

Private Exchange Readiness: Aligning Your Benefits Program with Your Business Goals

The NFP Marketplace



A Simpler Way to Meet
Employee Health Care Needs



Presented by:
NFP Charon
Planning
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Goals

- Develop a common definition for “Private Exchange”
- Understand how your current program differs from and is similar to a Private Exchange
- Identify the location of your benefits program on the spectrum of Exchange readiness
- Understand challenges of Exchange sustainability
- Determine if a Private Exchange may be desirable as part of your multi-year strategy and, if so, how to incorporate necessary changes into your planning

Characteristics of a Private Exchange

Choice of Plans

- Offers a choice of 3 to 10 medical plans
- Actuarial value spread among plans is targeted at 20% with no two plans within 5% of the other
- Insured multiple carrier Exchanges are only available to large employers (over 5,000 ees in most markets)

Defined Contribution

- Employer sponsored with subsidy available via defined contribution
- Employee receives same dollar subsidy regardless of tier selected
- Subsidy may also apply to dental, life, disability, and voluntary products
- Subsidy may vary by business unit or region

Characteristics of a Private Exchange

Technology

- Employee purchases online using decision support technology; a call center may or may not be included
- Includes a suite of voluntary benefits to help offset the cost of the technology

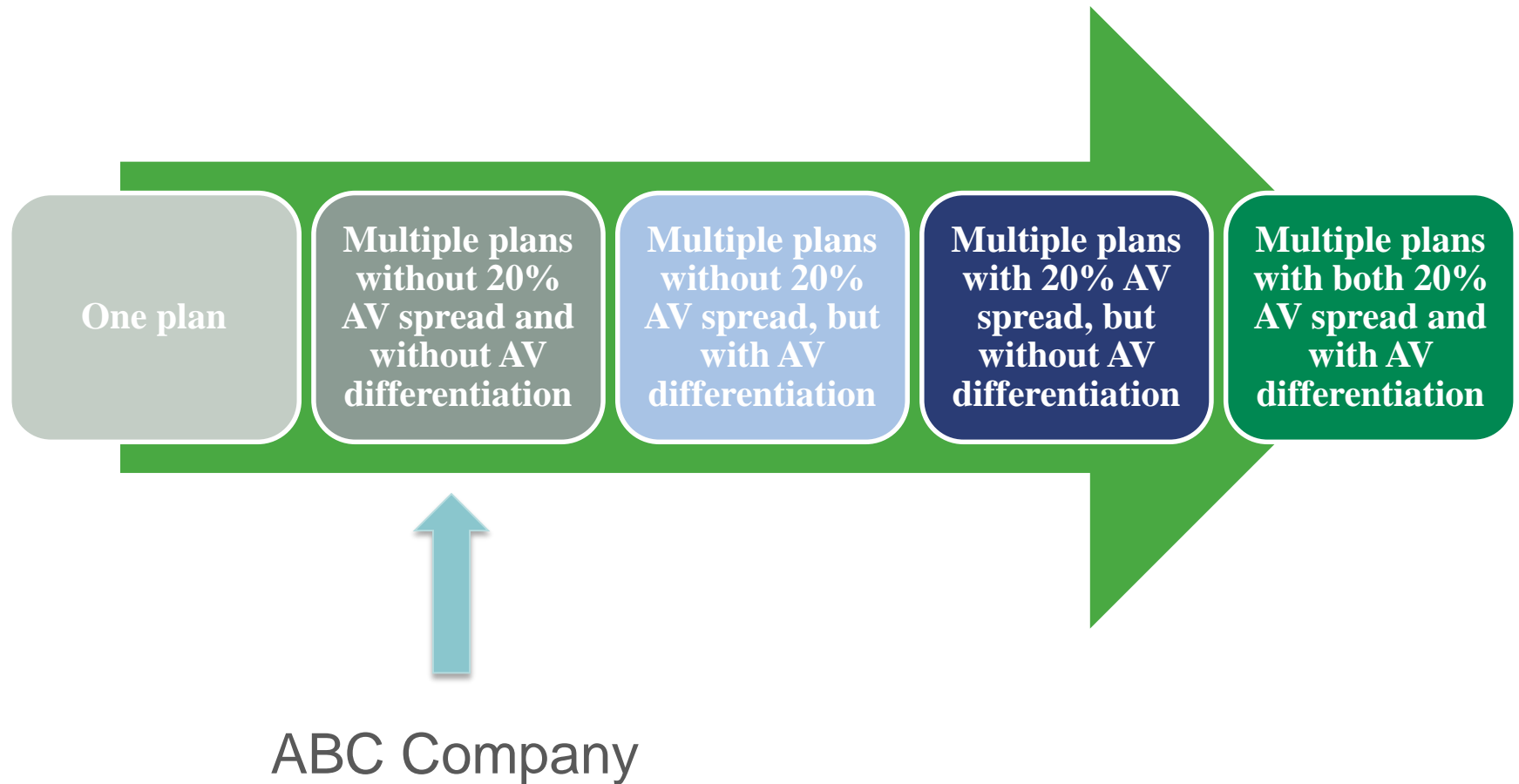
Sustainability

- Employer subsidy increases by a set % each year even if trend/ renewal increase is higher
- Rates and renewals are based on employee demographics and claims experience

