

# PRIVATE HEALTH INSURANCE EXCHANGES

THE LARGE EMPLOYER PERSPECTIVE 2015

EXECUTIVE SUMMARY

# ABOUT THE SURVEY

The survey—conducted by Pacific Resources, with assistance from Milliman—focused on capturing the current perspective on private exchanges from some of the largest employers in the United States.

The survey was conducted in the first quarter of 2014 and again in 2015. In 2015 questions about retiree exchanges, part-time employees and the Affordable Care Act were added.

The companies surveyed in 2014 and 2015 represent all industries. Many are ranked in the Fortune 1000, with several listed in the top 50.

# LARGE EMPLOYER PRIVATE EXCHANGE SURVEY

## KEY LEARNINGS IN 2015

- Confidence in exchanges is shifting and polarized, and interest varies.
- Cost is still the driving factor for considering a move to an exchange; administrative ease ranks above employee choice.
- Large employers are open to changing funding methods away from self-insured as part of a move to a private exchange, if it made financial sense and provided more efficiency to the employer-sponsored benefits package.
- Large employers are in no rush to move to a private exchange and very few of those interested in exchanges indicate they would transition in the next two years.
- There is an increased need for transparency around revenue sources for the exchanges as well as independent advice.
- Nearly all large employers have been actively marketed to by at least one exchange vendor.
- Large employers are more interested in a private exchange as a solution for retirees than for active employees.

# SURVEY RESULTS

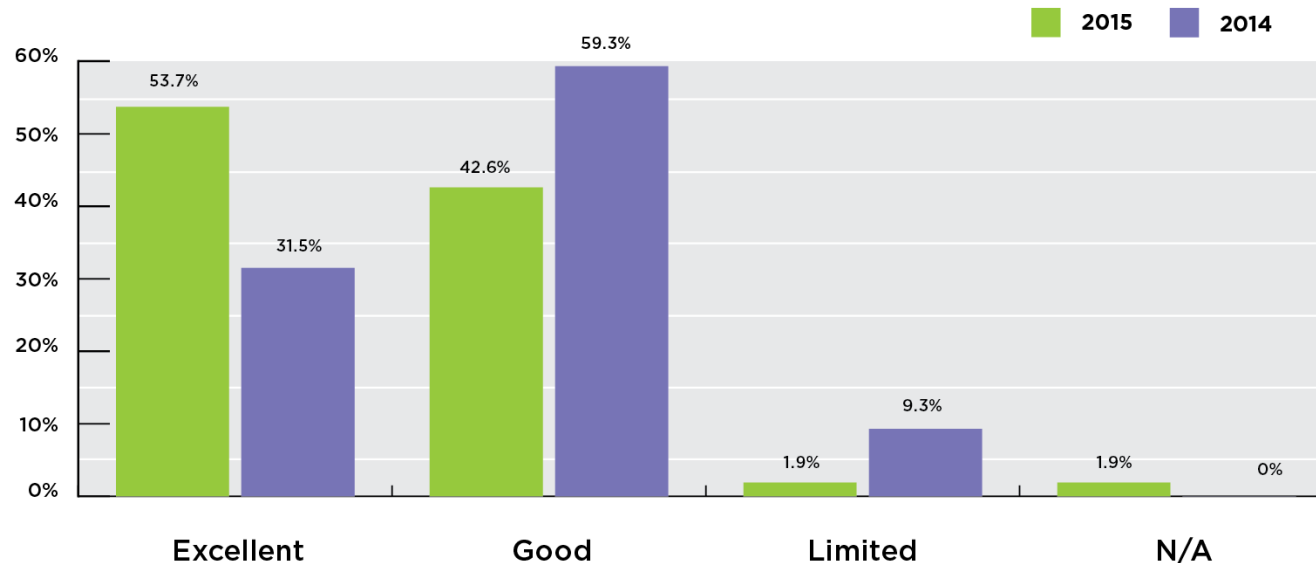


# UNDERSTANDING OF EXCHANGES

## LARGE EMPLOYERS UNDERSTAND EXCHANGES

**Likely as a result of marketing efforts and more press coverage, and consistent with our 2014 findings, nearly all of the large employers surveyed have at least a basic knowledge of how exchanges work and understand the opportunities, challenges and decisions required to move to a private exchange.**

How would you assess your company's understanding of the opportunities, challenges and decisions required to move to a private health insurance exchange?

