Cheatography

Healthcare: Private Insurance Exchanges Cheat Sheet

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Introduction

Private exchanges are online health insurance marketplaces for a company's employee base. Employers often give their workers a defined contribution to buy medical plans, and then they choose coverage from one or several participating insurance companies. Vision and dental plans are also commonly included.

The Affordable Care Act has promoted the exchange concept through the public individual and small-group markets. The central thesis of the exchanges is that consumers will have ample health plan choice, therefore keeping premiums in check through competition and allowing consumers to find a plan that fits their needs.

But many studies and surveys have shown people care more about their doctors and provider networks than the actual number of coverage choices they have. In addition, private exchanges indirectly encourage plans where employees shoulder more out-of-pocket costs

Organizatons Offering Private Insurance Exchanges

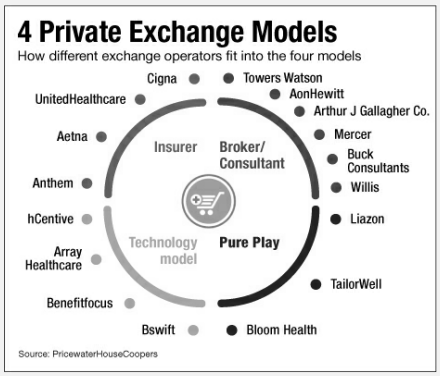
■**Technology:** This includes such companies as bSwift and Benefitfocus; many developed public exchanges in states that built their own, PwC says. Others are known for providing benefits administration as either an outsourced solution or enrollment for insurers. They operate like vending machines [of private exchanges] providing infrastructure and you decide what products you want and what brands to have. They are highly flexible.

■**Pure Play:** These are very new technology infused and highly flexible systems that include such companies as Liazon. They are like a pre-stocked vending machine as they come with products on the shelves, including medical plans with certain carriers.

■**Broker/Consultant:** Built on technology platforms, they include such companies as Aon Hewitt and Arthur J. Gallagher & Co. Some of these are built in-house by the broker or consultant and usually partner with a technology company

■**Insurer:** Including such companies as Cigna and Aetna, their strategy is to build their own private exchange to protect market share and separate themselves from the competition. The insurers also have relationships with networks and clients they want to protect. Many use technology developed by others.

Private Insurance Exchange Types



Reasons Why Private Exchanges Will Grow

1. Savings: Employers who jumped early to private exchanges appear to be staving off the increases in insurance costs and seeing more moderate increases in employer-sponsored health plans.

2. Defined Contributions: Weary of ever-increasing health insurance costs, many employers are eliminating the defined-benefit approach to health coverage for their workers and switching to an Exchanges because it gives employees freedom to use their benefit dollars in the way they see fit.

3. Cadillac tax: The controversial 40 percent tax on high-cost plans, which could affect a third of large employers, goes into effect in 2018, though it is being heavily debated by members of Congress. Employers who move to a defined contribution and then point their workers to a private exchange to spend the money is an easy way to avoid the tax.

4. Choice: If workers become savvy shoppers and engaged consumers of health care services, giving them more choices for coverage is a good starting point.

Bottom Line: Employers are moving away from providing healthcare benefits.

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