

2018 HEALTH
MEETING
JUNE 25-27 • AUSTIN, TX



Session 32PD, ACA Uncertainty and New Product Opportunities

Presenters:

Alan Ingley
Darrin Tulley

[SOA Antitrust Disclaimer](#)
[SOA Presentation Disclaimer](#)

2018 SOA Health Meeting

**Darrin Tulley / Vice President Worksite Operations &
Business Intelligence**

**ALAN INGLEY / AVP ENROLLMENT TECHNOLOGY BUSINESS
DEVELOPMENT**

June 25, 2018



Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

Content

- 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

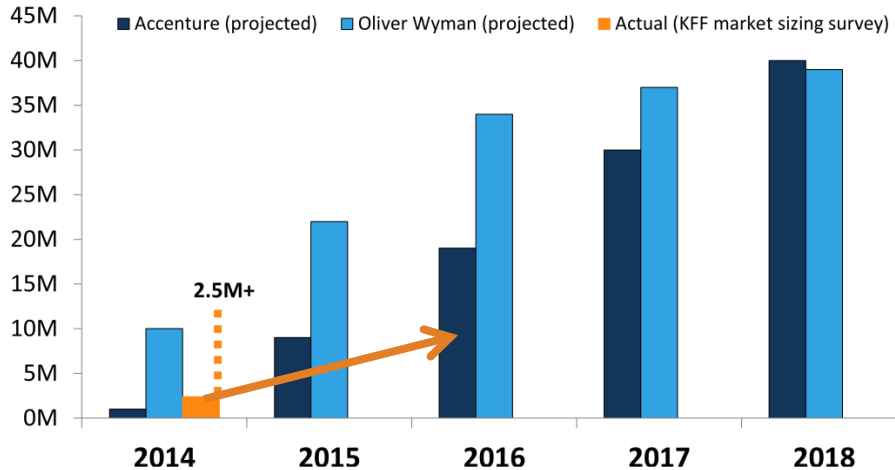
Benefits from these yet to be
determined

Source: © Copyright 2016 RAND Corporation

Enrollment is Low and <50% of '16 Projections

Exhibit 5

Actual and projected size of private exchange market, millions (M)



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

Source: Accenture 2016 Report "Insight Driven Health" (2015/2016 Results)



“...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

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.

Potentially 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.

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

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

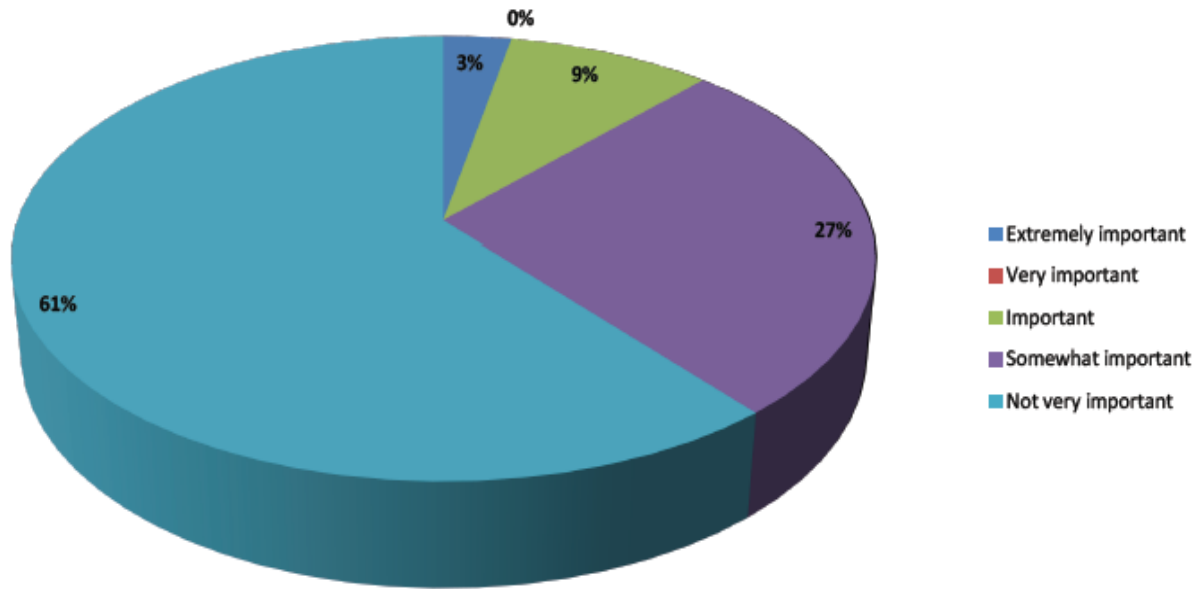
One exchange carrier likened it to building a mall:

