

# ***EXECUTIVE SUMMARY***

## ***Survey Findings Employer Views of Private Exchanges and Excise Tax Delay***

**2015 Employer Survey**



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# *Introduction*

Employers continue to explore private exchanges to lower health care costs, reduce their administrative burden and improve the employee experience through increased benefit choices. A variety of brokers, consultants, payers and other intermediaries are offering private exchanges, creating a potential conflict of interest among these service providers. As a result, employers are seeking independent information and advice as they evaluate potential private exchange strategies and the vendors that could support them.

The Private Exchange Evaluation Collaborative (PEEC) is an initiative launched by four leading nonprofit business coalitions (Employers Health Coalition, Midwest Business Group on Health, Northeast Business Group on Health, and Pacific Business Group on Health) and PricewaterhouseCoopers (PwC). This PEEC survey provides employers with an objective source of information as they assess potential private exchange strategies and the vendors they may use to implement such a strategy. This year is the third year of the survey and includes some of the experiences of early adopters.

The survey is intended to help employers understand how their peers are thinking about private exchanges, their timelines for consideration, and what features they view as critical, and to highlight what types of information about private exchanges are most important to employers. This report summarizes the results of that survey based on over 350 employers (28% with less than 500 employees, 21% with 500 – 2,499 employees, 23% with 2,500 – 9,999 employees, and 28% with over 10,000 employees) from 34 different industries across the nation.

In addition, PEEC surveyed 129 employers in January 2016 after the delay in the excise tax implementation was announced, to understand how this delay may have changed their views or intentions related to private exchange and other benefit and worksite activities.

# *Section 1: Key Findings*

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*Key Finding #1*

*Key Finding #2*

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*Key Finding #5*

# Key Finding #1

## Interest in private exchanges for full time employees remains strong, while the public exchange remains an option for “other” employee groups.

- 46% of employers have implemented or plan to consider utilizing a private exchange for full-time active employees before 2019, down from 47% last year
  - 6% have already implemented and 40% plan to consider before 2019
  - 41% of respondents have implemented or are considering a private exchange for their post-65 retirees, with implementers up from 14% in 2014 to 18% in 2015 and 23% still considering
  - 50% of employers with less than 10,000 employees have implemented or are considering a private exchange
  - 10% of employees with less than 500 employees have already implemented a private exchange and 28% already use a defined contribution (DC) approach
- Over half of employers (53%) agreed that if an industry peer moved to a private exchange they would be more likely to do so
  - Over 60% of employers with 500 -9,999 agreed they would be more likely to move to a private exchange if an industry peer did
- The rate of employers considering the public exchange for full-time active employees hasn't changed year over year (16% in 2014 and 2015)
  - 26% in 2014 and 2015 have implemented for COBRA (vs. 6% in 2013)
  - 16% in 2014 and 2015 have implemented for part-time employees (vs. 10% in 2013)
  - 14% have implemented for pre-65 retirees (vs. 11% in 2014 and 6% in 2013)
  - 11% have implemented for disabled employees (vs. 9% in 2014 and 3% in 2013)
- Benefits consultants offering exchanges continue to have the most recognized solutions

# Key Finding #2

**Key attributes considered when evaluating private exchanges have remained stable from 2014 to 2015, with high priority placed on cost, customer experience, and networks.**

- Compared to 2014 the same percentage of employers in 2015 say cost is a key consideration when evaluating private exchanges:
  - 98% of respondents say the cost of plan design options is important in considering a private exchange
  - 96% say fee levels are important
  - 93% say disclosure of exchange fees and revenue is important
  
- 2015 survey results revealed employers still agree on many of the important elements of a private exchange (see table)
  
- Key elements of the customer experience are
  - Tools that aid in plan selection (97%)
  - Member ease of use (97%)
  - Call center for customer service (95%)
  - Employee communication support (93%)
  - Tools that aid in accessing/using the health care system (91%)
  
- While broad networks remain an important plan feature (92%), employers also identified the following network constructs as important:
  - High performing networks (90%)
  - Centers of Excellence (82%)
  - Integrated delivery models (i.e., PCMH, ACOs) (72%)
  - Narrow networks (50%)

Capabilities Rated Above 80% as Somewhat or Very Important to Employers		
Enrollment & eligibility maintenance	Portal integrated with carrier data	Member advocacy
Implementation assistance	Experience & track record	Savings to employers
Reduce Benefits Staff's Admin. Effort	Member satisfaction	Level and transparency of fees
Call center/ Instant chat	Compliance capabilities	Data warehouse & reports
Transparency tools	Cost of plan options	Variety of options & designs

# Key Finding #3

**Early adopters have the same priorities as those currently considering a private exchange, and almost half said they were able to save money.**

- Top 3 reasons cited for implementing a private exchange remained the same from 2014 to 2015:
  - Reducing health care costs
  - Providing consumer choice
  - Reducing HR/Benefits administrative burden

• 44% of implementers say they saved money

Implementers saved money:		
9% said they saved more than 10%	22% said they saved between 5% - 10%	13% said they saved <5%
25% don't know if they saved money		6% said it cost more than expected

