



a new way of seeing

PRIVATE HEALTH INSURANCE EXCHANGES

THE LARGE EMPLOYER PERSPECTIVE

ABOUT THE SURVEY

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

The companies surveyed represent nearly three million employees and 5.9 million covered members, with a median employee population of 23,000. Approximately 75% of the companies that responded to the survey are ranked in the Fortune 1000, with several listed in the top 50.

KEY LEARNINGS

The survey shows that Large Employers remain 'fully committed' to providing an array of company-sponsored benefits and express a mixed reaction to private health insurance exchanges.

Key survey findings include:

- Employer-sponsored benefits are viewed as a strategic asset
- The perspective of Large Employers on private exchanges is evolving, and confidence and interest is varied
- Cost is the driving factor in considering moving to a private exchange
- The majority of Large Employers want to remain self-insured if they move to a private exchange

CHANGING MARKETPLACE

The survey represents current views of the private exchange marketplace of a select number of Large Employers. As the marketplace matures, it will be interesting to further understand the following:

- What, if any, will be the actual cost savings or cost avoidance achieved by moving to a private exchange?
- What are the key concerns driving skepticism of private exchanges and can they be alleviated by market forces?
- Will Large Employers' preference to stay self funded in the private exchange change? Will further knowledge and good financial experience of fully-insured plans change this preference?

SELECT SURVEY RESULTS



87% OF LARGE EMPLOYERS SEE BENEFITS AS A STRATEGIC ASSET

Despite all the changes Large Employers are facing in the wake of the Affordable Care Act (ACA), as well as all the questions being raised, most view their benefits as a strategic asset. Any proposed changes in what benefits are offered and how they are delivered will require a significant amount of analysis.

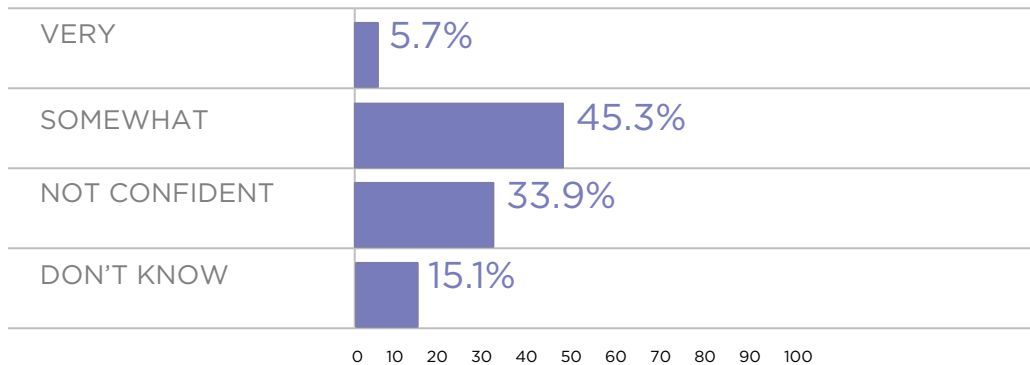
Benefits are viewed by our company as:



NOT ALL LARGE EMPLOYERS ARE CONFIDENT IN PRIVATE EXCHANGES

Nearly half (49%) of respondents indicate that they are not confident or don't know when asked to rate their level of confidence that private exchanges will provide a viable alternative to current methods of providing health insurance to employees. Less than 6% said they are "very" confident.

