

# **PRIVATE HEALTH INSURANCE EXCHANGES**

**WHAT EMPLOYERS THINK ABOUT EXCHANGES IN 2016**

**EXECUTIVE SUMMARY**

# ABOUT THE SURVEY

Pacific Resources conducted its third annual survey to capture 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, 2015 and 2016. The companies surveyed over all three years represent all industries. Many are ranked in the Fortune 1000, with several listed in the top 50.

In response to what we have seen in the marketplace, we invited some smaller employers (under 5,000) to participate in the survey. We also differentiated 2016, in between Non-Medicare eligible retirees and Medicare eligible retirees.

Respondents were senior human resource or benefits executives with decision-making authority within their organizations. The companies surveyed represent more than 1.2 million active or retired employees and 2.8 million covered members.

# LARGE EMPLOYER PRIVATE EXCHANGE SURVEY

## KEY LEARNINGS IN 2016

- Most employers indicate that they have a good understanding of private exchanges.
- The top three attributes of a private exchange are:
  - Multiple carriers
  - Benefits administration
  - Defined contribution strategy
- Cost is still the driving factor for considering a move to an exchange; employee choice and administrative ease are also important.
- Fewer employers are interested or confident in exchanges as a strategy for active employees.
- Exchanges are perceived as a better option for the retiree population, particularly for Medicare eligible retirees.
- Employers want help evaluating exchange vendors.
  - Nearly half want independent advice
  - A third indicated that they would engage their benefits consultant even if that consultant sponsors an exchange

