

IPS Advisors, LLP



Our Vision is Your Advantage

Corporate Benefits Consulting

Our Goal is to Turn Your Expense into an Asset

Insurance Planning Services

We Help You Uncover - Then Cover Your Risks

Retirement Plan Consulting

Choosing Your Company Retirement Plan is a Big Decision - We Offer Big Help

Health Benefits Strategies
Private Insurance Exchanges

Presented By:
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Principal
IPS Advisors



Our Company – IPS Advisors

- Established over 35 years ago, IPS Advisors is an independent fee based brokerage and consulting firm. Our governmental division services over 35 municipalities, counties and State agencies across Texas with their health and welfare benefits planning needs.
- We provide specialized services through our core practice areas:
 - Corporate Benefits Consulting
 - Long Term Strategic Planning
 - Fully Insured and Self Insured Benefits Programs
 - Health Risk Management Programs
 - Compliance Assistance
 - Benefits Administration
 - Corporate Retirement Consulting
 - 457 Plans
 - Life Insurance Portfolio Management
 - Property and Casualty Insurance



Upcoming Important ACA Requirements

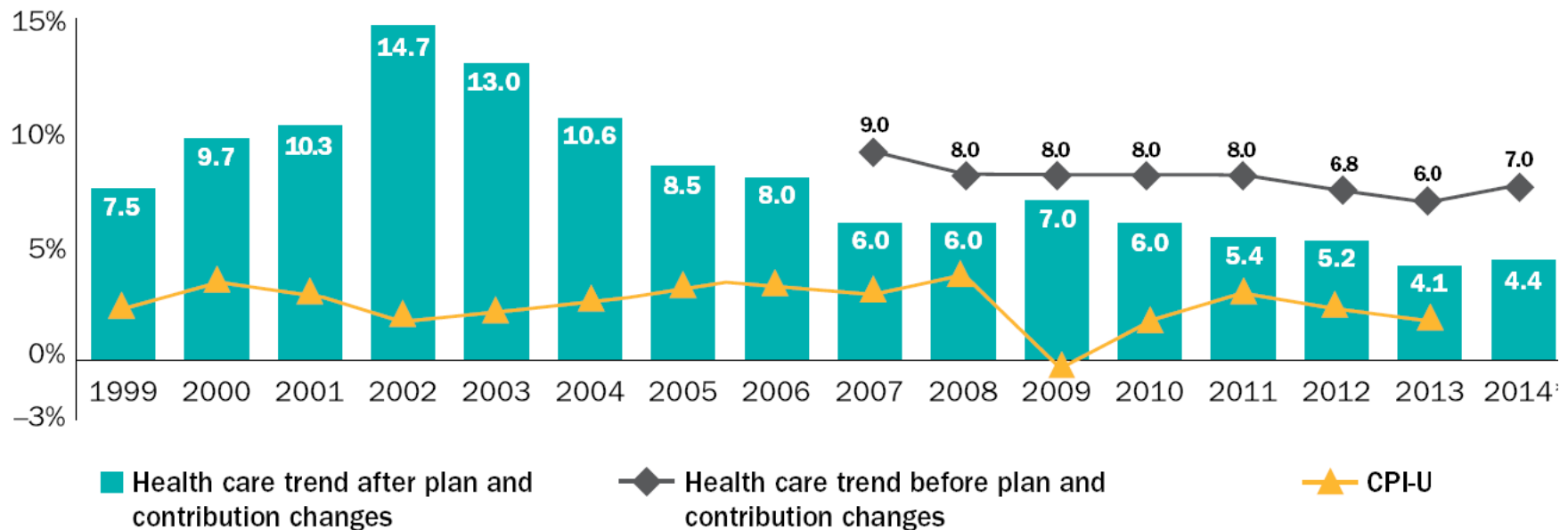
- Employer Reporting
 - First Reports due to employees by January 31, 2016, with respect to the 2015 tax year
 - Reporting is done on a calendar year basis regardless of plan year
 - Employers should consider collecting the dozens of required data points in advance
 - Final forms and instructions are now available
- Code sections 6055 – Reporting by Health Coverage Providers
 - Generally applies to any employer that provides minimum essential coverage to an individual and to health insurers for insured coverage.
- Code sections 6056 – Reporting of Offers of Health Coverage
 - Applies to “Applicable Large Employers” or “ALEs”
 - Employer that employs more than 50 full-time and/or full time equivalent employees
 - ALEs are required to file returns with the IRS to disclose coverage under employer-sponsored health plans, as well as to furnish employees with statements containing information that they must report to the IRS