Common Goals for Establishing An Exchange

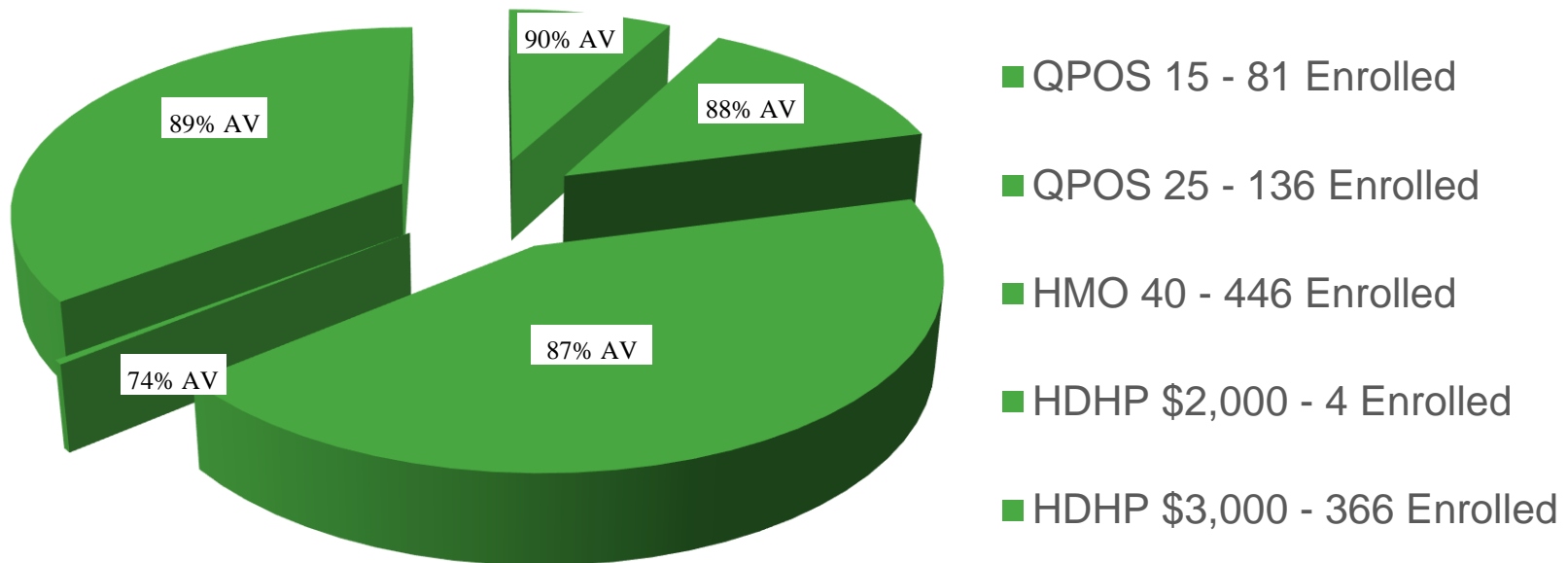
- Save employer money and control annual increases to the employer
- Allow employer to exit the healthcare business or, at a minimum, distance itself from the medical benefits program
- Use the Exchange as a vehicle to force change in the medical program and employee plan selection
- Provide employees with increased plan design options
- Increase consumerism among employees

Exchange Readiness – Choice of Plans



Exchange Readiness – Choice of Plans

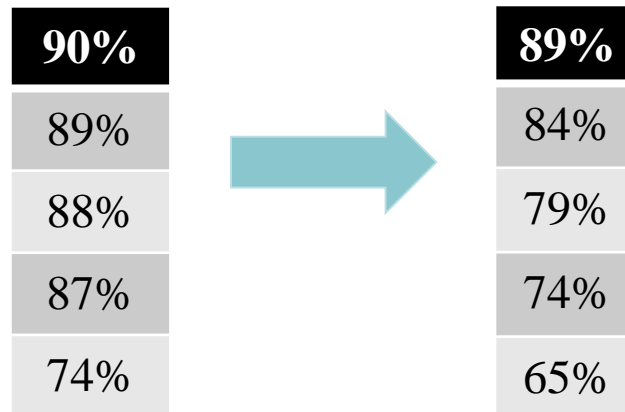
ABC Company Enrollment By Plan



- Overall Actuarial Value of Program Based on Current Enrollment: 88%
- HDHP \$3,000 is 65% actuarial value w/o employer subsidy to HSA

