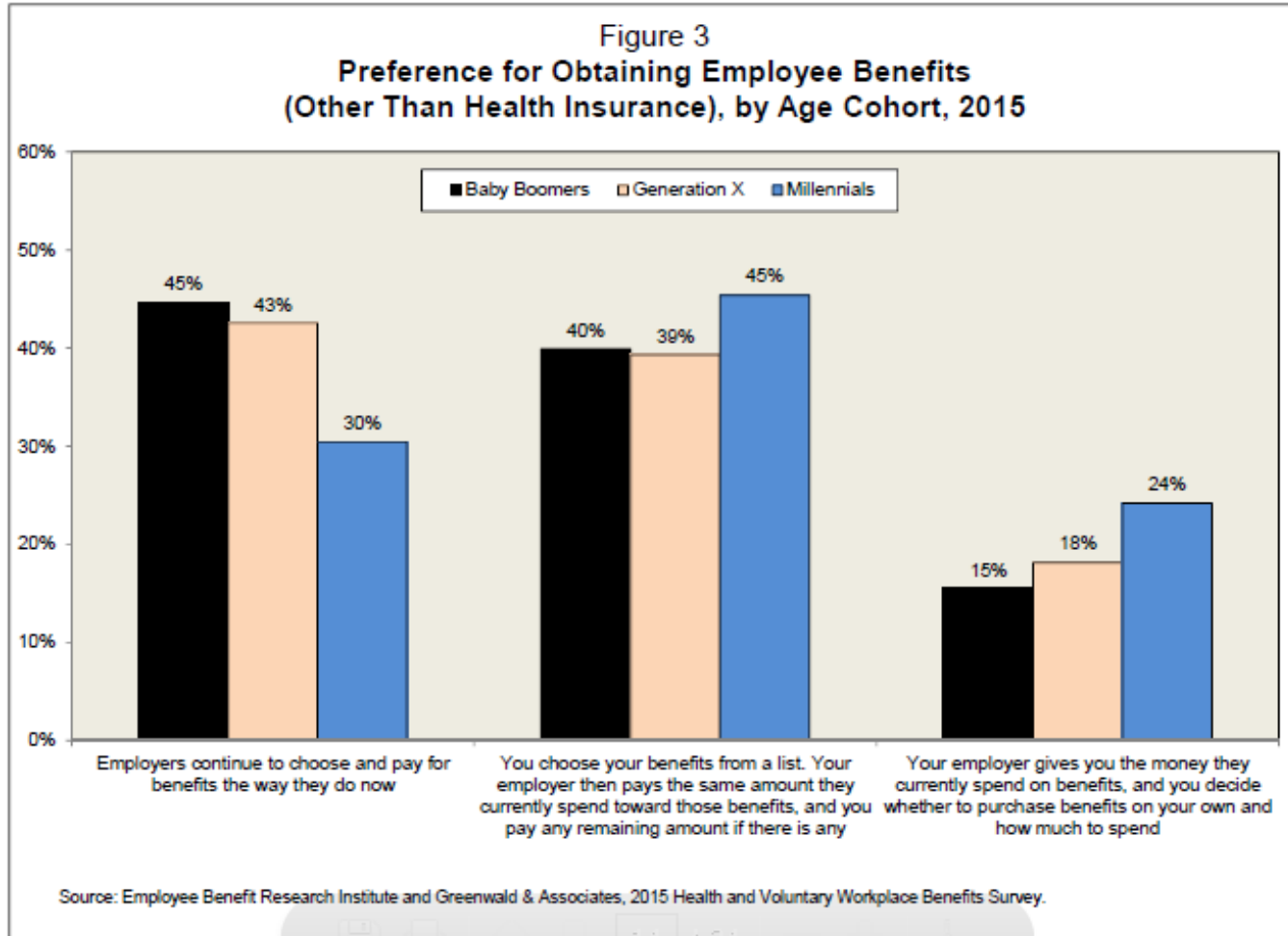
- Exchange technologies used by multiple exchange vendors
 - Key players include:
 - Benefit Focus: powers several carrier exchanges, as well as Mercer and other brokers, directly contracts with large employers
 - bSwift: powers several state exchanges, just launched its own exchange, powers some brokers 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

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

Illustrative Exchange Offering – Management

Annual Responsibilities – Private Exchange Vendor Primary

- Renewals
 - Handled almost exclusively by Consultant
- Budgeting
 - 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
 - Mostly outsourced, minimal responsibilities kept
- Administration
 - Outsourced
- Communication
 - Only focused custom communication necessary for employer

Questions