# SURVEY RESULTS

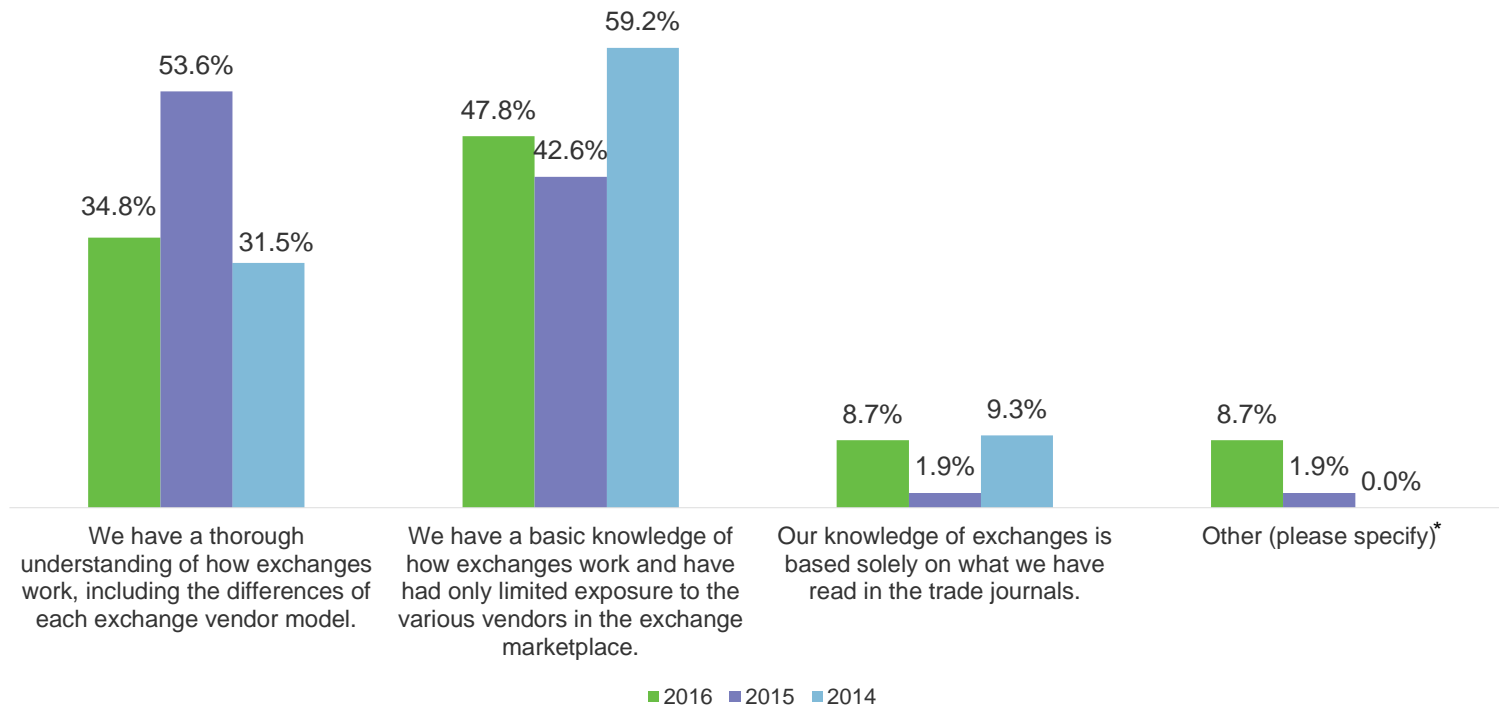


a new way of seeing

# UNDERSTANDING OF EXCHANGES

FOR THE MOST PART, EMPLOYERS UNDERSTAND EXCHANGES

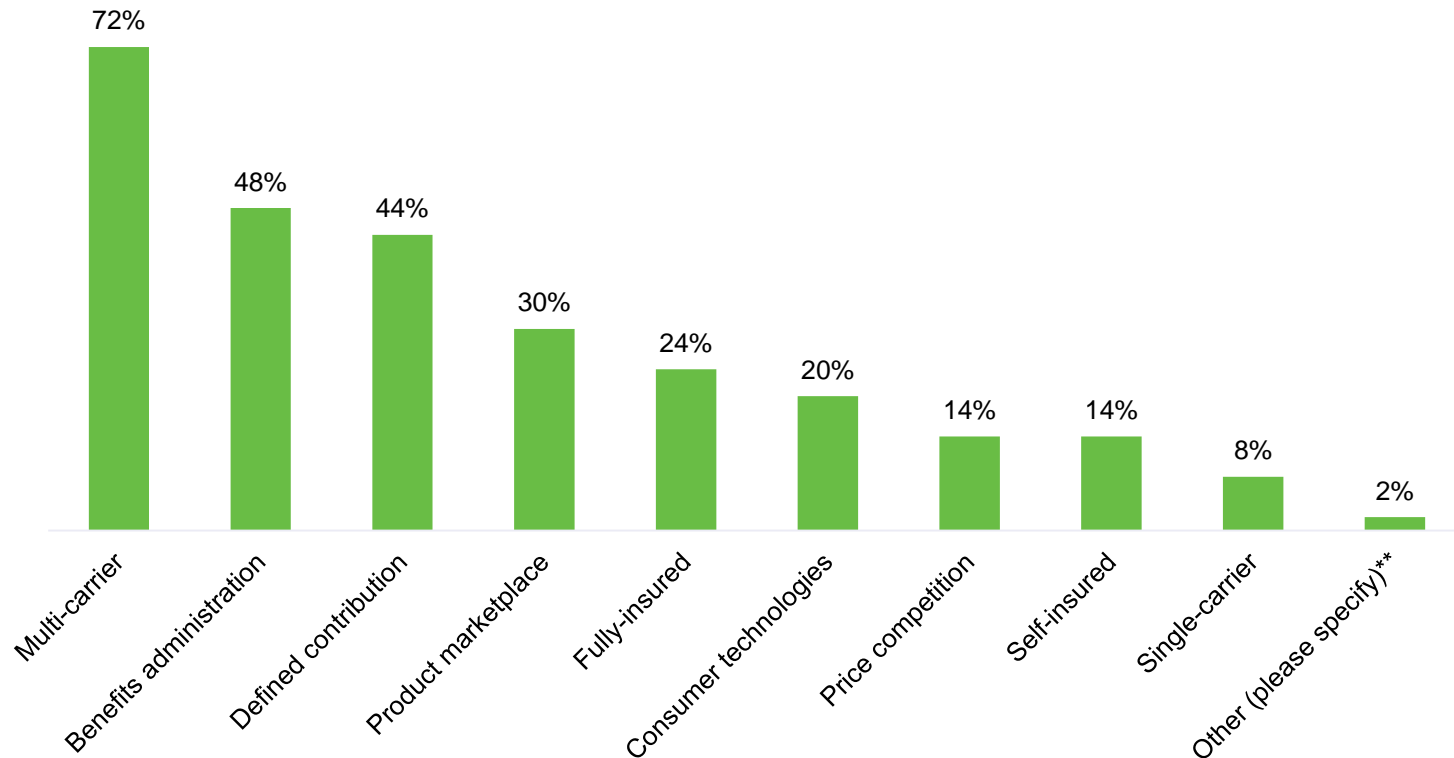
**How would you assess your company's understanding of the opportunities, challenges and decisions required to move to a private exchange?**



