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# Understanding the Adoption Curve and Performance of Individual vs. Group Exchanges

Mara Desmedt

Celebrating 25 years!

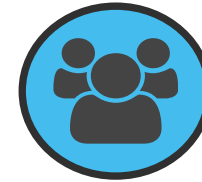
Jekyll Island Convention Center  
August 20-21, 2015

# An Industry in Transformation

*The U.S. Healthcare and benefits industries  
are undergoing seismic change*



Rising cost of healthcare  
Increasing regulation and enforcement  
(ACA)



Number of uninsured  
Technology-driven workforce



Convergence of group and individual  
product delivery  
Carrier and broker systems lack flexibility  
to facilitate this transition



Mobile workforce  
Proliferation and  
dominance of SaaS

# An Industry in Transformation

*The U.S. Healthcare and benefits industries  
are undergoing seismic change*

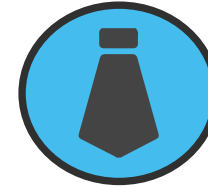


## Consumers

Expect consumer shopping experience and mobile tools

Responsibility shifting to them

Complex environment



## Brokers

Compensation compression

Service commoditization

Plan standardization dilutes value proposition  
Technology now needs to be a core competency

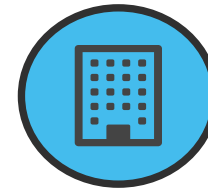


## Employers

Largest component of labor costs outside of salaries/wages

Concerned about regulatory compliance

Must automate in order to comply



## Carriers

Medical loss ratio restrictions

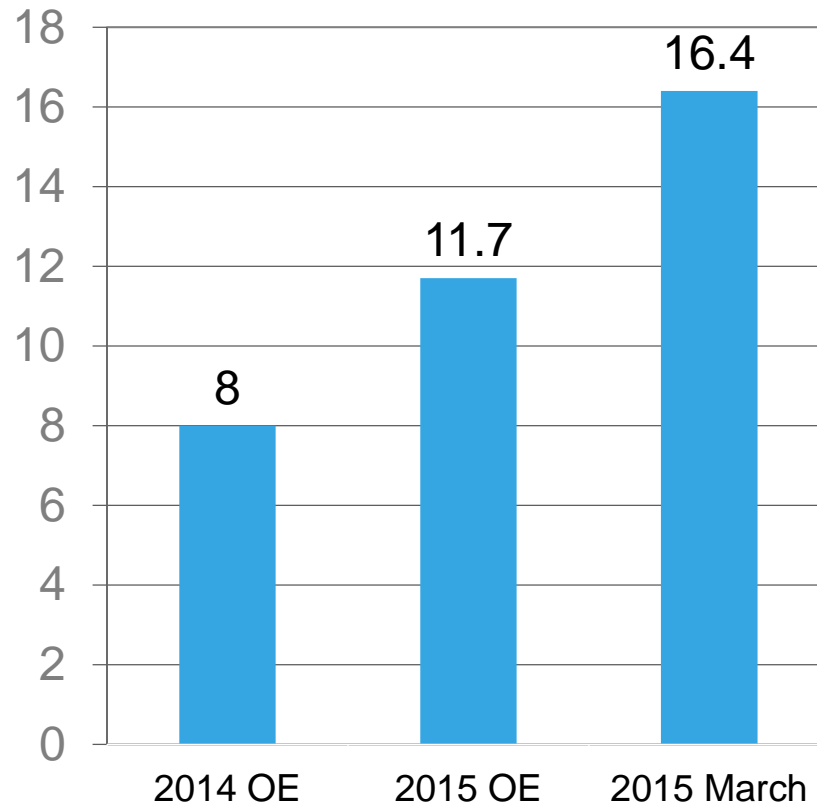
Regulatory compliance

Underwriting restrictions

# Public Exchange Momentum

16.4 million uninsured people have gained coverage due to the ACA

**Enrollment in Millions\***



\*Includes public marketplace enrollment, Medicaid expansion, plus 2.3 million young adults that stayed on their parents' plan since 2010.

Original CBO forecast was 13 million people enrolled by 2015.

