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Health Insurance Exchange Summit West

Employer Health Insurance Exchange Strategies

November, 2013

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Agenda

- Key strategic considerations for employers
- How to play and when to pay
- Bending the cost curve
- Evaluating private exchanges

Key Strategic Implications of ACA for Employers

Key questions many employers are asking

What role should we play in providing health care coverage to our employees and their dependents?

- Do we want to continue to sponsor coverage?
- What level of subsidy do we want to provide?

Can we move to a more sustainable approach to healthcare benefits?

- What are our options today and how can we drive the market?
- How will this impact employee attraction, retention and engagement strategies?
- Where does coverage of dependents fit in the strategy?
- What will our competitors be doing?

Are there lessons to be learned from prior experiences?

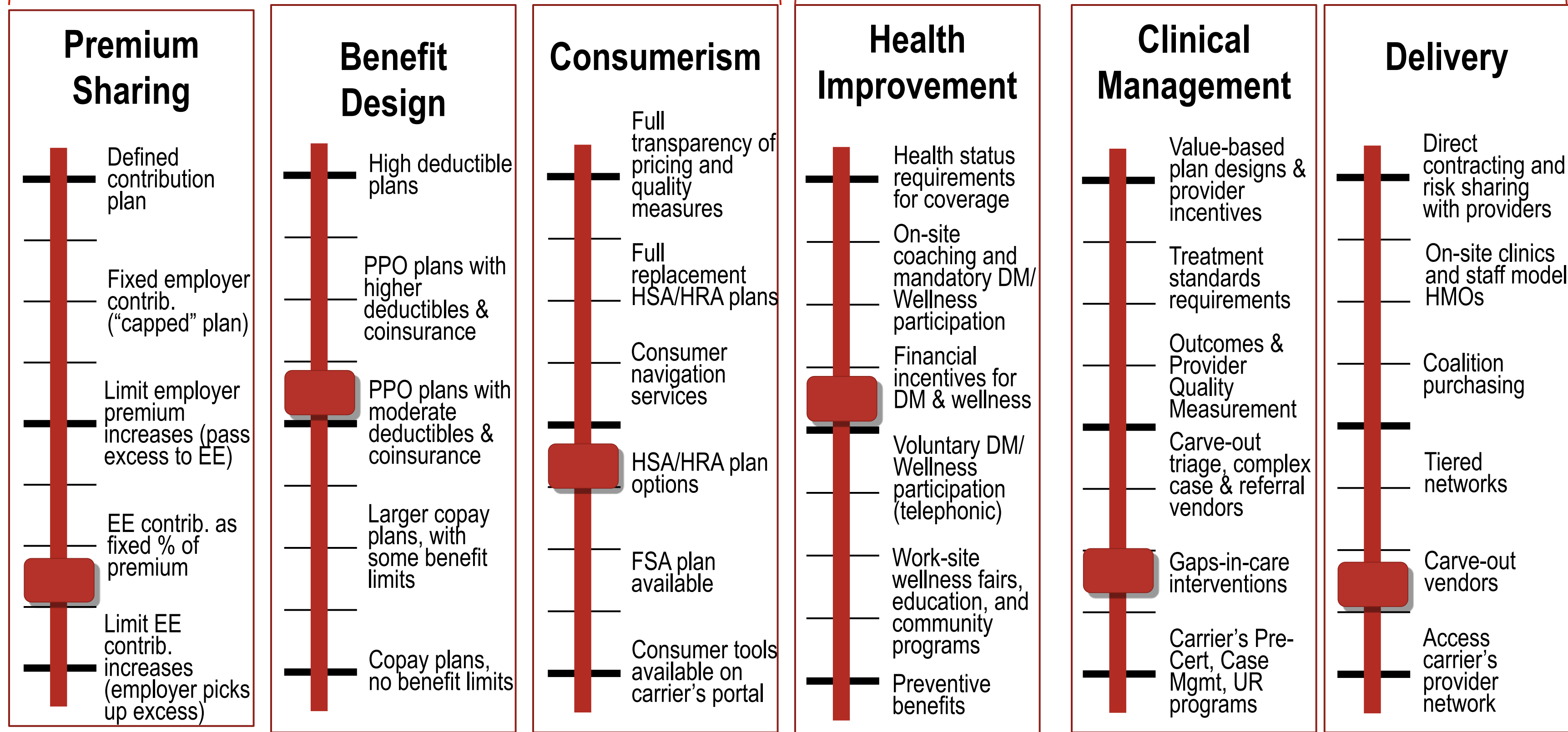
- DB conversion to DC for retirement programs
- Implementation of private exchanges for retirees

Is there a new window of opportunity to transform our approach?

