

Private Exchange Employer Survey Findings

December 2013



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Introduction

Private health insurance exchanges are one option employers are exploring in order to cut health care costs, reduce their administrative burden and increase the benefit choices they offer to covered employees. A variety of brokers, consultants, payers and other intermediaries are offering private exchanges, creating a mix of potential vested interests among these service providers. As a result, employers are seeking an objective source of information and advice as they evaluate potential private exchange strategies and the vendors that could support them.

The Private Exchange Evaluation Collaborative (PEEC) is a new initiative launched by four leading nonprofit business coalitions (Employers Health Coalition, Midwest Business Group on Health, Northeast Business Group on Health, and Pacific Business Group on Health) and PwC. PEEC developed a Private Exchange Employer Survey to provide employers with an objective source of information as they assess potential private exchange strategies and the vendors they may use to implement such a strategy.

This survey was intended to help employers understand how their peers are thinking about private exchanges, their timelines for consideration and what features they view as critical, and to highlight what types of information about private exchanges are most important to employers. This report summarizes the results of that survey based on 723 employers from 34 different industries across the nation.

Section 1: Key Findings

Key Finding #1

Key Finding #2

Key Finding #3

Key Finding #4

Key Findings

Key Finding #1

Employers are considering exchange-based benefits strategies, but the path forward is far from clear.

- **45% of employers have implemented or plan to consider utilizing a private exchange for their full-time active employees before 2018**
 - 37% for pre-65 retirees
 - 32% for post-65 retirees
 - 30% for part-time employees
- **15% of employers are encouraging or will consider encouraging their full-time employees to obtain health care coverage in the public exchange before 2018**
- **If employers are permitted to contribute toward employees' coverage on the public exchanges in 2017 or 2018, 58% would consider doing so**

Key Findings

Key Finding #2

Employers are looking for comprehensive capabilities and services from private exchanges.

- **Over 80% of employers said that the following were somewhat or very important elements of a private exchange:**

Important to Employers			Important to the Consumer & Shopping Experience		
Flexible employee contributions	Tools that aid in plan selection	Cost of plan options	Ease of use	Administrative & claims advocacy	Broad network access
Implementation assistance	Experience & track record	Financial stability	Employee communication support	Call center/ Instant chat	Variety of plan options & designs
Reduce Benefits Staff's Admin. Effort	Data & Reports	Level and transparency of fees	Portal with care management & claims info.	Health education tools & library	High performing networks

- **69% of employers agree that it is very important that [their] advisor is independent of any exchange [they] are considering**
- **25% of employers think that moving their organization to a private exchange will save them money**

Key Findings

Key Finding #3

The greatest barriers to private exchange adoption relate to their immaturity and uncertainty about their longer term stability.

Over 80% of employers agreed that the following were barriers to adoption:

- Immaturity of the private exchange market**
- Stability of cost over time**
- Stability or track record of exchange administrator**
- Limited information about private exchanges**
- Employee readiness**

Key Findings

Key Finding #4

Interest in private exchanges extends across industry segment and employer size while the importance of some requirements do vary.

- **Almost half of employers expressed interest in considering private exchanges for full-time employees by 2018 with some but limited variation by industry**
- **Almost half of employers indicated that it was “very important” to have a self insured option with somewhat less interest by small employers**
- **Slightly more than one third of employers indicated that it was “very important” to have a fully insured option (about one fourth of larger employers indicated such)**
- **Over half of large employers indicated that flexibility within [their] contribution strategy is “very important”**

Section 2: Employer Strategies

Active Employees

Private Exchange

Public Exchanges

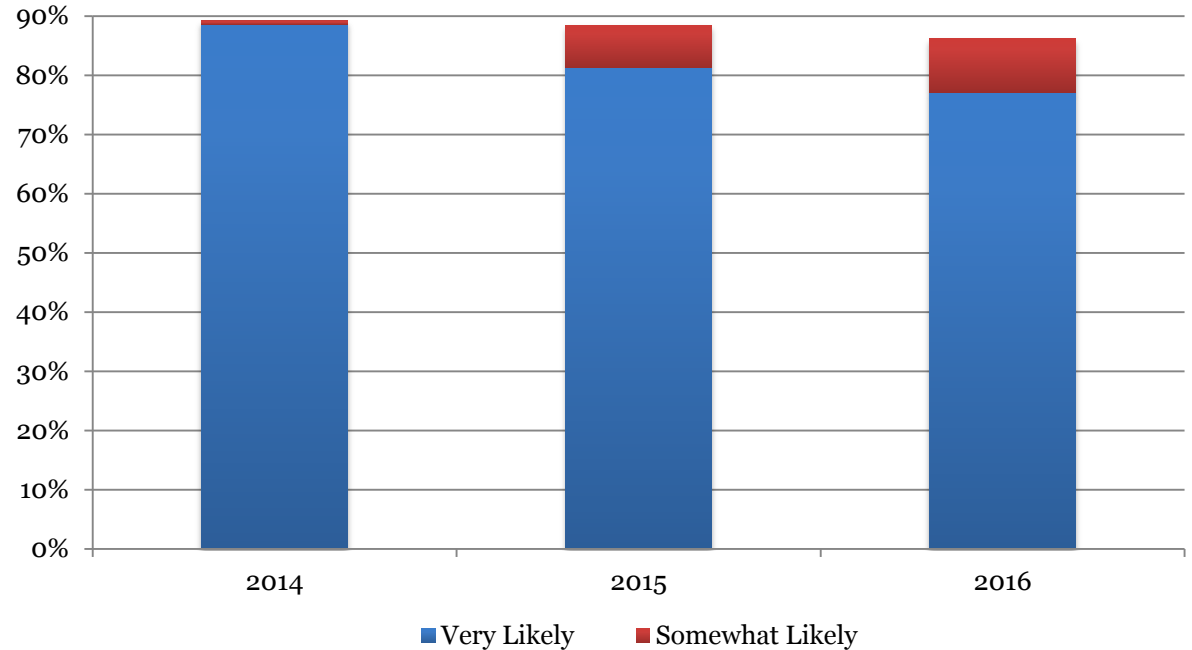
Private vs. Public Exchanges

Defined Contribution

Defined Contribution and Private Exchanges

Active Employees

How likely is your organization to offer health care benefits to your active employees in 2014, 2015 and 2016?

