

# PRIVATE HEALTH CARE EXCHANGES

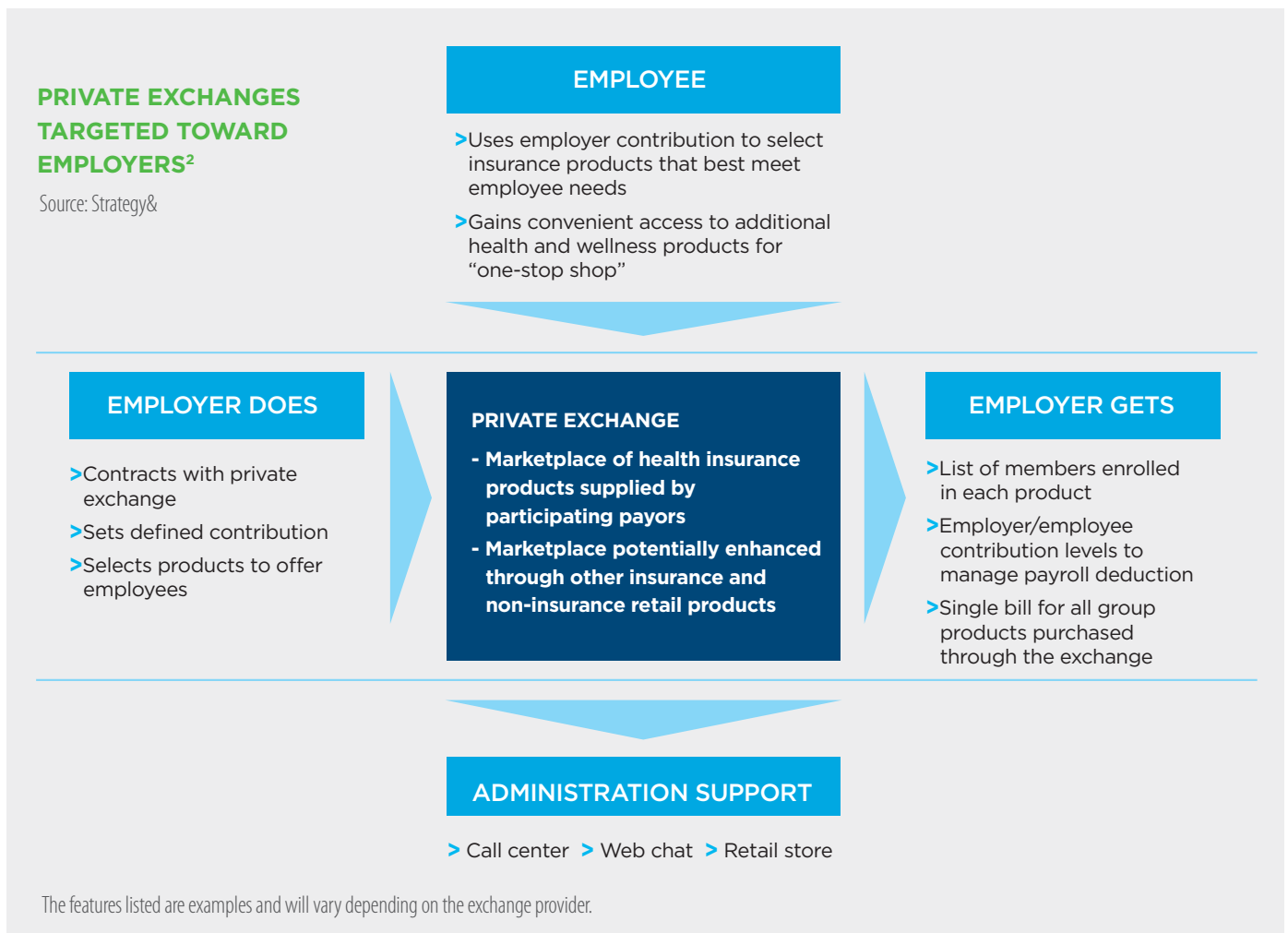


## Exploring new health care benefit options for smaller employers

Over the past few years, rapid change has taken place in the health care industry, including new requirements for employers and individuals. As employers seek to control costs while providing more choice to their employees, private health care exchanges have emerged, giving even more options to consider. To make the right choices – for their company and their employees – it's important that employers and

producers have a more complete understanding of private health care exchanges.

There is a broad spectrum of health coverage options for employers and individual consumers to choose from. The following takes a closer look at the group private exchange model, and explains how it may be a top choice for smaller employers.<sup>1</sup>



## UNDERSTANDING HEALTH CARE EXCHANGES

A health care exchange can be described as an online retail store where both employers and individual consumers can shop to purchase a variety of health care insurance options. Exchanges have existed in the past; however, with the changing health care landscape, new exchanges have been developed to address new needs. Today, there are two types of exchanges to consider.