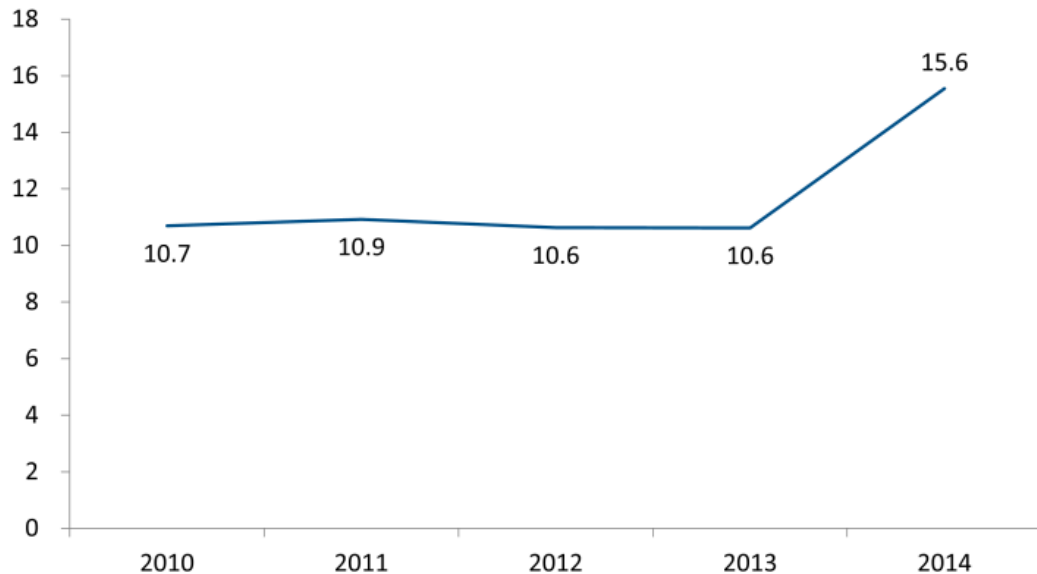
Uninsured rate down 35% to 11.9% from a high of 18% in 2013

Source: [Obamacarefacts.com](http://Obamacarefacts.com)

# Individual Market Enrollment

46% increase in individual enrollments

## Individual Market Enrollment (in Millions)



Source: Kaiser Family Foundation analysis of annual filings to state insurance departments, using data compiled by Mark Farrah Associates. Enrollment as of December 31 of each year.



## Individual Market Enrollment (in Millions)

- Almost half of the individual market enrollment growth nationwide from 2013 to 2014 was in four states:
  - California (843,607)
  - Florida (653,997)
  - Texas (505,931)
  - Georgia (330,520)
- The individual insurance markets in six states grew by more than 75%:
  - Arkansas (168%)
  - New York (141%)
  - Rhode Island (104%)
  - Maine (93%)
  - Georgia (79%)
  - Florida (77%)

Source: kaiser Family Foundation



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# Public Exchange Momentum

If public exchanges are doing so well, should employers continue to offer benefits?

Employee benefits remain an important recruiting and retention tool.

The MetLife logo is displayed in a blue, sans-serif font on a white rectangular background with a subtle drop shadow.

**71%**

of employees who are satisfied with a company's benefits remain with their company



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# Public Exchange Momentum

If public exchanges are doing so well, should employers continue to offer benefits?

And benefits drive employee satisfaction.

The MetLife logo is displayed in a white rectangular box with a subtle drop shadow. The text "MetLife" is in a bold, blue, sans-serif font, with a registered trademark symbol (®) to the upper right of the "e".

Employees who are very satisfied with benefits are

**4x**

more likely to be very satisfied with their jobs.