“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)

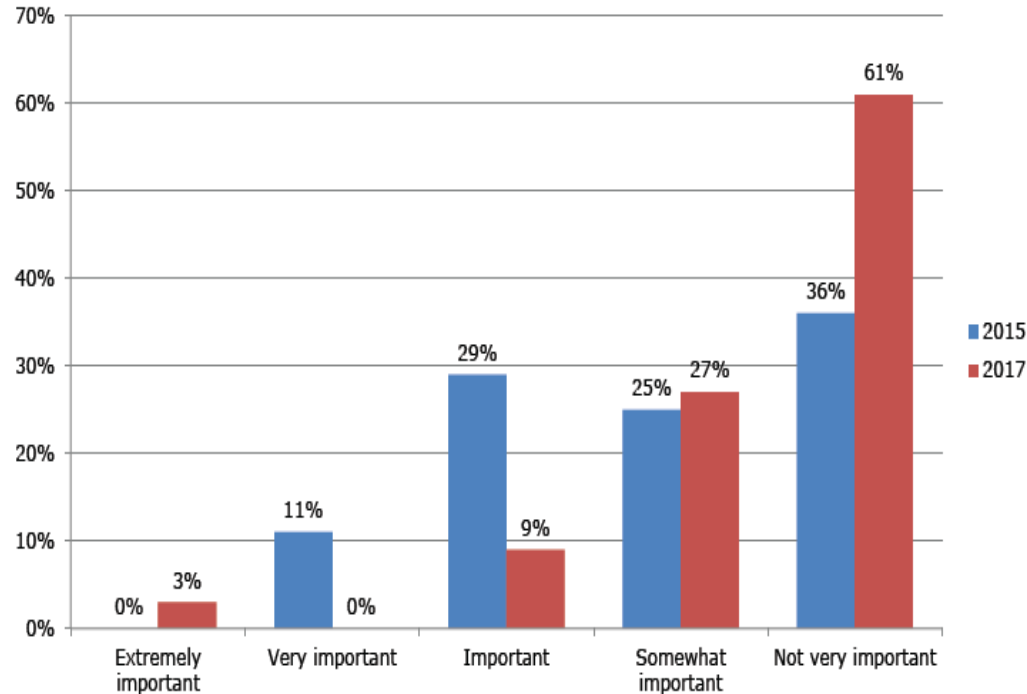
Sales Trends: Executive Perspective

Current Importance of Private Exchanges



Sales Trends: Executive Perspective