Upcoming Important ACA Requirements

- Cadillac Tax Assessment
 - Applies to plan years beginning on and after January 1, 2018
 - Applies 40% excise tax to “excess” benefits that exceed statutory dollar limits
 - 2018 Unadjusted Employee Thresholds: \$10,200 for employee-only coverage; \$27,500 for family coverage
 - 2018 Unadjusted Pre-65 Retiree Thresholds: \$11,850 for employee-only coverage and \$30,950 for family coverage
 - Includes the following (subject to future IRS guidance)
 - Employee and Employer Contributions
 - Employer and employee contributions to health FSAs, HRAs, and HSAs
 - Retiree coverage
 - On-site medical clinics
 - Specified disease coverage and fixed indemnity insurance excludable from gross income

Health Care Cost Trends: 1999 - 2014

- Health care cost trend has dropped to the lowest rates in 15 years however trend rates continue to outpace inflation.
- Changes to plan designs and employee contributions are primary drivers of these results.

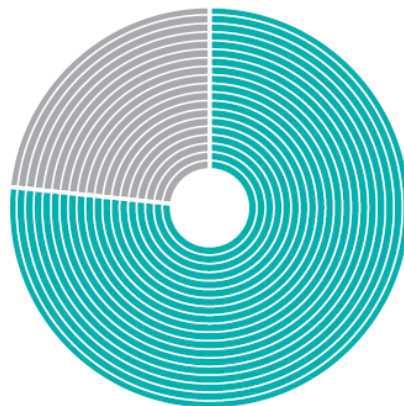


Source: Towers Watson / NBGH - The New Health Care Imperative Survey

Health Care Cost Trends – Per Capita Costs

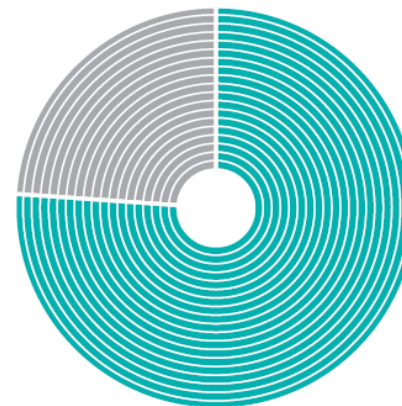
- Employers continue to shoulder the load contributing on average \$9,560 per employee or 76.3% of total plan costs.
- Since 1999, employer share has risen 28% while the employee share has risen 32%.

