**H4: Private Health Care Exchanges – Implications for the Self-Insurance Marketplace**

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**Private Health Insurance Exchanges: Employer Considerations**

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Midwest Business Group on Health (MBGH)

- MBGH is a Chicago-based, 501 (c)(3) non-profit coalition of self-funded employers and their partner organizations working together to improve the value of their health care benefits, the health status of their constituents and the quality and cost-effectiveness health system that services them.

- Founded in 1980, membership includes over 120 large, self-funded, public and private employers such as Abbott Laboratories, Boeing, City of Chicago, Dover, Ford, Kraft Foods, Northwestern Memorial Hospital and University of Chicago.

- Associate members include pharmaceutical firms, health management vendors, providers, consultants and others who serve the benefits industry.

- Member organizations cover over 3 million lives and spend over $3.5 billion on health care.

MBGH Activities – www.mbgh.org

- Education, networking and benchmarking on health benefits, worksite wellness activities, health care services and health reform topics.

- Representing the “Purchaser” perspective on health care and benefits.

- National Association of Worksite Health Centers – for employer sponsors of onsite health, fitness, pharmacy and wellness centers.

- Health Benefits Research & Community Quality Initiatives:
  - “Employee Communications Tool Kit”
  - “Biologics/Specialty Pharmacy Benefits Tool Kit”
  - “Choosing Wisely” – helping employees be better health consumers.

- Purchasing Services (Midwest Health Purchaser Foundation – an MBGH affiliate):
  - Chicago HMOs
  - Pharmacy benefits
  - New database and decision-support on private health insurance exchanges.
Why are employers still offering health care benefits and wellness activities?

- To recruit and retain talent
- To increase productivity by ensuring a healthy workforce
- To respond to a health system that fails to focus on prevention or management of chronic conditions
- To incentivize workers to take responsibility for their own health
- To reduce lost work time and absenteeism by making services available onsite and easily accessible

While doctors see patients only 10-12 minutes a year, employers have the opportunity to educate and motivate workers and impact their health, since they see employees over 1000 hours a year.

The ACA does not change any of these factors for employers

The ACA and Private Exchanges

- The ACA is silent or did not anticipate or consider private exchanges, so the federal and state rules on exchanges currently are not applicable to private exchanges nor the plans offered on a private exchange
- However, a state’s insurance mandates, premium taxes and other insurer/benefit requirements on insured health plans licensed in the state, are applicable to plans offered by a private exchange
- In future, State Insurance Commissions or FTC likely to want some level of regulatory protections for consumers and businesses:
  - Financial stability
  - Protection of data
  - Viability/quality of plans
The (Current) Field of Sponsors of Private Health Insurance Exchanges

Exchange Considerations for Employers
Potential Benefits, Opportunities and Issues

- Surveys show most employers won’t utilize exchanges, but will explore opportunities and experiences of early adopters
  - An employer may be able to reduce its internal health benefits and administrative costs
  - An employer may be able avoid penalties for not offering coverage and will be in compliance with ACA requirements
  - Contracting with a private exchange may enable an employer to offer coverage in multiple states through one exchange
  - An exchange can offer an employer a tool to reduce its health care costs, and affordable individual health coverage for an employer’s part-time (under 30 hrs./wk.), low income, and pre-65 retiree populations

Potential Benefits, Opportunities and Issues

- Participation in an exchange may streamline an employer’s movement into a defined contribution (DC) approach
  - Private exchanges are not currently subject to the same requirements as state Marketplaces, which may allow for employer customization
  - In a private exchange, unlike a state Marketplace, an employer may have an ability to influence and advocate for employees
  - In a private exchange, low-income employees will not qualify for federal subsidies or credits to support premium costs
Potential Benefits, Opportunities and Issues

