
INSURANCE

'Private' Health Insurance Purchasing Exchanges: An Alternative Health Care Option for Employers

By Lori Brogin

For the past two years, there has been a renewed focus on "Private" Health Insurance Purchasing Exchanges. Such focus is in large part due to the 2014 deadline by which states must establish "Public" Health Insurance Purchasing Exchanges as mandated under the Patient Protection and Affordable Care Act ("Health Care Reform").

"Private" Health Insurance Purchasing Exchanges are created when employers come together to use their collective purchasing power to obtain health insurance for their employees. Employer groups may vary in size – they range from small to large – but their ultimate goal is the same: to provide low cost, quality health care.

These Exchanges typically provide more services than available through a "traditional" health insurance product. And, often times they are provided for a fee that is much less than the overall administrative and compensation fee that is included as part of today's "traditional" product.

Lower Initial Premium Cost

The Health Carrier's administration-load portion of the premium for an Exchange is typically 9-12% of premium; this is 3-6% less than the 15% administration-load for coverages sold to an individual employer. The Exchange administration fee is typically

4-6% of premium, whereas, the typical agent/broker compensation is 5-10% of premium.

Premium-Renewal Stability

In the Exchange, the employer is now part of a larger purchasing-pool consisting of many employers. Claims experience is spread across the large pool of employers. As a result, there is typically less volatility in annual premium renewals.

Choice of Carriers and Coverage Options

Exchanges typically offer choice of several "different" health, dental and vision plans in addition to several different HMO and PPO health-coverage options.

Reduced Administration Work

Exchanges often issue only one employer invoice for all coverages (health, dental, vision and life). This includes billing different carriers on a single invoice. There is only one monthly invoice for an employer to adjudicate and pay.

Member, Field & Claim-Assistance Service

Most Exchanges have dedicated staff to handle employer and enrollee telephone calls regarding coverage, enrollment or claim-assistance. Many Exchanges have Field Service staff for enrollment, employee education and addressing employer issues.

COBRA, Certificate of Credible Coverage and Compliance Issues

COBRA administration (for all coverages and carriers) is typically integrated as part of the overall Exchange invoice system and provided at no additional cost. Exchanges are often times set-up as ERISA Trust Funds, and as a result, the responsibility for compliance issues and certificates of coverage falls on the Exchange. This shifts the regulatory and fiduciary burden from the employer to the Exchange.

An article about employee benefit firms' expansion into "Private" Health Insurance Exchanges was recently featured on the front-page of the Business Section of USA Today. As Julie Appleby wrote in her April 28, 2011 piece, "Private exchanges, mainly run by former insurance executives and benefit consulting firms, operate in more than 20 states...One of the nation's largest benefits firms, Aon Hewitt, said...it will launch an exchange aimed at large employers. It hopes to have at least 100,000 workers enrolled by early next year." As Health Care Reform continues to evolve, "Private" Health Insurance Purchasing Exchanges will present a smart option for the business community.

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