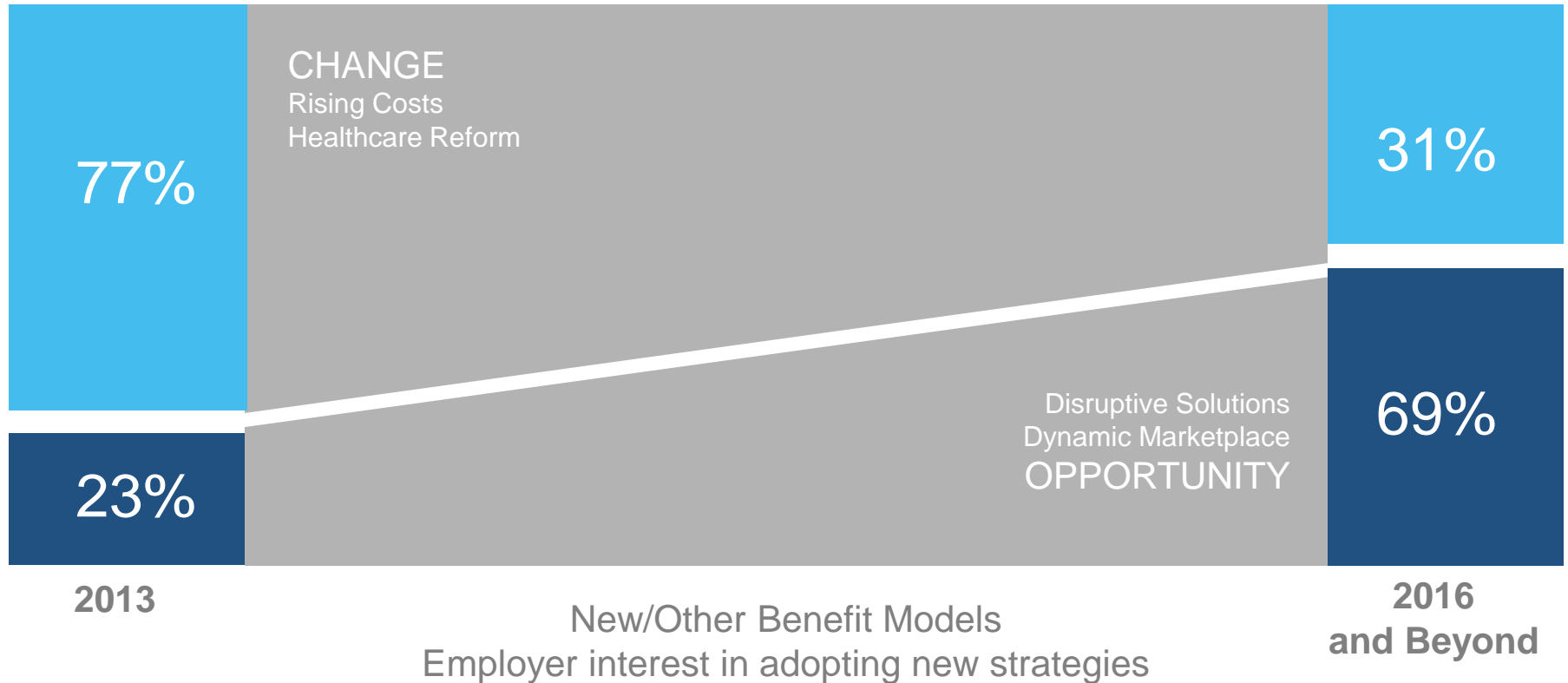


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# The Move to Defined Contribution

Similar to the 80s shift to 401(k) plans, but technology may accelerate the trend

## Traditional Group Benefits



Source: Aon Hewitt Study of 562 employers and their desire to move to defined contribution and private exchanges

# Avenue H

State of Utah - SHOP

- Utah established Avenue H in 2010.
- After three years, state officials knew they needed to improve the efficiency of their benefits enrollment, selection and shopping processes.
- They partnered with PlanSource to consolidate on a single technology platform.
- An enrollment process that previously took employers as long as 90 days to complete can now be executed in a matter of minutes.



**14,000+**  
Covered Consumers



**650+**  
Employers on the Exchange



**88%**  
Renewal Retention



# Avenue H

State of Utah - SHOP

- Breadth of plan offerings (75 health plans & 45 dental plans)
- **Automated Solution that provides:**
  - automated onboarding
  - plan quoting and employer shopping
  - employee shopping
  - personalized plan recommendations
  - Enrollment
  - eligibility data management, and
  - data distribution to the carriers.