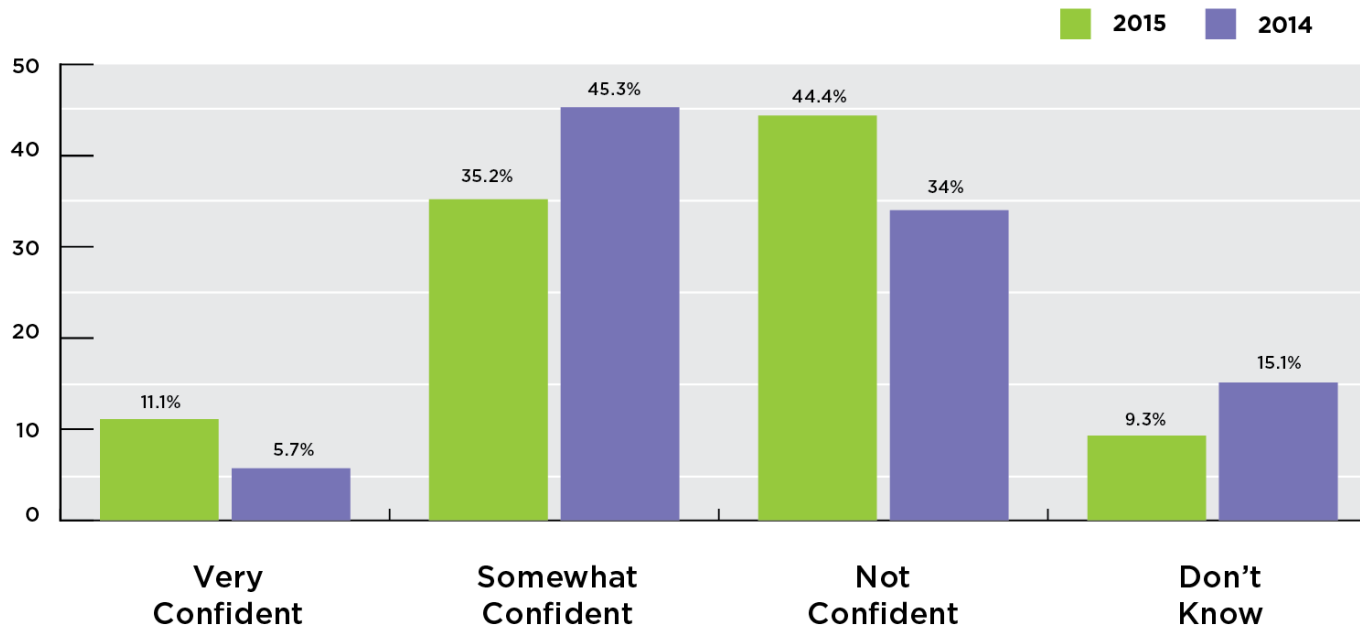


# CONFIDENCE IN PRIVATE EXCHANGES IS VARIED

## CONFIDENCE IS SHIFTING AND BECOMING POLARIZED

**The percentage of large employers who lack confidence that an exchange will provide a viable alternative to current methods of providing health benefits increased more than ten percentage points, while those who indicated that they were “very” confident rose 7.8 percentage points.**

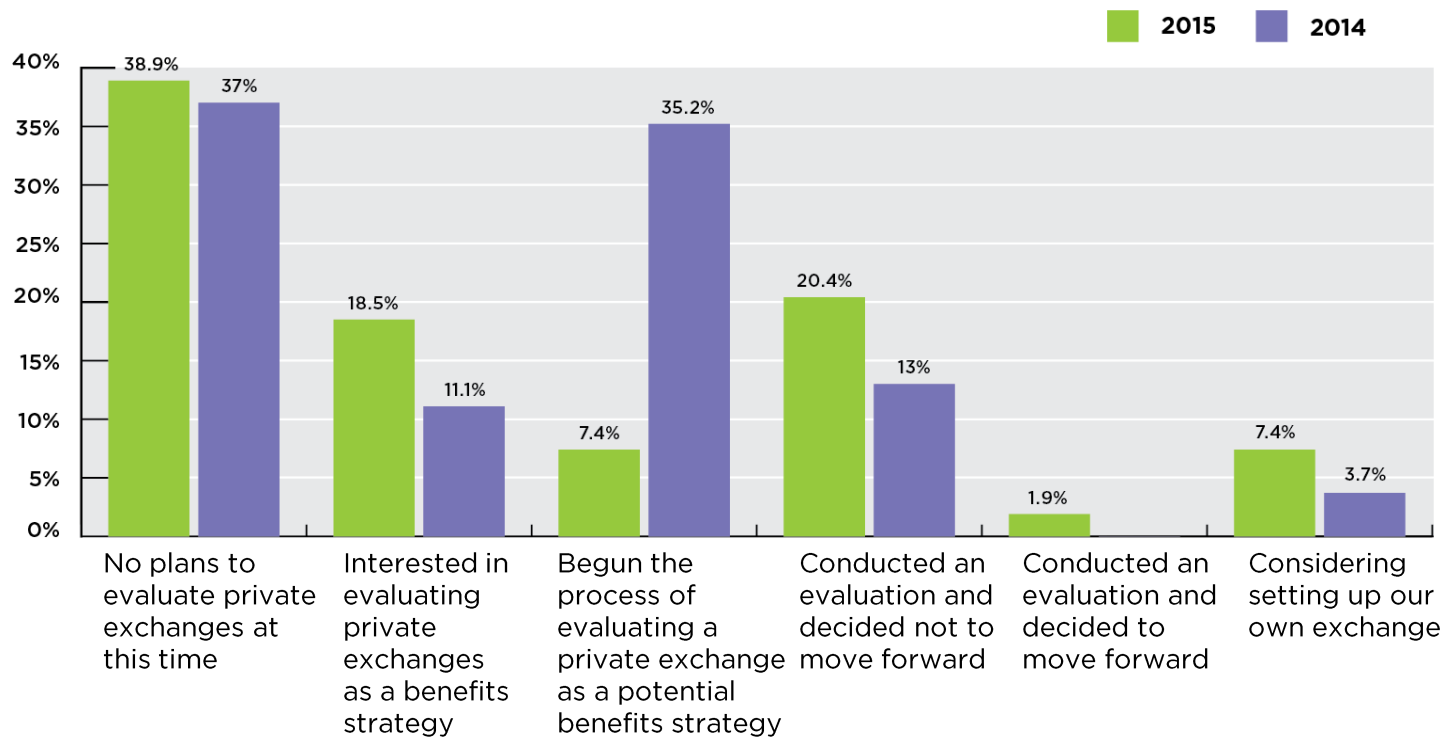
How confident are you that private insurance exchanges will provide a viable alternative to your current methods of providing health coverage to active employees?