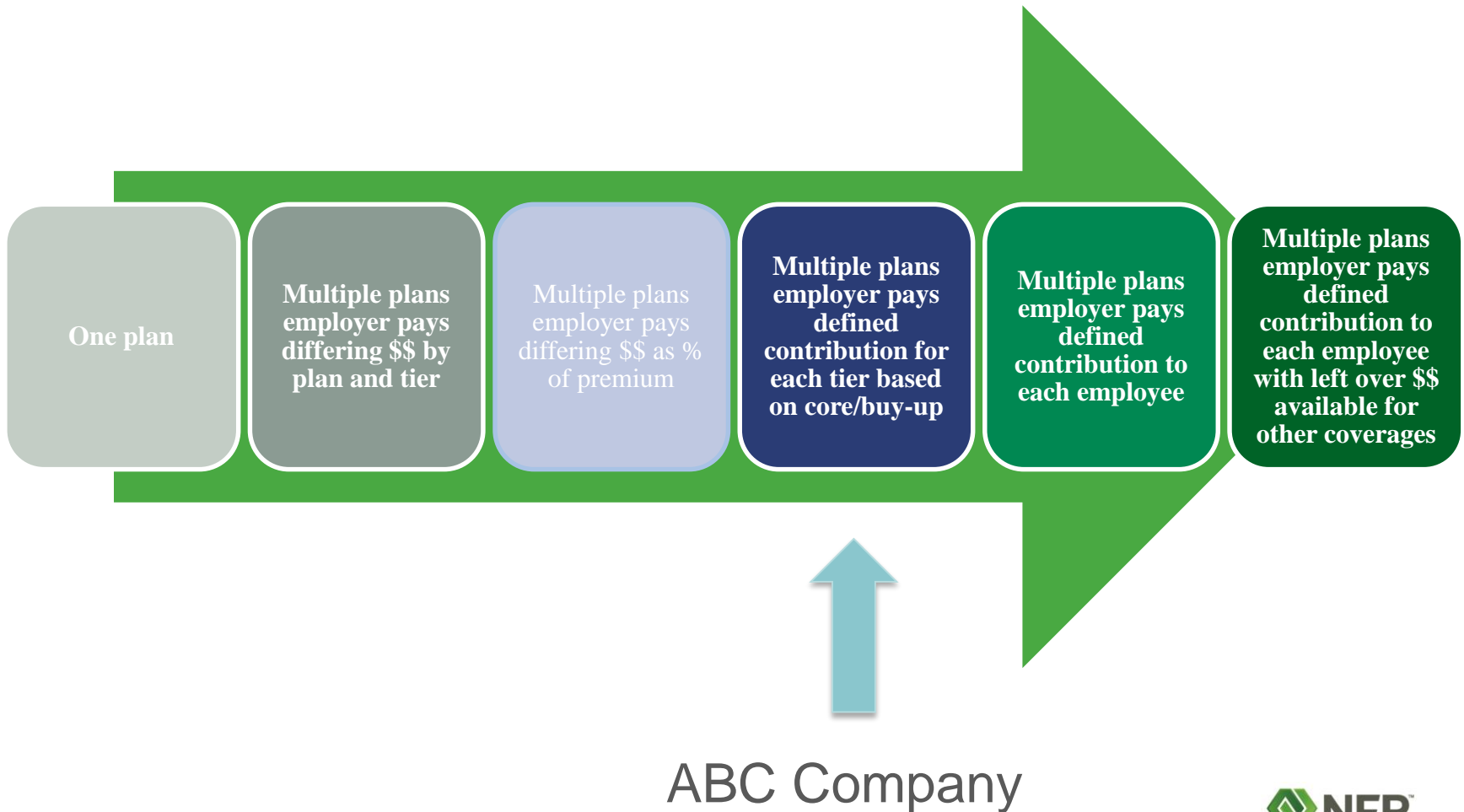
Exchange Readiness – Choice of Plans

- Next steps in moving towards an Exchange:
 - Increase the number of medical plans offered
 - Adjust the medical plans to create greater difference in actuarial value



- Set migration targets to lower overall actuarial value of the program

Exchange Readiness – Defined Contribution



Exchange Readiness – Defined Contribution

Current Strategy

- Each benefit has its own employer subsidy
- Life and LTD are provided at no cost to the employee
- Medical plan strategy is defined contribution with employer subsidy at 80% of cost of core plan at each tier
- Conclusion: This strategy is consistent with an exchange strategy or ABC Company needs to move to a defined contribution approach to be Exchange ready
- ABC Company can consider changing to a defined contribution by employee which will create winners and losers

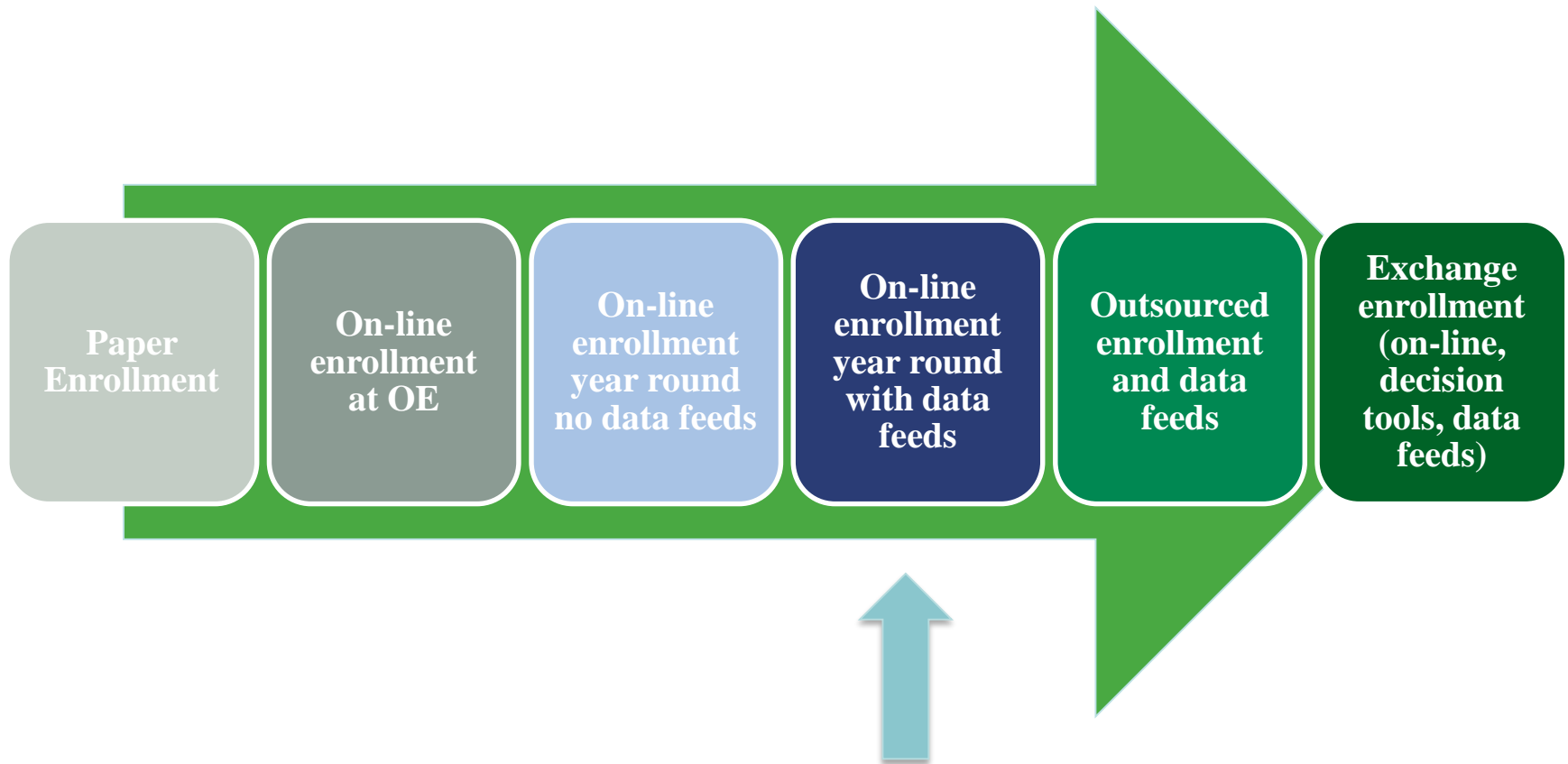
Exchange Readiness – Defined Contribution

