

Separating fact from fiction when considering a private exchange strategy

Four key issues to address when
planning a private exchange offering



At-A-Glance Guide *from*
Empyrean Benefit Solutions

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4 KEY ISSUES

to address when planning a private exchange offering

With the growth of private exchanges for health and welfare benefits over the past few years, more employers than ever are considering the merits of implementing private exchanges to help control costs and to manage diverse employee groups. This At-A-Glance Guide will help you clarify the issues around the use of private exchanges to deliver employee health benefits, and provide answers that can assist in your own decision making.

4 Key Issues in this At-A-Glance:

1. Is a hybrid private exchange strategy the best approach for your organization?
2. Private exchanges have to provide more than just a “sexy” online enrollment with decision support
3. What are the concerns around shifting to a Defined Contribution/Private Exchange approach?
4. Be sure your current benefits administration technology can handle a hybrid strategy

KEY ISSUE:

1

Is a hybrid private exchange strategy the best approach for your organization?

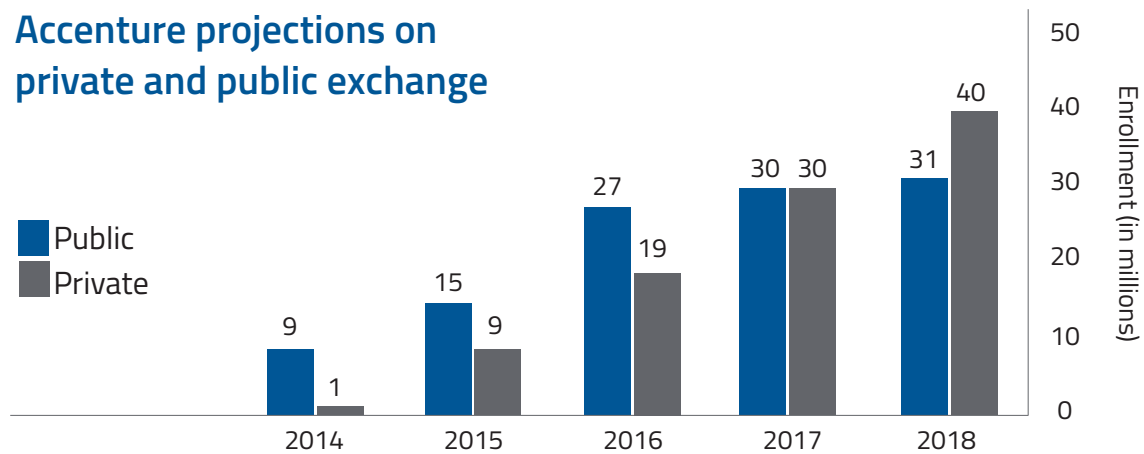
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When private exchanges for health and welfare benefits were introduced in 2012 right after the Affordable Care Act (ACA) was implemented, they attracted a fair amount of interest from employers as a way to give participants more choices and to save money. Typically, the private exchange provides an online marketplace for individuals to purchase health insurance and other benefits. The private exchange manages enrollment and the information relays between carriers and administrators.

While some industry experts thought that employers might push employees to use public exchanges introduced by the ACA through federal and state government websites, this has not happened in any large numbers.¹ Nor have employers switched to private exchanges for all of their active participants as others anticipated. Rather, employers are using private exchanges targeted to specific subsegments of participant populations in a hybrid strategy that's intended to help control costs. Thus full-time employees might continue to receive traditional Employer-Sponsored Insurance (ESI) health benefits from designated carriers while hourly employees might be offered a selection of plans from a private exchange.

The consulting firm Accenture predicts significant private exchange growth as employers seek to limit their cost exposure to health benefit offerings. These employers are exploring areas such as defined-contribution offerings through a private exchange to reduce the risk associated with escalating health care costs, while still providing employees with coverage options that best meet their needs.

Accenture projections on private and public exchange



SOURCE: ACCENTURE ²

KEY ISSUE:

2

Private exchanges have to provide more than just a “sexy” online enrollment with decision support

In order to adapt to the changing landscape in health and welfare benefits posed by the growth of private exchanges and evolving employee needs, health plans, brokers and benefits technology vendors are seeking to bring private exchange functionality to the enrollment process. As a result, many technology providers have invested considerable effort in developing the “online benefits shopping experience,” while in some cases neglecting to properly manage the complexities of data exchange and ongoing benefits administration posed on the back end.³

Employers and their benefits administration providers must address several key issues when introducing a private exchange for employees.

- **Managing eligibility and enrollment variations** – Employers and their providers must have a robust back system than can handle changes for new hires, leave of absences, hourly wage eligibility and events such as marriage or divorce.
- **Data management** – Private exchanges introduce more data complexity and demands that must be managed based on new carrier offerings, payroll deductions, ancillary benefit purchases and health spending accounts.
- **Billing and financial management** – While an exchange is intended to simplify the employer’s administrative burden, the private exchange must be able to facilitate consolidated billing, compliance and tax reporting, and other financial requirements.

KEY ISSUE:

3

What are the concerns around shifting to a Defined Contribution/Private Exchange approach?