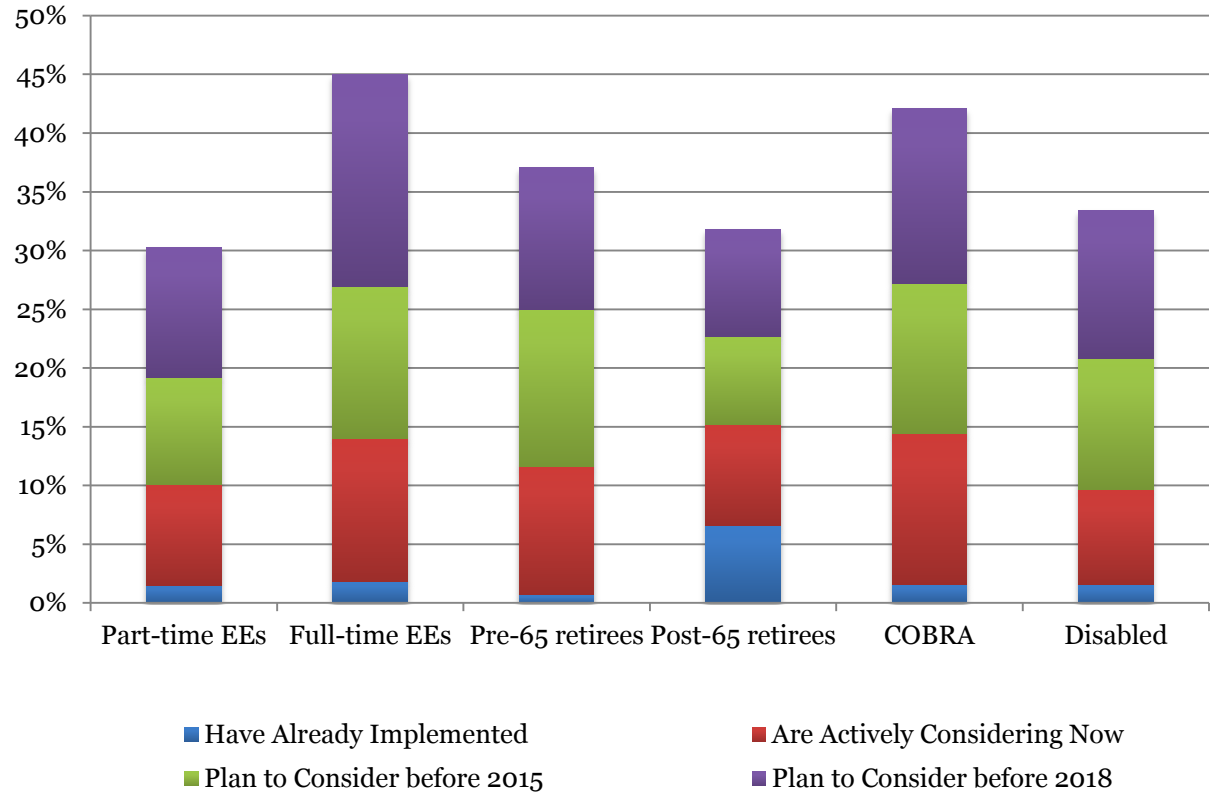


- 77% of employers indicated that they are very likely to offer health care benefits to their active employees in 2016, down from 89% in 2014
- 72% of smaller employers and 85% of larger employers are very likely to offer health care benefits to their active employees in 2016

To offer health care benefits to active employees in 2016	< 500 EEs	500 – 2,499 EEs	2,500 – 9,999 EEs	10,000 + EEs
Somewhat Likely	10%	9%	8%	8%
Very Likely	72%	79%	76%	85%

Private Exchanges

Your organization's current plans to consider utilizing a private exchange for the populations listed:

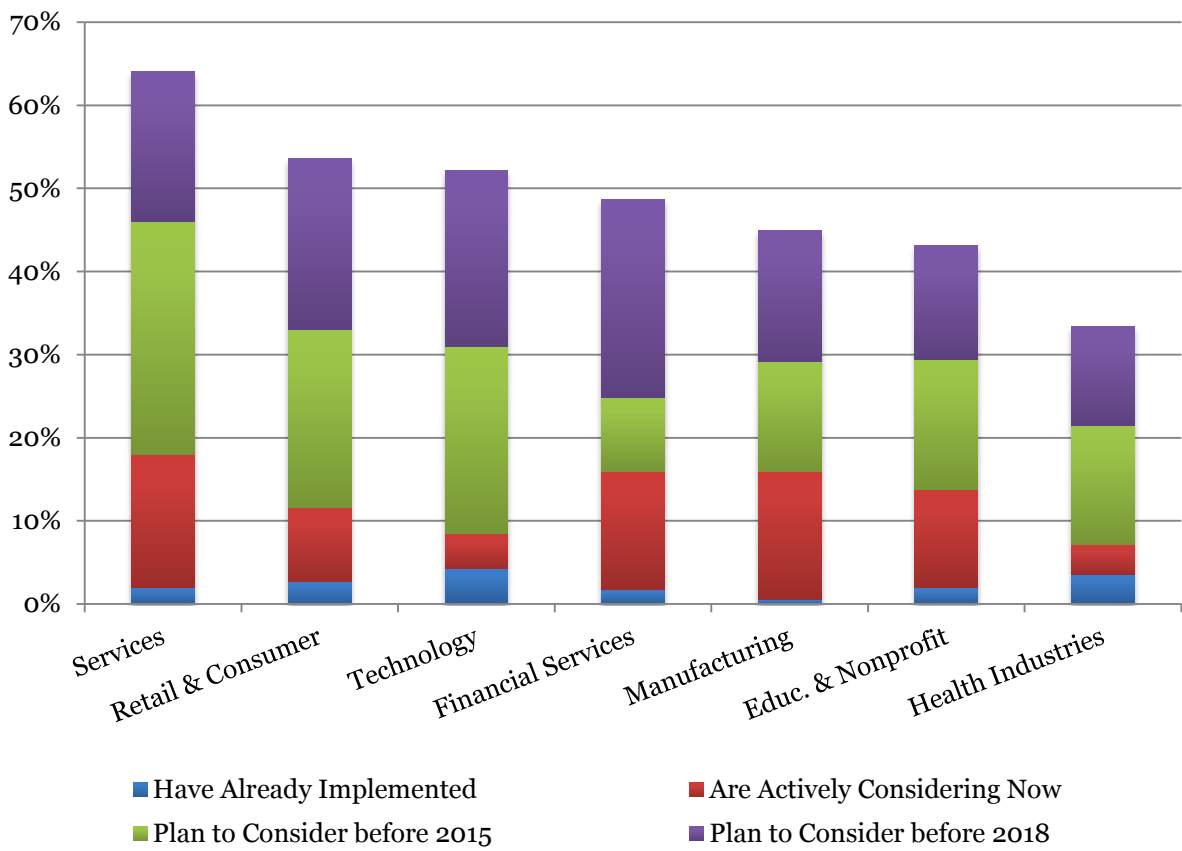


45% of employers have implemented or plan to consider a private exchange for their active full-time employees before 2018

We also asked "what are the three most important things you would like to know about private exchanges?" Verbatim responses to this question will appear, as below, in italics on selected pages throughout this report.
"Have private exchanges evolved and improved enough to become a viable choice for varied...employers?"

Private Exchanges

Your organization's current plans to consider utilizing a private exchange for active employees:



