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# The Private Exchange Platform<sup>®</sup> Solution in Action

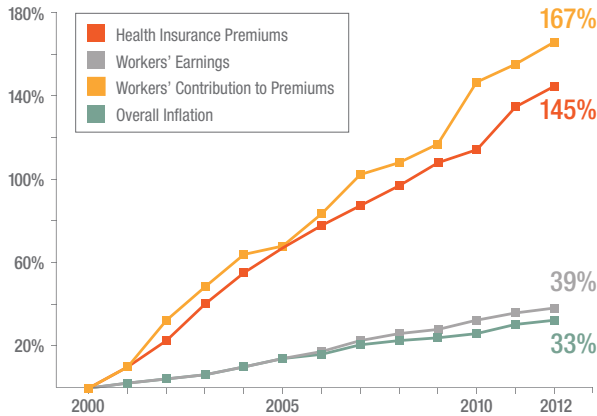


# Introduction

Different requirements, increased regulation and the advent of public health insurance exchanges are altering the health benefits ecosystem, and health insurers are considering new ways to compete in a dramatically changing environment.

Despite the new landscape, many of healthcare’s historical challenges remain the same, particularly in the group insurance market. Employers continue to struggle with rising and unpredictable health care costs. Consumers continue to struggle to find health coverage most appropriate for their unique circumstances. And health insurers are caught in the middle of the two, working to deliver cost-effective solutions that empower people to take control of their healthcare.

**Benefit Costs Directly Impact Take-Home Pay, 2000-2012**



Source: Kaiser / HRET Survey of Employee-Sponsored Health Benefits, 2000 – 2012. Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, US City Average, 2000 – 2012, Bureau of Labor Statistics, Establishment Data Historical Hours and Earnings, 2000 – 2012.

Although new state health insurance exchanges are intended to primarily help individuals shop for, compare and buy health insurance, some people also are considering how they have the potential to alter the employer sponsored group insurance market. Reports have surfaced indicating that some employers may consider dropping coverage, paying a penalty and leaving their employees to buy insurance on their own through the state exchanges.

But there is another option.

Employers looking to improve predictability and control when it comes to the cost of their health coverage programs don't have to cease offering benefits altogether. Thanks to the burgeoning private exchange model, employers can continue to offer their employees competitive benefit packages—in fact, they can offer more choices than ever before—while controlling their costs.

Under a private health insurance exchange, an employer works with an independent private exchange company like Bloom Health or a health insurer to design and customize a variety of benefit options for their employee population. Private exchanges offer many coverage options, vastly expanding the benefit possibilities from those offered in the traditional group insurance benefit model. In a private exchange, employers contribute a defined amount of money (a defined contribution) to each employee's benefits annually, and employees are then empowered to use that money to choose the coverage that best fits their needs.

And the private exchange movement is gaining momentum.

In March of 2013, Accenture estimated that 9 million individuals will enroll in private exchanges by 2015. They further predicted private exchange enrollment will reach 40 million by 2018, surpassing state-funded public exchange enrollment predictions of 31 million. The same report also estimated that private exchanges will account for 56 percent of the total exchange market in just five years.\*

The private exchange model is a powerful option for companies who want to both manage costs and simultaneously offer new choice and options to an increasingly innovative workforce. This paper examines how two health insurers are using private exchanges to pioneer new approaches in the group insurance model.

\*Source: Private Exchange: Accenture analysis, based on data from: U.S. Census, Bureau of Labor and Statistics, Kaiser Employer Health Benefits 2012 Annual Survey. Calculations exclude post-65 retirees and individuals. Public Exchange: Congressional Budget Office 2013 Estimate of the Effects of the Affordable Care Act on Health Insurance Coverage, CBO's February 2013 Baseline, depicts average monthly enrollment, including spouses and dependents for individual and SHOP.

## How Many Choices are Enough? My Plan by Medica<sup>SM</sup>

**Medica, a health insurance company headquartered in Minnesota, had already been considering offering its employer clients a private insurance exchange when it partnered with Bloom Health in 2011 to launch My Plan by Medica—its private exchange that today is used by more than 110 employers and covers over 27,000 people.**

My Plan by Medica, which is powered by the Bloom Health Private Exchange Platform, offers as many as 20 different benefit choices—plus the potential for varying networking options—in its standard package.

“The standard two or three defined benefit plans traditionally offered by employers does not allow for true consumer choice and decision-making.”