Promotion of Avenue H via videos, media & public television:

[Broker Experience](#)

[Corporate Experience](#)

[Personal Experience](#)

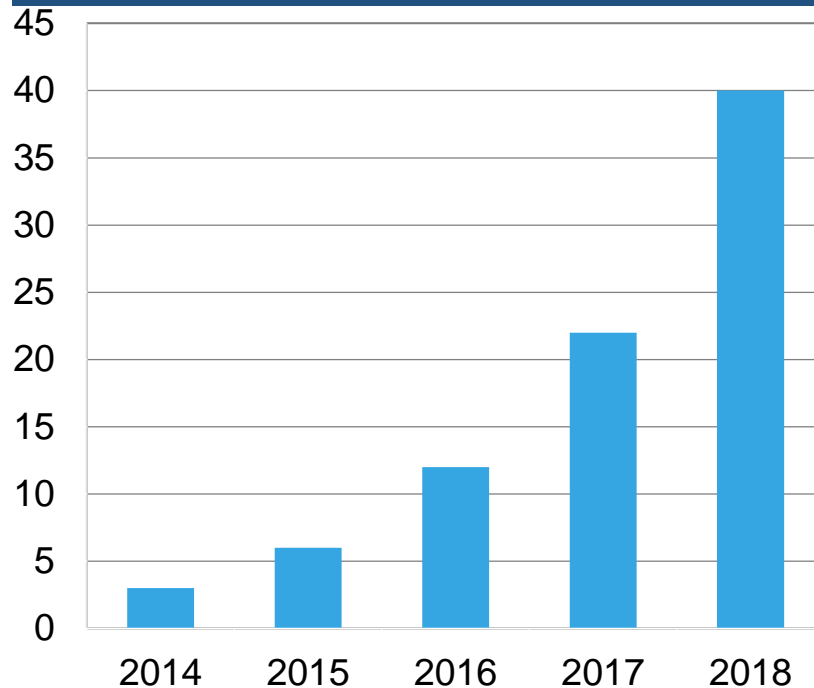


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# What's the Potential of Private Exchanges?

Nearly half of employers plan to consider using a private exchange before 2018<sup>1</sup>