Three Key Populations

- ***Active Employees***
- ***Pre-65 Retirees***
- ***Post-65 Retirees***

Employers are looking at key cost "levers" to support their overall strategy



… And newer developments to consider

New Tools

•Application of behavioral economics*

•Telemedicine

•Social networks

•Integrated advocacy models

•Public and private health exchanges

New Constraints

•Benefit mandates - 2012

•"Shared Responsibility" - 2014

•High cost plan excise tax - 2018

Behavioral Economics

The application of neo-classical economics and psychology to explain behavior

- Identifies common "shortcuts" used in personal decision and behaviors
- Explains external variables affecting those decisions/ behaviors
- Helps explain variations beyond the pure economic variables
- Offers insights into how to improve design and communications to improve program outcomes

How to Play and When to Pay

Premium subsidy by income level will be applied to the "Silver Plan" and be significant

Premium Cost Net of Tax Credit for Subsidy Eligible Individuals				
Income (percent of Federal Poverty Level)	***Family Size***	***Annual Income (based on 2012 FPI)***	***Premium Cost Net of Tax Credit for the Second Lowest Cost Silver Plan***	
			Percent of Income	***Consumer's Monthly Amount (based on 2012 FPI)***
Below 133%	Single	Below $14,856	2.0%	$25
	Family of 4	Below $30,657		$51
133%-150%	Single	$14,856 - $16,755	3.0% - 4.0%	$37 - $56
	Family of 4	$30,657 - $34,575		$77 - $56
150%-200%	Single	$16,755 - $22,340	4.0% - 6.3%	$77 - $115
	Family of 4	$34,575 - $46,100		$115 - $242
200%-250%	Single	$22,340 - $27,925	6.3% - 8.05%	$117 - $187
	Family of 4	$46,100 - $57,625		$242 - $387
250%-300%	Single	$27,925 - $33,510	8.05% - 9.5%	$187 - $265
	Family of 4	$57,625 - $69,150		$387 - $547
300%-400%	Single	$33,510 - $44,680	9.5%	$265 - $354
	Family of 4	$69,150 - $92,200		$547 - $730

Individuals and families who do not get affordable coverage through their employer will be able to get affordable coverage on the Public Exchange

Cost sharing subsidy by income level will substantially enrich the "Silver Plan"

Reductions in Maximum Out-of-Pocket Limits and Actuarial Value Requirements for Silver Level Coverage		
Income (percent of Federal Poverty Level)	***Reduction in Maximum Out Of Pocket Limits*****	***Required Actuarial Value of Benefit Plan***
100%-150%	2/3	94%
150%-200%	2/3	87%
200%-250%	¼	73%
250%-300%	½*	70%
300%-400%	1/3*	70%

* HHS has proposed to eliminate the OOP Maximum Reduction for incomes between 250% and 400% of FPL because the actuarial value is already equivalent to that of the Silver Plan.

** The OOP limit is to be reduced first to meet the actuarial value goal. If that reduction is insufficient, other channels in cost sharing must be made.

For those individuals and families with the lowest income (up to 200% of FPL), the cost sharing subsidies bring the Silver Plan to be closer to a Platinum Plan

Potential "Pay/Play" Strategies for Low Wage Active Workers

Potential Coverage Strategies for Retail (Low Wage Employees)	"Offer Coverage" (Avoid $2,000 per FT EE if any FT EE subsidized in exchange)	"Offer Affordable Minimum Coverage" (Avoid $3,000 per subsidized FT EE in exchange)"	Preserve Employee Access to Public Subsidies for <400% of FPL
Offer "Standard Plan" with "affordable contributions"	X	X	
Offer "Standard Plan" with "unaffordable contributions "	X		X
Offer Bronze (60%) plan with "affordable contributions"	X	X	
Offer Bronze (60%) plan with "unaffordable contributions"	X		X
Offer "Base Plan" (below 60%) with affordable contributions	X		X
Offer combination of Base Plan plus affordable Bronze	X	X	

Preserving Access to Subsidies in Public Exchanges can be better for some lower paid employees