# INTEREST LEVEL FOR ACTIVE EMPLOYEES

INTEREST STILL VARIES, THOUGH MANY STILL HAVE NO PLANS TO EVALUATE EXCHANGES AT THIS TIME

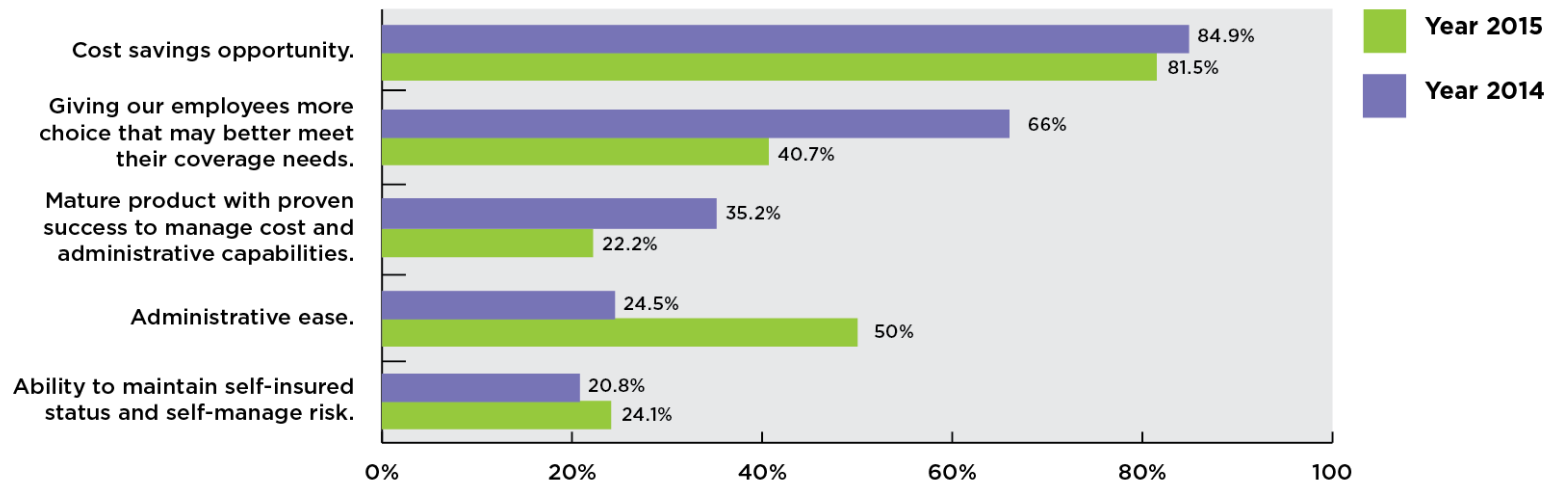
**How would you describe your company's level of interest in private insurance exchanges for active employees?**



# REASONS FOR MOVING TO AN EXCHANGE

COST STILL DRIVING FACTOR; ADMINISTRATIVE EASE  
RANKS ABOVE EMPLOYEE CHOICE

**Of the following reasons, which rank as most important in  
your company's decision to move to an exchange?**





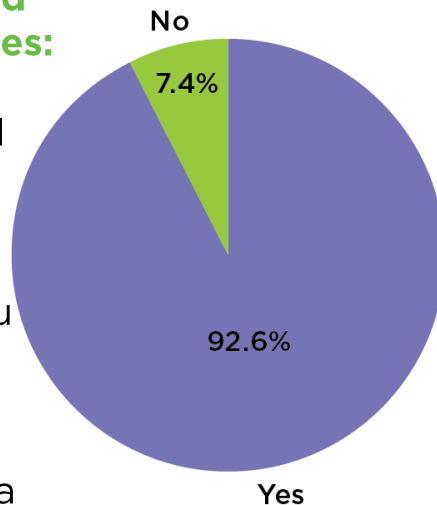
# OPEN TO SWITCHING FUNDING METHODS

## SELF-INSURED EMPLOYERS LIKELY TO CONSIDER BECOMING FULLY INSURED

**For medical plans is your company self-insured?**

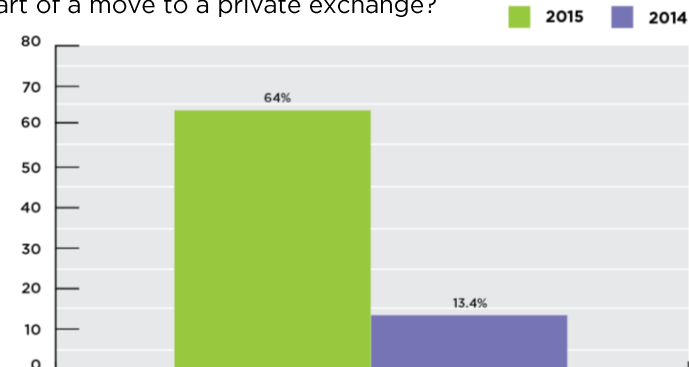
**60% of fully-insured respondents said yes:**

If it made financial sense and provided more efficiency to your employer-sponsored benefits package, would you be willing to switch funding methods (away from fully insured) as part of a move to a private exchange?



In 2014, only 11.4% of respondents identifying as self-insured indicated they would consider moving to a fully insured model, but in 2015 that number increased to **64% among self-insured employers:**

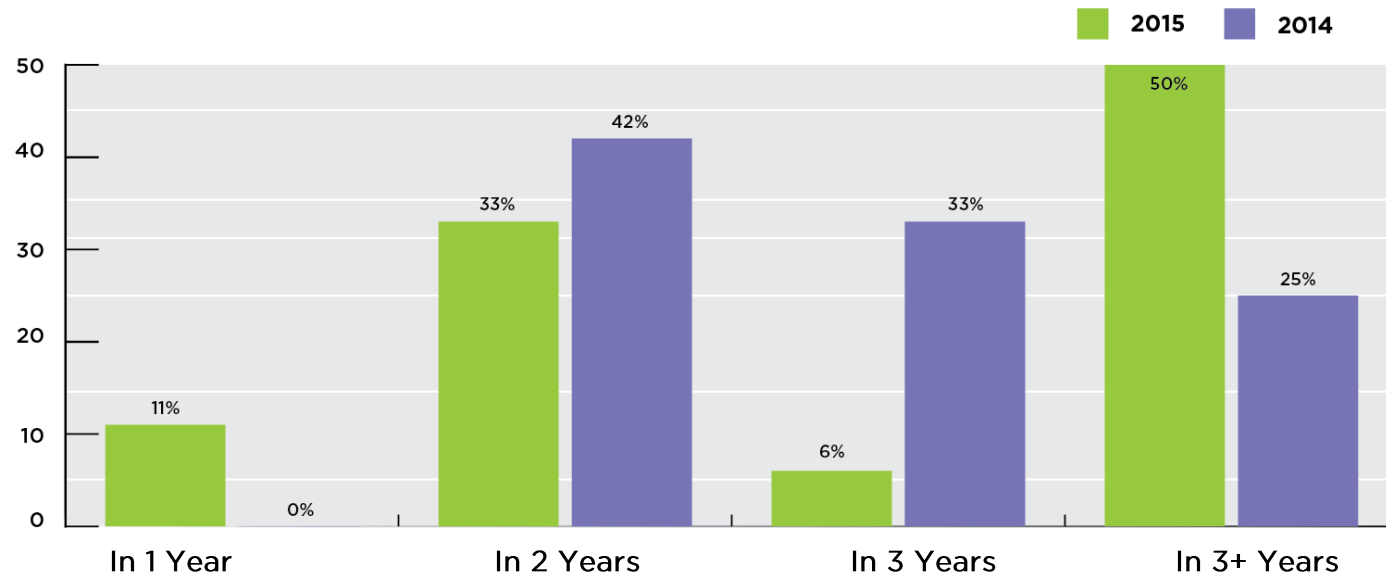
If **yes**, If it made financial sense and provided more efficiency to your employer-sponsored benefits package, would you be willing to switch funding methods (away from self insured) as part of a move to a private exchange?