Employers have been trying new strategies to manage escalating costs for employee coverage as insurance rates continue to climb. High-Deductible and Consumer-Directed Health Plans (CDHP) along with fully defined-contribution health benefits facilitated through a private exchange are emerging as viable and acceptable benefit approaches that help employers achieve better cost control.

Under a Defined Contribution/Private Exchange approach, employees are allocated a specific amount of money to purchase a health care plan by selecting coverage from a menu of plans on their employer's private exchange. The goal of a Defined Contribution/Private Exchange is to enable an employer to more accurately budget spending on health care benefits and to offer employees a wider choice of plans.⁴

There are several challenges associated with this approach according to industry experts.

- Costs will likely differ by region so any Defined Contribution plan should adjust to local conditions.
- Employees will be required to evaluate competing plan values, network quality, access to specialists, drug formularies and more. Thus, employers need to provide support to help employees make well-informed decisions.
- Organizations will need to review the implications and the impact on the organization's budget when evaluating spouse and dependent contribution decisions.

KEY ISSUE:

4

Be sure your current benefits administration technology can handle a hybrid strategy

If you're using a larger legacy benefits administration outsourced provider, for example, you may have to implement an entirely different system to manage a private exchange—a duplication of effort and cost that few can afford. That's because traditional providers typically require a "reimplementation" of impacted employees to a separate system used for their private exchange, adding to an employer's administrative burden and costs, as well as the participant's confusion.

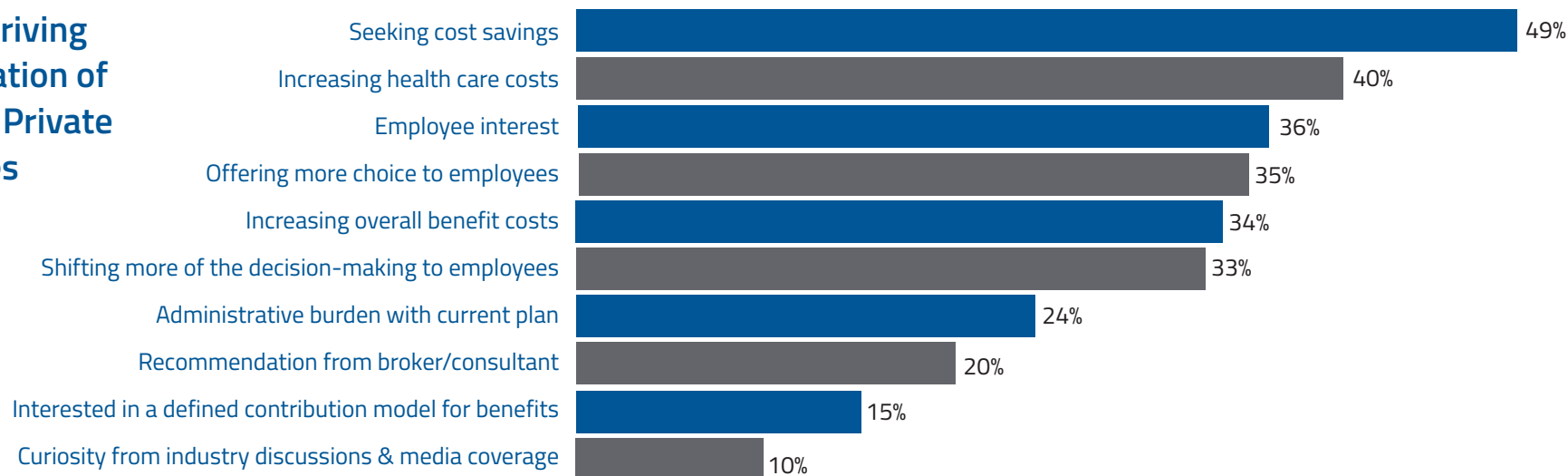
In addition, legacy providers typically can only offer a small number of plans and carriers that are standardized across all of their clients leading to minimal competition and cost control.

Unlike traditional outsourcing providers, Empyrean enables employers to administer private exchanges to select employee populations, as well as traditional benefits, from a single, proven technology platform. With Empyrean's client-adaptive technology all employees—including those enrolled in private exchanges and traditional benefits plans—can be administered from one, flexible platform, keeping costs down and minimizing the burden on HR.

The emergence of benefits-focused technology providers that focus on automating the traditionally inefficient process of enrolling employees and administering their benefit plans, is a rapidly growing option for employers seeking to drive more efficiency via automation into their HR departments.

To learn more,
visit our website at
goempyrean.com

Factors Driving Consideration of Adopting Private Exchanges



SOURCE: PRUDENTIAL⁵

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About Empyrean

Founded in 2007, Empyrean Benefit Solutions is the leading provider of technology-enabled administrative services for managing employers' health and welfare benefits programs. Empyrean provides enrollment, eligibility management, and a range of other plan administration services to employers, insurance brokers, and healthcare exchanges. Unlike other providers, Empyrean combines the industry's most adaptive benefits technology platform with expert, responsive service to deliver hi-touch benefits administration. Visit www.GoEmpyrean.com for more information.