

# Private Exchange Overview

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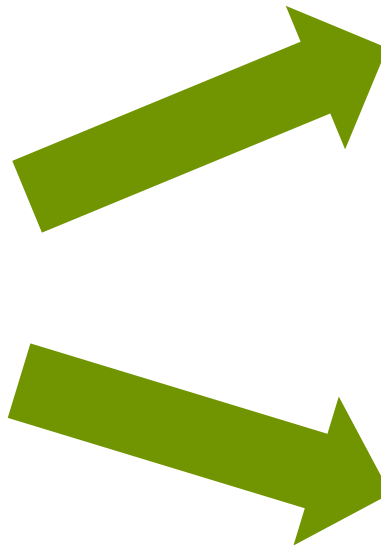
Director, Market Strategy and Solutions

Premera Blue Cross

# Private Exchanges Overview

**Two** key themes concern Employers:

- How to **control the rising costs** of health care
- How to **encourage employee engagement**

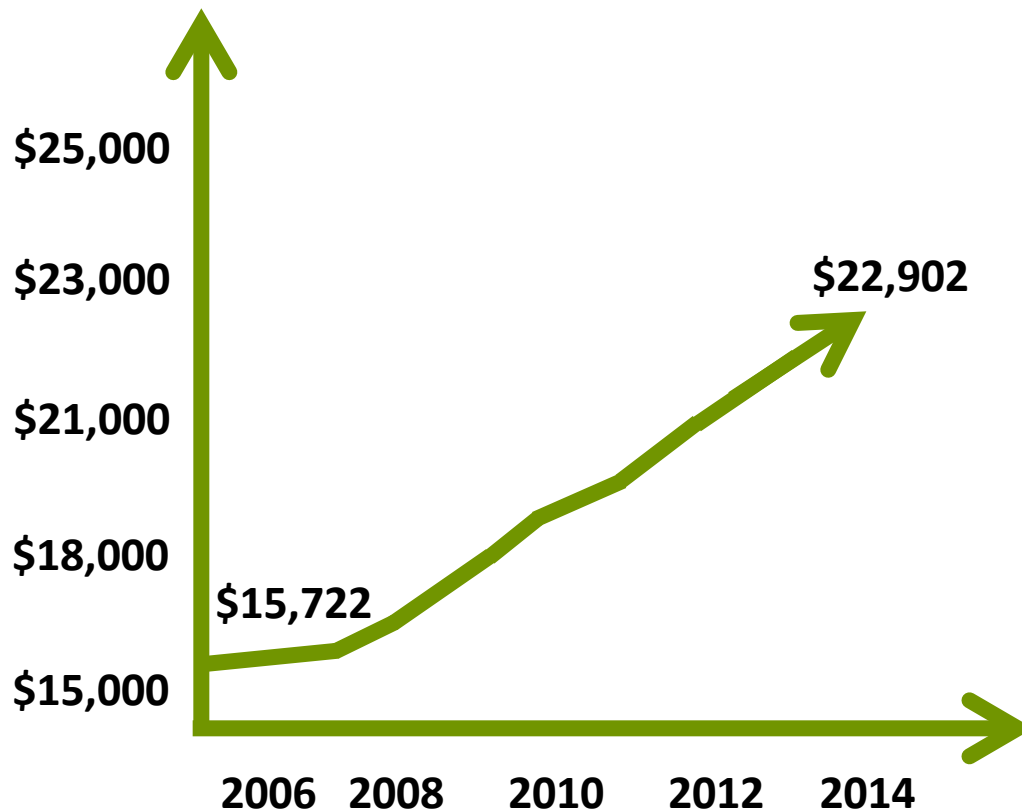


**1**  
Control cost

**2**  
Drive  
Engagement

# Private Exchanges Overview

*Employer total spend continues to increase*



Total average **annual** premium per employee rose from **\$15,722** in 2006 to **\$22,902** in 2014. Of that, **Employer** premium contributions increased by 27%.