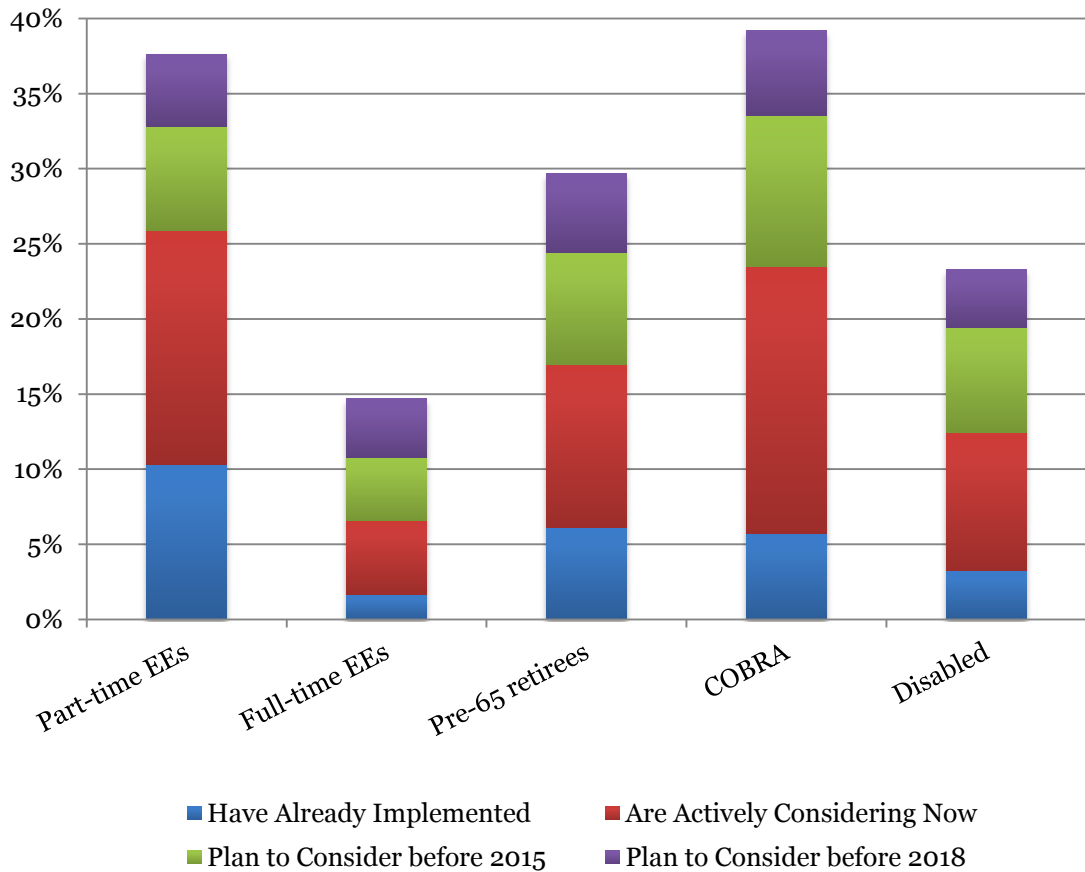
There is significant interest in private exchanges across industry segments*:

- Services (64%)
- Retail & Consumer (54%)
- Technology (52%)
- Financial Services (49%)
- Manufacturing (45%)
- Education & Nonprofit (43%)
- Health Industries (33%)

*See Section 6: Appendix for more detail on industry segments

Public Exchanges

Organization's plan to encourage their populations to obtain health care coverage in the public exchange:

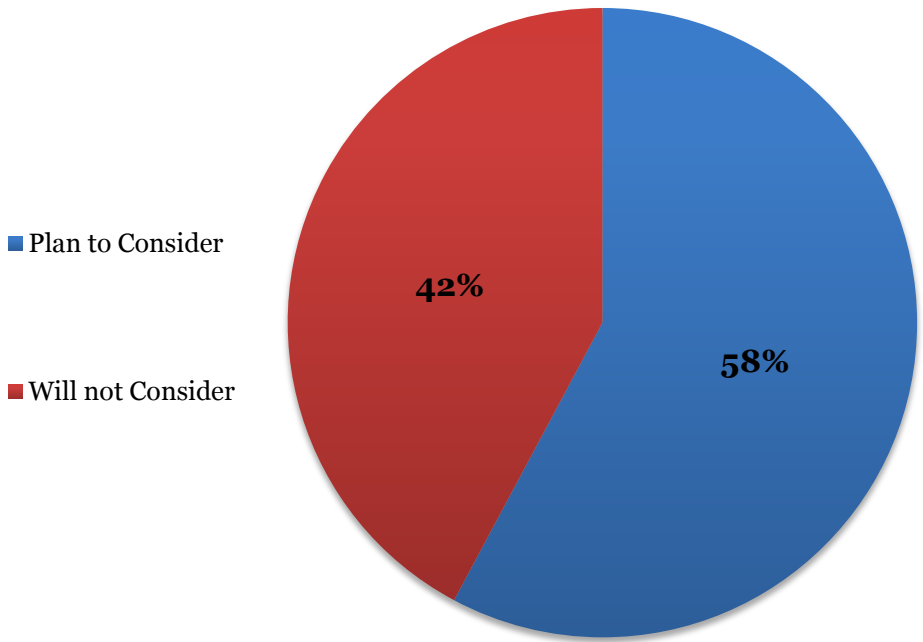


- 15% of employers plan to consider encouraging full-time employees to obtain health care coverage in the public exchange by 2018
- The percentages are larger for other populations:
 - Part-time (38%)
 - Pre-65 retirees (30%)
 - COBRA (39%)
 - Disabled (23%)

Public Exchanges

If, in 2017 or 2018, your organization is permitted to contribute towards coverage for your employees through the public exchange(s), would you consider doing so?

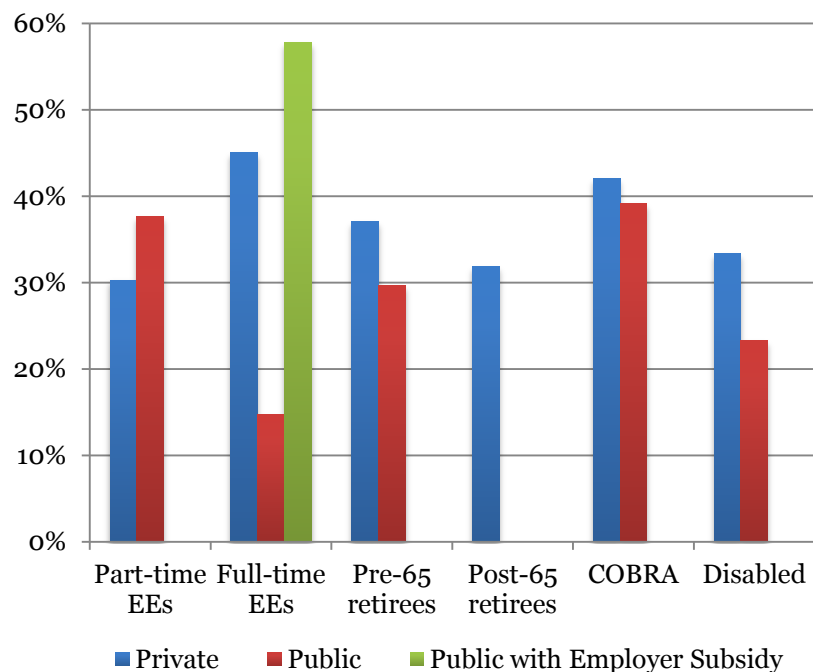
If employers are permitted to contribute toward employees' coverage on the public exchanges in 2017 or 2018, 58% would consider doing so



Private vs. Public Exchanges

Employers' use or consideration of *private* and *public* exchanges vary depending on the category of employees or former employees

% of employers using or planning to consider *private* exchanges by 2018 compared to % of employers encouraging use of the *public* exchanges by 2018

