Session 32PD, ACA Uncertainty and New Product Opportunities

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2018 SOA Health Meeting

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• Private Health Insurance Exchanges - Early Evidence and Implications for the Future (Rand Corporation’14)
• Operator Perspective Then
• Executive Perspective of Private Exchanges (Eastbridge 2017 Executive Survey)
• Voluntary Carrier Perspective – What have we learned and where is the opportunity
Private Health Insurance Exchanges - Early Evidence and Implications for the Future (Rand Corporation ‘14)
Back in 2014, Why Use Exchanges?

• Opportunities for cost containment (avoid the ACA’s “Cadillac tax”).
• One platform to lower costs for ER’s and EE’s.
• A new way to market insurance products.
• Combine several attractive services, including benefit administration, online shopping, decision support, and assistance with regulatory compliance, into a single package.

Private Exchanges are not the only avenue to achieve

AND

Benefits from these yet to be determined

Source: © Copyright 2016 RAND Corporation
Enrollment is Low and <50% of ‘16 Projections

“...there is a lack of systematic evidence to determine whether these exchanges will become prominent in the insurance market and how they will affect employers and their employees.”

Source: © Copyright 2016 RAND Corporation

SOURCE: Accenture (2012), Oliver Wyman (2012), Kaiser Family Foundation private exchange interviews/survey

Source: Accenture 2016 Report “Insight Driven Health” (2015/2016 Results)
Implications for ACA’s SHOP Marketplaces

• Low enrollment on the SHOP Marketplaces could make it difficult for states and the federal government to recoup the fixed operating costs associated with running these.

• Brokers play a large role in helping small businesses choose coverage and may have steered small businesses away from the SHOP Marketplaces.

Potential costs associated with running these marketplaces. Potentially, private exchanges could contribute to this problem if they siphoned enrollment among employers that might have otherwise used SHOP.

It is likely that these challenges had a larger influence on SHOP enrollment than competition from private exchanges.

Source: © Copyright 2016 RAND Corporation
Operator Perspective Then
Definition of Private Exchanges

• No consensus on definition
• Some multicarrier exchanges feel strongly that having multiple issuers in exchanges critical to the business model
• Another states that only fully insured plans should be offered as they felt minimizing risk was a goal for private exchanges

Broadly defined by Rand Corporation as online portals for obtaining employer insurance that include multiple plan choices

Source: © Copyright 2016 RAND Corporation
Perspective from the Operators

Numerous insurers operate their own, single-carrier exchanges. The health insurers operating their own exchanges range from some of the large, multistate insurers to smaller, regional BlueCross BlueShield plans.

bSwift, Liazon and Bloom Health all ran their own exchange platforms but have been bought by large consultancies or insurers. For example, Aetna purchased bSwift; Towers Watson purchased Liazon; and WellPoint and two other insurers purchased Bloom Health (Aetna, 2014; Towers Watson, 2013; PRNewswire, 2011).

Source: © Copyright 2016 RAND Corporation
One exchange carrier likened it to building a mall:

“You start with your anchor stores to bring foot traffic into your mall. And once you have established foot traffic, then you can add, kind of, specialty stores that provide additional value but don’t detract from the foot traffic in the mall…”
Executive Perspective of Private Exchanges (Eastbridge 2017 Executive Survey)
Sales Trends: Executive Perspective

Current Importance of Private Exchanges

~25% shift from perceiving as important in higher to “not very important”
Sales Trends: Executive Perspective

Importance of Private Exchanges in Five Years

- Much more important: 3% (2017), 7% (2015)
- More important: 18% (2017), 54% (2015)
- A little more important: 21% (2017), 39% (2015)
- About the same: 45% (2017)
- Not as important: 12% (2017)

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2017 Executive Perspective Survey
Employers: Reasons for Moving to a Private Exchange 2016

- 74%: Allowed us to move to defined contribution benefits approach
- 42%: Broker recommended
- 39%
- 8%
- Other

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## Employers: Openness to Using Private Exchanges 2016

<table>
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<th>10-49 EEs</th>
<th>50-100 EEs</th>
<th>101-500 EEs</th>
<th>501-1,000 EEs</th>
<th>1,001-2,499 EEs</th>
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<td>18%</td>
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<td>31%</td>
<td>24%</td>
<td>12%</td>
<td>19%</td>
<td>16%</td>
<td>10%</td>
<td>19%</td>
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- Still using brokers: 74%
- No longer using brokers: 19%
- Never used a broker: 7%
Brokers: Future Importance of Private Exchanges

- They will grow quickly and become the dominant model: 11% (2016), 8% (2017)
- They will grow but more slowly and remain important, although not the dominant model: 34% (2016), 25% (2017)
- They will maintain their current degree of acceptance: 35% (2016), 22% (2017)
- They will persist but become less important over time: 15% (2016), 19% (2017)
- They will be absorbed into other models and cease to be a unique model: 18% (2016), 12% (2017)

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2017 Executive Perspective Survey
Voluntary Carrier Perspective –
What have we learned and where is the opportunity
Voluntary Carrier Distribution Strategy via Private Exchanges 2014-2016

Gain wider distribution of worksite products through private exchanges

Chose exchanges with limited product offerings to help distribute offering

Build products that are exchange ready (easy to buy and sell, individual)

Take market share, gain scale and address customer needs
<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Private Exchanges</th>
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<td>Broader Access for Benefits</td>
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<td>Digital Experience</td>
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