# DEFINITION OF AN EXCHANGE

AN EXCHANGE SHOULD OFFER MULTIPLE CARRIERS, BENEFITS ADMINISTRATION, AND A DEFINED CONTRIBUTION STRATEGY

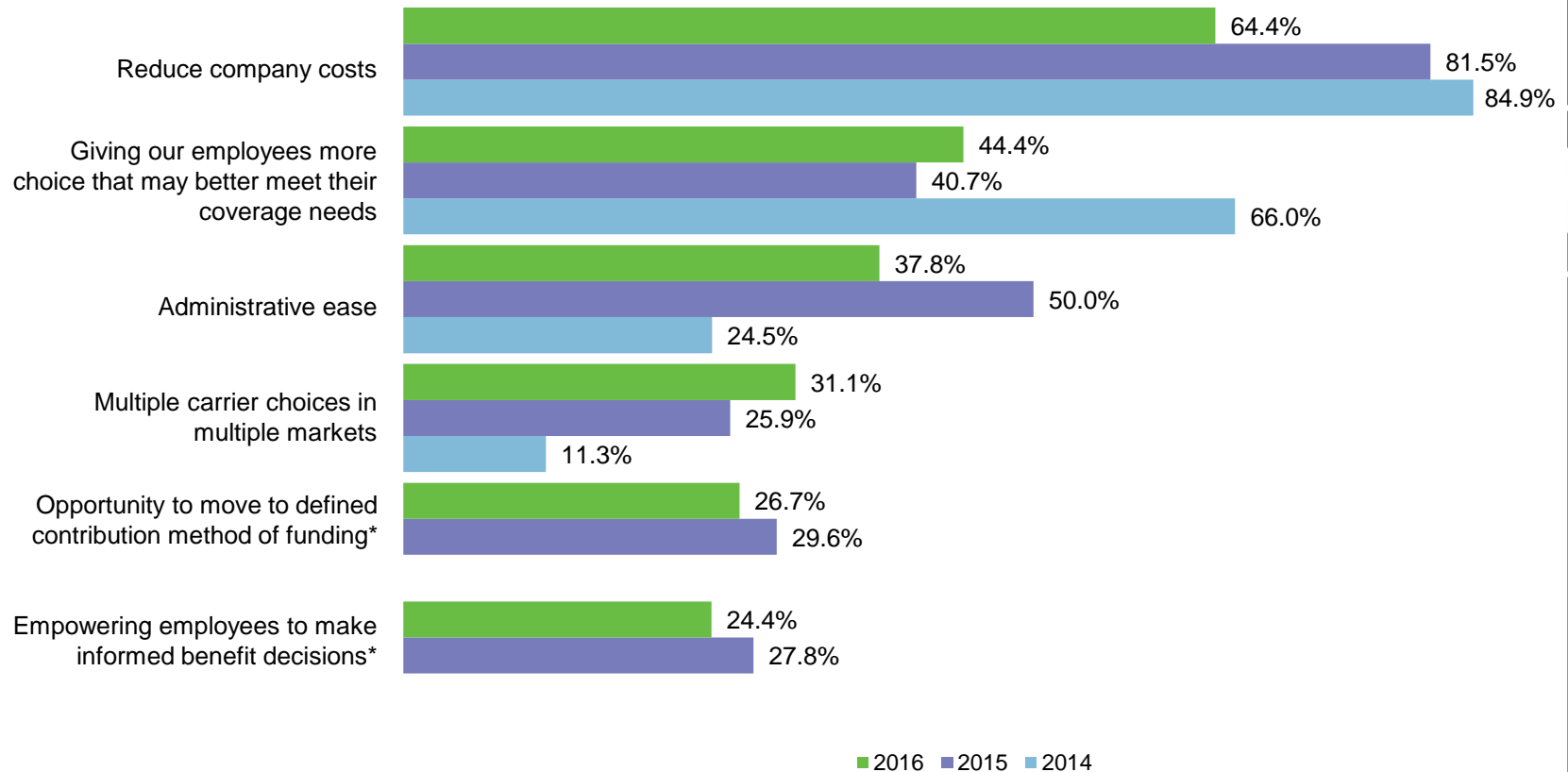
**When you think about the definition of a private exchange, which of the following attributes fit your definition?\*** (Please select your top three attributes.)



# REASONS FOR MOVING TO AN EXCHANGE

## COST STILL DRIVING FACTOR; EMPLOYEE CHOICE AND ADMINISTRATIVE EASE STILL IMPORTANT

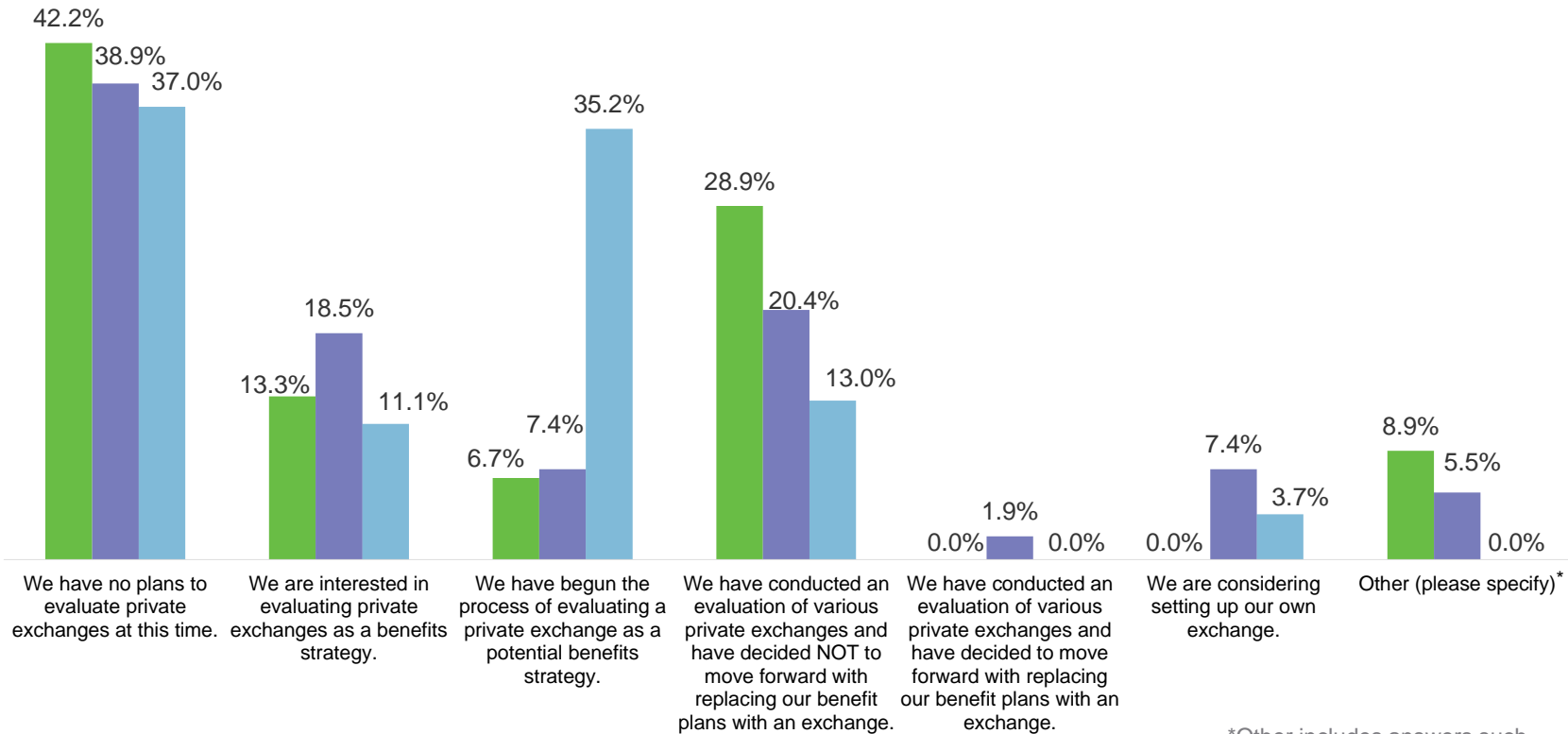
**Of the following reasons, which would rank as most important in your company's decision to move to an exchange? (select up to 5)**