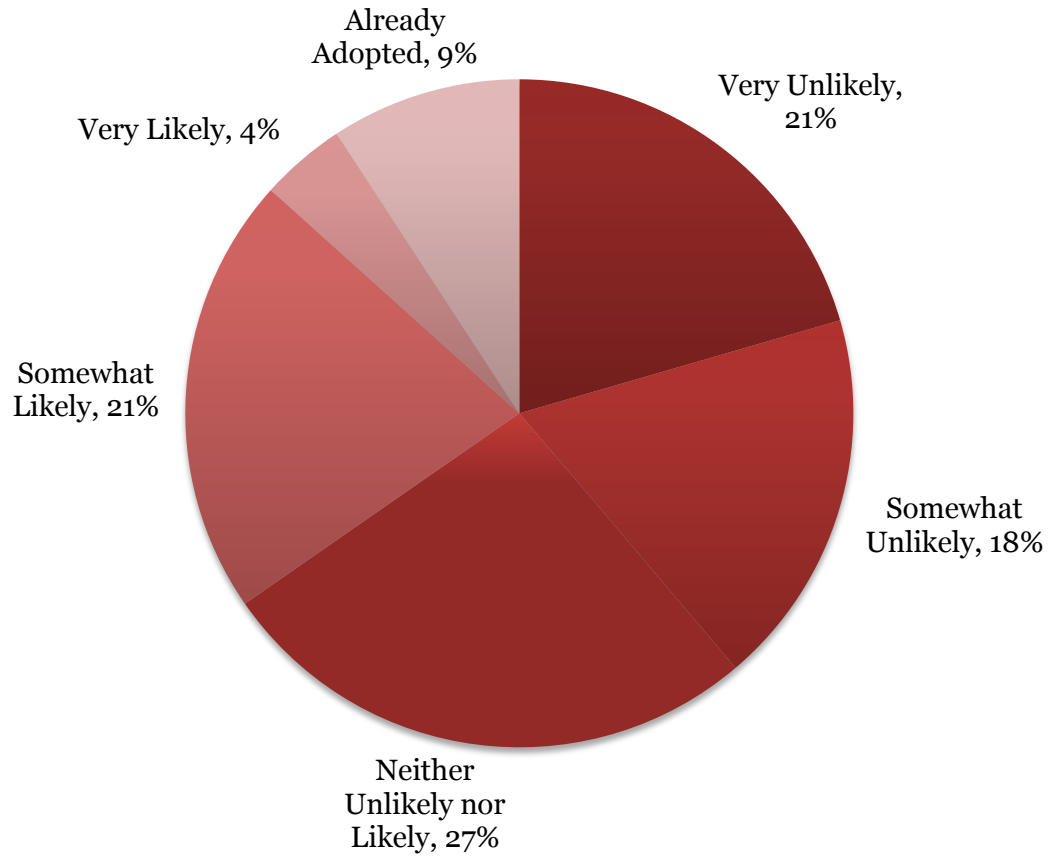


Note: Post-65 retirees are not eligible for public exchanges

- In general, more employers are planning to consider a *private* exchange than are planning to consider a *public* exchange
- Exceptions:
 - More employers favor encouraging part-time employees to go to the *public* exchanges
 - If employers are allowed to provide subsidies towards coverage in the *public* exchange, a higher percentage would consider using the *public* exchanges for active employees

Defined Contribution

How likely is your organization to move from defined benefit to defined contribution toward active employees' cost of health insurance in the next two years?



- 13% of employers have already adopted or are very likely to adopt a defined contribution approach in the next two years
- 39% are somewhat or very unlikely to adopt a defined contribution approach

Defined Contribution and Private Exchanges

Employers adopting or likely to adopt a defined contribution are more likely to consider implementing a private exchange strategy

	"Favor" Using Private Exchange (Have already implemented, are actively considering or plan to consider by 2015)	Do not "Favor" using Private Exchange (Have considered and deferred or are not considering)
"Favor" using defined contribution (Have already adopted or are somewhat or very likely to adopt in the next two years)	26%	24%
Do not "Favor" defined contribution (Are somewhat or very unlikely to adopt in the next two years)	8%	42%

Section 3: Employer Requirements for Private Exchanges

Employee Contributions

Fiduciary Role

Administrative

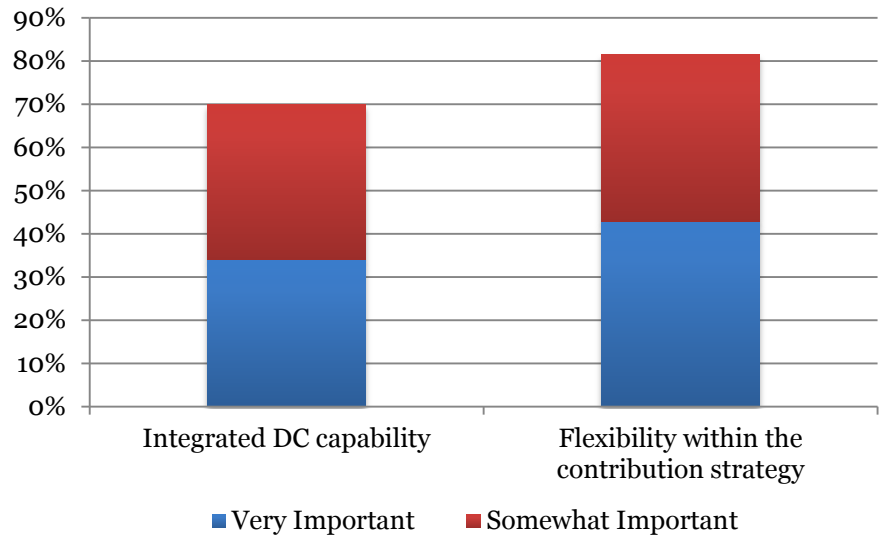
Customer Experience

Financial

Shopping

Employee Contributions

In considering a private exchange for active employees, how important is it that the exchange offers the following *employee contribution* options?



- Over 80% of employers say that it is somewhat or very important that a private exchange offer flexibility within the employee contribution strategy
- Over half of large employers indicated this flexibility with contribution structure is “very important”

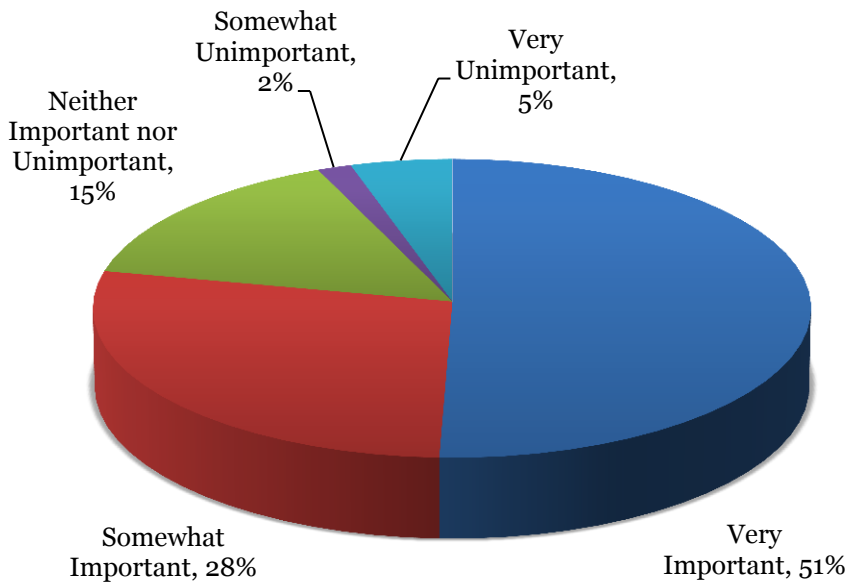
“Can we develop an employer contribution [strategy] that works?”