- › **A public health insurance exchange** is a health insurance exchange run by a government (or government-contracted) entity. As part of the Patient Protection and Affordable Care Act (PPACA), all states had the opportunity to establish an exchange or “marketplace” as they are also called. Some states established their own while others deferred or defaulted to the federal marketplace.
- › **A private health insurance exchange** is a health insurance exchange run by a private company. Although the products and services sold through a private health care exchange remain subject to any regulations that would apply off-exchange, private health care exchanges themselves are not subject to the laws and regulations that are specific to public health care exchanges.

### The benefits of private exchanges

Private health insurance exchanges are one option employers are exploring to reduce their administrative burden, increase the benefit choices they offer to covered employees and help to control their health care costs. According to Patty Fontneau, President, Private Exchange Business for Cigna, “Some employers want to offer more choice to employees, but they don’t want to create more work for their benefit manager or team. Human resources professionals have a lot on their plate already, and offering more choice can create more work.” Fontneau also noted that employees “want a simplified, easy-to-use shopping experience.” An important advantage of private exchanges is that they increase transparency, help to guide employees to the right option and provide them with tools to take greater responsibility for their health.

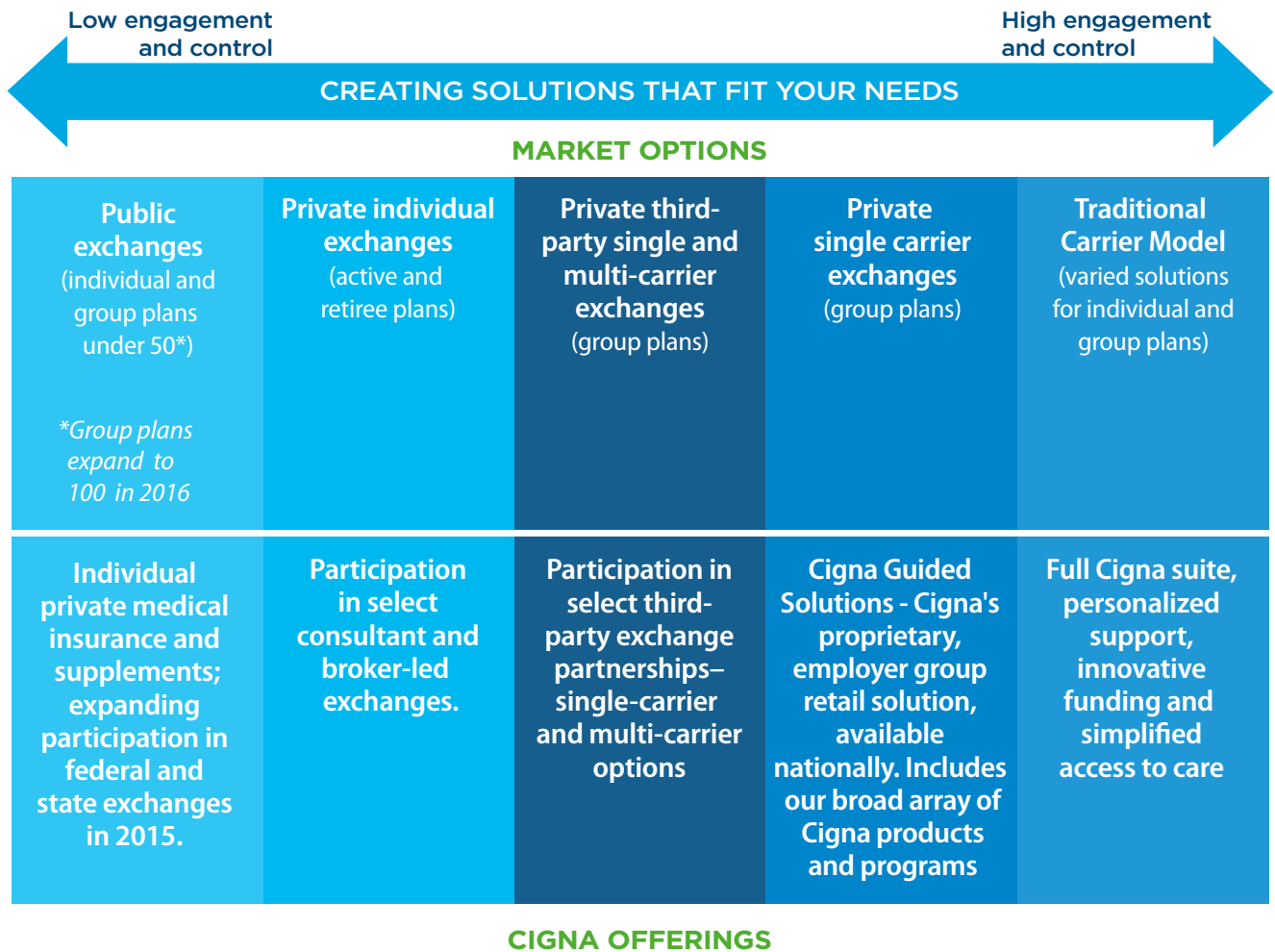
Private exchanges differ from public exchanges in many ways. Public exchanges target individuals and small employer groups<sup>3</sup> and provide access to federal tax credits, whereas private exchanges can be more flexible and focus on meeting the needs of a specific employer group. They can allow for greater predictability of costs while offering a broader range of plans and retail products, including dental and life insurance, and even non-insurance products. Finally, benefit administration is streamlined because private exchanges often interface with existing systems to ensure seamless transfer of product, customer (enrollee) and group information across a variety of plans.