2009 Total plan cost = \$9,748



■ **\$7,486** Employer share
■ **\$2,262** Employee share

2014 Total plan cost = \$12,535

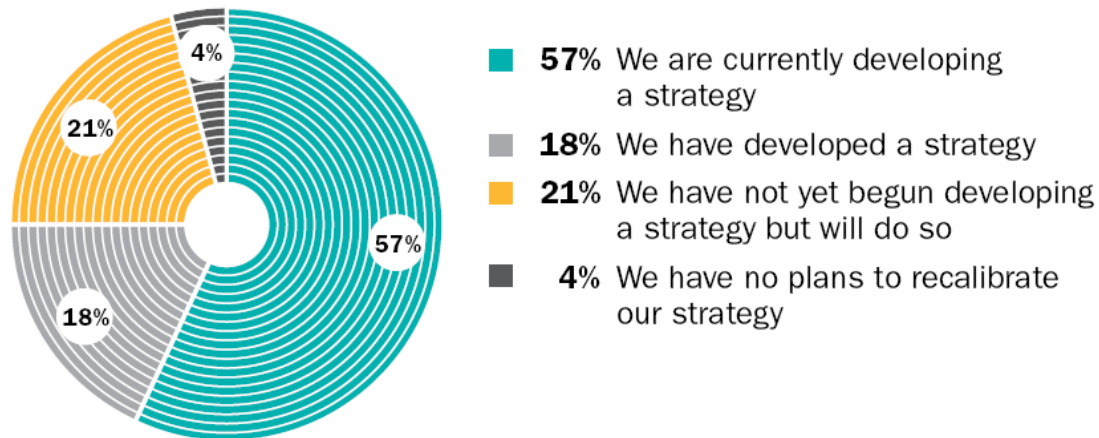


■ **\$9,560** Employer share
■ **\$2,975** Employee share

Source: Towers Watson / NBGH - The New Health Care Imperative Survey

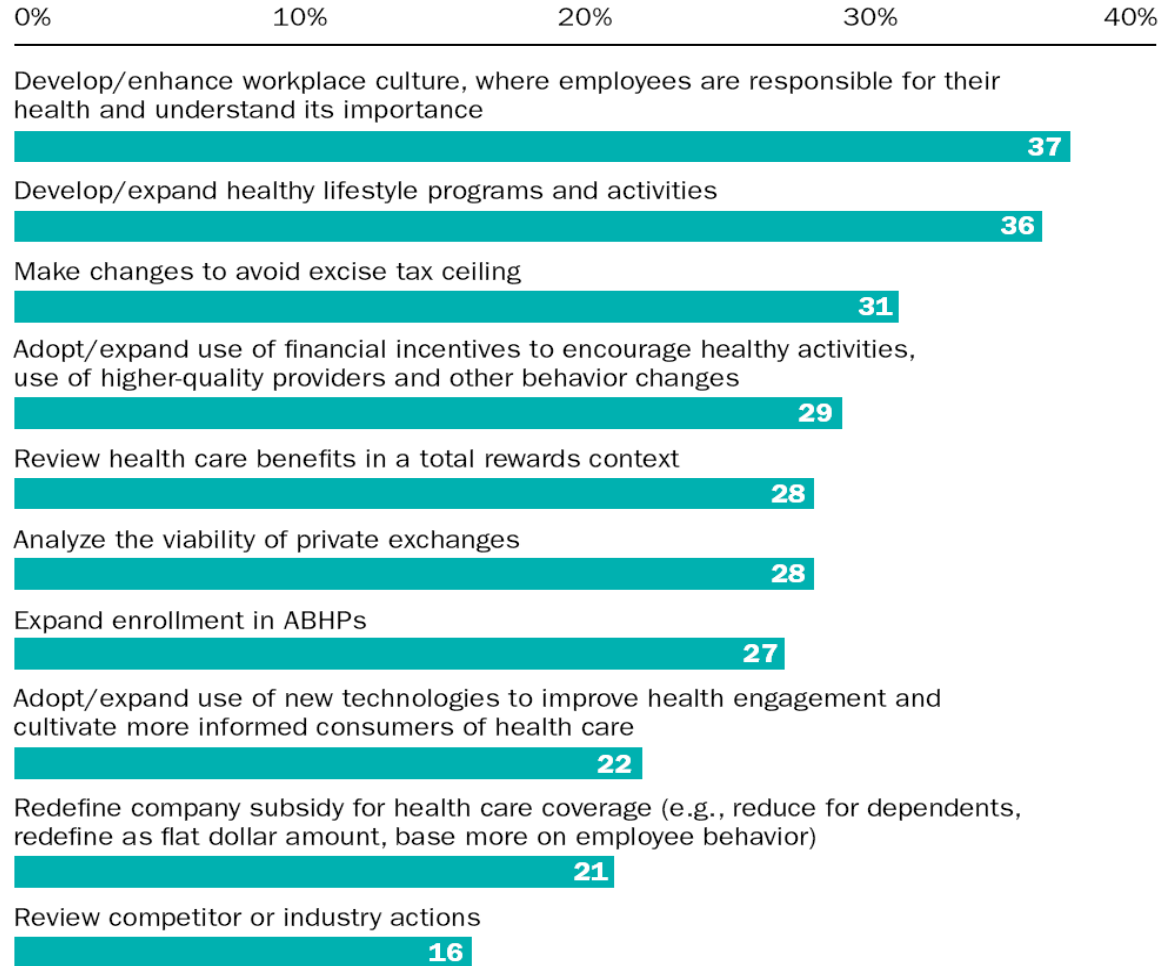
Strategy and Planning

- A widespread trend in healthcare strategy recalibration is underway across the country due to rising employer costs, economic factors and the Patient Protection and Affordable Care Act.