# THERE IS NO RUSH TO MOVE TO PRIVATE EXCHANGES

VERY FEW WOULD TRANSITION IN THE NEXT TWO YEARS

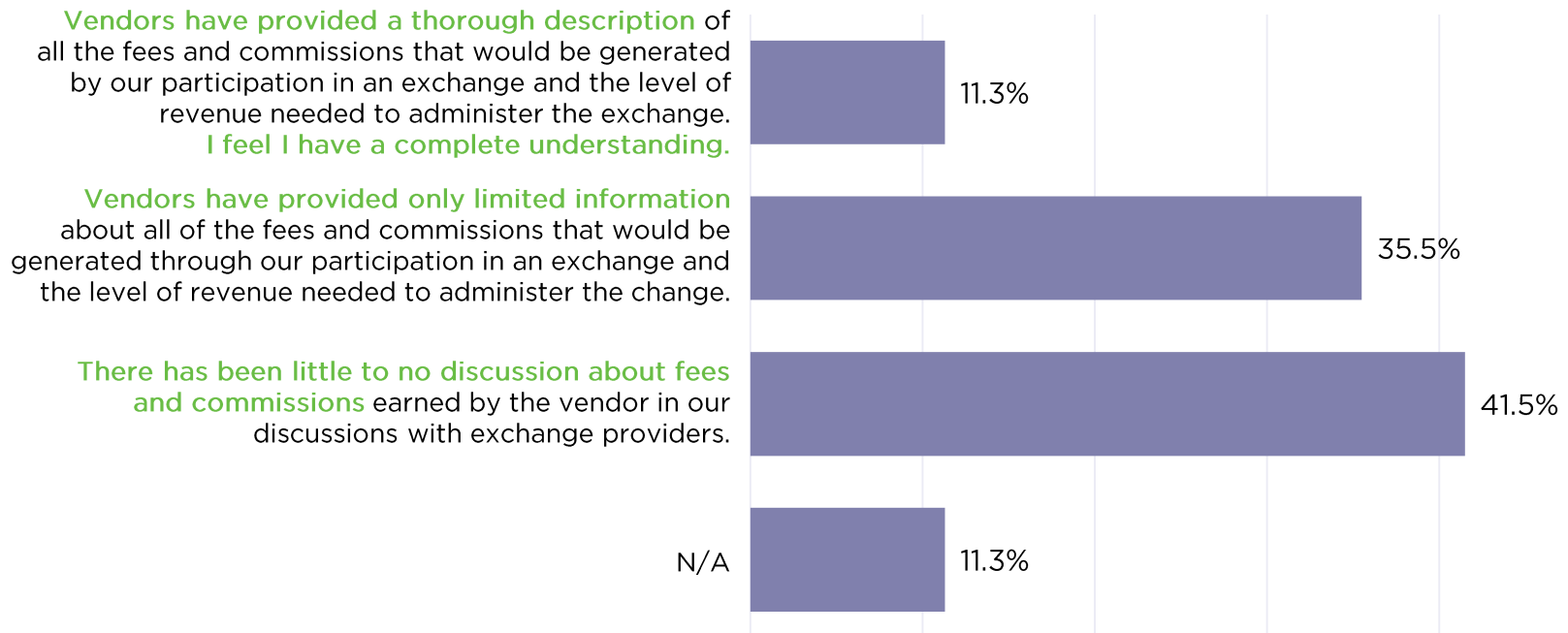
## Timeline for moving ACTIVE employees (if interested in exchanges)