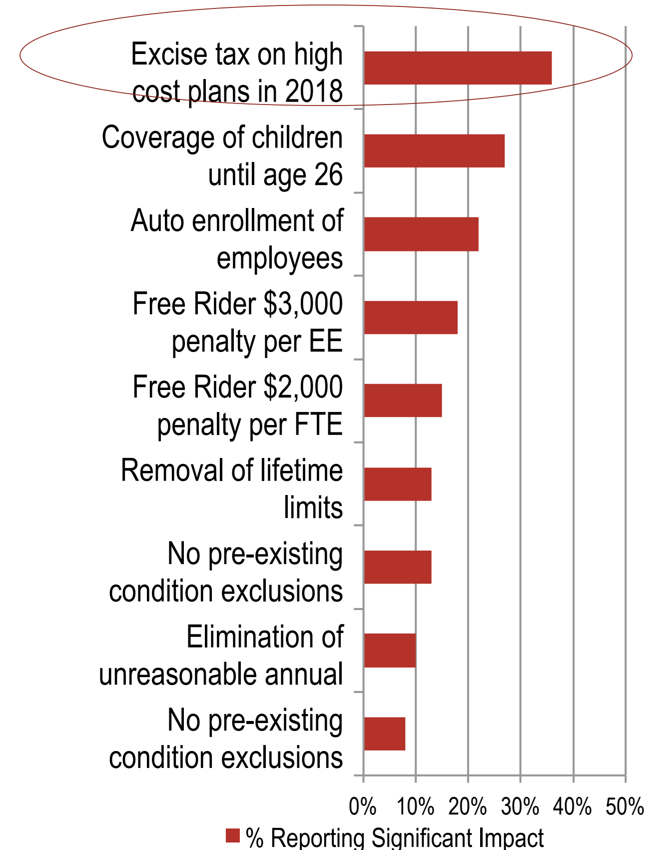
(especially if < 200% of FPL)

Bending the Cost Curve

40% excise tax on "Cadillac Plans" - 2018

- Excise tax imposed if the aggregate value of employer-sponsored health insurance coverage for an employee exceeds a threshold amount
  - Coverage includes health & supplemental coverage, but not separate dental or vision coverage
  - Includes both employer and employee share

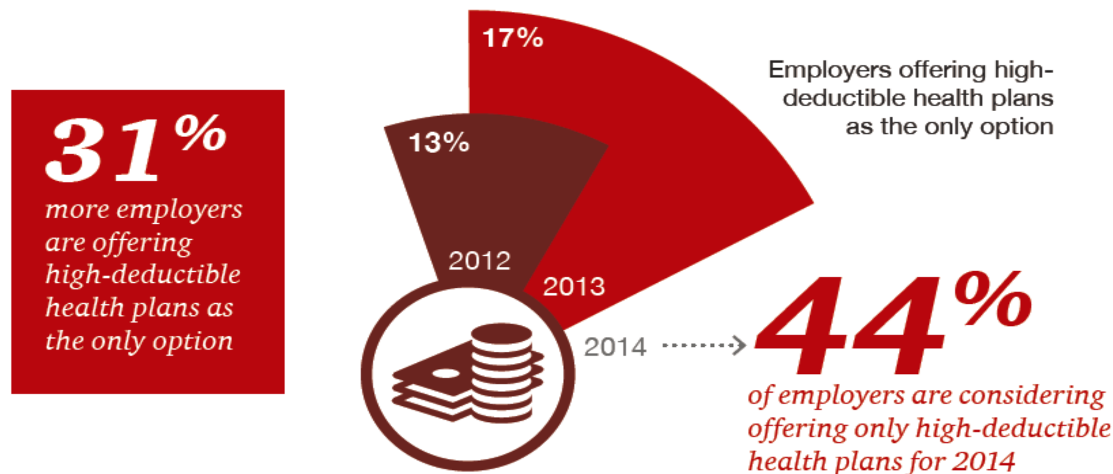
- The tax is equal to 40% of the excess value over the threshold
  - The 2018 threshold is:
    - $10,200 for individual coverage
    - $27,500 for family coverage
  - Indexed at CPI+1% for 2018, CPI thereafter
  - Assessed on individual basis (but not based on individual claims)



Source: PwC Touchstone Survey

Cost sharing – High deductible plans the new norm?