Source: Towers Watson / NBGH - The New Health Care Imperative Survey

Top 10 Strategic Focus Areas

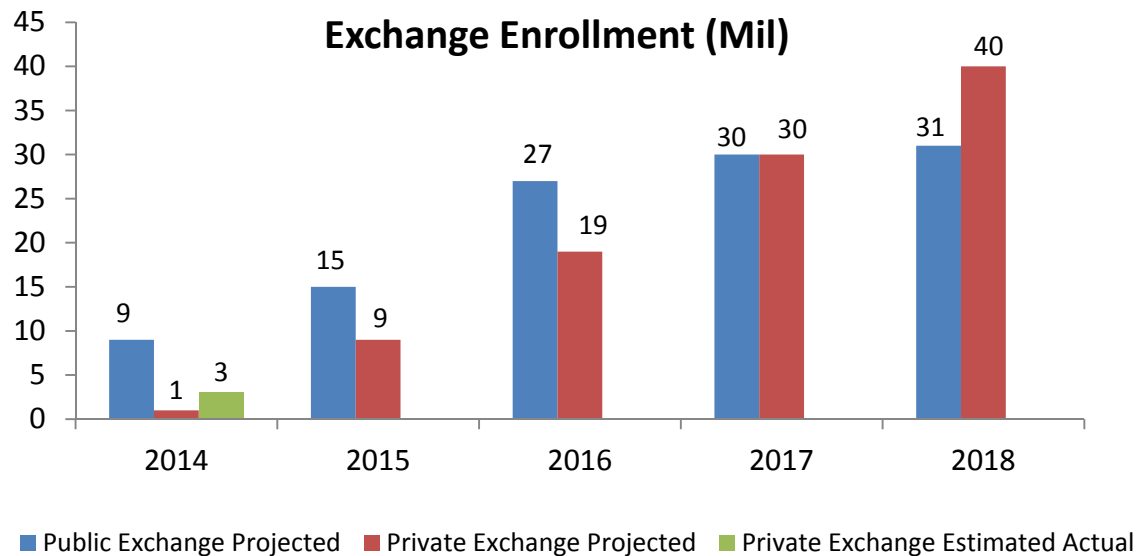


Source: Towers Watson / NBGH - The New Health Care Imperative Survey



Private Exchange Enrollment

- By 2018, it is projected that enrollment on private health insurance exchanges could outpace enrollment on public exchanges (Accenture).
- Estimated actual enrollment in private exchanges for 2014 exceeded 3 million enrollees vs initial projections of 1 million enrollees (Accenture).



Source: Accenture

What is a Private Exchange?

- At its core, a private exchange is a technology driven enterprise that sells insurance products to an employee group through an on-line store.
- What makes private exchanges unique is that employees are able to shop from a menu of health and welfare benefits and select a package that best suits their needs.
- Employers typically utilize a defined contribution approach with a private exchange offering an employee a fixed dollar amount to purchase benefits.
- Private exchanges are typically run by health plans or consulting firms.



Private vs Public Exchanges

	Public Exchange	Private Exchange
Administrator	Federal or State Government	Private Company
Subsidies and Tax Credits for Individuals	Available	Not Available
Customer	Individuals, SHOP – Small Employers	Employers (Fully Insured and Self Insured)
Products	Health Insurance	Health Dental Life Disability Retirement Ancillary Benefits
Insurance Carrier Participation	Multiple Carriers	Single Carrier or Multiple Carrier
Customization	No	Yes, Employers may retain flexibility in selecting participating providers and plans to offer.

IPS Advisors – Private Exchange

- IPS Advisors partnered with Liazon to provide our clients with a turnkey private exchange solution called Bright Choices



- BrightChoices combines a on-line health and welfare benefits marketplace with a guided shopping experience for employees.
- Employees are provided with multiple product alternatives and decision support systems to create a package of health and welfare benefits that best suit their needs.
- BrightChoices is also a year round benefits administration tool with eligibility feeds to carriers and employer tools to manage enrollment, access reports, manage life events and changes in eligibility.