# REVENUE SOURCES OF EXCHANGES

## FEE TRANSPARENCY NEEDED

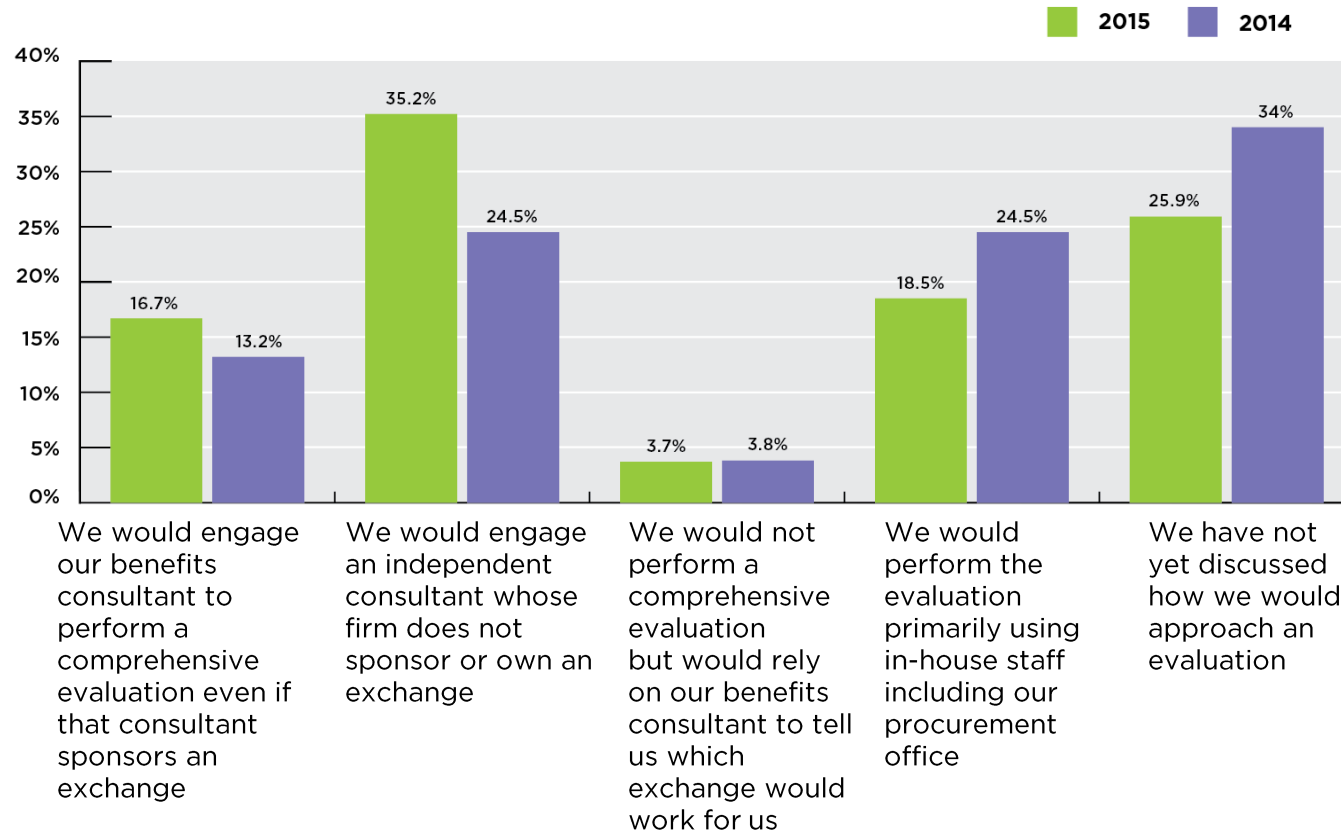
**Large employers were asked how they would assess their understanding of revenue sources of exchanges, as well as the expected revenue level required to administer an exchange for their company.**



# EMPLOYERS UNDERSTAND AN EVALUATION IS NEEDED

## MORE RESPONDENTS SEEK INDEPENDENT ADVICE

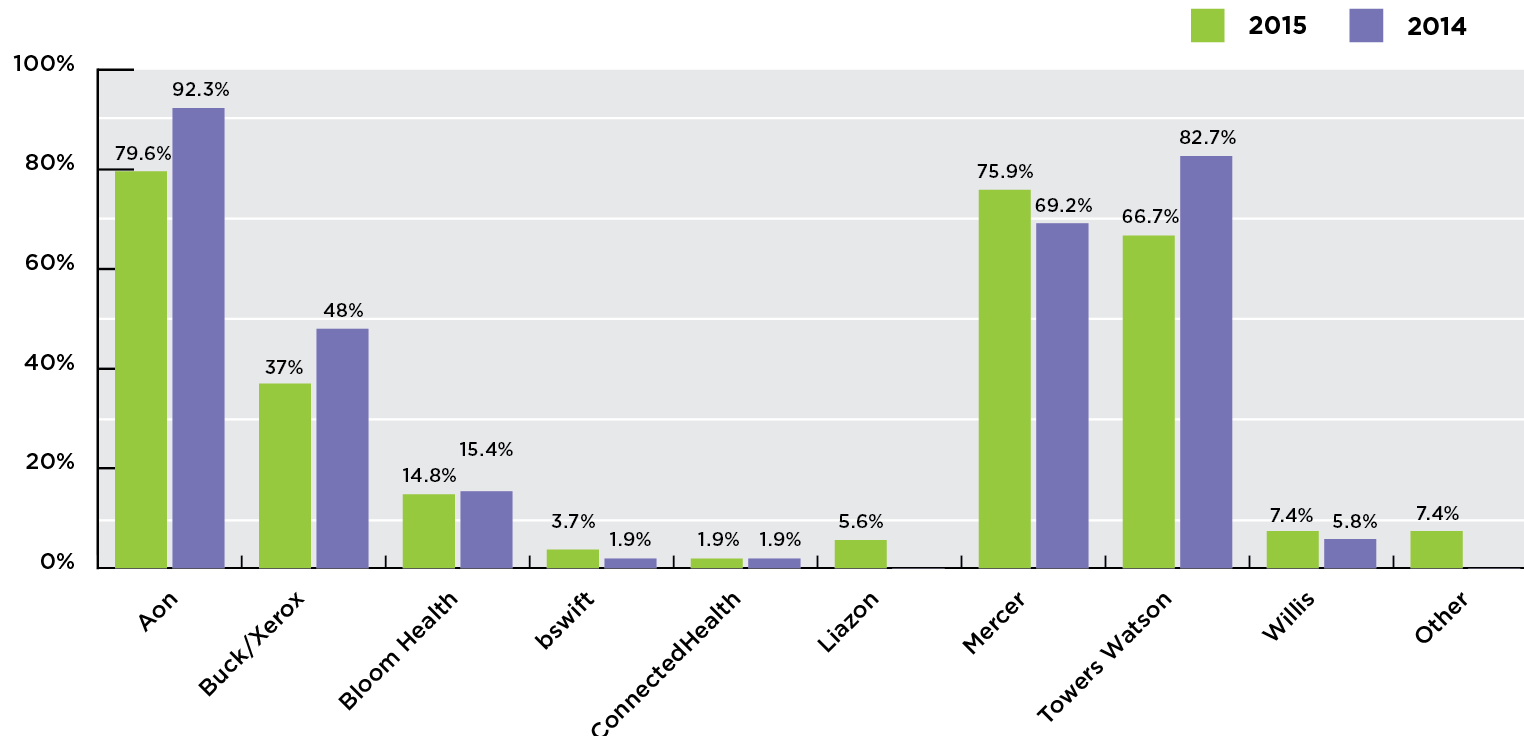
**Generally speaking, how would your company evaluate the exchange vendors?**