### Many factors have driven the emergence of private health care exchanges, including:

- › Continued pressure on affordability of health benefits have employers thinking about reducing risk and stabilizing the impact of benefit costs on their budget.
- › As employers consider shifting from more traditional defined health benefit offerings to a defined contribution model, private exchanges have emerged as one solution.
- › Employees increasingly want more health care choices and cost transparency. Private exchanges often provide more plan options and give the responsibility of plan selection to the employees, allowing them to purchase the plan that best meets their needs.
- › Enhancing the customer experience, typically through offering decision support tools to help customers navigate various health plan options and evaluate which is the best plan for their needs. The level and sophistication of tools on private exchanges vary.
- › Simplifying benefits distribution and administration, freeing up HR resources to focus on other mission-critical tasks.

### What employers need to consider

Employers first need to determine if they believe that health benefits are an important part of their overall company strategy. Do they see a direct connection between health benefits and the larger goals of employee attraction, retention and productivity? Or, do they see their responsibility as a corporation to pay for talent and give employees access to the most competitive and tax-efficient options to purchase health insurance on their own?



## Frequently asked questions

The following are answers to some of the more commonly asked questions about private health care exchanges.

### 1. Why offer a private exchange to my employees?

Private exchanges provide employees:

- › Cost transparency in making health plan selections
- › A spectrum of plan options, empowering them to elect benefit coverage based upon their lifestyle, financial situation and health care needs
- › Decision support tools that assist with their health plan selection, answering questions and making recommendations based on their specified health care needs

### 2. As a benefits administrator or HR manager, is my administrative workload going to increase by switching to an exchange?

The benefit of private exchanges is that it shifts the burden of administrative tasks from the employer to the exchange. The automated benefit administration of private exchanges reduces the burden of health care administration tasks such as

enrollment and billing. Health care plan decision making is transitioned to employees. Private exchanges also create ease in transitioning to a defined contribution strategy. Defined contribution allows employers to establish an annual dollar contribution amount per employee to spend on all health care plan coverage.

### 3. Will moving to a private exchange improve my bottom line?

Moving to a private exchange can be a more cost-effective way of administering health care to employees. Employees select and pay for the coverage and benefits they need. A defined contribution strategy helps ensure employees stay invested in making smart choices and allows them to have a better understanding of benefit costs. Having the option to bundle medical and ancillary plans may result in credits, lowering medical rates/premium.<sup>4</sup>

#### 4. Who is moving to a private exchange?

Typically, employers moving to a private exchange are:

- › Considering a shift in benefits strategy (such as a move to Consumer Driven Health Plans) and want employees to have an active role and choice in selecting their new plan designs
- › Experiencing cost pressures and considering shifting to a defined contribution model
- › Offering multiple plan options (e.g., medical and dental, medical and disability) and desire an integrated offering
- › Looking for simple administrative processes and low administrative burden
- › Wanting more choice of plans/products

#### The future of private health care exchanges

More employers are considering exchange-based benefits strategies, but the path is far from clear. According to a recent Private Exchange Evaluation Collaborative employer survey, 45% of employers said they have implemented or plan to consider utilizing a private exchange for their full-time active employees before 2018.<sup>5</sup>

In the same survey, employers also indicated they have implemented or plan to consider utilizing a private exchange for other employee groups:

**37%** for pre-65 retirees<sup>5</sup>  
**32%** for post-65 retirees<sup>5</sup>  
**30%** for part-time employees<sup>5</sup>

It's clear to see that private exchanges are becoming a permanent fixture in our health care system, and guidance and support will be needed as employers and individuals continue to navigate through the evolving exchange landscape. Employers will always be looking for solutions to control company health care costs, reduce their administrative burden and increase the benefit choices they offer their covered employees. Private exchanges offer multiple benefit offerings, exclusive support tools and competitive rates while maintaining tax advantages. They are an innovative and valuable solution for them to consider.

**To learn more about Cigna Guided Solutions<sup>SM</sup>, Cigna's private exchange option, contact your Cigna sales representative, or visit [Cigna.com/private-retail-exchange-solution](http://Cigna.com/private-retail-exchange-solution).**



1. In most states, Cigna offers group insurance coverage to employers with 51 or more full-time employees, as well as administrative services for self-funded plans with as few as 25 full-time employees.

2. The Emergence of Private Health Insurance Exchanges Fueling the "Consumerization" of Employer-Sponsored Health Insurance, Strategy&, 2012.

3. Health plan selections include medical, dental, vision and voluntary plans.

4. Bundling credits are not available in all states..

5. Private Exchange Employer Survey Findings, Executive Summary, Private Exchange Evaluation Collaborative, December 2013.

Product availability may vary by location and plan type and is subject to change. All group insurance policies and health benefit plans contain exclusions and limitations. For costs and complete details of coverage, contact your Cigna representative.

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