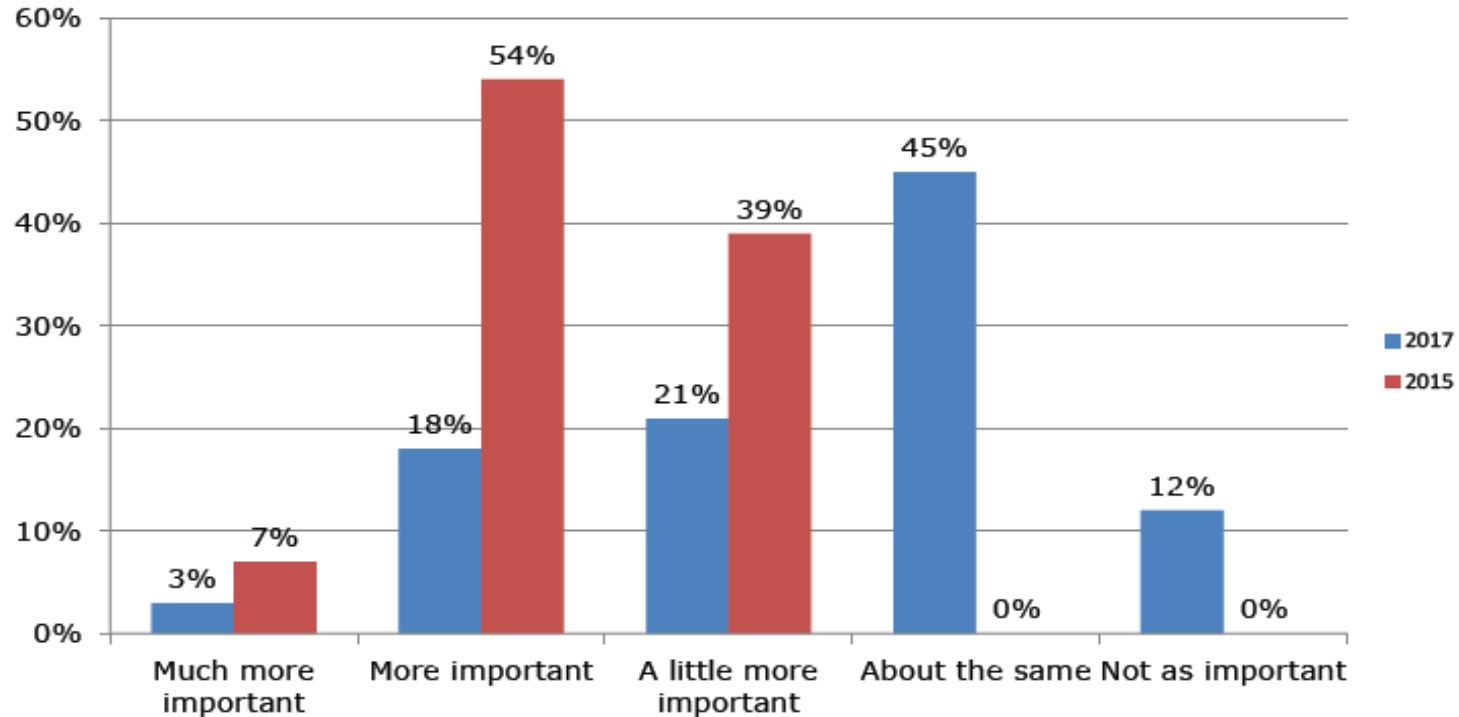
Current Importance of Private Exchanges



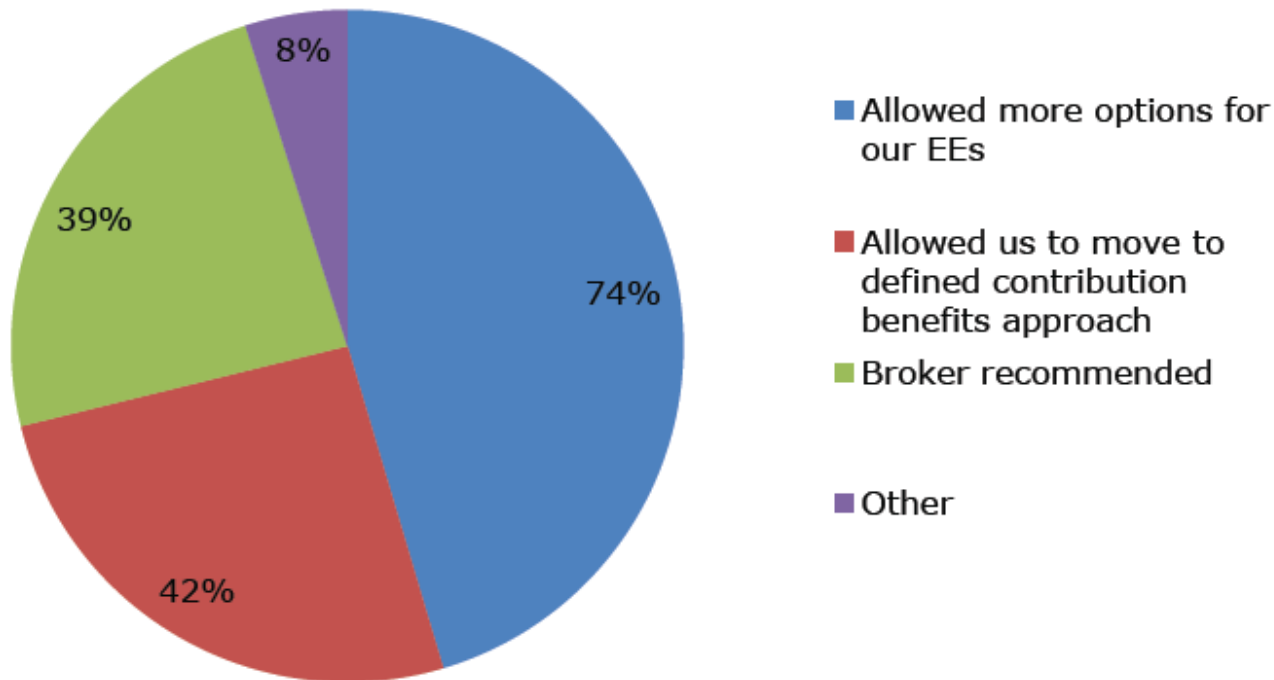
~25% shift from
perceiving as
important in higher
to “not very
important”