# EXCHANGE VENDORS ARE MARKETING HEAVILY

## 2/3 OF RESPONDENTS HAVE BEEN MARKETED TO BY 3 OR MORE VENDORS

**Which of the following companies have actively marketed\* their exchange to your company? Select as many as apply.**

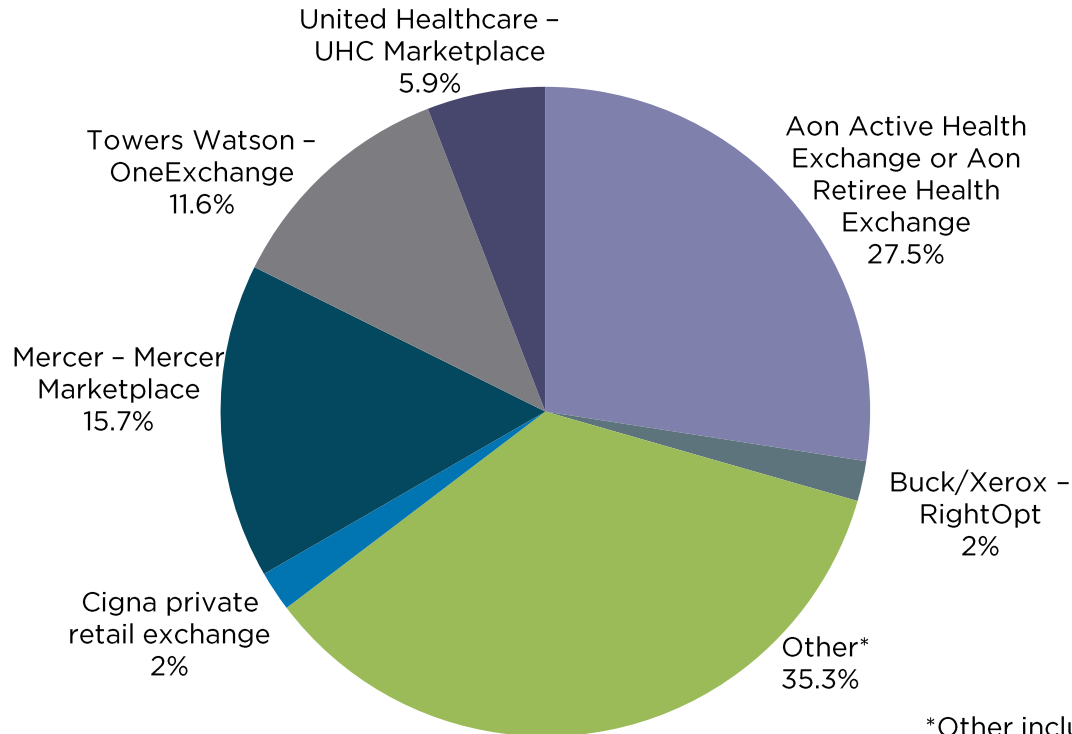


\*“Actively marketed” means the vendor has contacted you or a member of your staff to discuss their offering, sent you brochures and/or scheduled a meeting (in person, webinar, etc.) to discuss their exchange in the past 24 months.

# VENDORS LARGE EMPLOYERS WOULD CONSIDER

**Many vendors that large employers would consider have marketed their services heavily.**

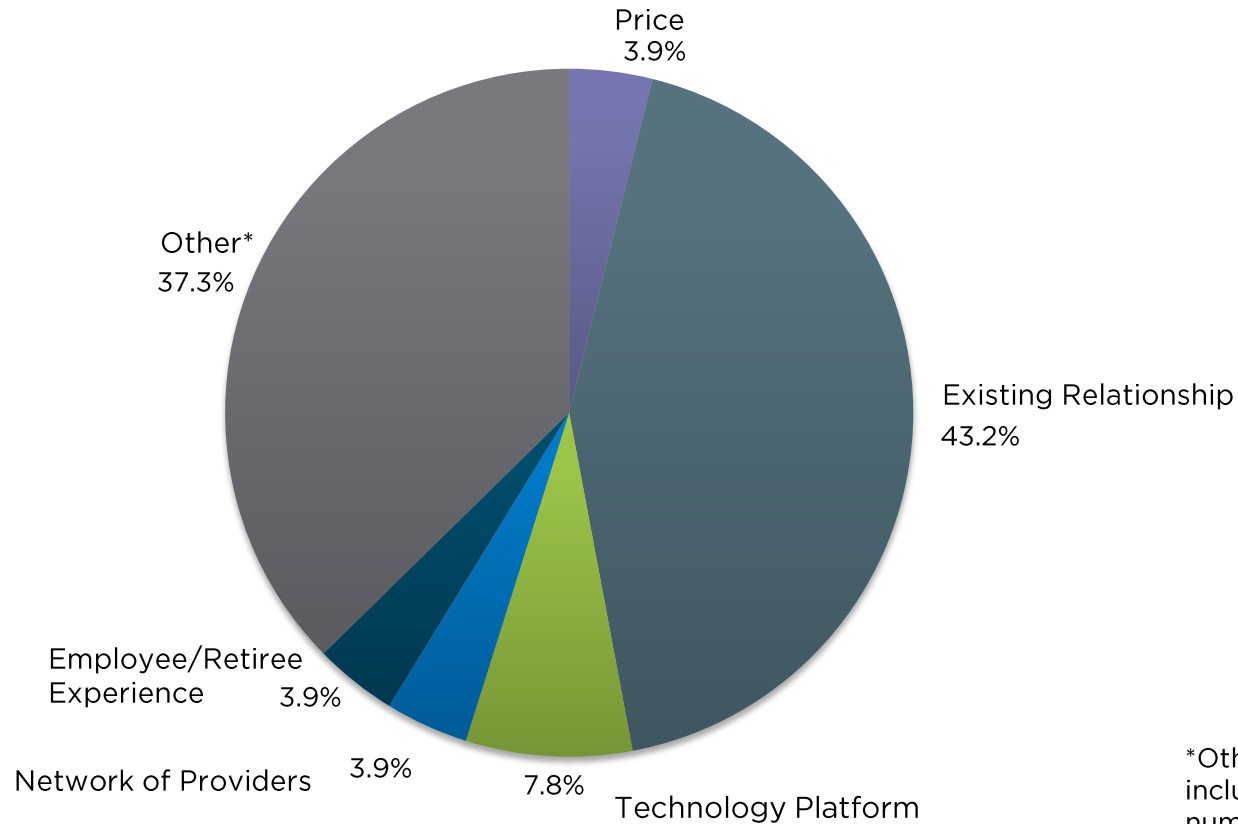
Of these vendors, select the one that you believe would be the best fit for your company.