# INTEREST LEVEL FOR ACTIVE EMPLOYEES

FOR ACTIVE EMPLOYEES, MORE THAN 70 PERCENT OF RESPONDENTS HAVE NO PLANS TO EVALUATE EXCHANGES OR HAVE EVALUATED AND DECIDED NOT TO MOVE TO AN EXCHANGE

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



■ 2016 ■ 2015 ■ 2014

\*Other includes answers such as "We will continue to monitor."

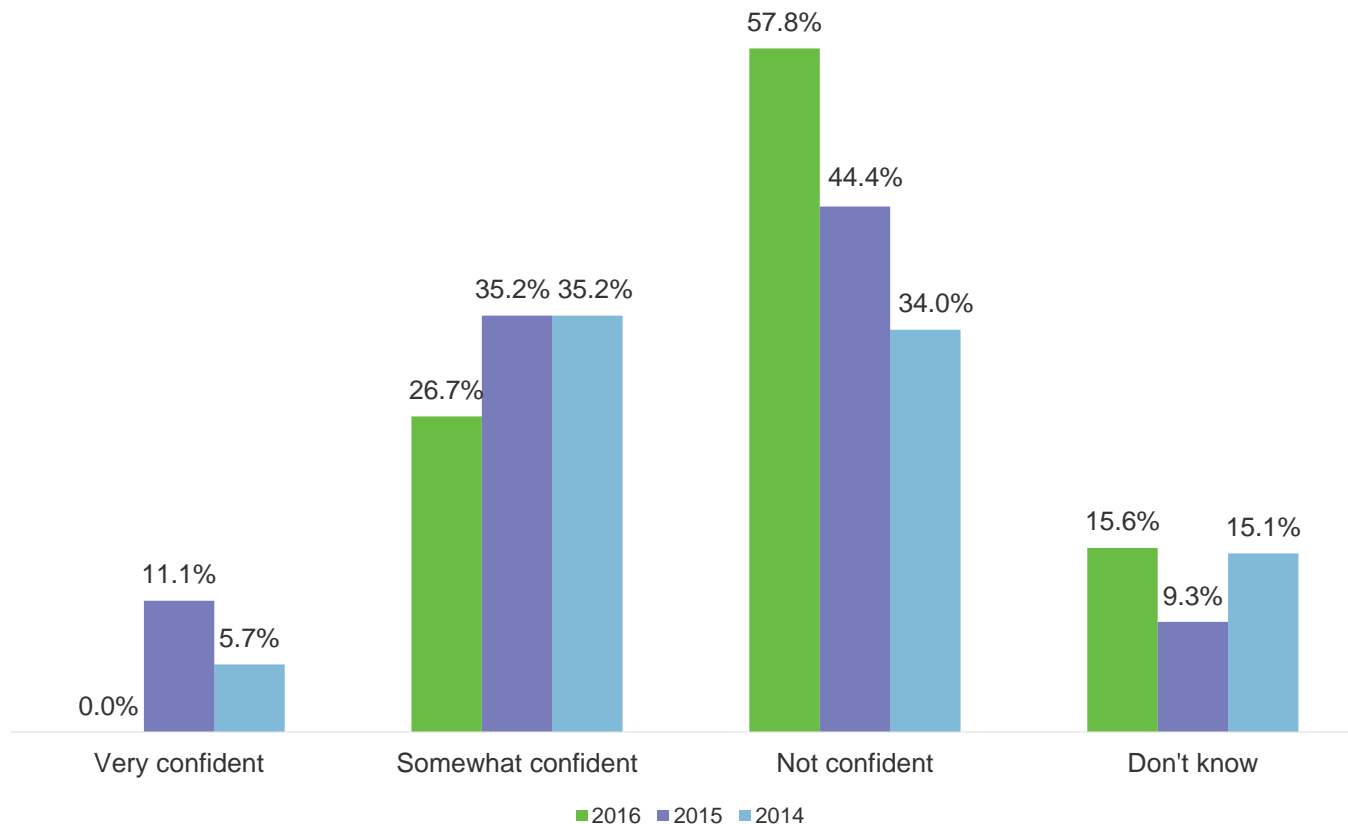




# LACK OF CONFIDENCE FOR ACTIVE EMPLOYEES

THE PERCENTAGE OF EMPLOYERS WHO LACK CONFIDENCE THAT AN EXCHANGE WILL PROVIDE A VIABLE ALTERNATIVE FOR PROVIDING HEALTH BENEFITS HAS NEARLY DOUBLED SINCE 2014.

