

Defined Contribution & Private Exchanges: A Winning Pair For Affordable And Personalized Employee Benefits

Private Exchange Models – Proving To Be The Wave Of The Future

Employers are seeking alternate methods for providing healthcare coverage, and the research shows many anticipate that the private exchange model is the answer they are looking for.



Did you know?

80% of companies offer their employees only one choice when it comes to healthcare coverage, yet most employees would be willing to pay a larger share of their health insurance premium if they had the opportunity to tailor benefits to their needs.²

Defined Contribution 101

Defined contribution is a funding strategy in which employers provide a set dollar amount to each employee for benefits. Unlike the defined benefit approach, defined contribution facilitates transparency in full employee compensation and allows employers to gain predictability in setting their long-term benefits budget. A defined contribution strategy works best in an exchange environment where employees have the choice of how to spend their benefits dollars.

Benefits Exchange 101

A benefits exchange is an online store or marketplace where employees purchase benefits to suit their individual and family needs. Exchanges offer multiple options for health insurance plans, and may also offer other benefits, such as dental, vision, life, and disability, among others. This level of choice is available because exchanges also offer end-to-end enrollment and benefits administration services – enabling manageability from an administrative standpoint.

Some exchanges contain tools to help employees make wise benefits choices, including:

- **Decision-support technology**, such as using a questionnaire to collect and analyze personal data including health status, financial status, risk tolerance and preferences in order to recommend a plan or customized portfolio of plans;
- **Plan comparison tools**; and
- **Education** about benefits in general and specifics about the benefits offered.

Depending on the type of exchange, they may offer group or individual insurance plans. Exchanges that are “private” are run by industry, while those that are “public” are run by the government.

¹ “2012 Employer Health Plan Study,” J.D. Power & Associates, Released June 2012.

² “Let Them Have Choice: Gains from Shifting away from Employer-Sponsored Health Insurance and toward Individual Exchange,” Dafny, Ho, Varela, July 2011.

What Are The Key Features To A Successful Exchange?

1. **Funding for Coverage** – A system where the funds for healthcare coverage are seamlessly transferred from the employee and/or the employer to the insurance carrier providing the coverage.
2. **Inventory of Medical Plans** – Ability to choose from a meaningful selection of major medical plans with varying plan designs.
3. **Supplemental Insurance Products** – Access to supplemental products such as dental, vision, disability and wellness programs, giving employees a wider range of choice and potentially greater protection for their unique risks.
4. **Decision Support** – Ability to provide the support employees need to determine the package that is right for them, including education and plan recommendation tools, and price transparency on products.
5. **Comprehensive Support Services** – Services provided at the front-end of the purchasing process as well as the necessary services to ensure the employee gets coverage on the back-end.

Both Employers And Employees Win With A Defined Contribution And Exchange Model

Employers



- **Gain cost control and predictability**
- **Streamline administrative tasks**
- **Get out of the benefits business**

Employees & Their Families



- **Gain control over benefits costs**
- **Find the plans that best fit their unique needs**
- **Understand & appreciate the value of their benefits**
- **Become better healthcare consumers**

Contact us today!

There is no longer a reason to take a wait-and-see approach. We can evaluate your needs and provide you with an analysis of how switching to a private exchange will impact your benefits strategy.

The Patient Protection And Affordable Care Act (PPACA) And How It Will Affect Businesses

The goal of PPACA is to broaden access to affordable healthcare, particularly to uninsured individuals. PPACA is being phased in, with most changes starting in 2014. PPACA:

- **Provides incentives** for businesses to continue to offer employer-sponsored coverage to their employees.
- **Validates the concept of exchanges** as a medium to provide affordable health plans, transparency, and choice to all Americans.
- **Establishes an environment for public and private exchanges** to co-exist and best serve the population.
- **Requires the establishment of a Federal public health exchange**, with the option for states to set up their own public exchanges. Public exchanges, which will enable low-income individuals to receive government subsidies, will largely serve uninsured individuals who do not have access to employer-sponsored coverage. Private exchanges will help to optimize employer-sponsored coverage and make it sustainable.