\*Kaiser Health News – Sept. 10, 2014

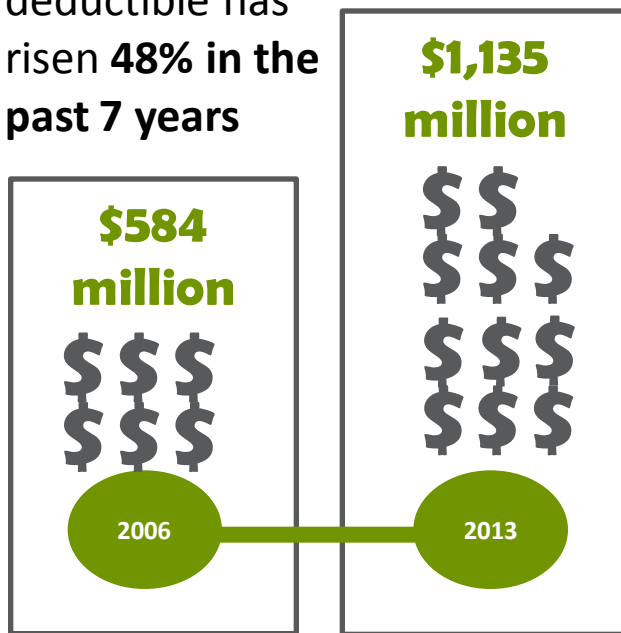


# Private Exchanges Overview

*Individuals are paying more out of pocket*

Employers have been raising **employee deductibles** as a way to offset some of the overall cost.

Employee deductible has risen **48% in the past 7 years**



Increase in Individual Annual Deductible\*

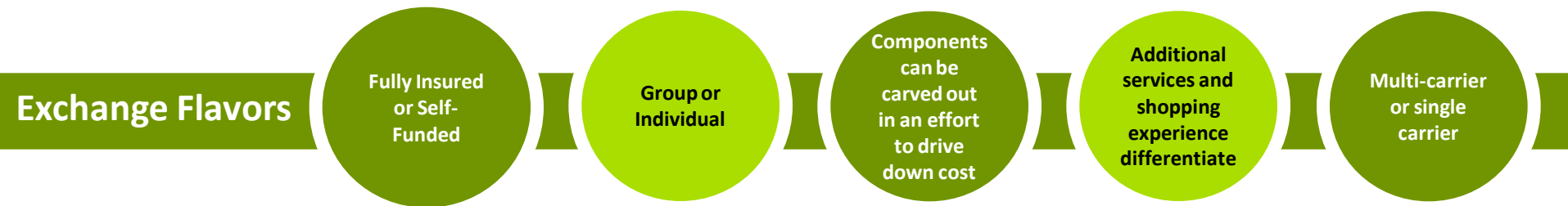
The result is increasing interest in the **defined contribution model** which gives employees more control over how they allocate dollars to cover their health-related expenses.

\*Kaiser Health News – Sept. 17, 2013



# Private Exchange Overview

When employees have **control over their own spending**, they desire **more choice and flexibility** which is fueling Employer interest in Private Exchanges.



Private exchanges, when compared to one another in the areas of **financial sustainability, customer service, product offerings, and experience**, “**they’re apples to oranges to grapes to cherries**”

Larry Boress, President and CEO | Midwest Business Group on Health



# Private Exchange Overview

Proponents of multi carrier Private Exchange **assert** that under this model costs will become more **predictable** and **competition** will reduce the healthcare cost trend



## KEY ASSUMPTIONS

- 1. Defined** contribution = sustainable **multi-year funding strategy**
- 2. Reduction in** administrative complexity
- 3. ACA requirements** met for all employers through standard product sets

# Private Exchange Overview

Private exchanges **enhance** current online enrollment capabilities by combining a **variety of products and services** with a **defined contribution** funding approach that provides employees the ability to allocate how they spend their benefit dollars