**John Naylor**

*Senior Vice President, Commercial Markets  
Medica*

Some skeptics wonder if employees really want that much choice. How many choices are too many? In the experience of Medica, the sky might be the limit. “Employees really do want, and use, a wide variety of plan options,” says John Naylor, Senior Vice President of Commercial Markets at Medica. “Within our My Plan by Medica customer base, every one of our 20 benefit plans is purchased by at least one employee.”

A key reason My Plan by Medica members are taking advantage of the plethora of choices the private exchange affords is the strength of Bloom Health’s decision support and live, licensed advisors—a differentiator for Bloom Health’s exchange platform. “Selecting benefits can be an overwhelming experience for some consumers,” says Naylor. “The one-on-one help offered through the decision support tools creates a personalized approach that makes My Plan by Medica unique.”

Employees aren’t the only ones benefiting from My Plan by Medica. Because of the new level of transparency that the defined contribution private exchange offers—employees can see just how much money their employers contribute to their healthcare—workers are feeling increasingly appreciative of this significant investment made by their employers: “Human Resources staff are receiving accolades from employees, who appreciate the new offerings and that’s a positive sign for the future of private exchanges.”

# What's the Right Amount of Coverage? The Employer Perspective

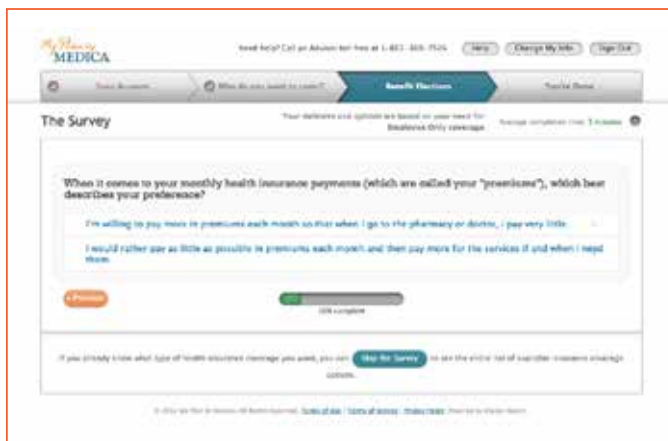
For **Hubbard Broadcasting, Inc. (HBI)**, a television and radio broadcasting company based in Minnesota and operating in six states, moving to a defined contribution private insurance exchange was a natural progression. The company had been offering total replacement high-deductible health plans for five years, so employees were already accustomed to taking some control of their own healthcare spending.

Still, My Plan by Medica opened HBI employees' eyes to a whole new world of health benefits. "We already offered employees a few different options, but using My Plan we have enrollment in a wide distribution of plans, which tells me that our workforce has a need for choice," says Michelle Murray, HBI's Benefit Manager\*. Murray says that the decision-support tool, which helps employees choose the benefits that are best for them, has been valuable and has

helped employees review benefits that they otherwise would not have considered.

Murray also credits the tool with saving employees from wasting money on unnecessary coverage. "I'm finding that a lot of people were initially over-insuring," she says. But with her guidance and the use of the online technology and support of the My Plan Advisor Team, employees are able to find and select just what they need.

Two-way communication has helped ease the transition to the private exchange, for both employer and employees, according to Murray.



*My Plan Decision-Support Tool Powered by Bloom*

To ensure that employees are best positioned to take advantage of the private exchange, HBI scheduled a number of training and orientation sessions. The company also increased its communication around health benefits, no longer simply communicating to employees during open enrollment season. "We're still learning what kind, and how much, communication is necessary," Murray says.

\*Michelle Murray has since left Hubbard Broadcasting, Inc.

## Understanding the Market, Responding to a Need: Blue Cross Blue Shield of Michigan

**Blue Cross Blue Shield of Michigan (BCBSM)** is the market leader in Michigan, a state where employers have felt a disproportionate impact of the economic downturn, compared to the rest of the country. Bleak times have pushed the state's employers to look at new and innovative ways of controlling healthcare costs while still offering competitive benefit options.

So, BCBSM decided to take action and partnered with Bloom Health to create its own defined contribution private exchange, called GlidePath.

“We saw with this private exchange an opportunity to both address marketplace needs and to convert the typical group member into an educated consumer.”

**Ken Dallafior**

*Executive Vice President  
Group Business and Corporate Marketing  
Blue Cross Blue Shield of Michigan*

BCBSM's approach was to start with a limited release in their market with five clients in the fall of 2011, and has been expanding ever since. Ken Dallafior, Executive Vice President of Group Business and Corporate Marketing, says he expects the number of employers using GlidePath to grow significantly this year as additional limited release groups select GlidePath for their members. Additionally, BCBSM also began talking to employers about converting or adding their retiree populations to the private exchange. Groups covering retirees began offering coverage on the GlidePath solution with a January 1, 2013 effective date.