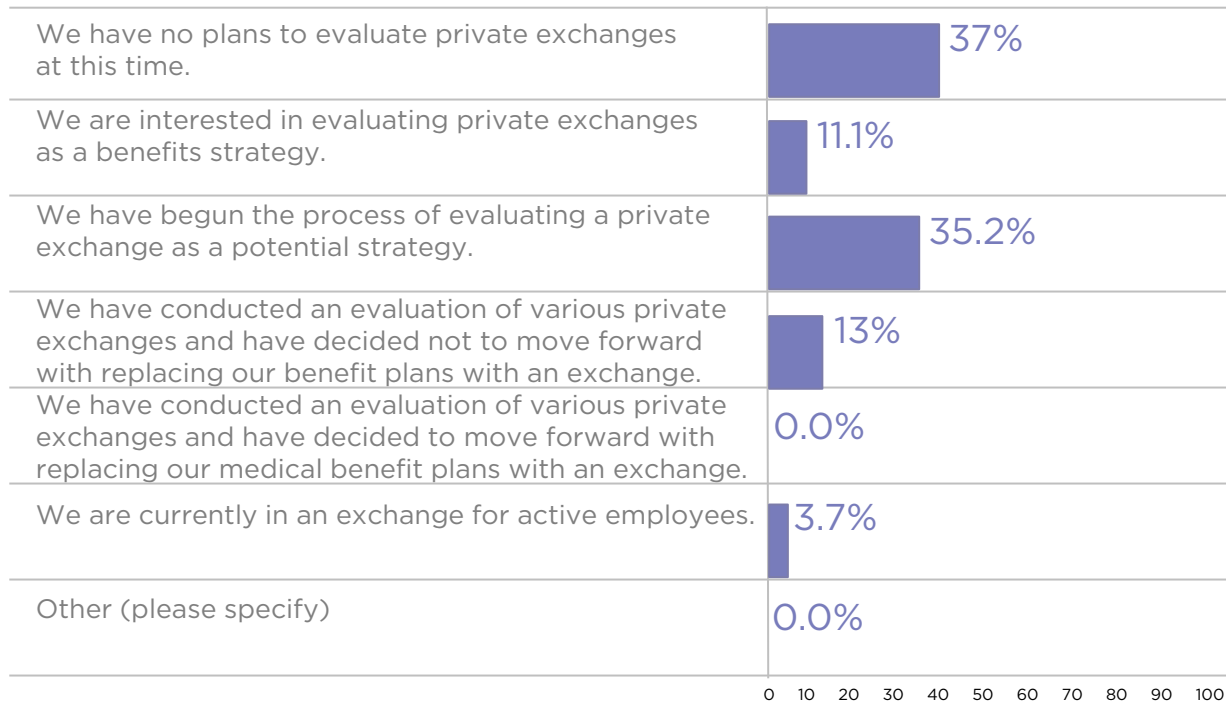
How would you rate your level of confidence that health insurance exchanges will provide a viable alternative to the current methods of providing health coverage to active employees?



THERE IS INTEREST IN BUT NOT COMMITMENT TO PRIVATE EXCHANGES

The current level of interest in private exchanges is split, with half showing some level of interest and the other half indicating no interest at this time. Currently, a little more than one-third (37%) have no plans to evaluate private exchanges and 13% have conducted an evaluation and decided not to move forward with an exchange as a replacement to their current medical benefit plan. However, 35% indicated that they have begun to evaluate private exchanges as a potential benefits strategy for active employees, 11% are interested in evaluating exchanges and 3% are currently in an exchange.

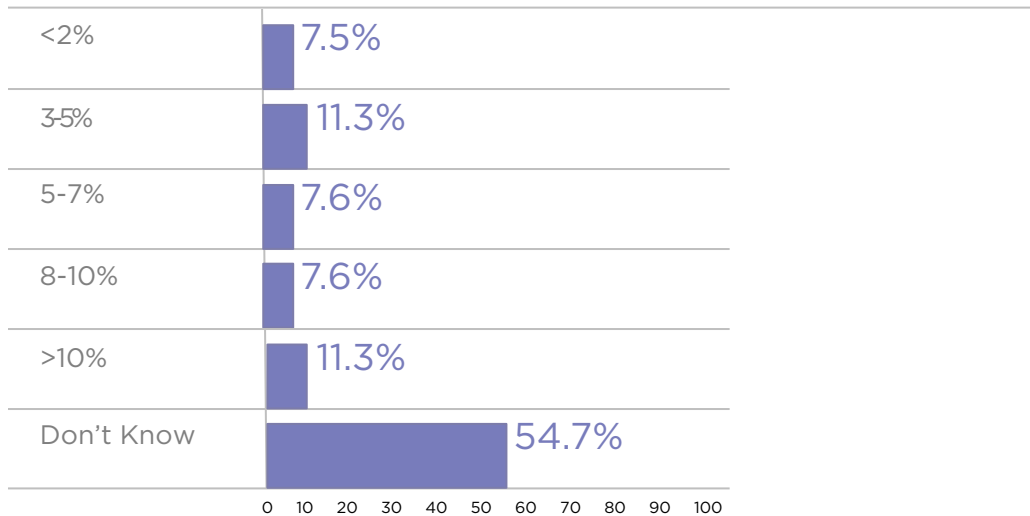
How would you describe your company's level of interest in these exchanges for ACTIVE employees?



EMPLOYERS KNOW THEY WANT COST SAVINGS BUT THEY DON'T KNOW HOW MUCH SAVINGS TO EXPECT

Large Employers are undecided about how much cost savings they want to achieve from moving to an exchange. Of those who say they expect a cost savings from moving to a private exchange, more than 50% say they don't know how much savings their company would have to realize. 11% are looking for a 10% or greater savings, while another 11% are looking to save 3-5%.

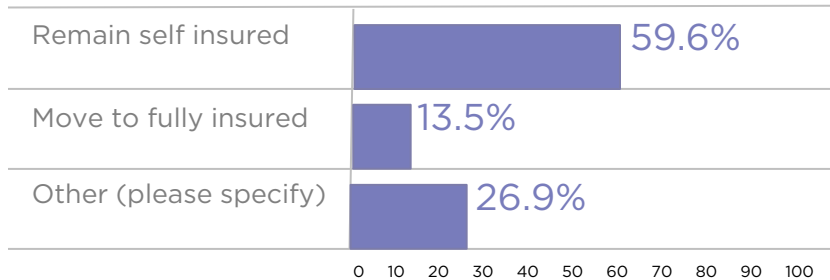
From a cost savings perspective, what percent of savings against current medical spend would your organization have to realize in Year 1 to move to an exchange?