## Enrollment Center

Select



Enroll



## Private Exchange

Shop



Purchase

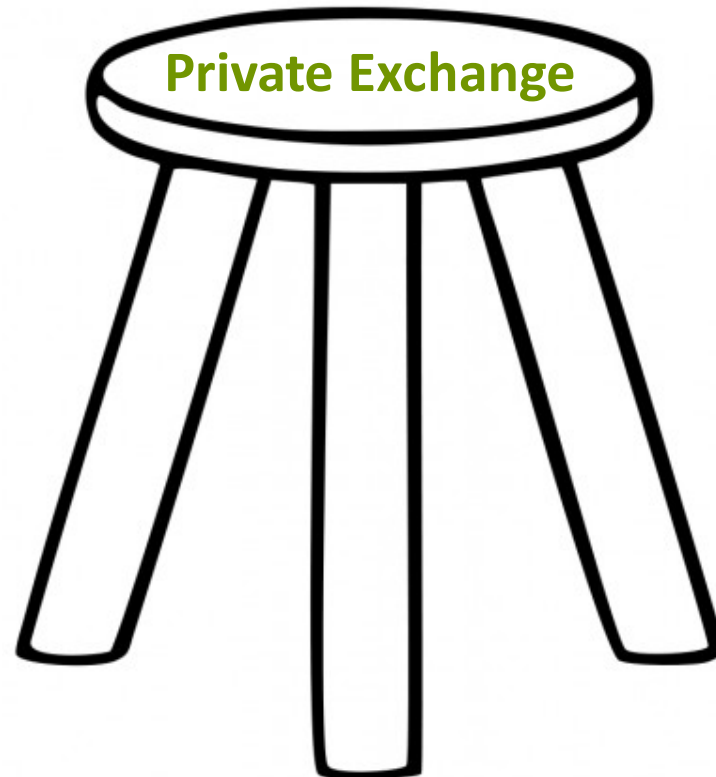


Enroll



# Private Exchange Overview

## *Components of an Exchange*



Employers need to understand that **not all private exchanges are created alike**. In fact, the term “private exchange” has almost become an **umbrella term** for an array of digital platforms.\*

\*The Institute for HealthCare Consumerism

**BENEFIT** STRATEGY

**TECHNOLOGY** SOLUTION

**FINANCIAL** STRATEGY





# Private Exchange Overview

*Emerging market landscape shaping 4 types of exchanges*

## Technology

- Geared to several stakeholders including employers, states, insurers, and brokers/consultants

## Pure Play

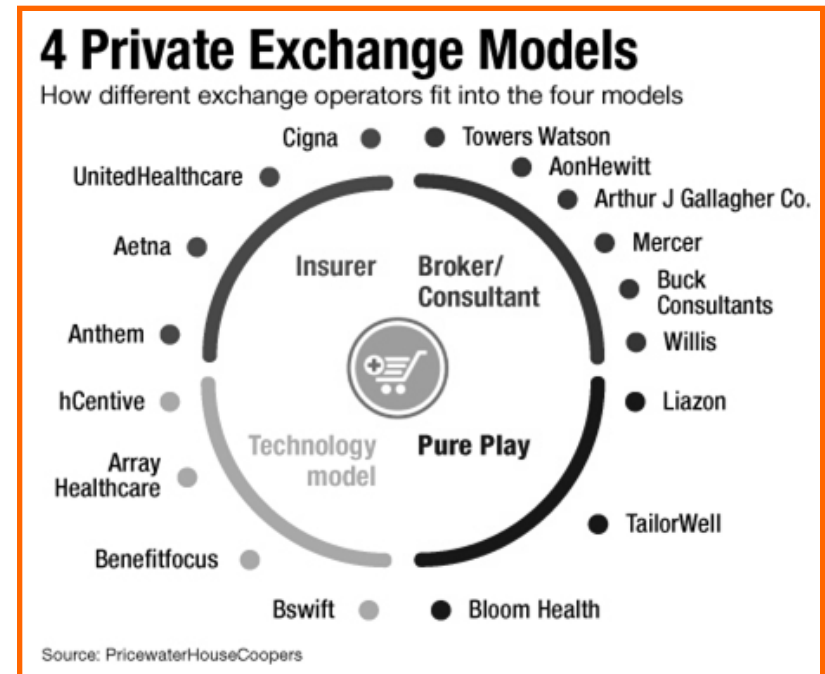
- More mature and known for its focus on consumer decision support, customer storefronts and product offerings on the exchanges

## Broker Consultant

- Companies with expertise in the benefits business offer exchanges that are often coupled with consulting services for employers

