

Benefits Shift

Private-exchange options considered

JOHN GEORGE | SENIOR REPORTER-PHILADELPHIA BUSINESS JOURNAL

Public health-insurance exchanges are coming this fall, but private exchanges are arriving now.

Health benefits firms are putting their own twist on the public exchanges, called for under the Affordable Care Act. Public Exchanges, which will be operated by the federal and state governments, are envisioned as online portals where uninsured individuals and small business owners can go to shop for health coverage.

Private exchanges are being set up for large employers and in a way that will give employees more control over how their benefit dollars are spent, but also may result in employees reaching into their own pockets to pay a greater share.

“It’s a way to shift benefits to a defined contribution approach from a defined benefit approach,” said Joseph DiBella, executive vice president and managing director at Conner Strong & Buckelew, an employee benefits brokerage and consulting firm dually based in Marlton, N.J. and Philadelphia, P.A. **“Today, an employer with a defined benefits plan may say, ‘We will give you a choice between these two PPOs and this dental plan and this life insurance plan and we’ll pay 80 percent of the costs.’ In a defined contribution plan, an employer will give its employees a fixed dollar amount to spend along a platform of benefits — medical, dental, pharmaceutical, life, disability. That way an employee can decide what they need. A worker with kids who already got their braces may decide he wants more life insurance. The idea is people will spend money more wisely when it’s their choice.”**

Last month Conner Strong formed a partnership with Liazon Corp. of New York to create a private health-benefits exchange.

Global benefits consulting firm such as Mercer and Buck Consultants are also part of the trend.

Mercer, which has offices in Philadelphia and Princeton, established its own private exchange called Mercer Marketplace in January. The firm said its research shows 56 percent of employers are considering a private exchange to provide benefits to their active employees or retirees.



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Buck Consultants, which has an office in Berwyn, is planning a private health exchange — called RightOpt — for fall 2013 enrollment.

Both Mercer and Buck said their exchanges will be available in both a self-funded and fully insured models.

Another Mount Laurel employee benefits broker and consulting firm, Corporate Synergies Group, is putting the finishing touches on a private benefits exchange it plans to introduce in the second quarter.

“In our discussions with clients and others in the industry, the concept of a private exchange is what everyone is talking about,” said Andrew Bloom, Corporate Synergies’ executive vice president of operations.

Bloom said the idea of a private exchange is not a foreign concept in the benefits field where wellness and disease-management programs have been around for years, as have cafeteria-style plans that allow workers to choose among benefit options.

“I look at this as bringing all those things together,” Bloom said. “Most employers offer multiple medical options to employees and ask them to pay more for anything above a certain level of benefits. What a private exchange does is allow an employer to go beyond two or three options. They have the ability to bring into play eight to 10 options to accommodate everybody’s different circumstances or needs or tolerance for risk.”

Both Bloom and DiBella compared the shift to defined contributions to the movement by employers away from pensions to 401K plans to give workers control over retirement savings.

DiBella said a key component of the approach is providing consumers with access to technology to help them make informed choices and prevent people from being underinsured.

DiBella said the model can help employers save money on their benefits costs by setting predictable budgets, but he cautioned private exchanges are only part of the solution to escalating health-care costs.

“They are not a silver bullet,” he said. “Employers will still need to manage claims costs and promote wellness because, at the end of the day, it will be an individual employer’s group experience that dictates premium costs.”