For those employer groups currently using GlidePath, the majority of employees are sticking with benefit packages close to what they had prior to the exchange offerings. “We’re finding that people don’t want to make a dramatic shift yet, but rather that they just want to have a little more skin in the game in terms of how they manage their own benefits,” Dallafior says.

Even so, the Bloom Health decision-support tool is making a meaningful difference for employers and their workforces. Calling the Bloom Health decision-support tool “the key to the defined contribution model,” Dallafior says, “It’s one thing to hand someone a check and tell them to go make some decisions. It’s another thing to offer online and personal support tools.”

While employers and their workforces have been the primary beneficiaries of GlidePath, Dallafior sees great value for BCBSM too. Bringing the defined contribution private exchange to the Michigan market has been an industry game-changer:

“As a health plan, it’s changed the conversation—there’s been a paradigm shift. This isn’t the old BCBS of Michigan doing business, we’re out in front of the curve, we’re thinking about it differently, and we’re bringing a solution to the marketplace.”

# More than Just a Financial Impact: **Employer Showing Value through Defined Contribution**

Because its business is so closely tied to the automobile industry, **Key Safety Systems (KSS)**, a global leader in automobile safety restraints, had been feeling the pinch of the economy when it began looking for alternative health benefit options.

“I had a management team that had been saying for a long time that they wanted to give employees a set amount of money to buy their own plan,” Vickie Bellinger, Key Safety Systems’ Manager of Benefits & Compensation\*, says. So upon learning more about GlidePath and how the private exchange can help employers responsibly predict costs and increase employee choice, KSS embraced the model.

The impact has been much more than just financial.

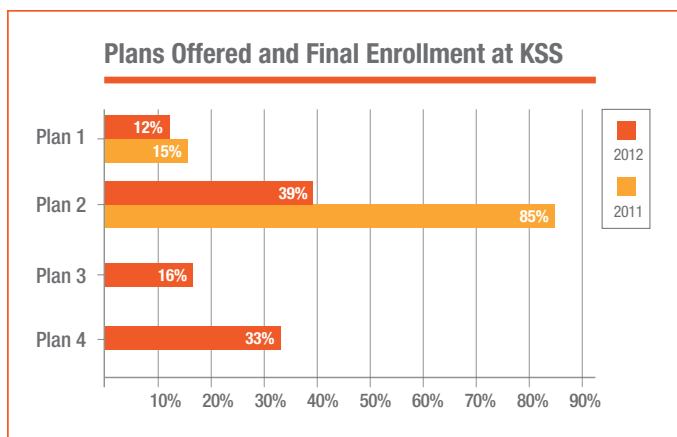
Bellinger says that by switching to GlidePath, KSS has lifted the veil on how they contribute to employees’ health—establishing a newfound appreciation among the workforce. “We are an auto company, so we went through the downturn. And even though we’re coming out of it, we have some concerned employees,” she says. “As employees see what KSS contributes to healthcare, that helps reinforce their job satisfaction.”

Bellinger adds that another benefit to the private exchange has been the focus on consumer education. Specifically, KSS employees have developed an awareness of what it takes to be a savvy purchaser of health benefits: “We preach

behavioral change and consumerism, but we do not teach [employees] how to do it. With GlidePath, we’re changing that.”

So far, it seems to be working. Bellinger reports that her workforce is taking advantage of having the increased choices and are selecting a variety of benefits.

*\*Vickie Bellinger has since retired from Key Safety Systems.*



While working with GlidePath, powered by Bloom, KSS employees took advantage of increased plan choices and selected a variety of benefits.

# Conclusion

By implementing defined contribution private exchanges, Medica and Blue Cross Blue Shield of Michigan have provided employers with a new way to manage costs, enhance employee choice and fulfill what many feel is their responsibility: to ensure that their employees have the best health coverage available.

Bloom Health chairman and chief executive officer Simeon Schindelman believes that private exchanges, whether with defined benefit or defined contribution, have a role in the changing benefits selection marketplace. “The Bloom Private Exchange Platform is an advantage for both employers and employees. Employers of all sizes, across all industries, now have a way to continue providing benefits to their employees with more cost predictability, reduced HR administration and increased ability to attract, retain and motivate talent.”

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“As Bloom expands the products and services available on our platform, we will continue to maximize consumer choice, minimize complexity and do it in a way that results in well-informed and confident decisions.”

Simeon Schindelman *Chairman and CEO, Bloom Health*



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