- 41% of implementers used a multi-carrier network strategy, while 36% used a single national carrier
  - 63% agreed employees were able to maintain existing providers
  - 63% agreed employees valued having more choice in health plans and benefit options

- Top considerations for early implementers:
  - **Financial:** cost of plans, level and disclosure of fees, and self-insured option were the top considerations
  - **Member Experience:** ease of use, call center support, and tools that aid in plan selection were the top three features
  - **Care Delivery:** broad networks were the most important, followed by high performing networks, integrating wellness incentives, and a common disease management program across all plans
  - **For post-65 retirees:** provide low cost alternatives to retirees, enhance plan choice, and reduce FAS 106 liability were the top considerations
- Early feedback from implementers include communications and sufficient time to implement as critical success factors

# Key Finding #4

## Employee size is correlated with interest in private exchange options.

- Loss of control and stability of carrier/network relationships were seen as key barriers to implementation
  - 90% of employers with over 10,000 employees agreed that stability of carrier/network relationships was a barrier to implementation, compared to 75% of employers with 2,500 – 9,999 lives
  - 82% of employers with over 10,000 employees agreed loss of control or stewardship was an implementation barrier, compared to 61% employers with <500 employees and 67% 500-2,499 employees
  - Over 80% employers with less 10,000 employees agree retaining control of consultant relationship is important, compared to 64% of employers with over 10,000 employees
- Over 60% of employers with less than 10,000 lives agreed senior management is not educated about private exchanges, compared to 47% of employers with over 10,000 employees
- Less than 15% of employers with over 10,000 employees agree the public exchange will be a viable option for them in 5 years, compared to over 25% of employers with 500 – 9,999 employees
- Self-insured funding option (76%) is important to employers
  - 54% of employers <500 agree retaining control of self-insured funding is important, compared to over 75% of larger employers
- 79% of all employers say a consultant/broker who does not sponsor a private exchange would be likely to provide objective and credible advice, with over 80% of employers with 500 – 9,999 employees agreeing



# *Key Finding from Follow up Survey on Excise Tax Delay*

**Despite the delay in the excise tax, employers are continuing efforts to reduce health benefit costs.**

- While over 60% of employers expect the excise tax to be repealed, employers continue to aggressively look at ways to reduce their exposure to the tax. The top strategies that have been or are being adopted are:
  - A majority of employers (63%) are using HDHPs as one of many health plan options
    - While 33% will not consider moving to a full replacement HDHP, 28% have already adopted this strategy
  - 45% of employers have already begun to increase wellness programs
    - About 30% are either adding or expanding their wellness incentives, while 59% will not consider reducing what they offer
  - 30% of employers have already adopted an increased cost share strategy
  - 38% are contracting with Centers of Excellence for high cost procedures
- 44% will continue to explore the value of exchanges, but 52% of employers will not consider the use of public exchanges for certain populations
- Employers are uncertain on the following strategies: define contributions, amending HDHPs to eliminate salary reductions, contracting for bundled payments, or capping pre-tax contributions

## ***Section 2: Appendix***

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*All Participating Industries*

*Location & Company Size*

# All Participating Industries

<b>Agribusiness</b>	<b>4</b>
<b>Education &amp; Nonprofit</b>	<b>17</b>
<b>Energy, Utilities &amp; Mining</b>	<b>18</b>
<b>Engineering &amp; Construction</b>	<b>8</b>
<b>Financial Services</b>	<b>75</b>
Asset Management	1
Banking & Capital Markets	9
Financial Services	23
Insurance	30
Investment Management (Alternative Investments)	3
Private Equity	2
Real Estate	7
<b>Government/Public Services</b>	<b>9</b>
<b>Health Industries</b>	<b>73</b>
Health Industries (Healthcare Providers)	29
Health Industries (Health Plans)	14
Health Industries (Life Sciences)	11
Health Industries (Other)	10
Health Industries (Pharmaceuticals)	9

<b>Manufacturing</b>	<b>101</b>
Aerospace & Defense	8
Automotive	4
Chemicals	11
Forest, Paper & Packaging	0
Manufacturing	73
Metals	5
<b>Retail &amp; Consumer</b>	<b>53</b>
Consumer Products	12
Food & Beverage	8
Hospitality & Leisure	5
Retail & Consumer	18
Wholesale & Distribution	10
<b>Services</b>	<b>20</b>
Law Firms	5
Services	15
<b>Technology</b>	<b>54</b>
Communications	6
Entertainment & Media	9
Technology	39
<b>Transportation &amp; Logistics</b>	<b>19</b>

Note: Participants were allowed to select more than one industry

# *Location & Company Size*

Survey participants by company size:

< 200	<b>64</b>
201 - 499	<b>37</b>
500 - 999	<b>39</b>
1,000 - 2,499	<b>37</b>
2,500 - 4,999	<b>46</b>
5,000 - 9,999	<b>36</b>
10,000 - 19,999	<b>41</b>
20,000	<b>58</b>

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If you are interested in learning more or requesting customized results, please contact:



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