Flexibility within Contribution Strategy	< 500 EEs	500 – 2,499 EEs	2,500 – 9,999 EEs	10,000 + EEs
Somewhat Important	39%	42%	41%	32%
Very Important	38%	34%	50%	54%

Fiduciary Role

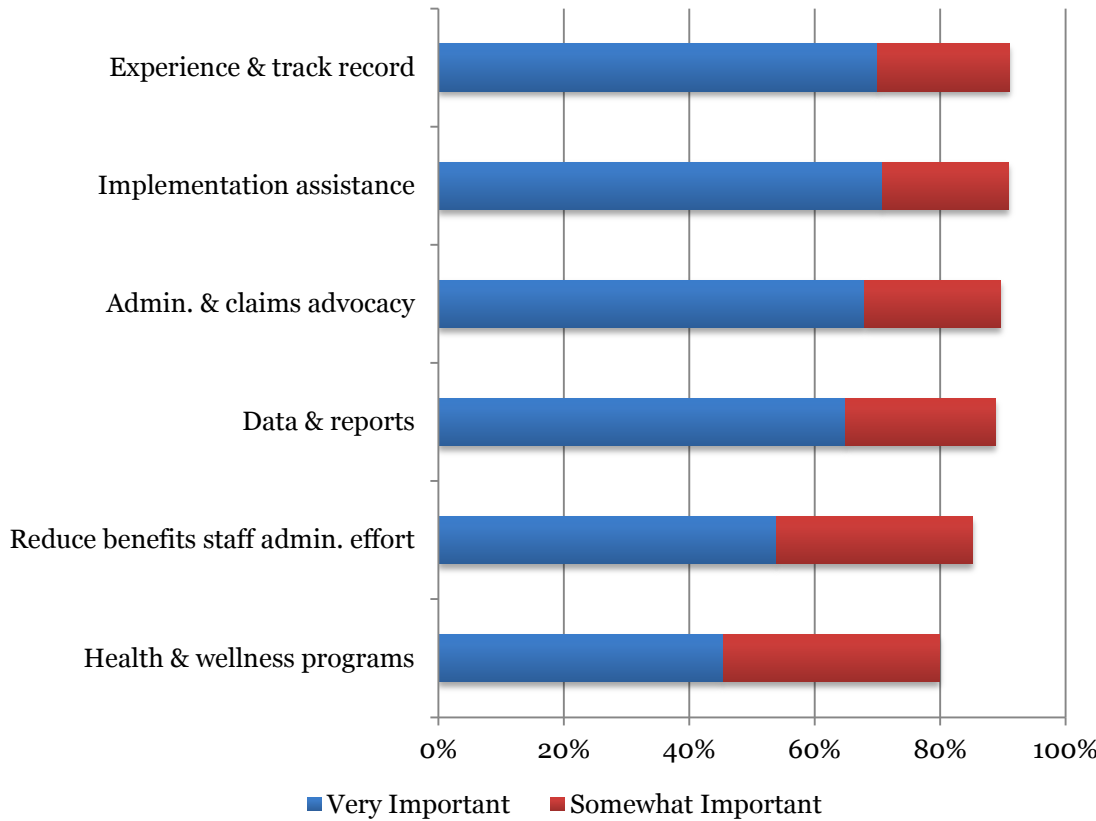
- 51% of employers say that it is “very important” for a private exchange to accept ERISA fiduciary responsibilities for the plans purchased on the exchange
- 79% say that this acceptance is somewhat or very important

In considering a private exchange for active employees, how important is it that the exchange accept the ERISA fiduciary responsibilities for the plans purchased on the exchange?



Administrative

In considering a private exchange for active employees, how important are each of the following *administrative* elements of the exchange?



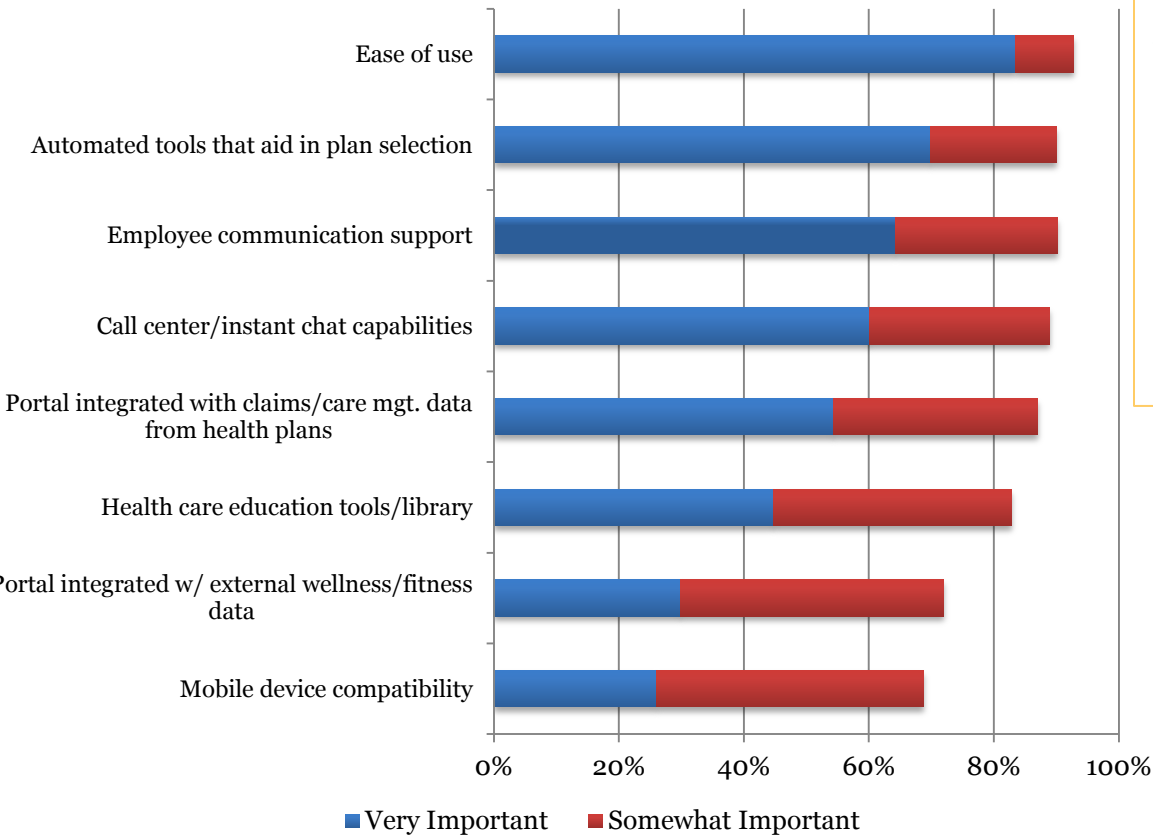
Most employers viewed the following administrative elements as “very important”:

- Implementation assistance (71%)
- Experience & track record (70%)
- Admin. & claims advocacy (68%)
- Data & reports (65%)
- Reduce benefits staff admin. effort (54%)

Fewer (45%) said health & wellness programs were “very important”

Customer Experience

In considering a private exchange for active employees, how important is each of the following *customer experience* elements of the exchange?