Private Exchange Types – BrightChoices

- BrightChoices - Single Carrier Private Exchange
 - Group Size Requirement – < 3,000 employees
 - Eligible Participants – Employees, Pre-65 Retirees and Dependents
 - Funding – Self Insured or Fully Insured
 - Single insurance carrier is selected to offer medical plans
 - Example: Aetna with seven plans offered
- BrightChoices - Multiple Carrier Private Exchange
 - Group Size – > 3,000
 - Eligible Participants – Employees, Retirees and Dependents
 - Funding – Self Insured or Fully Insured
 - Multiple carriers are selected to offer medical plans
 - Example: Aetna and UHC with 15 plans offered

Bright Choices – Exchange Basics



Vendor provides technology support online and on the phone.


1



You give employees a set amount of money to spend on benefits



2



Employees shop in the online store and are guided to personalized benefits selections.



Vendor consolidates and handles administrative tasks.

Today's Environment – “one-size-fits-all”

“My son has asthma, so we see the doctor often. I don't want to think about how much I spend each time. I need to protect my family in case something happens to me.”



Chris & Family

Cost \$1,800

“Doctors – I don't go much. I want to spend as little as possible on premiums. I haven't built up much in savings, so if I get sick and I'm not getting paid, I need a source of income.”



Tom

Cost \$650

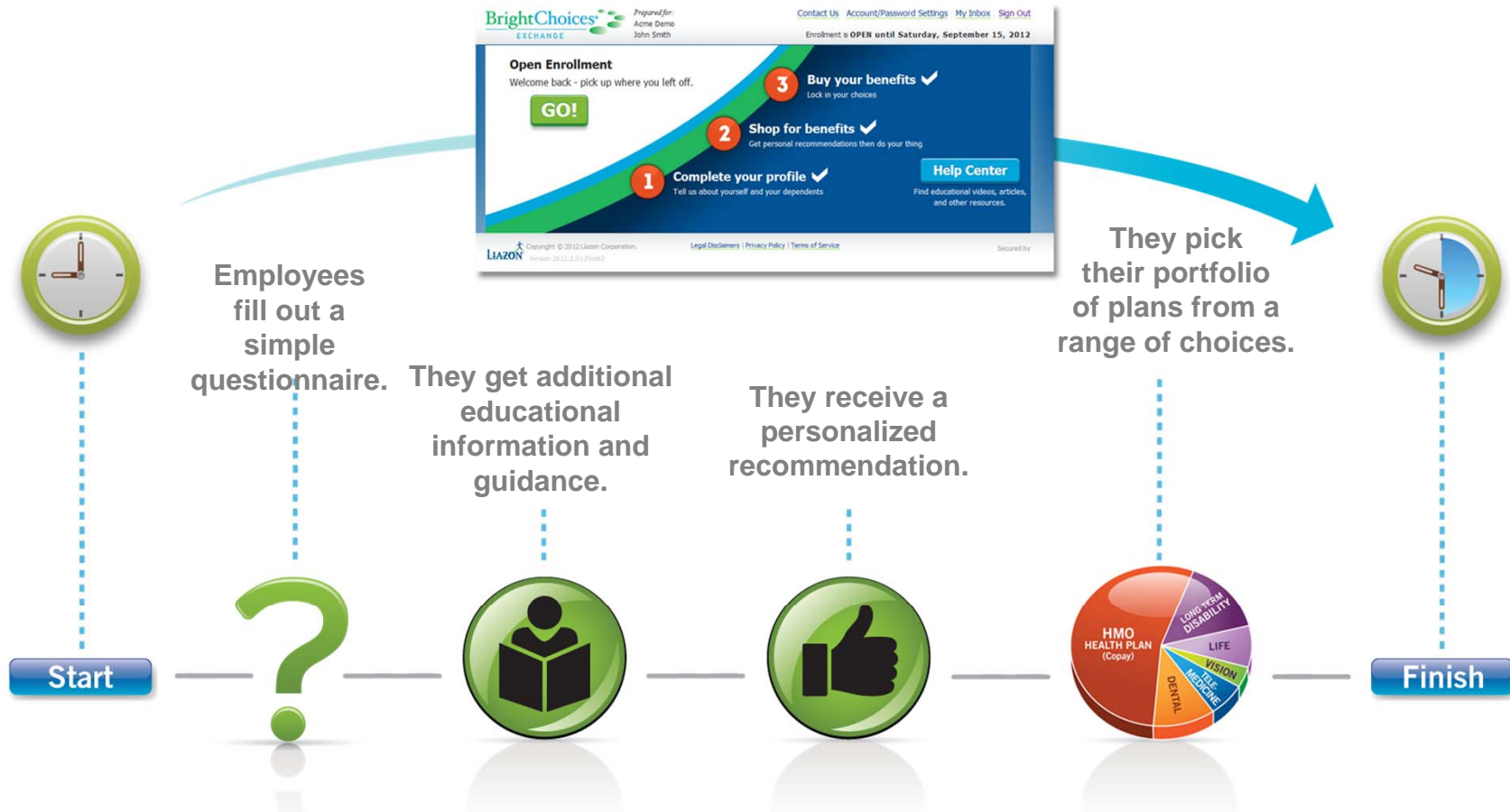
“My favorite doctor doesn't accept our HMO. I'd like to stop smoking, and I do worry about cancer as it runs in my family.”