• A self-funded employer may lose the tax exemptions and ERISA protections from state insurance requirements by offering fully insured plans
• Increased premiums from plans who pass on costs of state mandates, premium fees and other requirements of the state where they are licensed may negate the strategy of an employer who wants to have predictable health benefit budget by moving to a DC or fully-insured approach
• Low income employees offered only access to private exchanges may object since they are not eligible for federal subsidies
• Depending on its rules, a private exchange may not allow an employer to select plans or customize benefit design

Potential Benefits, Opportunities and Issues

• There is no guarantee the rates of any of the plans offered within an exchange or the fees required by the exchange for participating employers will remain stable over time
• The government may create national laws regulating private exchanges
• An employer may or may not be able to obtain data on the health of its population covered by the plan(s) in a private Exchange
• A plan within an exchange may be vulnerable to adverse selection unless the exchange offers risk adjustment
Potential Benefits, Opportunities and Issues

• An employer’s preferred health plan may not participate in an exchange
• In a private exchange, it’s uncertain if an employer can offer a fully insured plan across state lines that adheres only to the state mandated benefits of the state where the contract resides
• An employer in a private exchange may be impacted by other employer populations that are higher utilizers
• An employer utilizing an exchange needs to be mindful of how increases in premiums or plan costs impact the potential for their plan to reach the excise tax level in 2018
• Private exchanges will have a variety of fees, some not completely visible (access fees, carrier fees, consulting fee, commissions, rebates, up charges for services not part of core)

Factors to consider when evaluating and comparing private Exchanges

• Untested Technology: Exchanges use largely untested technology tools
  ▪ Check with those who are early adopters and test it out.
• Carrier Involvement: Insurance carriers often don’t want to split business
  ▪ See if your preferred plan(s) have agreed to participate and use the Exchange’s particular platform
• Administrative Complexity: Carriers don’t operate under universal enrollment feeds, so administration may be complex,
  ▪ Ask how the exchange ensures plans can meet your ID card and certification of coverage time requirements
• Need for Support: Technology won’t replace human interaction altogether
  ▪ Check the level of employee support before, during and after plan selection
Factors to consider when evaluating and comparing Exchanges (cont.)

• **Viability of Exchanges**
  – Exchanges will need to become a sustainable, so carefully evaluate financial status, sources of revenue and future viability

• **Changes in the ACA**
  – Penalties for employers not offering benefits, the excise tax and other fees could all increase in the future

• **Variations in Private Exchanges**
  – Determine if it allows employers of your size to participate; its core services and fees; how it will underwrite risk for your group

• **Transition to Public Marketplace**
  – Determine if the exchange provides easy transition for individuals who are better off getting subsidies in the public Marketplace

• **Incentive Strategies for Worksite Wellness**
  – Incentives for engagement in wellness/health condition activities may need to be tied to something other than benefits

Factors to consider when evaluating and comparing Exchanges (cont.)

• **Competitor/Peer Actions**
  – Determine if your competitors/benchmark firms are or will be participating in the private exchanges

• **Early Experience** - Evaluate the experiences of early adopters
  – Will the 2014-2016 period find many pre-65 retirees in exchanges and will this group adversely affect the exchanges risk pool?

• **Contribution Impact** – In a private exchange, an employer could continue to offer pre-tax contributions/subsidies to help workers
  – Will this preclude low income workers from getting federal premium subsidies/credits?

• **Exchange Plan Costs** – If employer my tie its contribution to the lowest cost plan
  – When premiums increase, will you need to increase its contribution?
The Right Questions

• Are expenses more predictable?
• Will plan competition exist and reduce premiums?
  • Will increased choice be positive for consumers?
  • Will there be tools to enable employees to have the ability to shop intelligently and choose highest value plan?
  • Will it reduce administrative costs?
  • Do lessons learned from retirement benefits apply?
• Will moving to a fully-insured model save money?
• If plans are standardized, how do they compete?
• Does risk-adjustment mitigate need to compete?
• Why would insurers invest in people if they can easily move to another plan during open enrollment?
• If employers aren’t pooled, what does it mean to be in an exchange?

For more information on this topic or MBGH:
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