## Millions of Enrollees<sup>2</sup>

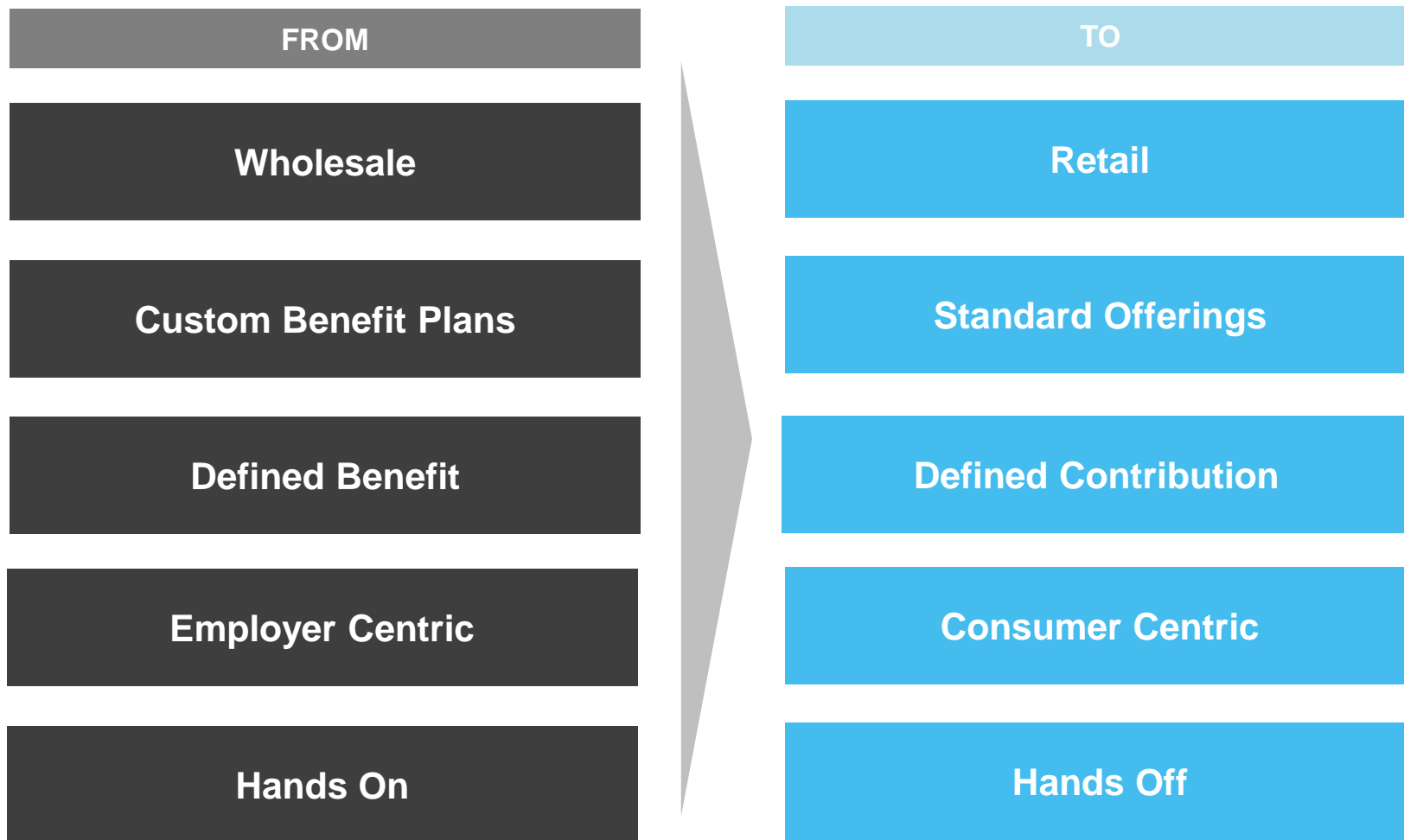


## Growth Drivers

- Increasing regulatory and admin requirements on employers
- Continued effects of the employer mandate on employers
- Exchanges are seen as a way to reduce costs and admin burdens
- Exchanges provide an alternative to migrate away from high-cost plans that will be subject to the 40% “Cadillac Tax” in 2018

# Industry in Transformation

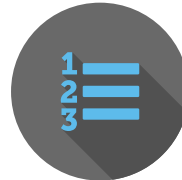
A shift in the employer benefits strategy



# What's in it for employers?



Custom  
Branding



Provide Choice  
to Employees



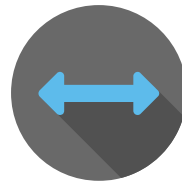
Control  
Costs



Employee  
Communication



Empower  
Employees



COBRA  
Administration



Bill Creation  
and Reconciliation



Configurable  
Reporting



Ensure  
Compliance



Eligibility  
Management

# What's in it for employees?



Employee Shopping



Educational Content



Defined Contribution



Employee Communication



Benefit Enrollment



Life Event Changes



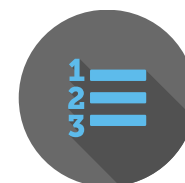
Español



Wellness Programs & Incentives



Mobile App



Personalized Plan Recommendations

# How Fast will Private Exchanges Take Off?

Factors that will drive market viability

## Value Created for Employers

Carrier Participation

Administrative Simplicity

Consumer Experience

Regulatory Implications

- Will defined contribution impact cost trend?
- Will greater choice enhance employee satisfaction?
- Can exchanges relieve administration and compliance burden?

**5x**

more likely for employers to use defined contribution on a private exchange

**88%**

of employees show increased benefit satisfaction with more plan choices

**75%**

of PlanSource private exchange customers use our built-in ACA engine

# How Fast will Private Exchanges Take Off?

Factors that will drive market viability

Value Created  
for Employers

Carrier  
Participation

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Simplicity

Consumer  
Experience

Regulatory  
Implications

- Will enough carriers participate to ensure adequate choice?
- Will carriers agree to compete side-by-side?
- Can underwriting intelligence drive more favorable pricing?