\*Other includes a number of “not applicable” or “not sure” responses

# EXISTING RELATIONSHIP TRUMPS ALL REASONS EMPLOYERS WOULD SELECT A VENDOR

**What is the main reason for choosing this vendor?**

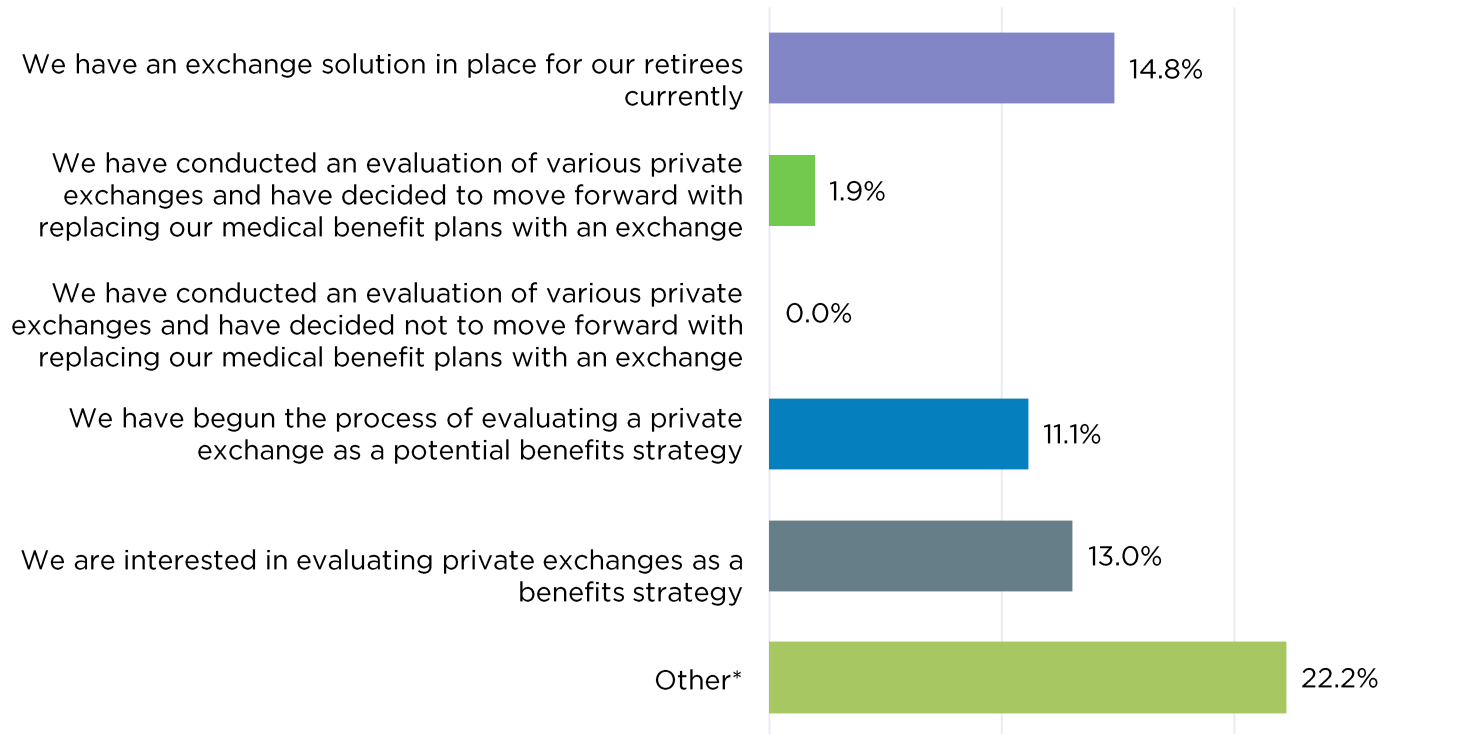


\*Other reasons include a number of “not applicable” responses

# INTEREST IN RETIREE EXCHANGES

## MORE INTEREST FOR RETIREES THAN ACTIVES

### How would you describe your company's level of interest in private insurance exchanges for RETIREES?



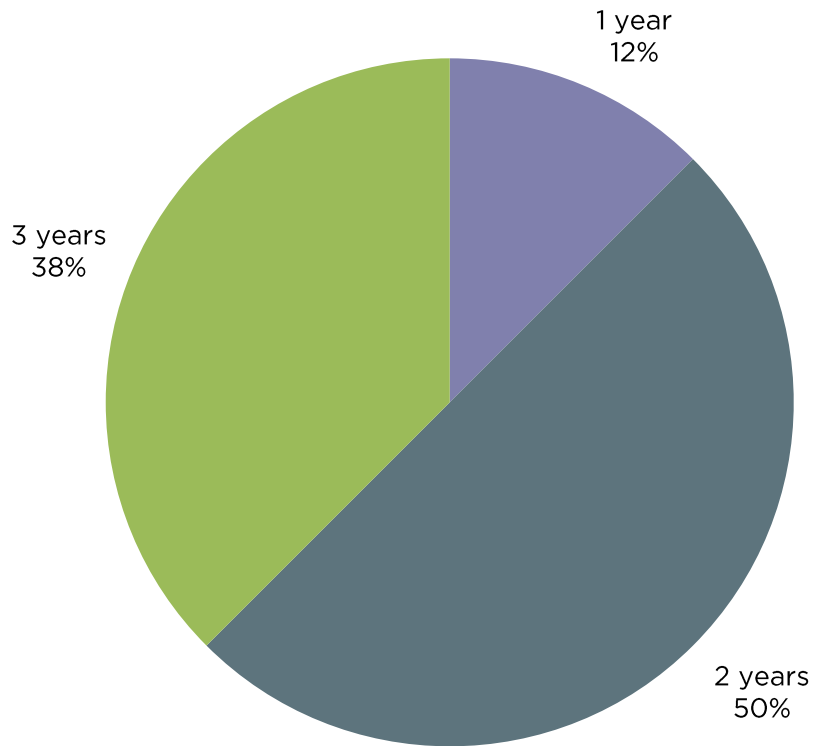
\*Other reasons include a number of "we don't offer retiree benefits" or "not applicable" responses