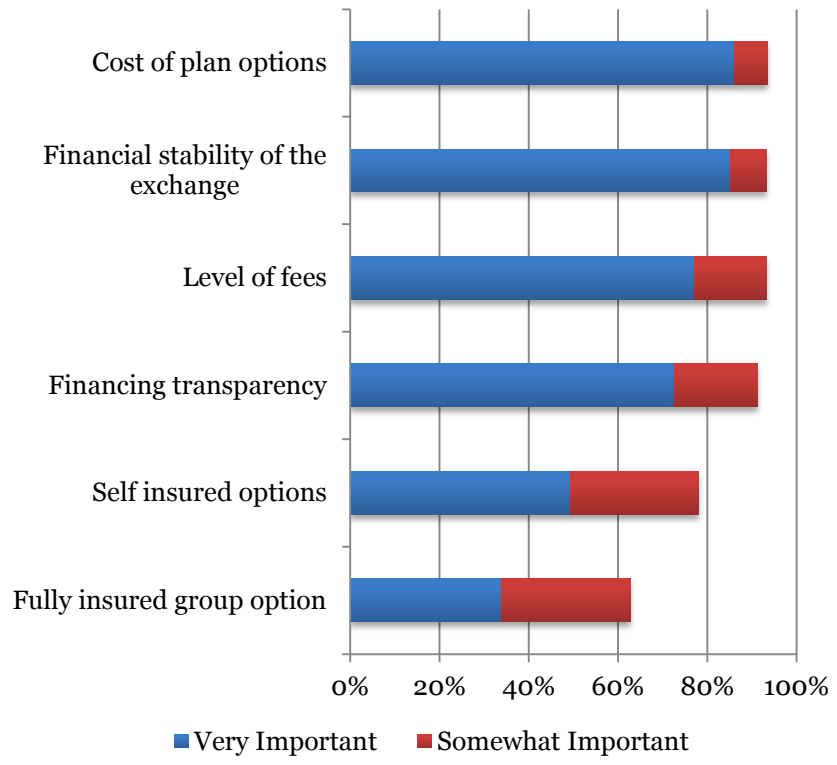


Of the customer experience elements listed, the majority of employers identified the following as “very important”

- Ease of use (83%)
- Automated tools that aid in plan selection (70%)
- Employee communication support (64%)
- Call center/instant chat capabilities (60%)
- Portal integrated with claims/care mgt. data from health plans (54%)

Financial

In considering a private exchange for active employees, how important is each of the following *financial* elements of the exchange?

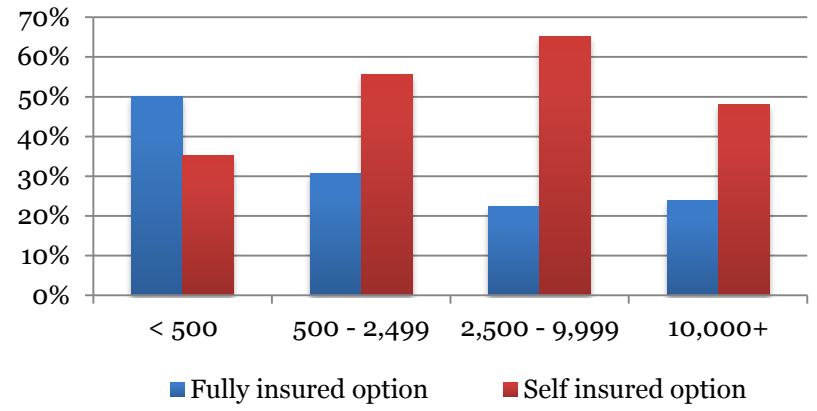


Most employers identified the financial elements of the exchange as being “very important” including plan option costs (86%), financial stability of the exchange (85%), level of fees (77%), and financing transparency (73%)

Financing options were also “very important”:

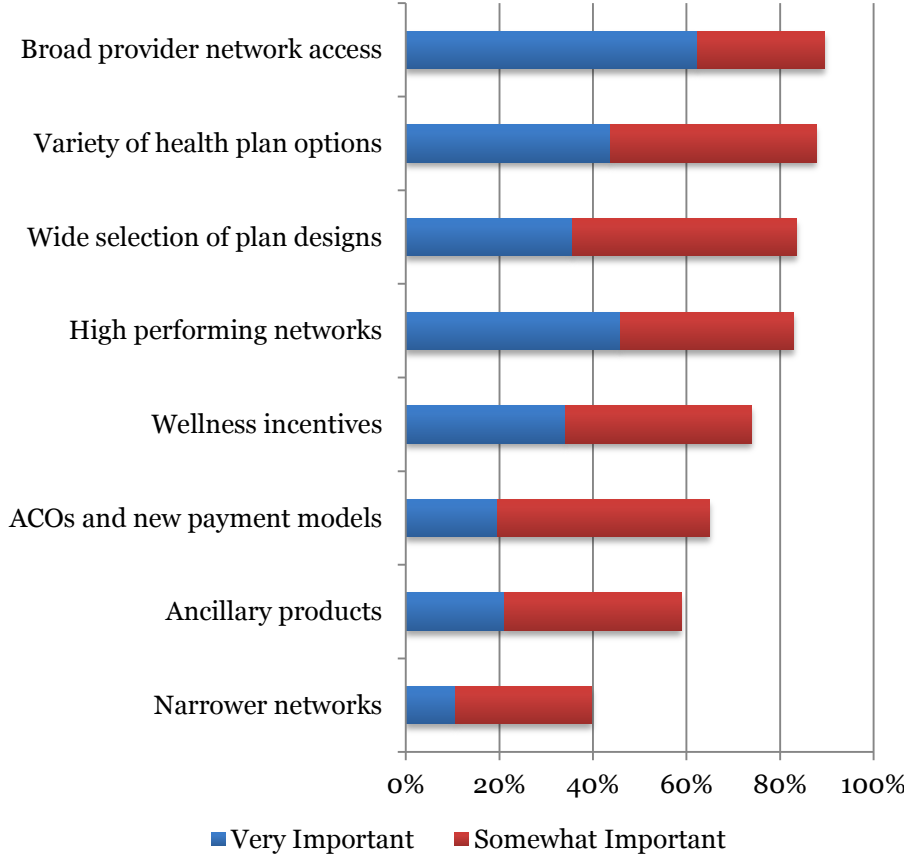
- More employers cited self insured group options (49%) as “very important” than fully insured options (34%)
- Self insured plans were cited as “very important” more frequently than fully insured for employers of all sizes except employers with fewer than 500 employees

% of employers saying fully insured or self insured “very important” by number of employees



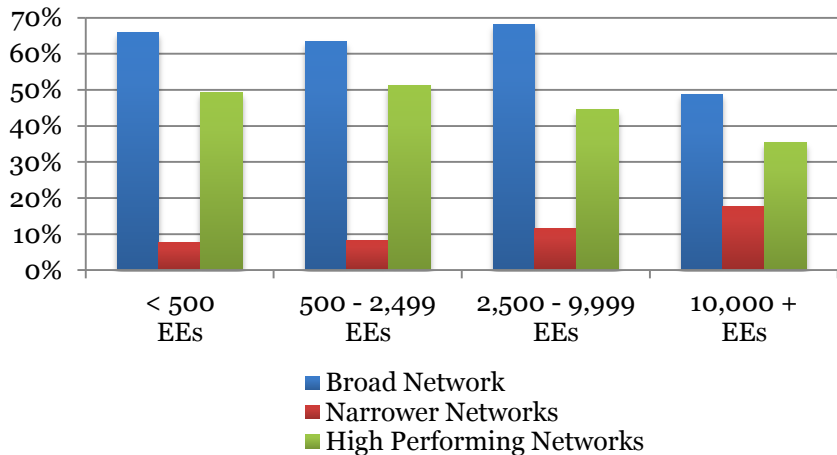
Shopping

In considering a private exchange for active employees, how important is each of the following *shopping* elements of the exchange?