		Monthly Subsidy if Same for Each Employee (includes HSA & Waiver \$\$)
Total Eligible Employees	544	\$518
Total Enrolled Employees	461	\$611
Total Employer Subsidy	\$3,380,076	

Current Core (Most Popular) Plan	Total Rate	Employer Subsidy (includes HSA \$\$)	Employee Cost
Employee	\$425	\$411	\$14
Two Party	\$888	\$773	\$115
Family	\$1,218	\$1,091	\$127

An employee defined contribution will reduce the employer subsidy at the family tier by 50% to \$518 and will provide extra dollars to employees who waive and who enroll as employee only

Exchange Readiness – Technology



ABC Company

Exchange Readiness – Technology

Current Strategy

- ABC Company uses year-round on-line enrollment and carrier data feeds
- Technology is part of HRIS/payroll and is funded entirely by employer
- ABC Company does not offer voluntary benefits such as critical illness, accident, or hospital coverage

Exchange Readiness – Technology

Exchange Strategy

- Add decision support technology to existing enrollment tool or move to third party technology designed specifically for Exchanges
- An Exchange most often includes voluntary products whose commissions help offset the cost of the Exchange technology
- NFP Marketplace is powered by bswift Exchange technology
- NFP Charon Planning also works with Liazon Exchange technology and other vendors that provide technology to support an Exchange

NFP Marketplace

Make our Marketplace your Marketplace

Shopping / Browsing / Enrollment

- Ease of use

EDI / Billing

- Over 100 Carrier Connections

Efficient Setup/Maintenance

- Saves time for HR/Payroll staff

Call Center

- Dedicated resources

Compliance (e.g., ACA)

- Dashboards and Reports

Decision Support Tools

- Ask Emma

Product

- Pre-packed or customized

Contribution Capabilities

- Defined Contribution
- Benchmarking for the employer
- Separate Medical & Ancillary contributions
- Carve out employer paid plans

The image displays three overlapping screenshots of the NFP Marketplace website. The top-right screenshot shows a user dashboard for 'Bryant' with a navigation menu (Home, My Benefits, My Profile, News, Library) and a main banner reading 'The NFP Marketplace - the CHOICE is YOURS!'. Below the banner is a 'LEARN MORE' button and a video player. The bottom-left screenshot is a 'Log In' page with fields for 'Username' and 'Password', a 'Log In' button, and a 'Forgot Password?' link. The bottom-center screenshot is a 'Welcome to the NFP Marketplace' page. It features a large image of fresh produce with the text 'The NFP Marketplace is OPEN!' and a 'Log In' button. Below the image is a 'What is the Marketplace?' section explaining the platform's purpose: 'The Marketplace is a new way to find quality health coverage. It can help if you don't have coverage now or if you have it but want to look at other options. With one Marketplace application, you can learn if you can get lower costs based on your income, compare your coverage options side-by-side, and enroll.'

