Plenary Session
Update on the ACA Exchanges
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Update on the ACA Exchanges

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President and CEO, America's Health Insurance Plans

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Piper Su, JD
VP, Health Policy, The Advisory Board Company
Moderator
2015 Open Enrollment in the Books
More Buyers, More Sellers, More Competition in Second Year

Public Exchange Enrollment

<table>
<thead>
<tr>
<th>Year</th>
<th>Federally Facilitated Marketplace</th>
<th>State-based Marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>8M</td>
<td>25M</td>
</tr>
<tr>
<td>2015</td>
<td>10M+</td>
<td>248</td>
</tr>
<tr>
<td>2018</td>
<td>191</td>
<td>61</td>
</tr>
</tbody>
</table>

Recap of 2014 Enrollment

Of enrollees still enrolled as of September 2014: 84%
Enrollees aged 18–34: 28%


1) As of February 5, 2015.
2) Projected.
3) 36 states.
4) 8 states reporting.
Lessons from 2014

Individuals Gravitating Toward Leaner Plans
Premium Sensitivity Apparent at Two Levels

Level 1: Choice of Metal Tier

- Gold: 9%
- Platinum: 5%
- Catastrophic: 2%
- Silver: 65%
- Bronze: 20%

Factors Influencing Metal Level

- ✔️ Deductible
- ✔️ Copays
- ✔️ Out-of-Pocket Maximum
- ❌ Non-Essential Services Covered
- ❌ Network Composition
- ❌ Negotiated Rates

Level 2: Plan Choice within Metal Tier

All Metal Levels

- Lowest-Cost Plan: 43%
- Second-Lowest-Cost Plan: 21%
- Any Other Plan: 36%

Premium Levers Beyond Benefit Design

- 🔱 Scope of Non-Essential Benefits
- 💸 Negotiated Payment Rates to Providers
- 📊 Utilization Patterns, Trends

Source: HHS, "Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Open Enrollment Period," May 1, 2014; Health Care Advisory Board interviews and analysis.

1) Data from federally-facilitated exchanges only.
Appealing to Premium-Sensitive Consumers
High Deductibles, Narrow Networks Prevalent on Exchanges

Individual Deductibles Offered on Public Exchanges

<table>
<thead>
<tr>
<th>2014</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Median</td>
<td>Maximum</td>
</tr>
<tr>
<td>$2,500</td>
<td>$6,250</td>
<td></td>
</tr>
</tbody>
</table>

Individual Deductibles Chosen on eHealth Individual Marketplace

- <$1,000: 16%
- $1,000–$2,999: 39%
- $3,000–$5,999: 30%
- $6,000+: 16%

Breadth of Hospital Networks in Exchange Plans

20 Urban Markets, December 2013

- Broad: 30%
- "Narrow": 32%
- "Ultra-Narrow": 38%
- Exclude 30% of 20 largest hospitals
- Exclude 70% of 20 largest hospitals

26%
Median premium reduction directly attributable to network narrowing¹


¹ Comparing products by the same carrier of the same tier, across 7 carriers.

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Legal Challenge Complicates Future of Exchanges
Supreme Court to Review the ACA (Again)

The Question

Does the language of the ACA allow subsidies in states that do not set up their own exchanges?

Supreme Court Stepping In

Halbig v. Burwell
D.C. Circuit panel strikes down subsidies on federal exchanges

King v. Burwell
Fourth Circuit rules subsidies legal on Virginia’s federally run exchange

Supreme Court scheduled to hear King v. Burwell in March; final ruling expected in June 2015

Potential Impact

Based on 2014 Enrollment

<table>
<thead>
<tr>
<th>Unsubsidized</th>
<th>Subsidized on Federally Run Exchanges</th>
<th>Subsidized on State-Run Exchanges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.7M</td>
<td>2.7M</td>
</tr>
<tr>
<td></td>
<td>0.7M</td>
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</tbody>
</table>

Majority of enrollees collecting subsidies in question

Plenary Session

New Era of Private Exchanges and Defined Contribution
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New Era of Private Exchanges and Defined Contribution

John Barkett
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Yvette Fontenot
Partner, Avenue Solutions

Dean Carter
Chief Human Resources Officer, Sears Holdings Corporation

Jim Levine
Director, Compensation and Benefits, Church & Dwight

David Willis
VP of Health System Strategy and Executive Education, The Advisory Board Company
Moderator
Employers Reaching a Crossroads
How Long Can the Traditional Employer-Sponsored Insurance Model Last?

Percent of Employer Plans That Will Incur the “Cadillac Tax”

- 2018: 16%
- 2029: 75%

Reduction in average value of private health benefits due to the Cadillac Tax, 2029
(3.1%)

Spectrum of Options for Controlling Health Benefits Expense

- **Drop Coverage**
  - Trade Cadillac Tax for employer mandate penalty
- **Shift to Private Exchange**
  - Cap growth of employer contribution
- **Convert to Self-Funding**
  - Hope for success in controlling total cost growth

**“Hands-Off Delegation”**

**“Hands-On Management”**

Huge Growth Forecast for Private Exchanges
Which Industries will Transition Next—and How Quickly?

Projected Private Exchange Enrollment

<table>
<thead>
<tr>
<th>Year</th>
<th>3M</th>
<th>9M</th>
<th>19M</th>
<th>30M</th>
<th>40M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
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<tr>
<td>2015</td>
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<tr>
<td>2016</td>
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<tr>
<td>2017</td>
<td></td>
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<tr>
<td>2018</td>
<td></td>
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</tr>
</tbody>
</table>

For Active Employees:

Walgreens  petco  Olive Garden

For Retirees:

IBM  GE  Caterpillar

172 Private exchange operators as of October, 2014

Source: Accenture, “Are You Ready? Private Health Insurance Exchanges are Looming;” privatehealthexchange.com; Health Care Advisory Board interviews and analysis.
Private Exchange Mechanics
Employees Gaining More Control Over Benefit Selection

Sample Defined Contribution, Private Exchange Model

1. Exchange Adoption
   Employer contracts with exchange platform, determines premium contribution amount

2. Plan Comparison
   Employees review health plan options on exchange platform

3. Plan Enrollment
   Employees select plan, assume responsibility for premium costs that exceed employer contribution

Key Variables for Private Exchange Design

- **Number of carriers**: Single carrier versus multi-carrier exchange
- **Benefits included**: Health insurance versus comprehensive range of benefits
- **Risk tolerance**: Fully insured versus self-funded model
- **Enrollment method**: Active enrollment versus passive enrollment

1) For example, dental, vision, and life insurance; wellness programs.

From Wholesale to Retail
Health Care No Longer Insulated from Market Forces

<table>
<thead>
<tr>
<th>Traditional Market</th>
<th>Retail Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passive employer, price-insulated employee</td>
<td>Activist employer, price-sensitive individual</td>
</tr>
<tr>
<td>Broad, open networks</td>
<td>Narrow, custom networks</td>
</tr>
<tr>
<td>No platform for apples-to-apples plan comparison</td>
<td>Clear plan comparison on exchange platforms</td>
</tr>
<tr>
<td>Disruptive for employers to change benefit options</td>
<td>Easy for individuals to switch plans annually</td>
</tr>
<tr>
<td>Constant employee premium contribution, low deductibles</td>
<td>Variable individual premium contribution, high deductibles</td>
</tr>
</tbody>
</table>

1. Growing number of buyers
2. Proliferation of product options
3. Increased transparency
4. Reduced switching costs
5. Greater consumer cost exposure

Source: Health Care Advisory Board interviews and analysis.