

# ***EXECUTIVE SUMMARY***

## ***Private Exchange Employer Survey Findings***

**December 2014**



**PRIVATE EXCHANGE EVALUATION  
COLLABORATIVE**

# ***Contents***

---

*Introduction*

*Section 1: Key Findings*

*Section 2: Appendix*

# *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 information and advice independent of these vested interests as they evaluate potential private exchange strategies and the vendors that could support them.

The Private Exchange Evaluation Collaborative (PEEC) is an 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 year is the second year of the survey and includes some of the experiences of early adopters.

The survey is 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 446 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 Finding #5*

# *Key Finding #1*

## **Interest in private exchanges remains strong among employers while attitudes toward the public exchange are beginning to thaw.**

- 47% of employers have implemented or plan to consider utilizing a private exchange for full-time active employees before 2018, up from 45% in 2013
  - 6% have already implemented and 41% plan to consider before 2018
  - 37% of respondents have implemented (14%) or are considering (23%) a private exchange for their post-65 retirees
  - Interest in private exchanges did not vary by size of employer
- 57% of employers agreed that if an industry peer moved to a private exchange they would be more likely to do so
- The rate of employers considering the public exchange for full-time active employees hasn't changed year over year (16% in 2014 vs. 15% in 2013) although there have been more noticeable changes in how employers view public exchanges as an option for other employee cohorts
  - 26% (vs. 6% in 2013) have implemented for COBRA
  - 11% (vs. 6% in 2013) have implemented for pre-65 retirees
  - 16% (vs. 10% in 2013) have implemented for part-time employees
  - 9% (vs. 3% in 2013) have implemented for disabled employees
- Private exchanges are becoming more mainstream, as employers recognize more of the vendors offering exchanges than in the past
  - Carrier, pure play, technology and broker models are much more recognized this year when compared to 2013

# Key Finding #2

**In considering a private exchange for active employees, respondents place a high priority on the costs – of the plan options as well as the level of fees charged – but the consumer experience and networks matter too.**

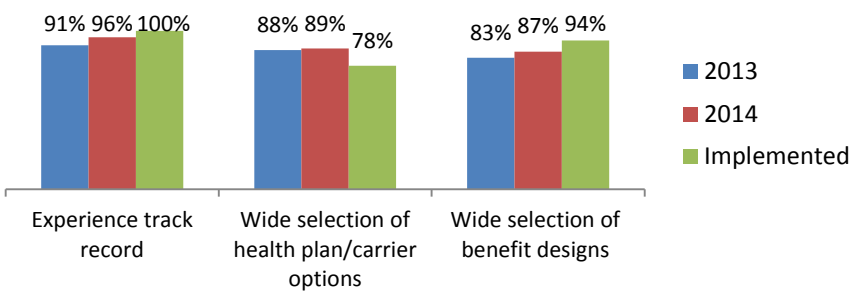
- Cost is a key consideration when evaluating private exchanges:
  - 98% of respondents say the cost of plan design options is important in considering a private exchange
  - 97% say administrative fee levels are important
  - 95% say disclosure of exchange fees and revenue is important
- As in the 2013 survey, 2014 results revealed employers still agree on many of the important elements of a private exchange (see table)
- One element that has increased in importance is the emphasis on the shopping experience
  - 85% of employers said “tools that aid in plan selection” were “very important” vs. 70% in 2013
  - 35% said “mobile device compatibility” was “very important” up from 26% in 2013
- While broad networks remain an important plan feature, employer interest in other network options grew
  - 71% (vs. 65% in 2013) of respondents agreed “availability of ACOs and new delivery models” was important
  - 48% (vs. 40%) of respondents agreed “availability of plans with narrow networks” was important

Capabilities Rated Above 80% as Somewhat or Very Important to Employers*			
Employee communication support	Flexible employee contributions	Health education tools & library	Administrative & claims advocacy
Cost of plan options	Implementation assistance	Experience & track record	Financial stability
Variety of plan options and designs	Reduce Benefits Staff's Admin. Effort	High performing networks	Level and transparency of fees
Broad network access	Call center/ Instant chat	Ease of use	Data & Reports

# Key Finding #3

Early adopters have the same priorities as those currently considering private exchanges for active employees.

- Top 3 reasons cited for implementing a private exchange:
  - Reducing total health care costs
  - Providing consumer choice
  - Reducing HR/Benefits administrative burden
- The majority of implements say they saved money, while 24% said its too soon to tell
  - 12% said costs stayed the same allowing for trend
- Comparison of 2013 and 2014 respondents and implementers on which capabilities they considered somewhat or very important



- Top considerations for early implementers:
  - **Financial:** cost of plans, fees and financial stability
  - **Member Experience:** Ease of use, call center support, and tools / education
  - **Care Delivery:** broad networks were by far the most important consideration in care delivery, followed by ability to integrate wellness and leverage high performing networks
  - **For pre-65 retirees,** quality of call center, communication support and member satisfaction were key attributes used in exchange selection
  - **For post-65 retirees** plan choice, fees, contribution flexibility, call center, communication, fees, member satisfaction and track record were top considerations
- Early feedback from implementers:
  - Private exchanges provided employees more choice; but communications and sufficient time to implement are critical success factors