Product Bundle – You Decide

Pre-bundled

Package A

- Vol life, Vol LTD & STD
- Dental, Vision
- Critical Illness, Accident

Package B

- Basic life, Vol life, Vol LTD & STD
- Dental, Vision
- Critical Illness, Accident

Package C

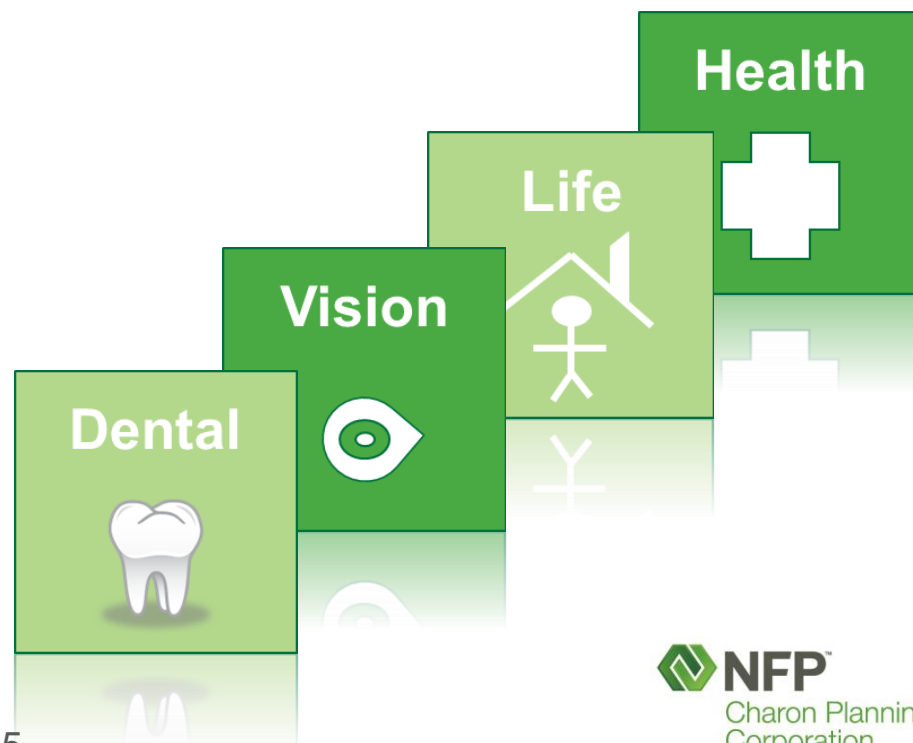
- Basic life & LTD, Vol life, Vol STD
- Dental, Vision
- Critical Illness, Accident

Best for ABC Company

Employer “build your own bundle”

Employer selects which plan or plans to offer on each line of business

More flexible for Employer



Decision Support Tools

Ask Emma is an interactive decision support tool

Advantages:

For Employers

- Offers employees an unbiased tool for guidance
- Promotes consumerism
- Enhances the employee benefits shopping experience
- Fast and easy to implement

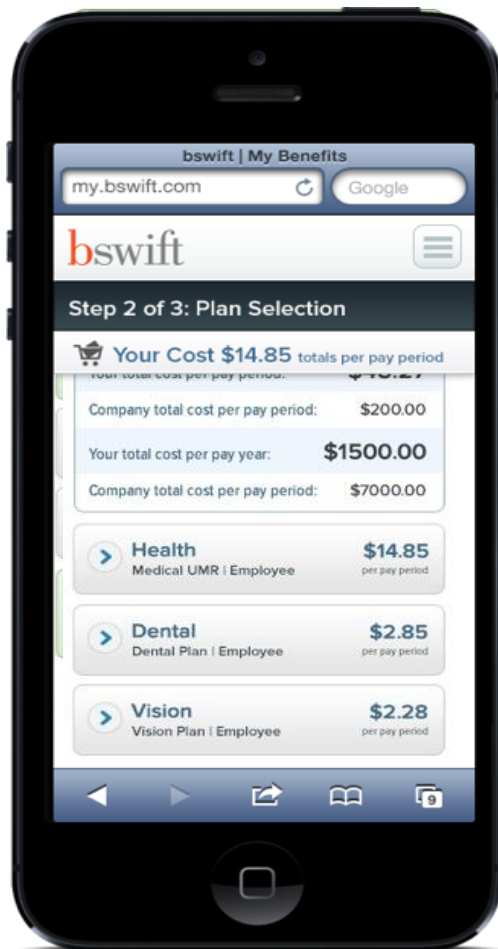
For Employees

- Easy to understand and fun to use
- Takes the guesswork out of the plan selection process
- Conveniently integrated into the bswift enrollment portal for one-stop shopping
- Personalizes cost comparison by health needs and preferred doctors and hospitals
- Great for modeling future health scenarios for the whole family