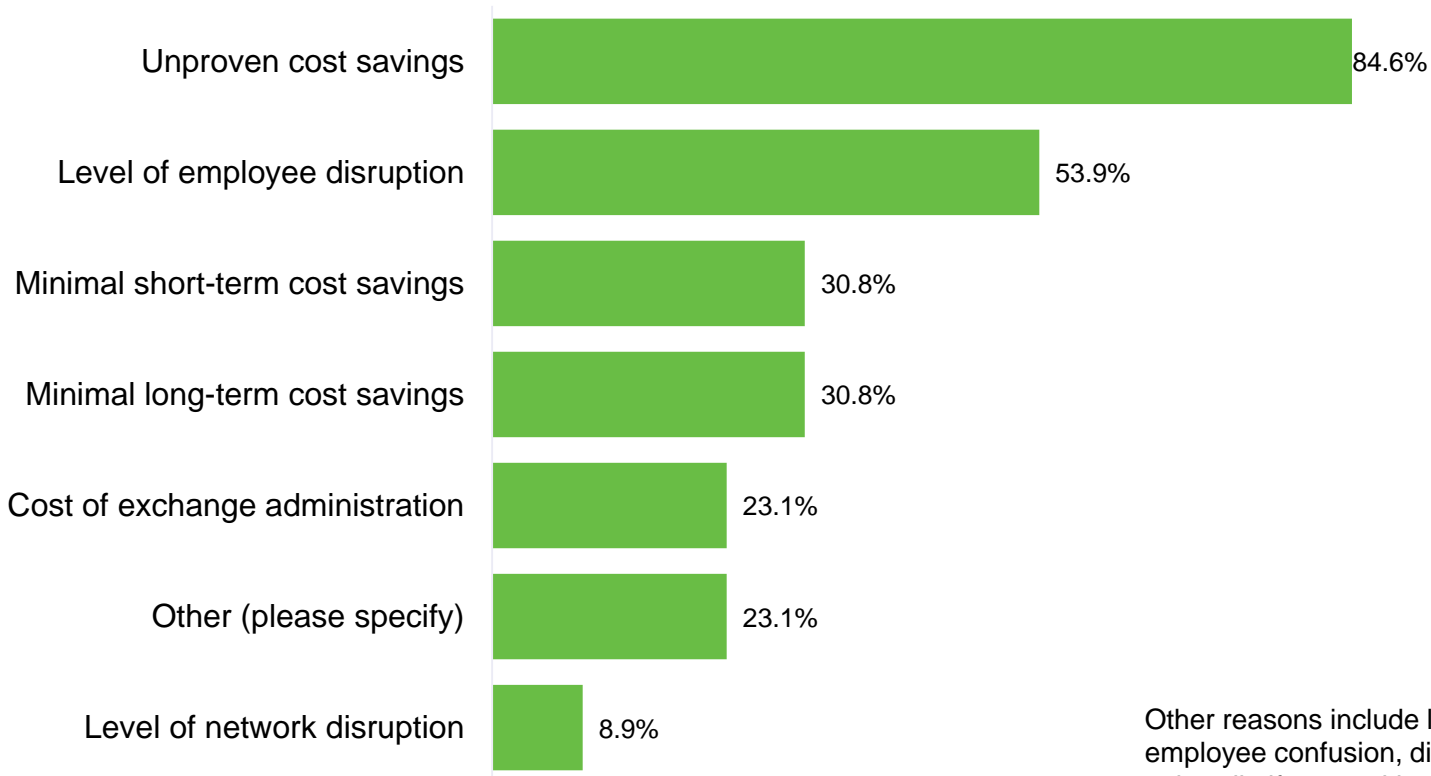
**How confident are you that private exchanges will provide a viable alternative to your current methods of providing health coverage to active employees?**



# WHY NOT MOVE ACTIVE EMPLOYEES

UNPROVEN COST SAVINGS IS THE MAIN REASON EMPLOYERS ARE NOT MOVING ACTIVE EMPLOYEES TO AN EXCHANGE

**If you conducted an evaluation of various private exchanges and decided NOT to move forward with an exchange for ACTIVE employees, please indicate the reasons why. (select all that apply)**



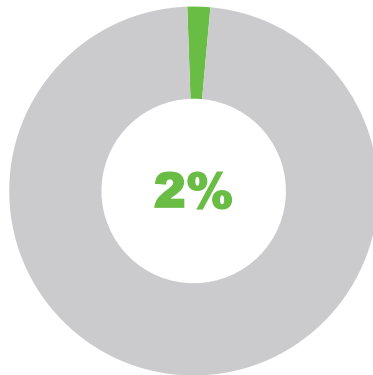
Other reasons include loss of control, employee confusion, difficult to unbundle if not working