# *Key Finding #4*

## **Funding options, vendor relationships and independence are key considerations of employers when evaluating private exchanges.**

- Funding options are very important to employers of all sizes and industries:
  - Over half (51% vs. 49% in 2013) of employers indicated that it was “very important” to have a self insured option
  - A decreasing number (28% vs. 34% in 2013) of employers indicated that it was “very important” to have a fully insured option
- Flexibility in contribution approaches remains important
  - 10% of employers already use a defined contribution approach, interest is accelerating from 3% considering in 2015 to 31% considering in 2018
- Control of plan design and vendor relationships are important to employers
  - Over 80% of employers agreed when moving to a private exchange it is important to retain control of plan design and consultant relationship (83% and 81% respectfully)
  - Carrier relationship (74%) and self-funding (72% ) are also important to employers
- Independent advisors continue to be very important - 72% (vs. 69% in 2013) of employers agree that it is very important that their advisor is independent of any exchange they are considering, while only 6% are not worried about the potential conflict (22% are unsure)



# Key Finding #5

**While 97% of employers are committed to offering health benefits to active employees, in the near future they are not as optimistic about their continuation of retiree coverage.**

- While 54% of respondents are very likely to offer health care benefits to pre-65 retirees in 2015, this figure drops to 38% for 2018. 33% of respondents are very likely to offer health care benefits to post-65 retirees in 2015, but only 24% in 2018
- Pre-65 retirees:
  - 11% of respondents are already encouraging pre-65 retirees to seek coverage in the public exchange with an additional 14% considering for 2016
  - Among employers offering pre-65 retiree benefits, 18% are considering a private insurance exchange in 2016, with an additional 17% considering over the next two years, 2017-2018
- Post 65 retirees:
  - The percent of employers that have already implemented or plan to implement a post-65 exchange by 2015 is double the percent that had implemented by 2013; 13% are considering implementing for 2016.
  - The top 3 reasons for implementing a private exchange for post-65 retirees was to:
    - 1) provide lower cost alternatives to retirees,
    - 2) enhance plan choice for retirees and
    - 3) reduce FAS106 liability

## ***Section 2: Appendix***

---

*All Participating Industries*

*Location & Company Size*

# All Participating Industries

<b>Agribusiness</b>	<b>1</b>
<b>Education &amp; Nonprofit</b>	<b>38</b>
<b>Energy, Utilities &amp; Mining</b>	<b>24</b>
<b>Engineering &amp; Construction</b>	<b>12</b>
<b>Financial Services</b>	
Asset Management	2
Banking & Capital Markets	17
Financial Services	42
Insurance	26
Investment Management (Alternative Investments)	4
Private Equity	2
Real Estate	8
<b>Government/Public Services</b>	<b>15</b>
<b>Health Industries</b>	
Healthcare Providers	41
Health Plans	11
Life Sciences	6
Other	11
Pharmaceuticals	9

Note: Participants were allowed to select more than one industry

<b>Manufacturing</b>	
Aerospace & Defense	13
Automotive	11
Chemicals	10
Forest, Paper & Packaging	3
Manufacturing	82
Metals	5
<b>Retail &amp; Consumer</b>	
Consumer Products	13
Food & Beverage	10
Hospitality & Leisure	8
Retail & Consumer	25
Wholesale & Distribution	15
<b>Services</b>	
Law Firms	13
Services	26
<b>Technology</b>	
Communications	8
Entertainment & Media	19
Technology	41
<b>Transportation &amp; Logistics</b>	<b>19</b>

# Location & Company Size

Survey participants by location:

National	211
Northeast	109
Northwest	19
Mid-Atlantic	51
North Central	92
South Central	43
West	53
Southeast	50
Southwest	26

Note: Participants were allowed to select more than one location

Survey participants by company size:

< 200	64
201 – 499	52
500 – 999	41
1,000 – 2,499	66
2,500 – 4,999	58
5,000 – 9,999	46
10,000 – 19,999	45
20,000 +	74

# Contacts

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



Coalitions	PwC
<p>Chris V. Goff Canton, OH CEO &amp; General Counsel, Employers Health 330-639-2290 cgoff@ehpco.com</p>	<p>Donald P. Weber Atlanta, GA Managing Director 678-419-1417 donald.p.weber@us.pwc.com</p>
<p>Larry S. Boress Chicago, IL President &amp; CEO, Midwest Business Group on Health 312-372-9090 x101 lboress@mbgh.org</p>	<p>Ronald G. Barlow Chicago, IL Managing Director 312-298-3056 ronald.g.barlow@us.pwc.com</p>
<p>Laurel Pickering New York, NY President &amp; CEO, Northeast Business Group on Health 212-252-7440 x224 laurel@nebg.org</p>	<p>Barbara P. Gniewek New York, NY Principal 646-471-8301 barbara.gniewek@us.pwc.com</p>
	<p>Michael Thompson New York, NY Principal 646-471-0720 michael.thompson@us.pwc.com</p>
<p>Emma Hoo San Francisco, CA Director, Pacific Business Group on Health 415-615-6320 ehoo@pbgh.org</p>	<p>Greg Mansur Los Angeles, CA Principal 213-270-8790 greg.mansur@us.pwc.com</p>