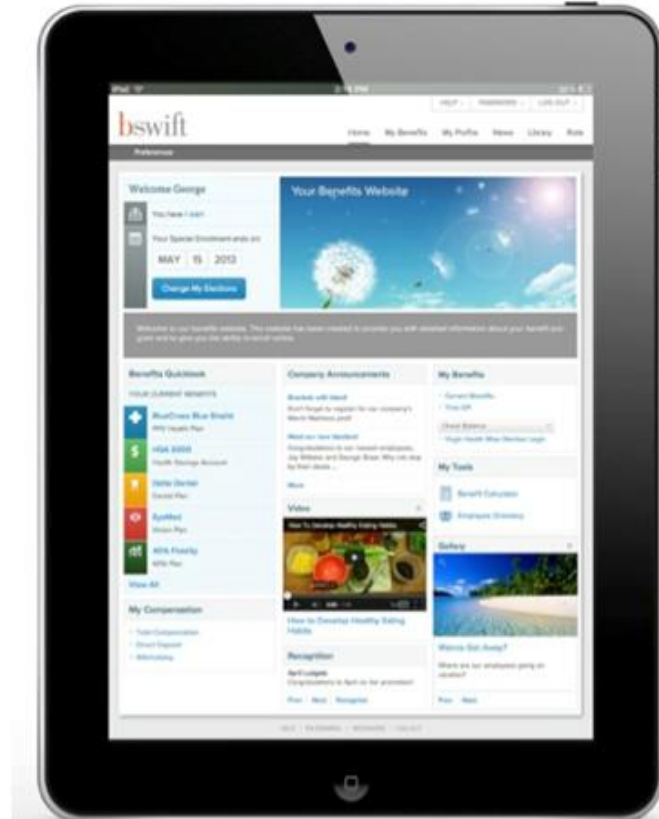


askEMMA

Tech Resources



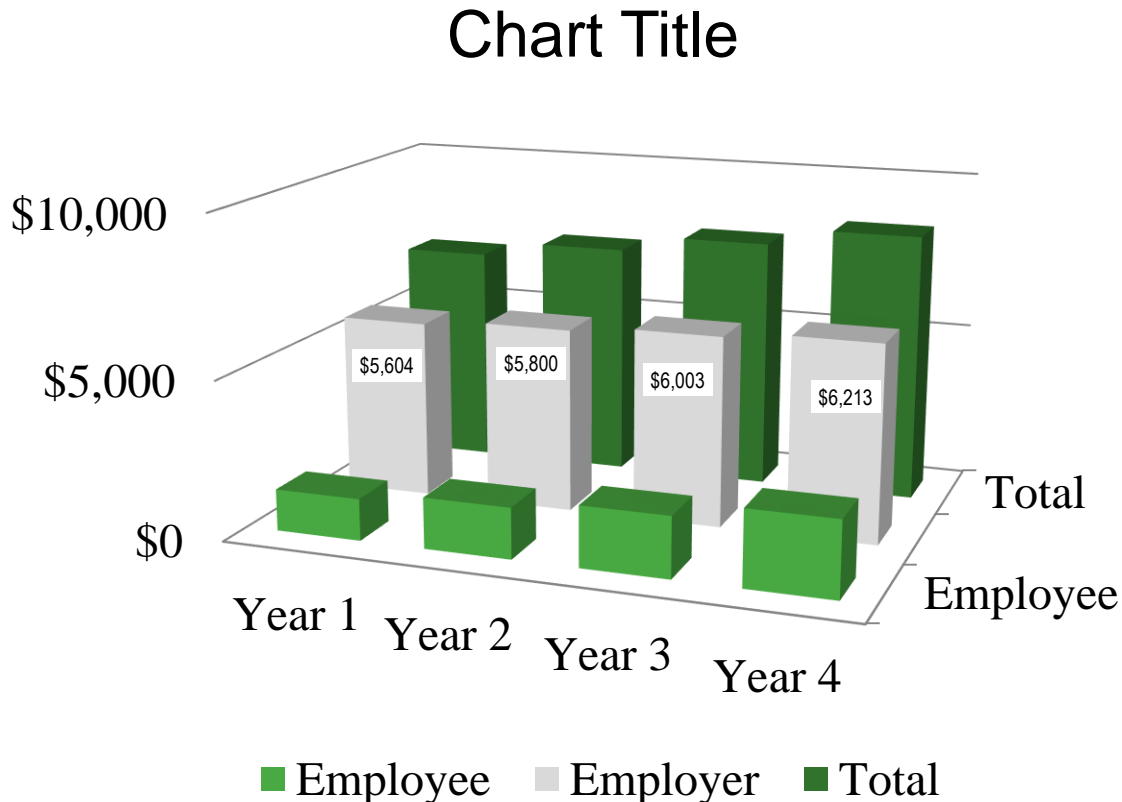
Mobile Enrollment



Responsive Site Design

Exchange Readiness – Sustainability

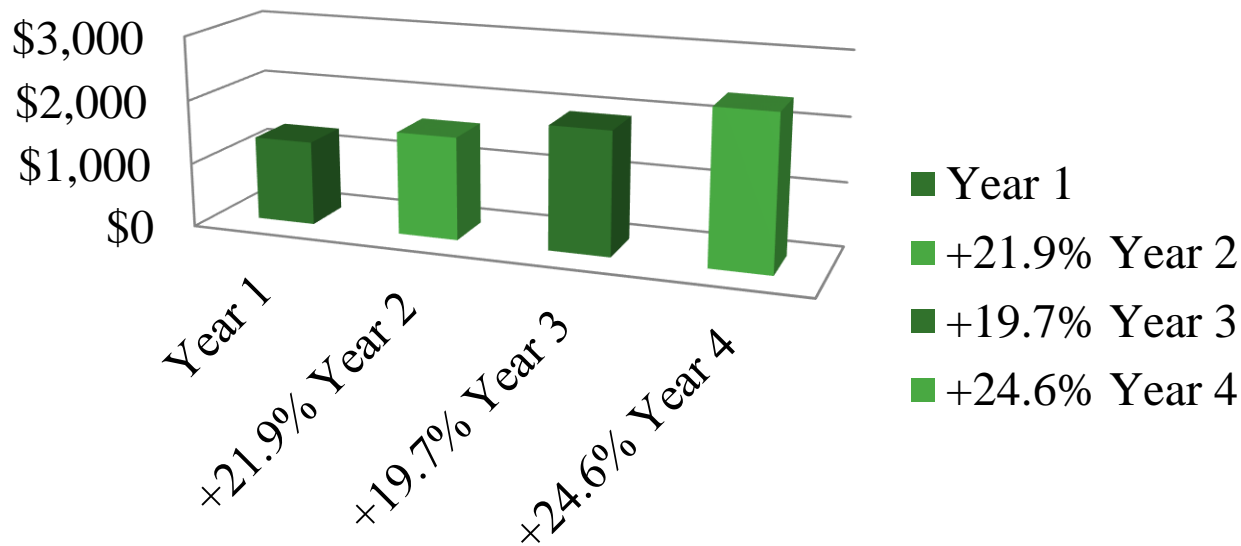
Most popular illustration shows employer increase at +3.5% and overall increase at +7%