# MORE RETIREES THAN ACTIVES ON EXCHANGE

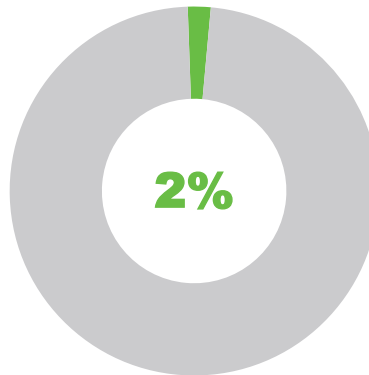
## TREND FROM PREVIOUS YEARS CONTINUES

**What percentage of your population is on a private exchange?**  
(enter a whole number)

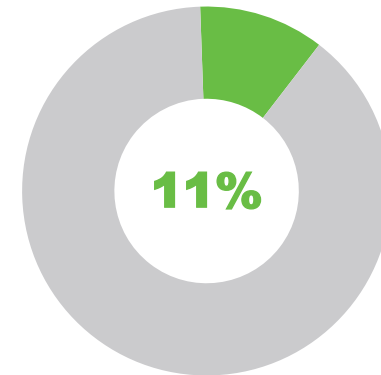
**Active  
Employees**



**Non-Medicare  
Eligible Retirees**



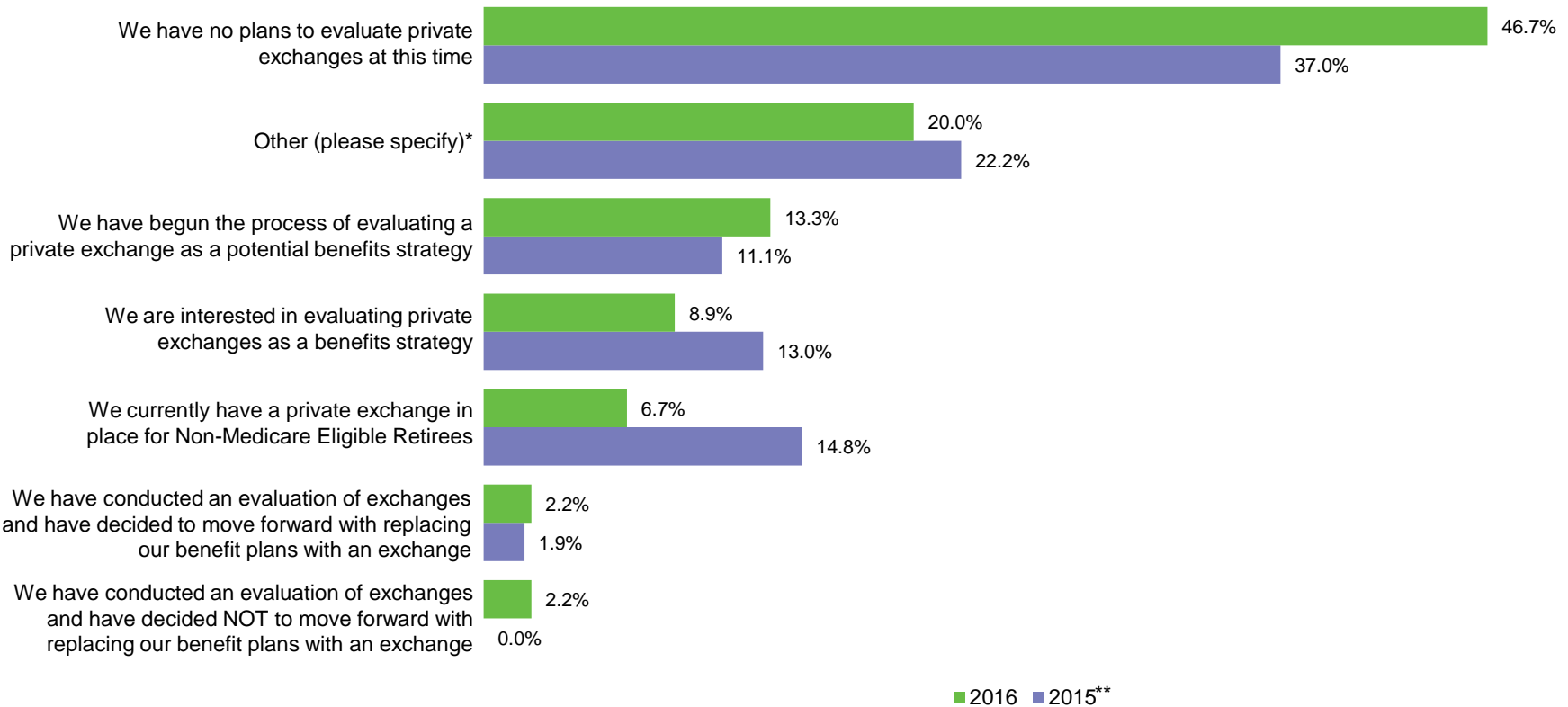
**Medicare Eligible  
Retirees**



# INTEREST IN EXCHANGES

NEARLY HALF OF RESPONDENTS HAVE NO PLANS TO EVALUATE PRIVATE EXCHANGES FOR NON-MEDICARE ELIGIBLE RETIREES

## How would you describe your company's level of interest in private exchanges for Non-Medicare Eligible Retirees?



\*Many of the "other" responses indicated that respondents do not offer benefits to retirees