Health insurance carriers are still reluctant to participate in multiple private exchanges



Side-by-side competition in the fully insured segment is rare but carriers are considering it



Consumer analytics is key to helping insurance carriers compete in new retail marketplace models

# How Fast will Private Exchanges Take Off?

Factors that will drive market viability

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Regulatory  
Implications

- Will exchanges simplify admin tasks for all stakeholders?
- Are carriers and platforms integrated enough to support automation from quote-to-card?

## 91%

of customers believe the private exchange has simplified administration of their benefit portfolios



Employer-level shopping is still disconnected and manual in most private exchanges

# How Fast will Private Exchanges Take Off?

Factors that will drive market viability

Value Created  
for Employers

Carrier  
Participation

Administrative  
Simplicity

Consumer  
Experience

Regulatory  
Implications

- Can platforms migrate from benefit enrollment to consumer engagement?
- Will consumer choices impact cost trend?

**83%**

of consumers select the recommended plan or the “you may want to consider” plan

**3x**

increase in number of plans offered with a private exchange (6-9 plans versus 2-3 plans)



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# How Fast will Private Exchanges Take Off?

Factors that will drive market viability

Value Created  
for Employers

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Participation

Administrative  
Simplicity

Consumer  
Experience

Regulatory  
Implications

- Will regulation enable private exchanges to be a viable option?
- Will public exchanges enjoy unique advantages and cannibalize the private market?

## 52%

of new customers  
indicate that access  
to compliance  
technology was a top  
reason to join  
OneMarket



Regulatory  
environment unlikely to  
drive adoption long  
term. Other drivers  
must materialize.

# Entertainment Partners (EP) Case Study

*PlanSource OneMarket™ is an award-winning private exchange platform*



+



=



PRIVATE EXCHANGE  
IMPLEMENTATION

- EP provides HR & Benefits services for 500 production companies and studios
- Highly mobile workforce of over 120,000 employees
- Selected an exchange model to streamline benefits admin & ACA compliance
- Highly complex implementation project
- Award-winning results now being viewed as the “Gold Standard” in the entertainment industry



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# Defined Contribution

*Flexible options for setting up defined contribution programs*

**Companies specify one or more defined contribution rules per plan year and per eligible “population”**

**Fixed \$**  
Amount

**% of**  
Salary

**Custom**  
Formula

- **Configured as a monthly or per pay period amount**
- **Can also apply to specific benefits and utilizes purse or multi- purse approach**
- **Remaining balance dynamically updated throughout the consumer shopping experience**



# Sample Defined Contribution Client #1

*Has over 100 unique defined contribution plans*

## Option #1

Company will contribute \$279.28 towards your monthly benefit elections. This contribution will only apply to Employee Only coverage elections.

## Option #2

Your Employer will contribute a total of \$429.96 each month towards your medical elections.

## Option #3

The total amount your employer will contribute is \$550 a month towards medical, dental, and vision. Will cover up to 100% of EE premium on all plans.



# Sample Defined Contribution Client #2

*22 DC plans based on Location, Union status, and coverage tier*

## Option #1

- City, Union, Single (\$240/Pay Pd) Family (\$687/Pay Pd)
- Up to 100% for the following benefits: Medical, Dental, Vision Optional Employee Life, Optional AD&D, Optional LTD, FSA, DCRA, Defined Compensation, Parking

## Option #2

- City, Non-Union, All coverage tiers.
- \$626.50 Per for medical and dental up to 100%

## Option #3

- Municipal, Union, Single (\$249.50/Pay Pd) Family (\$668/Pay Pd)
- Up to 100% for the following benefits: Medical, Dental, Vision, Optional Employee Life, Optional Accidental Death and Dismemberment, Optional Spouse Life



# Sample Defined Contribution Sample #3

*Based on coverage tier, 4 options*

Employee Only	\$ 625.00 / Month
Employee + Spouse	\$ 1083.33 / Month
Employee + Children	\$ 1083.33 / Month
Family	\$ 1250.00 / Month



# Elements of a Successful Exchange

An exchange must be able to provide comprehensive, quote-to-card technology



Serves a Diverse Array of Constituents



Consumers



Employers



Brokers



Carriers

# Q&A



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