Exchange Readiness – Sustainability

The challenge with this strategy is the impact to the employee if the overall plan doesn't reduce trend

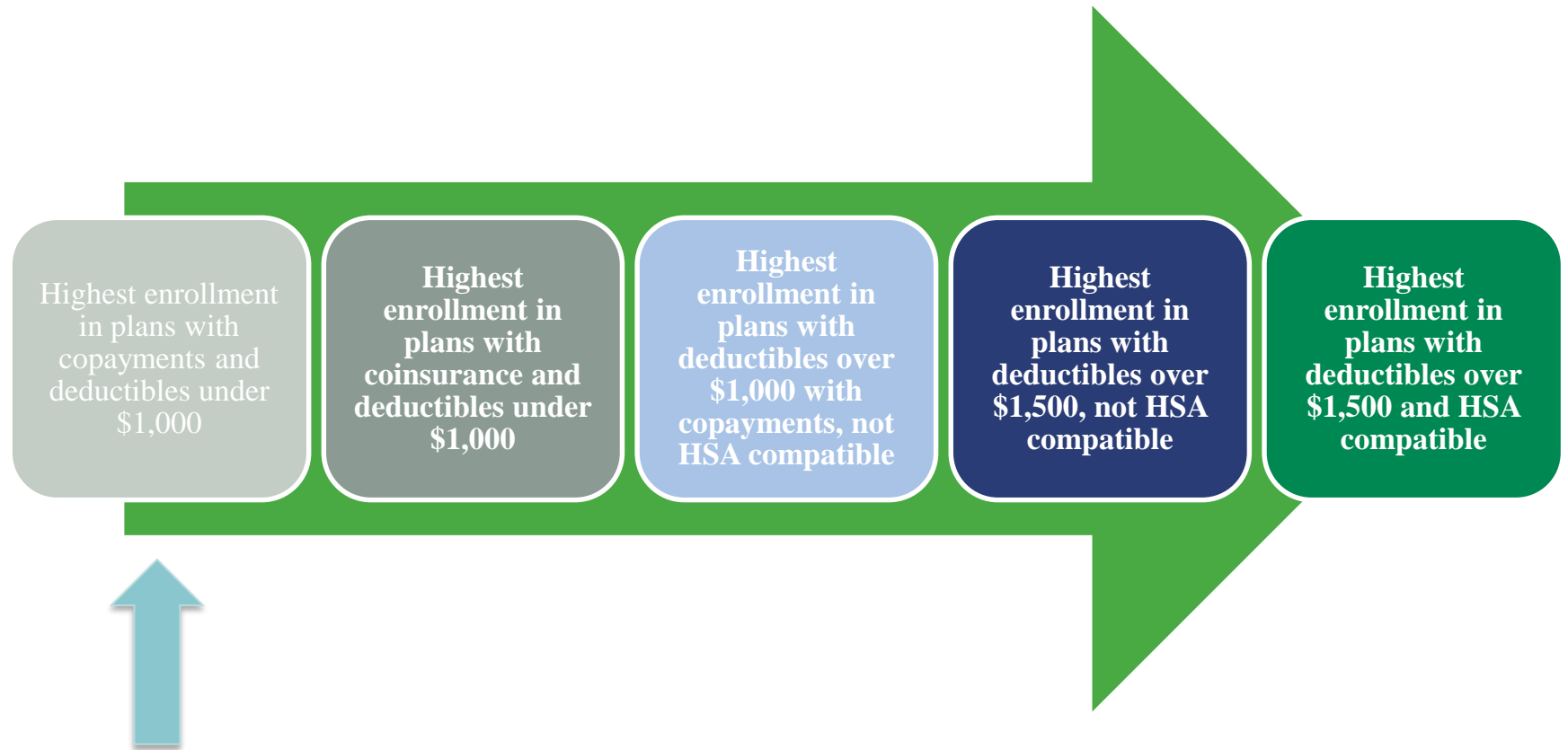
Employee Annual Cost



Exchange Readiness – Sustainability

- Sustainability occurs when the overall rate of increase slows to approximate the employer subsidy rate of increase
- Strategies that are proven to reduce trend generally increase consumerism by putting employees in closer contact with the cost of care, such as:
 - High deductibles
 - Coinsurance instead of copayments
 - Concierge services to find the lowest priced quality site for non-urgent surgeries and tests tied to cash incentives
 - Reference based pricing
 - Health Savings Accounts (HSA) with employer subsidy