EVEN IF LARGE EMPLOYERS MOVE TO A PRIVATE EXCHANGE THEY WANT TO REMAIN SELF INSURED

When Large Employers were asked their preference regarding plan funding if their company were to move to a private exchange, assuming the company is currently self insured, 60% indicated that they would want to remain self insured. Less than 15% said they would move to fully insured. The remaining 27% were undecided but cited concerns about moving to fully-insured products for various reasons, such as the ability to manage administrative and state requirements and the long-term cost effectiveness for fully-insured products.

Assuming your company is currently self insured for medical coverage and the company moves to a private exchange, what would be your preference regarding plan funding?

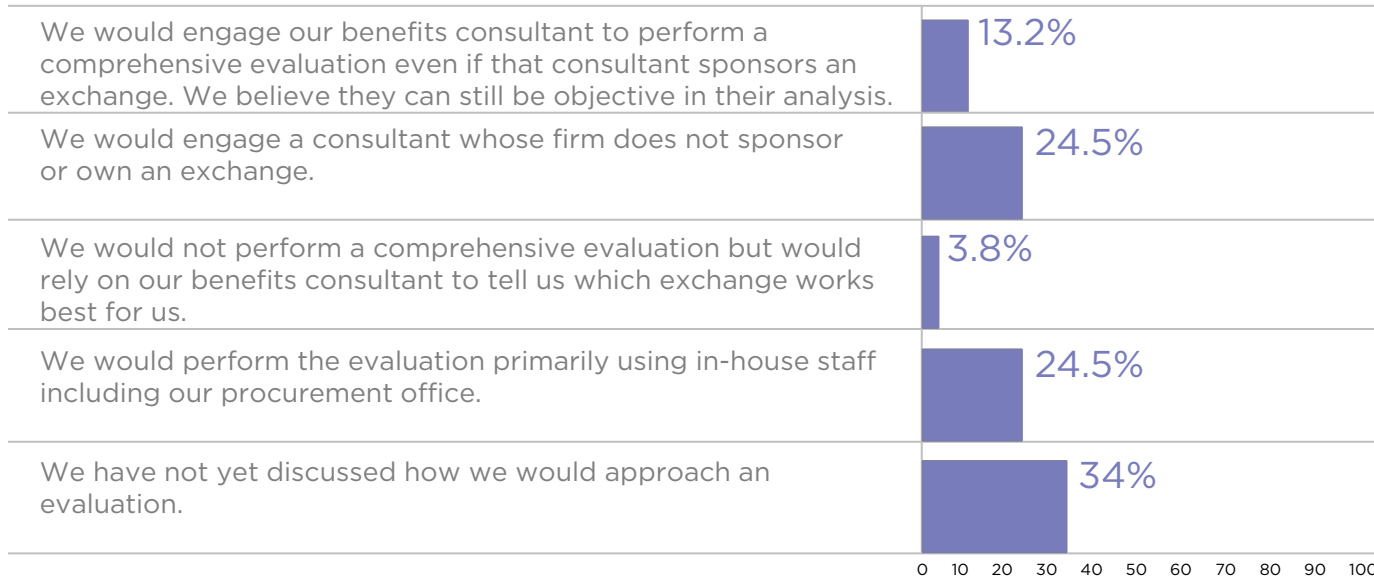


LARGE EMPLOYERS ARE ALSO UNDECIDED

ON HOW THEY WILL EVALUATE PRIVATE EXCHANGE VENDORS

The majority of respondents (34%) indicate they have not even discussed how they would evaluate exchange vendors. Nearly one-fourth (24.5%) plan to perform the evaluation using in-house staff. Of the more than 40% of respondents who indicate that they will seek help from a consultant to do the evaluation, most of those (90%) say they want an objective analysis.

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



SURVEY METHODOLOGY AND DEMOGRAPHICS

- The survey was conducted from early February to mid-March, 2014.
- The 30-question survey focused exclusively on capturing the current perspective on private health insurance exchanges from some of the largest employers in the United States.
- The companies surveyed represent nearly three million employees and 5.9 million covered members, with a median employee population of 23,000.
- Approximately 75% of the companies that responded to the survey are ranked in the Fortune 1000, with several listed in the top 50.
- 130 Large Employers received the survey; 58 responded, for a response rate of 45%.
- Respondents were senior human resource or benefits executives with decision-making authority within their organizations.

For more information on the survey, contact Pacific Resources, at info@pacresbenefits.com.