Sales Trends: Executive Perspective

Importance of Private Exchanges in Five Years



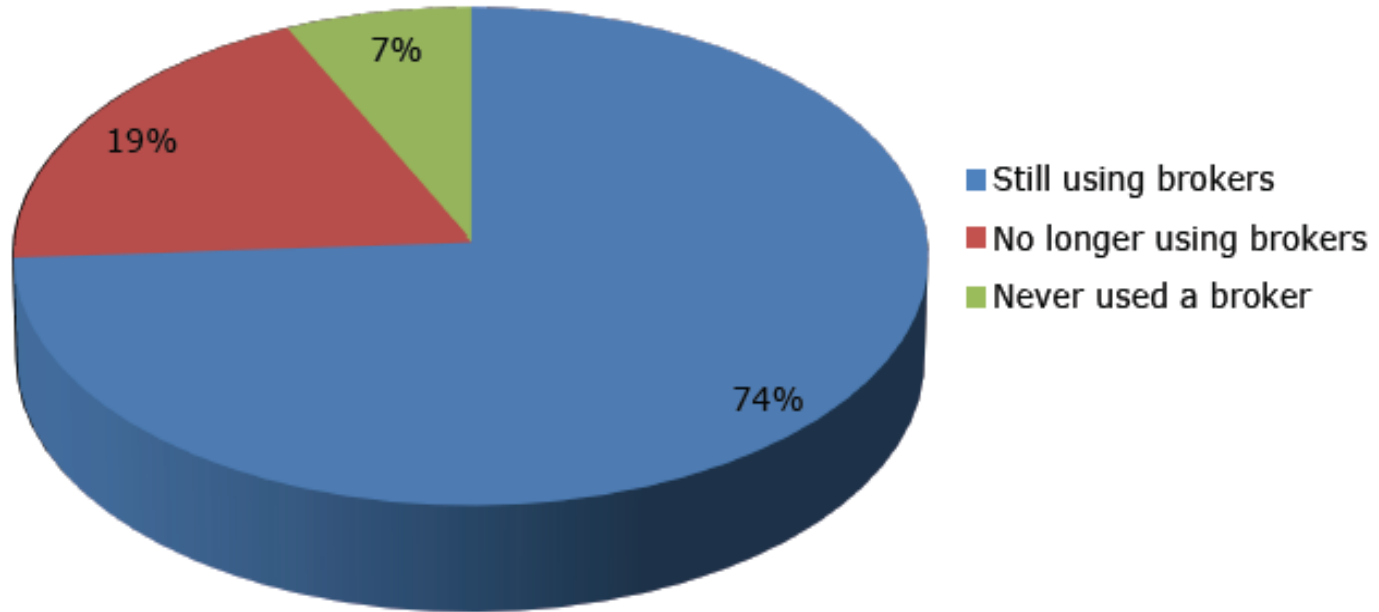
Employers: Reasons for Moving to a Private Exchange 2016