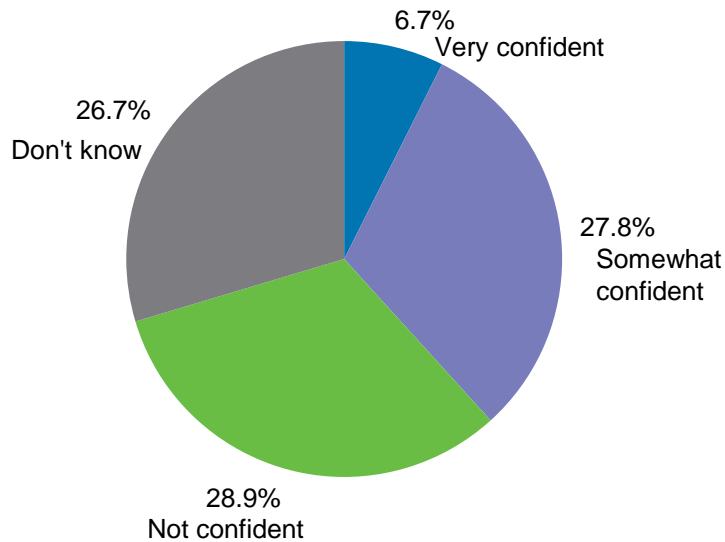
\*\*In 2015, we did not specifically ask about Non-Medicare eligible retirees and Medicare eligible retirees.

# CONFIDENCE IN EXCHANGES

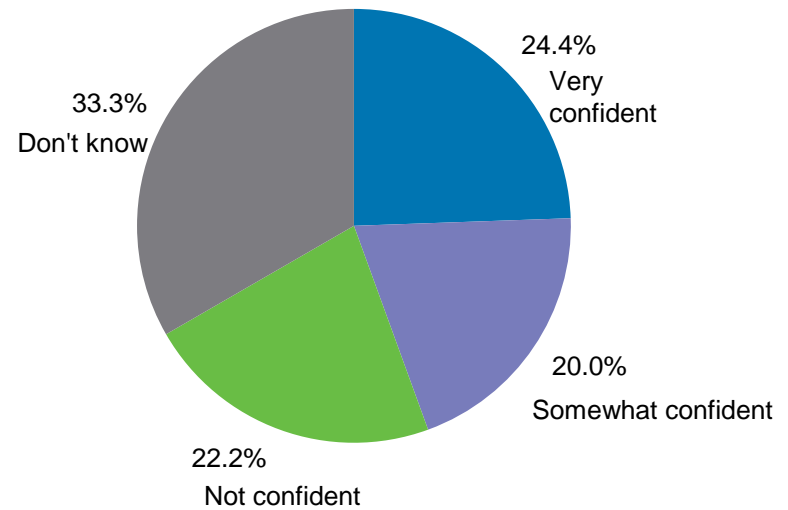
CONFIDENCE VARIES DEPENDING ON WHETHER RETIREES ARE ELIGIBLE FOR MEDICARE

**How confident are you that private exchanges will provide a viable alternative to your current methods of providing health coverage to:**