- Broad provider networks were favored by more (90%) of employers compared to 40% who found narrow networks somewhat or very important
- 83% of employers found high performing networks somewhat or very important with 46% finding high performing networks “very important”
- The largest employers were more likely to find broad networks “very important” (49%) and less likely to find narrow networks “very important” (18%)

% of employers saying broader/narrower/high performing networks are very important by size of employer



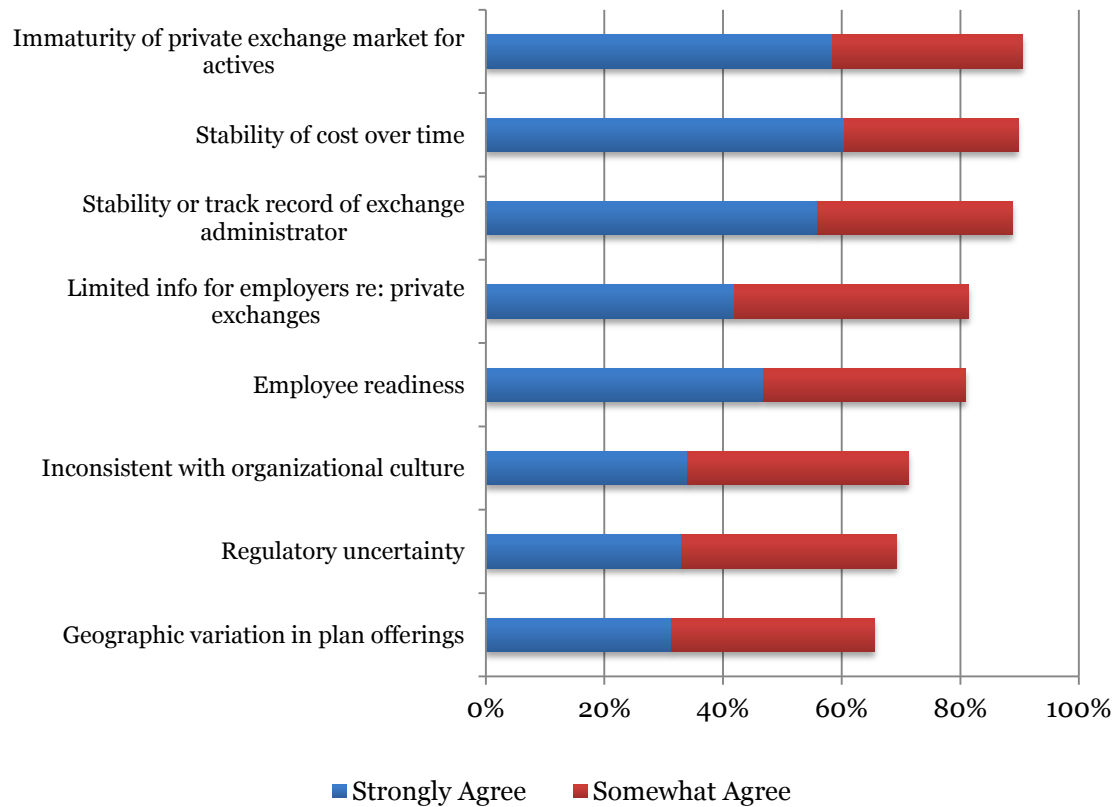
Section 4: Implementation Challenges

Adoption Risks

Other Barriers to Adoption

Adoption Risks

Indicate how much you agree that each of the following adoption risks is a barrier to offering a private exchange for your active workforce:



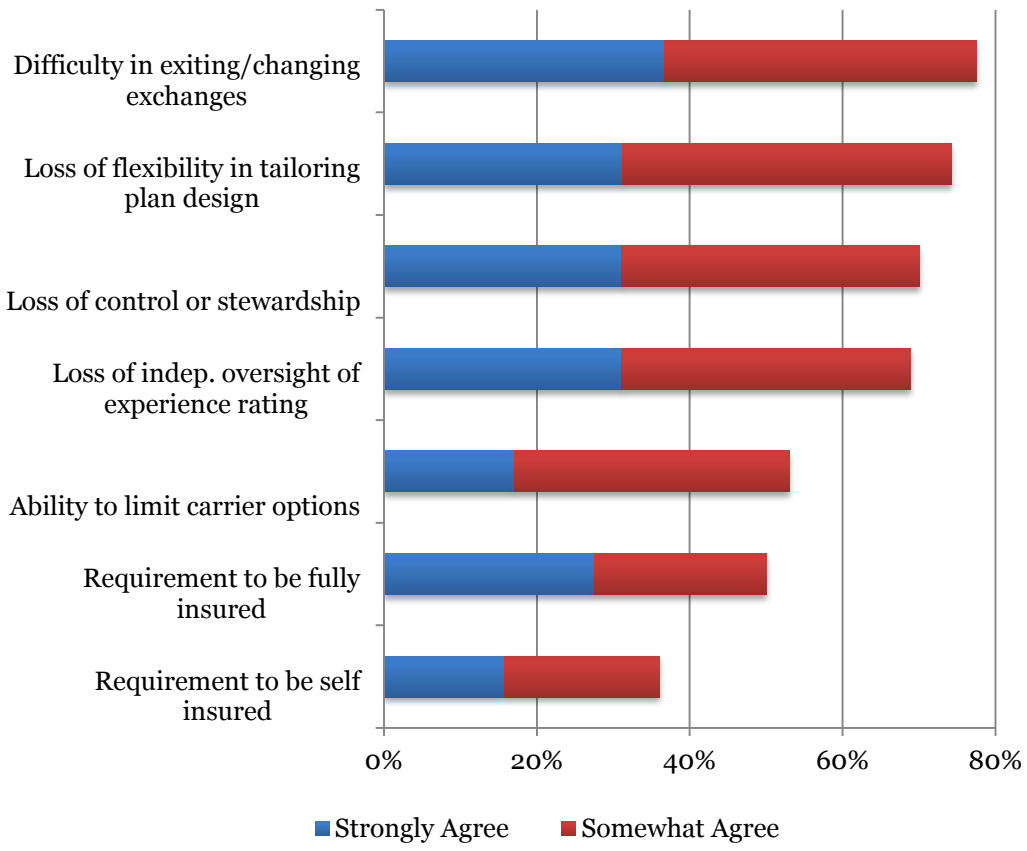
Approximately 90% of employers saw stability/track record of exchange, stability of cost over time and immaturity of the private exchange market for active employees as the adoption risks that were the greatest barriers

81% of employers found employee readiness and the limited availability of information about private exchanges to be barriers

“How will this help me cut healthcare costs? How will I sell this to senior management and employees?”