# RETIREEES AND EXCHANGES

8 RESPONDENTS OFFER AN EXCHANGE FOR RETIREEES

**How long has your company offered  
RETIREEES benefits through an exchange?**



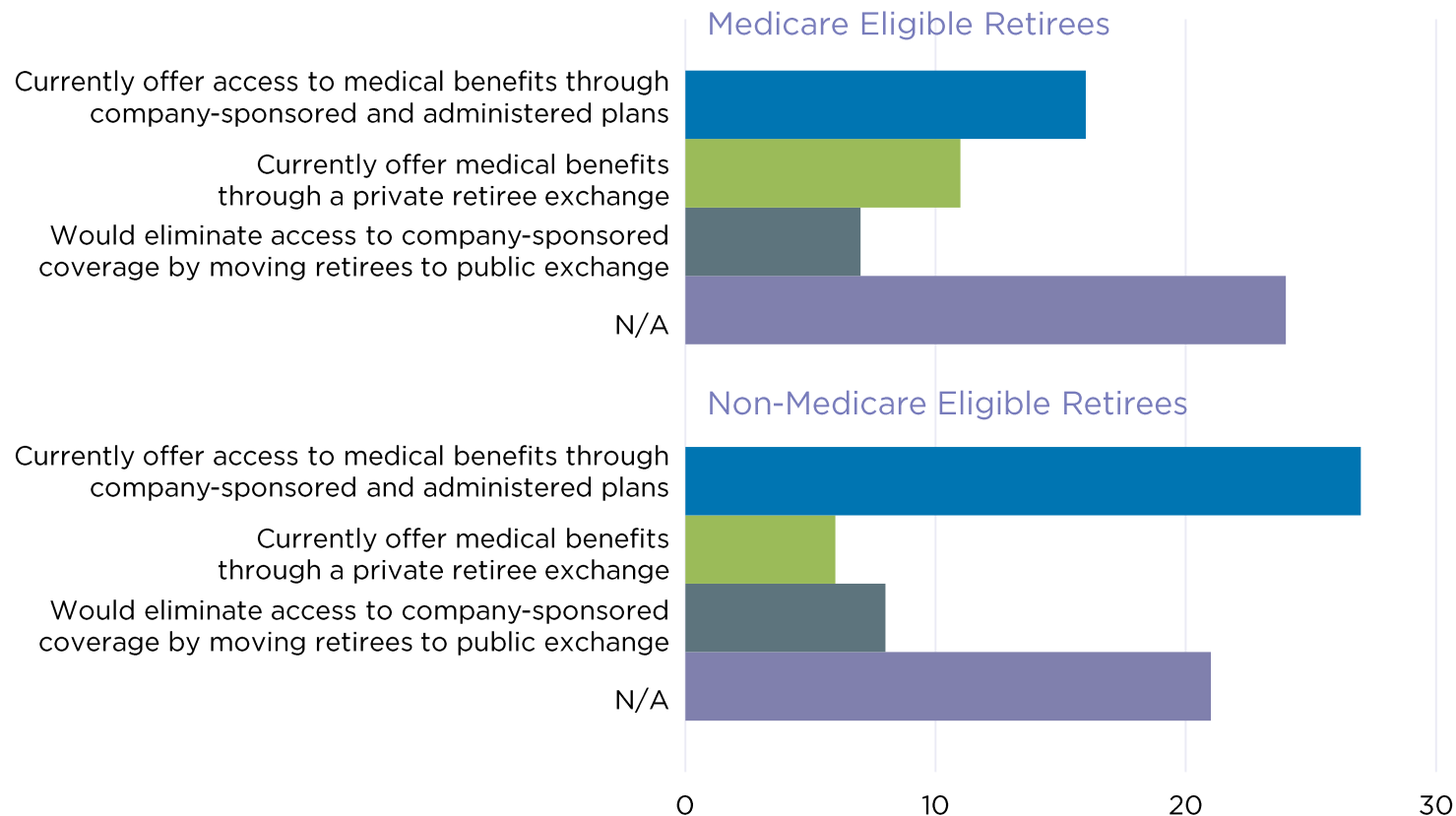
**As you think about your  
experience with an  
exchange for RETIREEES,  
how likely are you to retain  
the strategy at renewal?**

“We will likely remain with  
the current vendor.” – 100%

# RETIREES AND BENEFITS

## EMPLOYERS MORE LIKELY TO OFFER AN EXCHANGE TO PRE-65 RETIREEES

**For each retiree group, please indicate whether each statement below is true**



# ABOUT THE SURVEY SPONSORS

## Pacific Resources

Pacific Resources is a leading independent employee benefits advisory firm that works with Fortune-ranked and other large companies. For over three decades, Pacific Resources' evidence-based insights have shaped innovative employee benefit solutions, helping companies get the most value from their benefit plans, and positively impacting the lives of millions of employees. <http://www.pacresbenefits.com/>

## Milliman

Milliman is among the world's largest providers of actuarial and related products and services. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. <http://us.milliman.com/>

For more information on the survey, contact Pacific Resources, at [info@pacresbenefits.com](mailto:info@pacresbenefits.com).



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