**Non-Medicare Eligible Retirees**



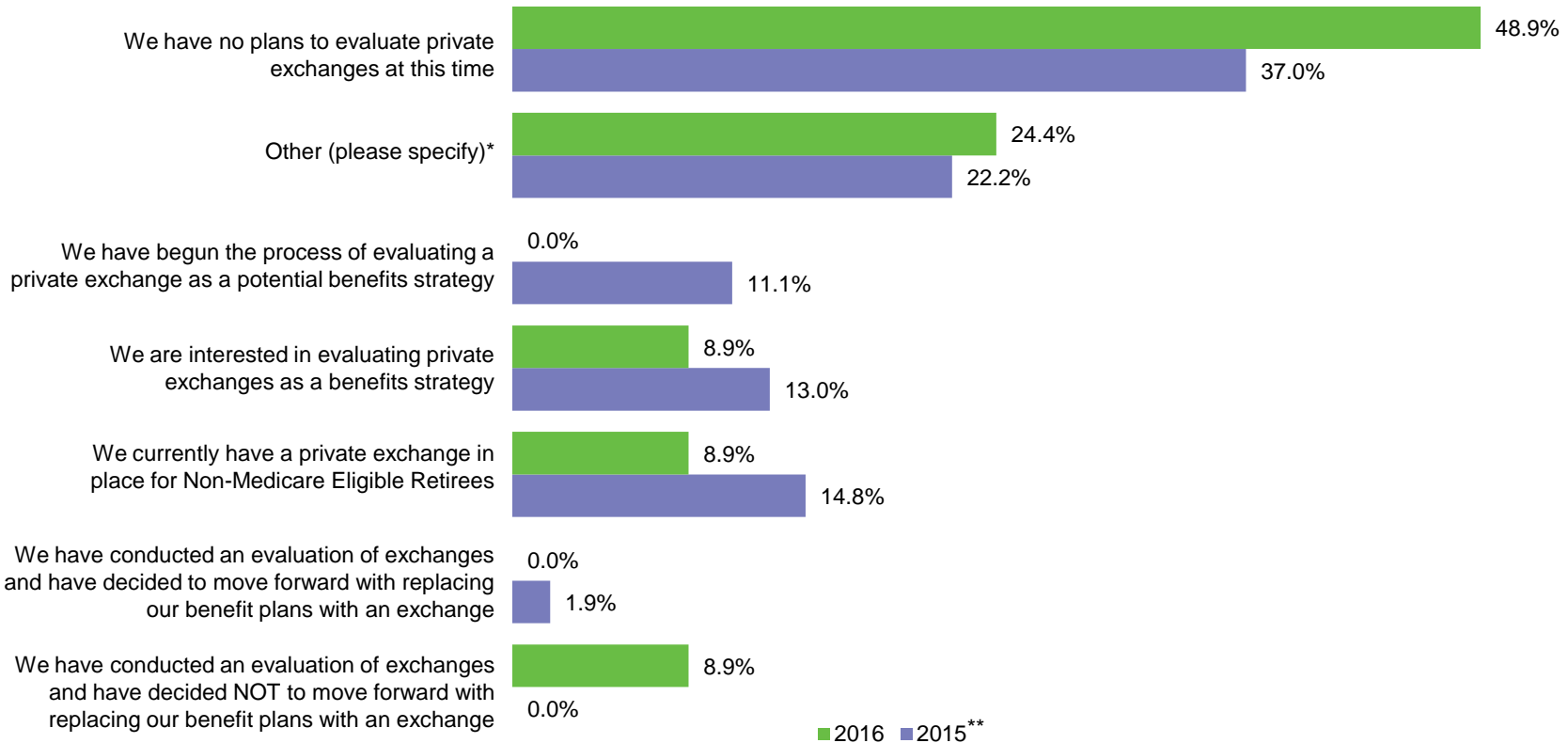
**Medicare Eligible Retirees**



# INTEREST IN EXCHANGES

NEARLY HALF OF RESPONDENTS HAVE NO PLANS TO EVALUATE PRIVATE EXCHANGES FOR MEDICARE ELIGIBLE RETIREES

## How would you describe your company's level of interest in private exchanges for Medicare Eligible Retirees?



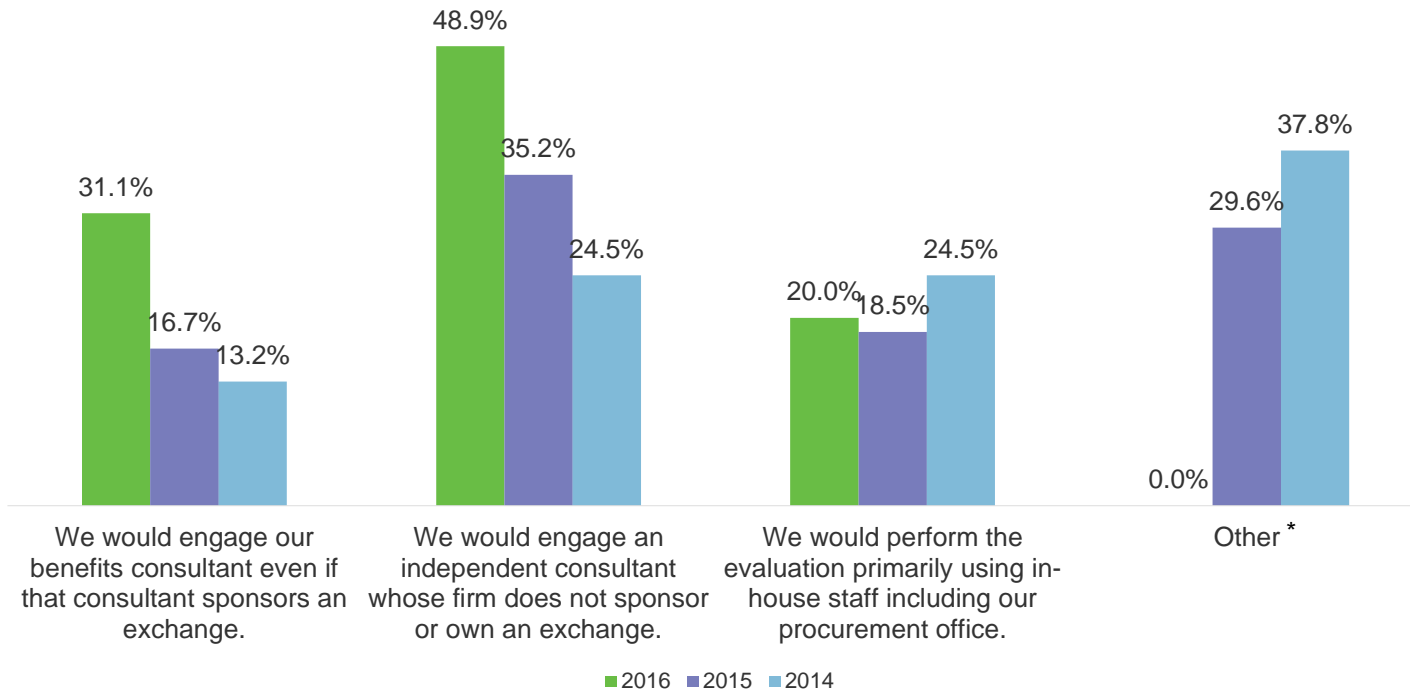
\*Many of the "other" responses indicated that respondents do not offer benefits to retirees

\*\*In 2015, we did not specifically ask about Non-Medicare eligible retirees and Medicare eligible retirees.

# EMPLOYERS SEEK HELP EVALUATING EXCHANGES

80% OF EMPLOYERS NEED EXPERT ASSISTANCE AND NEARLY HALF INDICATE THEY WANT INDEPENDENT ADVICE

**Which one of the following responses best describes how your company would, or did, evaluate a private exchange vendor?**



\*Other could be:

- We have not yet discussed how we would approach an evaluation
- We would not perform a comprehensive evaluation but would rely on our consultant to tell us which exchange would work for us



# ABOUT PACIFIC RESOURCES

## **Pacific Resources**

Pacific Resources is a leading independent employee benefits advisory firm that works with Fortune-ranked and other large companies. For over four 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 and their families.

<http://www.pacresbenefits.com/>

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





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