- Consumer Directed Healthcare Plans (CDHP) rated most effective in controlling healthcare costs*
- CDHP has achieved strong results**
  - Lower medical costs and lower trend
  - Increased prevention and evidence based medicine
  - Higher engagement in health and health care



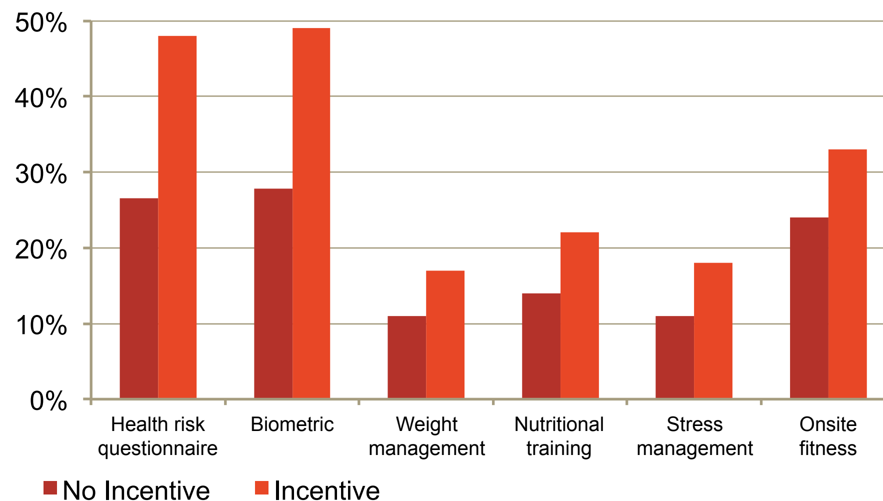
Source: PwC 2013 Health and Well-Being Touchstone Survey

* National Business Group on Health – Large Employer 2011 Health Plan Design Changes Survey
** Cigna 2012 Study of Consumer Driven Plans, Aetna 2010 Aetna HealthFund Study

Health management – Dialing up the expectations

- Two thirds are expecting to increase their efforts related to health and wellness
  - Shifting from education and support to incentive alignment and accountability
  - Measuring and improving employee engagement and program performance
  - Executing "top down, bottom up" culture change to accelerate and sustain results

Impact of incentives on participation



New Levers

- Higher "incentive limits"
- Behavioral economics
- Telemedicine
- Social networks
- Integrated advocacy models
- Public/private partnership

Wellness & Prevention

Chronic Disease Management

Large Case Management

Implementing Integrated Support Across the Health Management Continuum

Source: 2011 PwC Health and Well-Being Touchstone Survey

Delivery – The Third Stool

- On Site Clinics
- Telemedicine
- ACOs/Patient Centered Medical Homes
- High Performance Networks

33% of employers are expected to consider performance based networks over the next few years.

2013 PwC Touchstone Survey

- Delivery Extenders
- Value Based Reimbursement
- Population Health
- Care Coordination

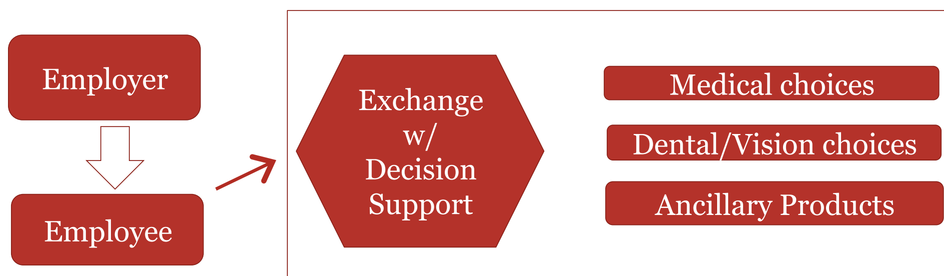
Evaluating Private Exchanges

What is a Private Exchange?

- Like the public exchanges, private exchanges offer an organized market place for health insurance plans with multiple designs and price points
- Unlike the public exchanges, private exchanges:
  - Are sponsored and managed in the private sector
  - May be offered on a "group" or "individual" basis
  - Not directly eligible for government subsidies
  - May accept large employer sponsors and related employer subsidies
- Being offered by many broker/consultants
  - May be for active employees or retirees
  - Often insured, commission based

Half of employers are expected to consider Private Exchanges over the next few years

