



Thinking About a Private Exchange?

Here are some helpful considerations when making a selection.

WRITTEN BY: **BRUCE SHERMAN** // M.D., FCCP, FACOEM, *Medical Director*

Over the past 10 years, employer expenditures for employee health care were perceived as a “necessary evil,” as employers used health benefits as part of their attraction and retention strategies. With health care costs rising faster than the general inflation rate, employers and plan sponsors have been faced with the challenge of managing their runaway benefits budgets. Typically, employers have shifted health care costs to benefits enrollees as their primary means of cost containment, incorporating higher deductibles and consumer-directed plans as a means to achieve this goal.

With the Affordable Care Act’s (ACA) excise or “Cadillac” tax looming in 2018, employers are expressing fears that current benefits strategies are not having the desired impact on health care cost trend and will trigger even greater business costs. Additionally, the administrative complexity of the ACA has called into question whether employers want to continue to bear responsibility for managing their benefits budget or shift to a defined contribution or private exchange approach to benefits purchasing. This strategy affords the potential for more predictable health care expenditures, as well as outsourcing the responsibility for health benefits management to a knowledgeable third party.

Recent employer survey findings suggest that employer interest in private exchanges may be growing faster than anticipated, with recent reports indicating that nearly 3 million individuals enrolled. The appeal of effective cost containment—especially with the promise of near-term cost benefit, relief from the administrative burden and a potentially more predictable cost trajectory—represent at least some of the reasons why. And while these advantages may all seem reasonable, some critical considerations risk being overlooked in the benefits strategy development process.

Critical considerations:

1 *Are wellness and well-being programs incorporated into private exchange offerings?*

Wellness programs can take many forms in relation to private exchanges. Some program offerings include only core medical and pharmacy benefits, essentially “decoupling” wellness from traditional health insurance. In some exchange offerings, employers can purchase a wellness/well-being program, which may be either the plan’s own offering or services from a vendor partner of the plan. It’s important to note that as with health plans, wellness/well-being programs are not created equal. Complicating matters even more, the private exchanges that include multiple health plan vendors could have different wellness/well-being offerings, depending on which health plan vendor an enrollee selects.

2 *How integrated are the respective private exchange benefits programs?*

While private exchange offerings typically include integrated medical and pharmacy benefits, the level of integration of other available benefits programs may vary substantially. The two key areas important to employers include: a) data integration and analysis and b) operational integration. Regarding the former, combined data can be used for predictive modeling to identify those most likely to benefit from particular programs or services and is often used as a basis for health plan outreach. Operational integration refers to the ability of individual benefits programs to cross-refer patients between programs when a specific issue is identified. For example, if an individual has low adherence to diabetes medication with frequent emergency department visits all due to personal financial hardship, warm transfer to an employee assistance program may provide financial resource support.



3 Will the private exchange offerings integrate with continuing health management programs, and if so, how?

Employers need to understand that each exchange offers a different approach to health management. Many exchanges rely on the individual health plans participating in the exchange to provide that proactive approach. Since some exchanges incorporate multiple health plans, health management in these instances is essentially provided at the individual patient level. Other exchanges may bundle health management as a service for all of an employer's exchange enrollees, leveraging the aggregate data to implement broader, population health-level initiatives. This latter scenario is more likely if the exchange offering includes only a single health plan.

Importantly, some employers may want to utilize both an exchange offering as well as maintain their existing wellness/well-being programs and/or condition management programs. In this setting, it's important to understand whether the exchange provider is able and willing to integrate the external vendor data as part of population health management efforts. Some exchange providers will insist that only their health management offerings be used—or may present seemingly insurmountable financial or administrative barriers to permit effective integration to happen.

Claims data should also be shared by the exchange provider to the wellness vendor as a basis for determining health management priorities. It is possible that the exchange provider is unable (or unwilling) to share claims data with a health management vendor. In this scenario, delivery of an effective population health management offering in the absence of medical claims data is challenging, at best—and will likely fail.

Finally, employers interested in maintaining third-party vendor services, including wellness, well-being, and health care cost and quality transparency tools should be particularly mindful of this potential limitation during their exchange vendor review process.

4 How do these exchange offerings support benefits enrollee health management?

Virtually all private exchange offerings are focused on cost containment, since this is a major goal for private exchange adoption. Network discounts represent an immediate cost-cutting opportunity, as does "right-sizing" of individual plan selection. However, these two components represent a one-time cost savings opportunity. The more substantial—and ongoing—value opportunity rests with effective population health management program implementation, alongside effective health care consumerism and patient engagement/self-care strategies.

Employers will achieve more comprehensive and lasting cost impact by combining this initial approach together with population health management. In addition, exchange offerings that implement innovative health care delivery system strategies, such as risk-based contracting, centers of excellence, and fully integrated population health management offerings, are more likely to produce the greatest cost benefit for employers.

If wellness/well-being is an organizational priority, employers should ensure that potential exchange vendors

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provide a full accounting of their wellness/well-being offering, including the level of integration with other benefits and reporting. Current exchange program participation rates as well as enrollee engagement strategies should also be an important focus for employer review.

For employers, the near-term benefit of private exchange participation is anticipated cost savings as a function of network discounts, as well as enrollee selection of lower cost benefit offerings. The ability to maintain lower costs and further bend the health care cost curve may well be dependent on a successful population health management approach, along with proactive management of the health care delivery system to drive improvements in quality, efficiency and cost. Exchanges clearly differ in their infrastructure capabilities to support these long-term objectives.

5 *What is the likelihood that plan enrollees will ‘buy up’ to purchase what may well be appropriate services?*

In general, higher wage earners are more likely to be more proactive with their health benefits purchasing, for the simple reason that they have more discretionary income. The concern is for the low wage earners, who may be living paycheck to paycheck, and may be more inclined to ‘buy down’ for the sake of having more cash on hand for daily living needs.

Accordingly, while the notion of right-sizing of benefits may be a reasonable one, it’s possible that those low-earning individuals (who are at greatest risk of chronic conditions) may also be the ones least likely to purchase the additional wellness or lifestyle management benefits that will benefit them. As a result, it may be prudent to consider incorporation of proven wellness/condition management programs as part of the core private exchange offering, or ensure that these are included via an external vendor.

6 *How can employers better inform themselves about the differences between the various private exchange offerings?*

Employers may want to take advantage of the Private Exchange Evaluation Collaborative’s (PEEC) analysis of the available private exchange offerings. PEEC is an initiative launched in 2013 by four leading business groups - Employers Health, Midwest Business Group on Health, Northeast Business Group on Health and the Pacific Business Group on Health, and PwC US - to solicit and provide unbiased, comparative information on private exchange strategies and purchasing decisions. As employers expand their understanding of the strategic goals of the various exchanges, they’ll develop a better understanding of the similarities and differentiators between the many available choices. *You can learn more about PEEC at www.thepeec.com.*

Employers now face a myriad of available health benefits options. For those interested in private exchange offerings, a thoughtful review and analysis can help to differentiate among the many choices, ensuring that the vendor selection process yields the greatest value for each dollar spent on health care. Much in the way that we all want individuals to practice health care consumerism and make informed health care purchasing decisions, this same “consumerism” at the employer level is also vital. At Employers Health, we’re available to provide consultative support to ensure that members achieve their desired objectives in this new health care marketplace. ■