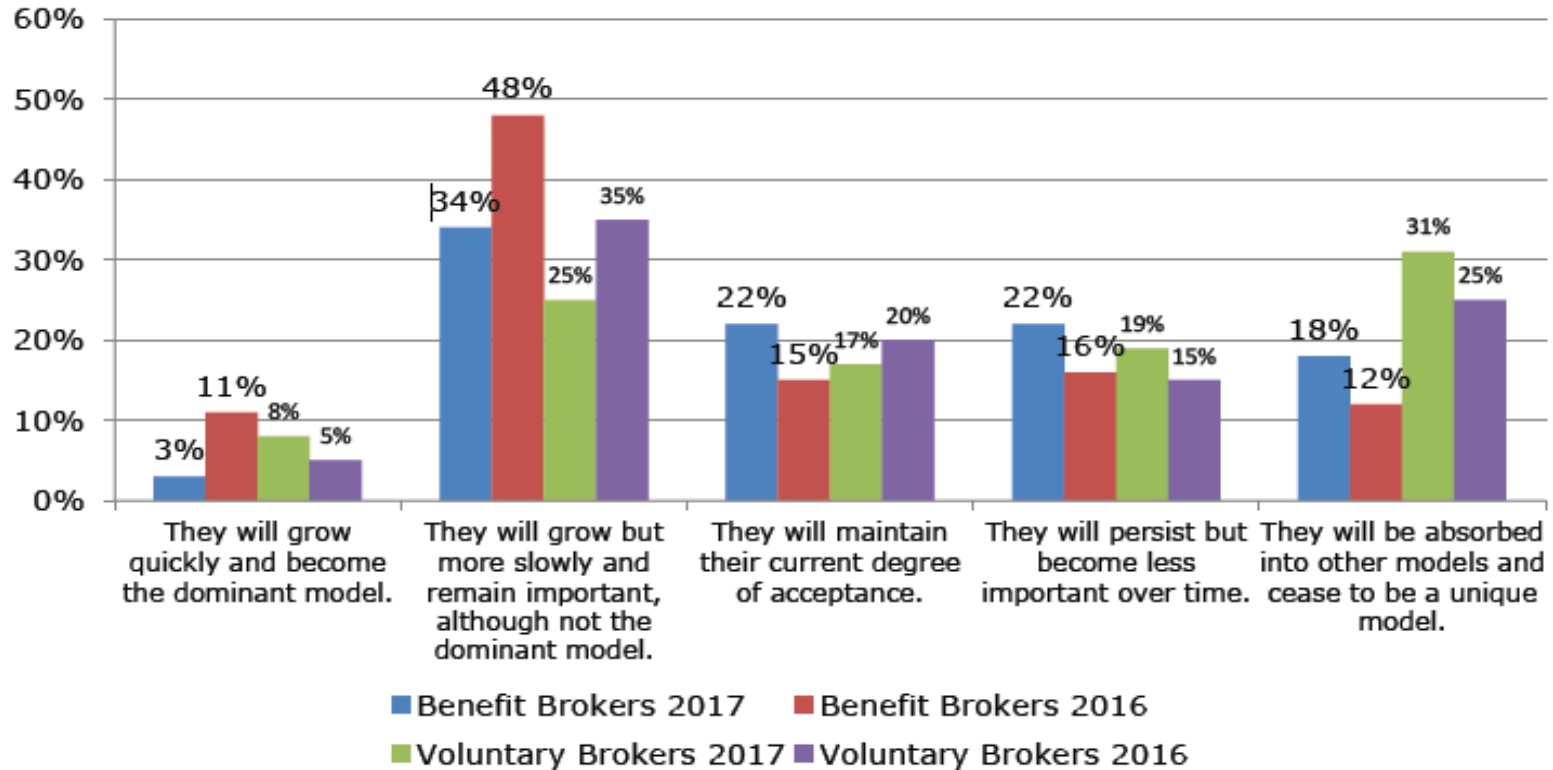
Employers: Openness to Using Private Exchanges 2016

	10-49 EEs	50-100 EEs	101- 500 EEs	501- 1,000 EEs	1,001- 2,499 EEs	2,500- 9,999 EEs	10,000 + EEs
Open for core and voluntary benefits	21%	22%	34%	21%	38%	31%	48%
Open for core only	5%	4%	9%	8%	8%	10%	0%
Open for voluntary only	3%	4%	11%	6%	12%	15%	16%
Not interested in or open to PEX	40%	45%	34%	45%	26%	34%	18%
Don't know	31%	24%	12%	19%	16%	10%	19%

Employers: Broker Usage Since Using Private Exchange 2016



Brokers: Future Importance of Private Exchanges



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

Where is the Opportunity for VB?

	Private Exchanges	Ben Admin Platform
Broader Access for Benefits	+	+
Support Tools for Decisions	+	+
Digital Experience	+	+
Connecting Solutions to Outcomes	+	+



**SOCIETY OF
ACTUARIES®**