2013 PwC Touchstone Survey

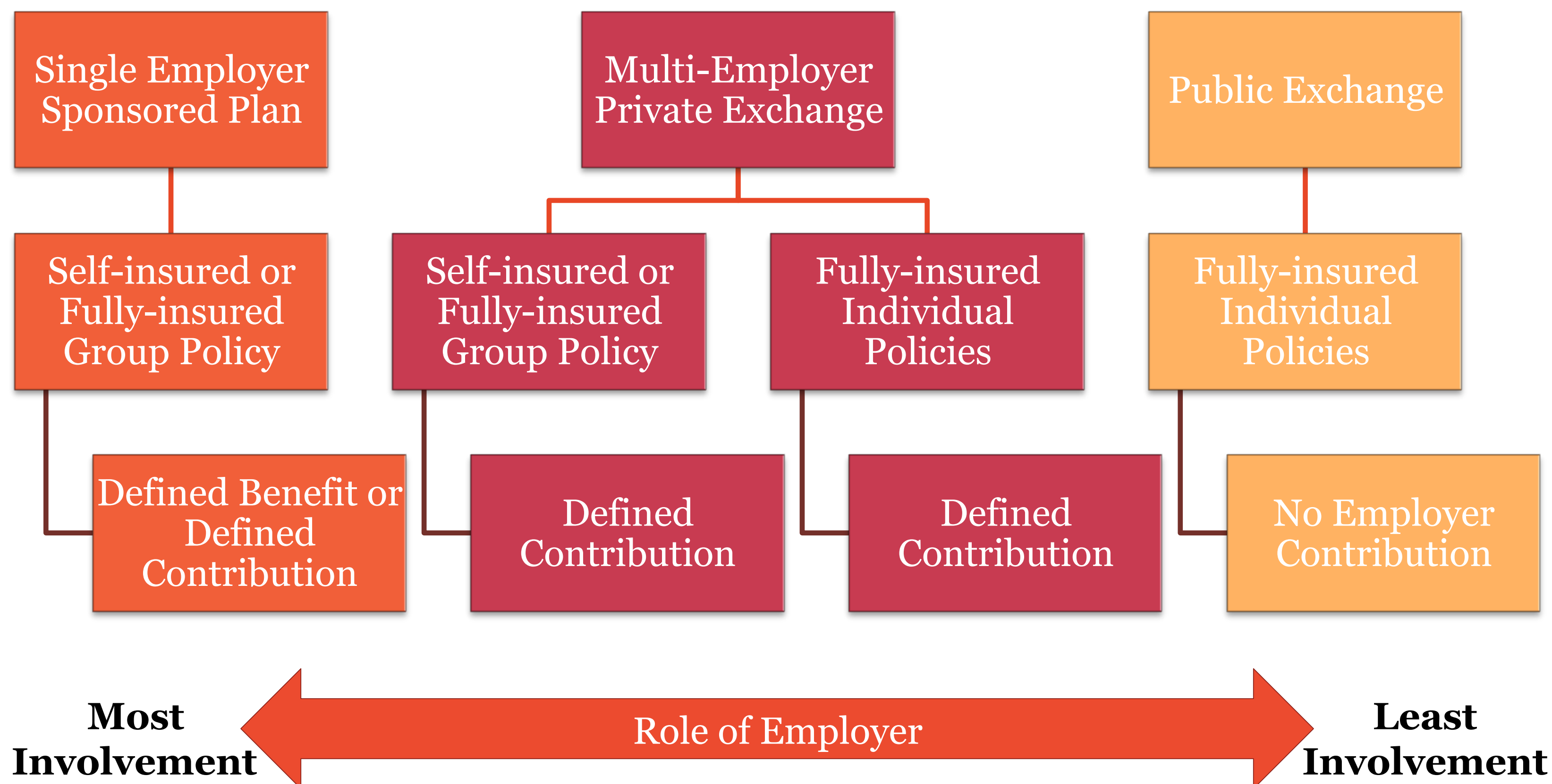


Private Exchanges may be the vehicle to Defined Contribution in Health Care Benefits for national employers

Private Exchanges - Considerations

- Potential Advantages
  - "Plug and Play" wider set of plan and vendor choices (employees like choice)
  - Coalition based pricing and service model (extends "outsourcing model")
  - Enables "defined contribution basis" (with strong system of decision support)
  - Accelerates consumerism (positions for "Cadillac Plan" tax)
- Potential Disadvantages
  - Potentially higher costs on exchange (particularly if insured)
  - Complexity related to how premiums established (e.g. age/area)
  - Sustainability depending how risk pool is managed over time
  - Loss of affiliation with "employer sponsored plan" (and related health based initiatives)

New landscape for healthcare benefits



Questions?

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