## Insurer

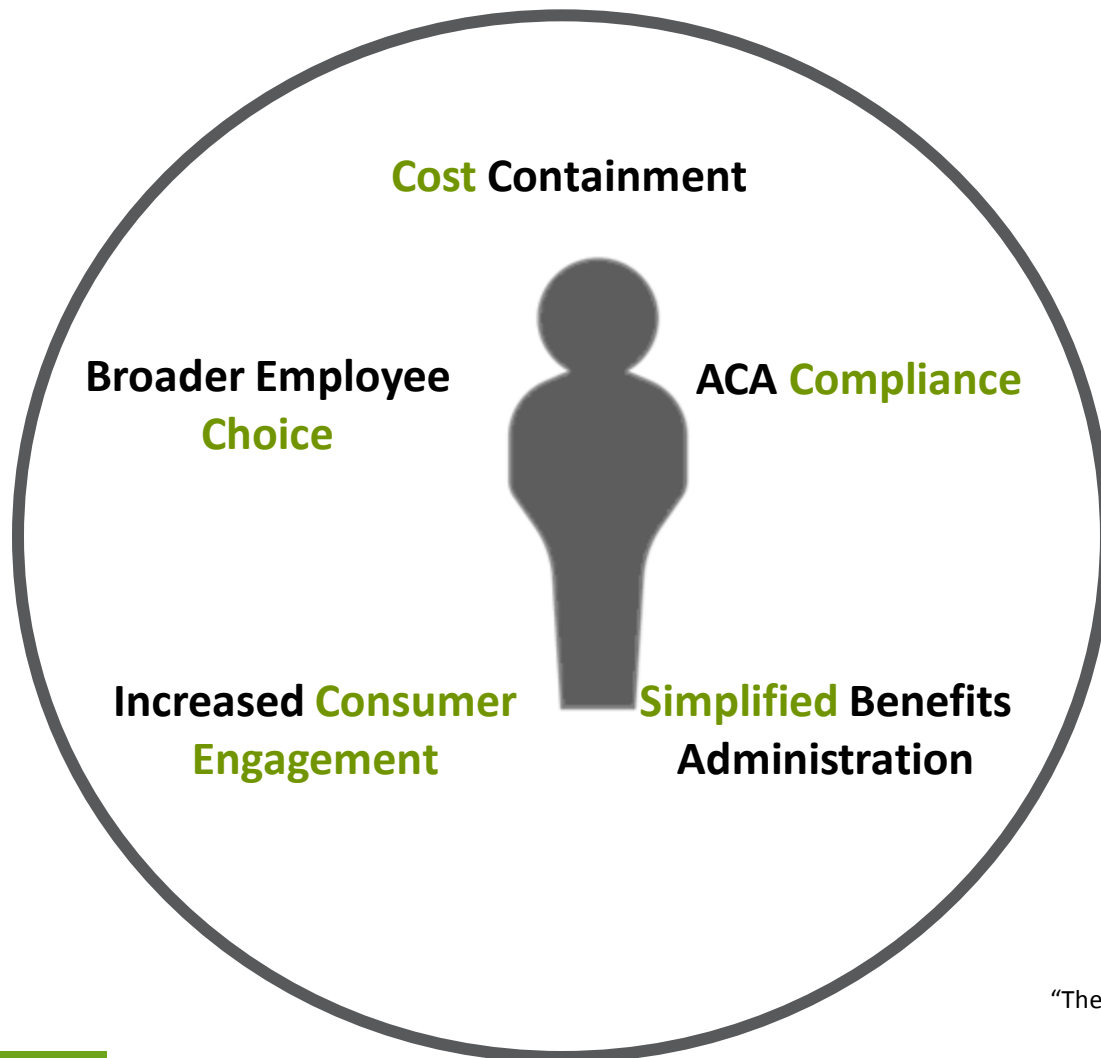
- Health insurance companies run their own proprietary exchanges



“The rise of retail health coverage”, PwC Health Research Institute 9/14

# Private Exchange Overview

## Drivers Influencing Employer Interest



**32%** of Employers are considering **moving their active employees to a private exchange** in 2016 or beyond

**43%** of businesses are considering **moving their pre-65 retirees to a private exchange with a subsidy** in the next three years

While the ACA's public marketplaces are expected to see rapid early growth, the shift to retail style **private exchanges may be more of a steady trickle**

"The rise of retail health coverage", PwC Health Research Institute 9/14