Other Barriers to Adoption

Indicate how much you agree that each of the following issues is a *barrier* to offering a private exchange for your active workforce:



Over 2/3 of employers strongly or somewhat agreed that the following were barriers to offering a private exchange to their active employees:

- Difficulty in exiting/changing exchanges (78%)
- Loss of flexibility in tailoring plan design (74%)
- Loss of control or stewardship (70%)
- Loss of independent oversight of experience rating (69%)

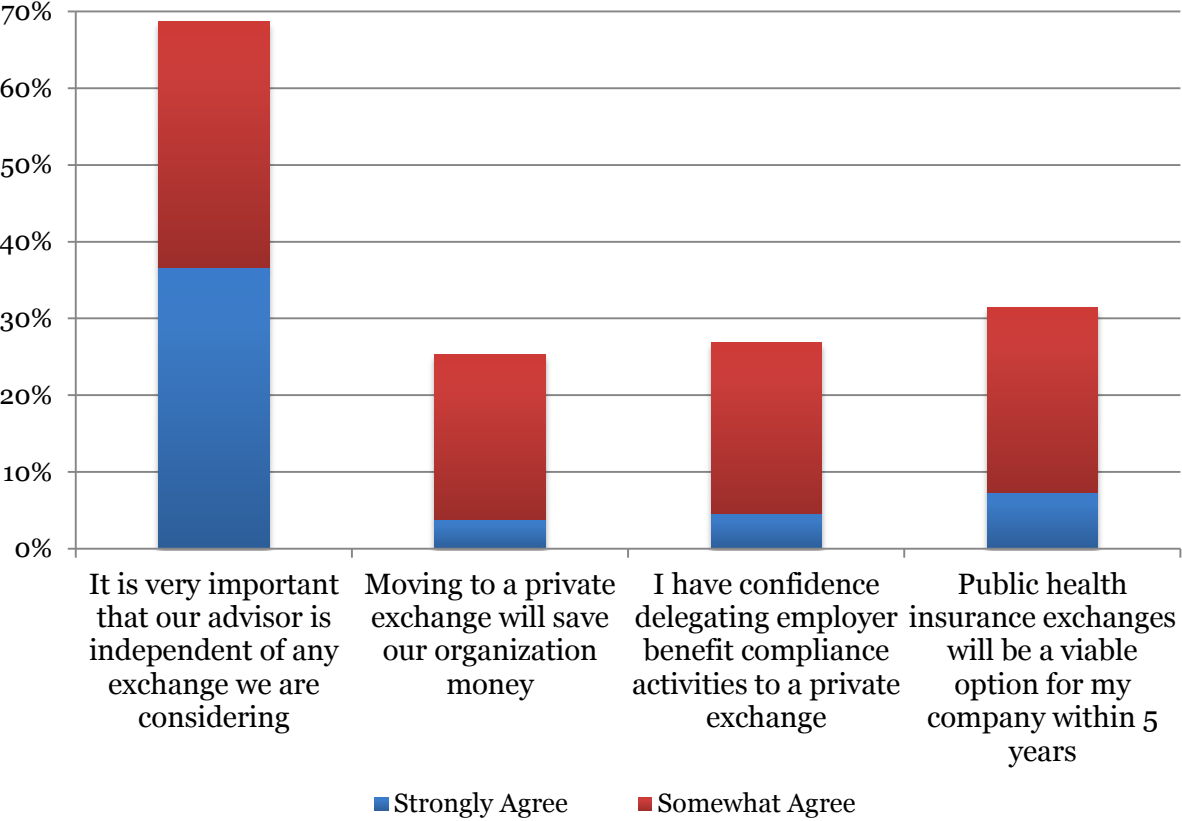
Section 5: Employer Perspectives

Savings, Compliance and Public Exchanges

What Employers Would Like to Know about Private Exchanges

Savings, Compliance & Public Exchanges

Indicate how much you agree with each of the following statements:



- Almost 70% of employers agree that it is very important that [their] advisor is independent of any exchange [they] are considering
- 25% of employers agree that moving to a private exchange will save them money
- 27% have confidence in delegating compliance activities to private exchanges
- 31% agree that public exchanges will be viable options within 5 years

What Employers Would Like to Know About Private Exchanges

40% of employers responded to our request for the “three most important things you would like to know about private exchanges.” Their questions were diverse and ran the gamut in the subject areas reported on in this report. Below are some additional sample *verbatim responses*:

Exchange Value Proposition

“What are the advantages over current design?” “How they can benefit the company and employees?” “How do they compare to what we have today? Pros/cons”

Exchange Stability

“How will the exchanges change/evolve in the short-term, long-term?” “Will they survive?” “Are they going to be viable over the long term?”

Financial Transparency

“How are exchanges held financially accountable?” “How are they financed?” “How do they make their profit?” “What commissions or incentives do they receive from the carriers?” “Why are they different from contracting with a ‘traditional’ insurance carrier?” “Who makes money off of the products?”

Plan Offerings

“Do the carriers have a multi-year obligation to offer coverage on the exchange?” “Are they multi-state?” “Do they all offer the same coverage?” “Can programs be custom tailored by individual for a corporate plan?” “Flexibility for benefits design/funding/networks for groups?” “Who determines what is available in the exchange from year to year?” “Will the employees still have access to the best healthcare providers?”

What Employers Would Like to Know About Private Exchanges

Impact on Employees

“How do you determine what to offer your associates (difficulty in going from offering 3 plans to 20 plans – just an example of the confusion this could cause to our associates)?” “How will online and other tools be used to engage buyers so that they will be effective in purchasing their own healthcare?” “How hard of a transition will it be for employees?”

Private Exchange Track Record

“What is the participant satisfaction with their private exchange experience?” “What is the company satisfaction with their private exchange experience?” “How it has impacted turnover/retention at employers that have implemented them?” “I would like information to be available on the experience of the exchanges to date for active employees based upon demographics, costs, plan designs, changes to plans, etc.; information to be available based upon industry utilizing the exchanges.”

Administrative

“Can they offer relief from the administrative burdens of sponsoring a health plan?” “How well is the exchange being managed?” “What are the administrative services available from the exchange?”

General

“Are insurance carriers REALLY enthusiastic about participating in exchanges?” “Are they the wave of the future?” “Will they be independent of influence from insurance companies?” “How can I determine if an exchange option with an employer contribution would be a better solution for both employer/employee?” “How can we use them to our advantage but still make sure our employees have good coverage?” “How likely are they to become the dominant method of employer provided health benefits?” “How can they support attraction, retention and engagement of employees?”

Thank You

Thank you for participating in the PEEC Private Exchange Employer Survey!

If you are interested in learning more or requesting customized results, please contact:



Coalitions	PwC
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Section 6: Appendix

All Participating Industries

Location & Company Size

All Participating Industries

Agribusiness	10
Education & Nonprofit	52
Energy, Utilities & Mining	23
Engineering & Construction	24
Financial Services	
Asset Management	2
Banking & Capital Markets	12
Financial Services	61
Insurance	39
Investment Management (Alternative Investments)	5
Private Equity	2
Real Estate	12
Government/Public Services	28
Health Industries	
Healthcare Providers	42
Health Plans	14
Life Sciences	15
Other	18
Pharmaceuticals	8

Manufacturing	
Aerospace & Defense	24
Automotive	17
Chemicals	11
Forest, Paper & Packaging	4
Manufacturing	147
Metals	11
Retail & Consumer	
Consumer Products	22
Food & Beverage	16
Hospitality & Leisure	14
Retail & Consumer	43
Wholesale & Distribution	34
Services	
Law Firms	9
Services	41
Technology	
Communications	9
Entertainment & Media	12
Technology	54
Transportation & Logistics	23

Notes:

- Participants were allowed to select more than one industry
- Industry breakouts throughout the report are grouped based on the bolded sectors above

Location & Company Size

Survey participants by location:

National	287
North East	139
North West	11
Mid-Atlantic	70
North Central	195
South Central	45
West	56
South East	70
South West	23

Survey participants by company size:

< 200	131
201 – 499	111
500 – 999	82
1,000 – 2,499	103
2,500 – 4,999	71
5,000 – 9,999	75
10,000 – 19,999	65
20,000 +	85

Note: Participants were allowed to select more than one location