Exchange Readiness – Sustainability



ABC Company

Exchange Readiness – Sustainability

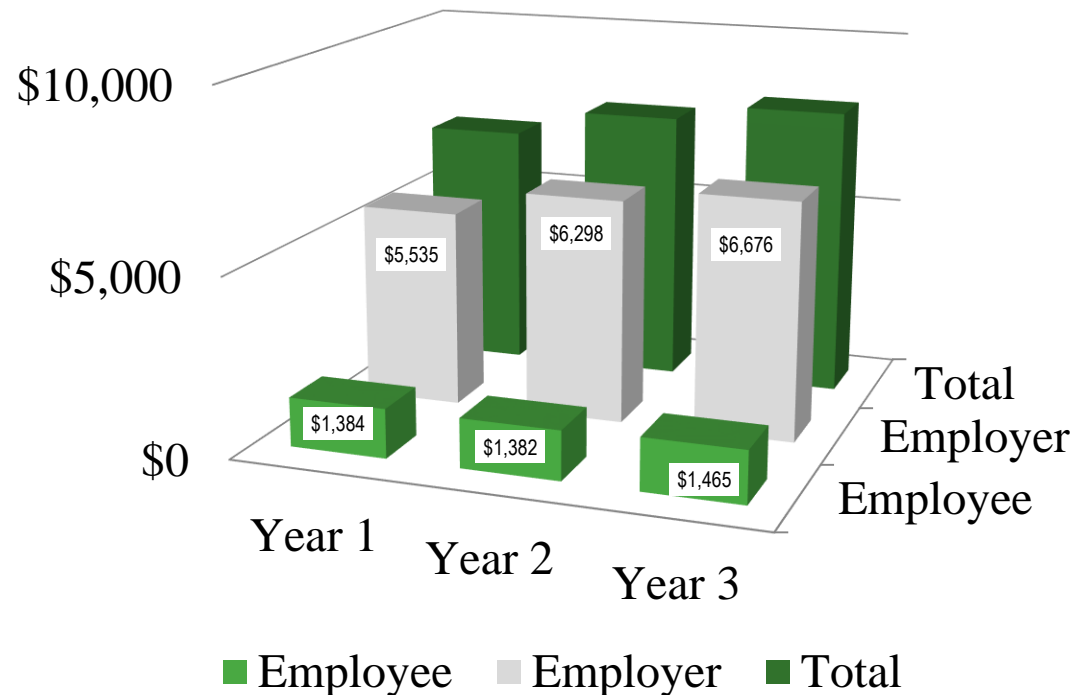
ABC Company Current Strategy

Average annual increase:

Total: +9%

Employer: +10.5%

Employee: +3%



Exchange Readiness – Sustainability

Current Strategy

- Minimize payroll increases to the employee with a goal of staying under 5% for core plan
- Adjust cost-sharing within the plan minimally based on feedback that medical care is currently too expensive
- Absorb larger employer increase during years with little or no increase to employee cash compensation

Exchange Readiness – Sustainability

(Example 1)

Current Strategy

Plan	% of Enrollment	% of Claims	Actual Trend at Last Renewal
\$500 deductible \$30/\$50 OV \$10/\$25/\$50 Rx	75%	82%	+10%
\$0 deductible \$20/\$40 OV \$10/\$25/\$50 Rx	5%	11%	+15%
HDHP with HSA	20%	7%	-12%

Be aware of the impact migration may have on plan experience: As higher risk employees move to the HDHP, the rates for this plan will increase even as overall plan costs and trend will decrease. Since employer defined contribution is based on this plan, an increase to premium for this plan must be part of our multi-year strategy

Exchange Readiness – Sustainability

(Example 2)

Current Strategy

- Defined contribution results:
 - Subsidy increased +6.7% in total over past 4 renewals
 - Annual average increase to ABC Company is +1.7% per year
- Enrollment migration to an HDHP is key in controlling costs:
 - 2012 HDHP – 18%
 - 2013 HDHP – 22%
 - 2014 HDHP – 36%
- Actual trend from Nov 2012 to Nov 2013 was +7.54% (net claimants over \$100,000):
 - Trend in the two HDHP plans was negative which mitigated the +17% in the other three plans
 - PEPY 2012 \$3,279; PEPY 2013 \$3,547

Exchange Readiness – Sustainability

- Increase engagement by migrating employees to plans with consumerism
 - Encourage employees to obtain care at lowest cost site (reference based/value based pricing)
 - Educate and incent employees to participate in proactive clinical engagement programs
 - Include HSA compatible plans with an employer contribution to the HSA and retirement savings education
 - Implement deductibles over \$1,500/\$3,000
 - Eliminate plans with 100% coinsurance
 - Do not apply copayments to items other than office visits and generic prescription drugs
 - Apply coinsurance to non-generic prescription drugs

Exchange Status

- Social contract between employer and employee is at stake until market can achieve pricing stability
- Early Adopters:
 - Approximately 6% of employers are using a Private Exchange in 2015 (Private Exchange Evaluation Cooperative)
 - Approximately 31% of employees elected a bronze level plan (Aon Hewitt)
 - Employees who elected a plan with increased cost sharing (Bloom 2014):
 - Year 1: 23%
 - Year 2: 70%

Exchange Status

- Top considerations for early adopters
 - Financial: Cost of plans, fees and financial stability
 - Member experience: Ease of use, call center, and tools
 - Care delivery: Broad networks with ability to leverage high performance networks, ability to integrate wellness
- Employer attitudes toward Private Exchange
 - Exchange ready: Benefits are not strategic, low wage-high turnover workforce, sustainability of employer costs key driver
 - Exchange skeptic: Benefits are strategic and a valued component of total compensation; will not move to Private Exchange until sustainability of employer AND employee pricing is proven
 - Exchange automation: Benefits and cost are secondary to obtaining the technology of a Private Exchange

Exchange Discussion

- What is ABC Company's appetite for implementing a Private Exchange?
- What are ABC Company's goals if they offer a Private Exchange?
- What is the right time for implementation?
- What strategic changes does ABC Company need to make now and over the next x years to be ready for a successful implementation?