

EXECUTIVE SUMMARY

Private Exchange Employer Survey Findings

December 2013



**PRIVATE EXCHANGE EVALUATION
COLLABORATIVE**

Contents

Introduction

Section 1: Key Findings

Section 2: Appendix

Contacts

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 an objective source of information and advice as they evaluate potential private exchange strategies and the vendors that could support them.

The Private Exchange Evaluation Collaborative (PEEC) is a new 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 survey was 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 723 employers from 34 different industries across the nation.

Section 1: Key Findings

Key Finding #1

Key Finding #2

Key Finding #3

Key Finding #4

Additional Observations

Key Findings

Key Finding #1

Employers are considering exchange-based benefits strategies, but the path forward is far from clear.

- **45% of employers have implemented or plan to consider utilizing a private exchange for their full-time active employees before 2018**
 - 37% for pre-65 retirees
 - 32% for post-65 retirees
 - 30% for part-time employees
- **15% of employers are encouraging or will consider encouraging their full-time employees to obtain health care coverage in the public exchange before 2018**
- **If employers are permitted to contribute toward employees' coverage on the public exchanges in 2017 or 2018, 58% would consider doing so**

Key Findings

Key Finding #2

Employers are looking for comprehensive capabilities and services from private exchanges.

- **Over 80% of employers said that the following were somewhat or very important elements of a private exchange:**

Important to Employers			Important to the Consumer & Shopping Experience		
Flexible employee contributions	Tools that aid in plan selection	Cost of plan options	Ease of use	Administrative & claims advocacy	Broad network access
Implementation assistance	Experience & track record	Financial stability	Employee communication support	Call center/ Instant chat	Variety of plan options & designs
Reduce Benefits Staff's Admin. Effort	Data & Reports	Level and transparency of fees	Portal with care management & claims info.	Health education tools & library	High performing networks

- **69% of employers agree that it is very important that [their] advisor is independent of any exchange [they] are considering**
- **25% of employers think that moving their organization to a private exchange will save them money**

Key Findings

Key Finding #3

The greatest barriers to private exchange adoption relate to their immaturity and uncertainty about their longer term stability.

Over 80% of employers agreed that the following were barriers to adoption:

- Immaturity of the private exchange market**
- Stability of cost over time**
- Stability or track record of exchange administrator**
- Limited information about private exchanges**
- Employee readiness**

Key Findings

Key Finding #4

Interest in private exchanges extends across industry segment and employer size while the importance of some requirements do vary.

- Almost half of employers expressed interest in considering private exchanges for full-time employees by 2018 with some but limited variation by industry**
- Almost half of employers indicated that it was “very important” to have a self insured option with somewhat less interest by small employers**
- Slightly more than one third of employers indicated that it was “very important” to have a fully insured option (about one fourth of larger employers indicated such)**
- Over half of large employers indicated that flexibility within [their] contribution strategy is “very important”**

Additional Observations

- 77% of employers indicated that they are very likely to offer health care benefits to their active employees in 2016, down from 89% in 2014
 - 72% of smaller employers and 85% of larger employers are very likely to offer health care benefits to their active employees in 2016
- 38% of employers plan to consider encouraging part-time employees to obtain health care coverage in the *public* exchange by 2018
- In general, more employers are planning to consider a *private* exchange than are planning to consider a *public* exchange
 - Exceptions: More employers favor encouraging part-time employees to go to the *public* exchanges and if employers are allowed to provide subsidies towards coverage in the *public* exchange, a higher percentage would consider using the *public* exchanges for active employees
- 13% of employers have already adopted or are very likely to adopt a defined contribution approach in the next two years
 - 39% are somewhat or very unlikely to adopt a defined contribution approach
- 51% of employers say that it is “very important” for a private exchange to accept ERISA fiduciary responsibilities for the plans purchased on the exchange
 - 79% say that this acceptance is somewhat or very important
- 78% of employers strongly or somewhat agreed that difficulty in exiting/changing exchanges was a barrier to offering a *private* exchange to their active employees
- 31% agree that *public* exchanges will be viable options within 5 years

Section 2: Appendix

All Participating Industries

Location & Company Size

All Participating Industries

Agribusiness	10
Education & Nonprofit	52
Energy, Utilities & Mining	23
Engineering & Construction	24
Financial Services	
Asset Management	2
Banking & Capital Markets	12
Financial Services	61
Insurance	39
Investment Management (Alternative Investments)	5
Private Equity	2
Real Estate	12
Government/Public Services	28
Health Industries	
Healthcare Providers	42
Health Plans	14
Life Sciences	15
Other	18
Pharmaceuticals	8

Note: Participants were allowed to select more than one industry

Manufacturing	
Aerospace & Defense	24
Automotive	17
Chemicals	11
Forest, Paper & Packaging	4
Manufacturing	147
Metals	11
Retail & Consumer	
Consumer Products	22
Food & Beverage	16
Hospitality & Leisure	14
Retail & Consumer	43
Wholesale & Distribution	34
Services	
Law Firms	9
Services	41
Technology	
Communications	9
Entertainment & Media	12
Technology	54
Transportation & Logistics	23

Location & Company Size

Survey participants by location:

National	287
North East	139
North West	11
Mid-Atlantic	70
North Central	195
South Central	45
West	56
South East	70
South West	23

Survey participants by company size:

< 200	131
201 – 499	111
500 – 999	82
1,000 – 2,499	103
2,500 – 4,999	71
5,000 – 9,999	75
10,000 – 19,999	65
20,000 +	85

Note: Participants were allowed to select more than one location

Contacts

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



Coalitions	PwC
<p>Chris V. Goff Canton, OH CEO & 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 & 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 & CEO, Northeast Business Group on Health 212-252-7440 x224 laurel@nebgh.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>Jim Dell San Francisco, CA Director 415-498-6090 jim.dell@us.pwc.com</p>