Alicia

Cost \$650

Private Exchange - Process



Private Exchange - Result



Chris & Family

Previously \$1,800
With Bright Choices
cost is \$1,300



Tom

Previously \$650
With Bright Choices
cost is \$550



Alicia

Previously \$650
With Bright Choices
cost is \$675



Everyone got what they wanted
and total savings are \$575

Private Exchange – Case Study

Before
Bright Choices



PPO
\$\$\$\$



DENTAL
LIFE
LONG TERM
DISABILITY

With
Bright Choices



PPO
\$\$\$\$



PPO 1
\$\$\$



HMO 1
\$\$



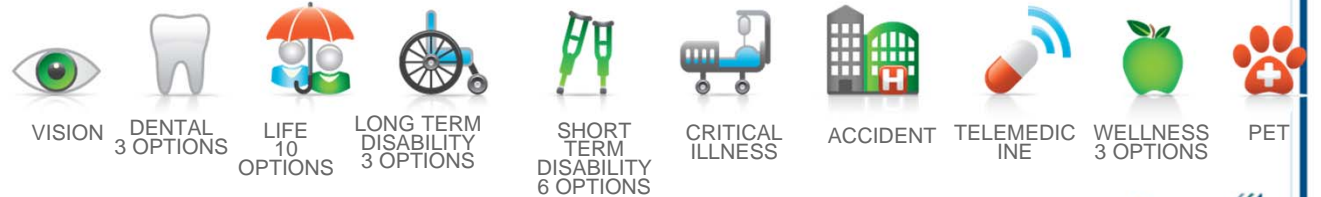
PPO HSA
\$\$



HMO HSA 1
\$\$



HMO HSA 2
\$



VISION
DENTAL 3 OPTIONS
LIFE 10 OPTIONS
LONG TERM DISABILITY 3 OPTIONS
SHORT TERM DISABILITY 6 OPTIONS
CRITICAL ILLNESS
ACCIDENT
TELEMEDIC INE
WELLNESS 3 OPTIONS
PET



ips
ADVISORS

Case Study

**Without Bright Choices
Total \$404k**

\$299k
Premium cost for
23 employees in a
POS Plan

\$342k
Annual Renewal
had they done
the same old



\$62k
Dental, Life, LTD



- Employer avoided a \$43k rate increase
- Employees saved \$55k in payroll deductions and gained \$24k in their HSAs
- Employer saved \$68k in cost including \$24k to HSAs



**With Bright Choices
Total \$281k**

\$209k
Cost for
23 employees in
plan of their choice



\$72k
Dental, Life, LTD
plus Vision, Accident, CI,
STD, Wellness, and
Telemedicine



\$24k assumed
spent from HSA

\$185k in premium costs



Private Exchanges - Pros and Cons

PROS

- Potential savings from resulting employee shift to lower cost plans
- Predictable budget using a defined contribution approach
- Personalized shopping experience and not “one-size-fits-all” approach
- Funding flexibility with fully insured and self insured models
- Enhanced support and educational tools
- Benefits administration is outsourced

CONS

- Cultural shift
- Long term empirical evidence of cost savings is TBD
- Potential adverse selection
- Pre-packaged health plan designs – less flexibility to modify internal components of plans
- Typically an on-line solution

Future of Private Exchanges

- Initial results from early adopters of private exchanges show reduced growth in health insurance costs (Aon / Hewitt). However, there is a lack of long term data at this time.
- Substantial growth in market share and private exchange vendors is expected with empirical evidence of increasing demand.
- Short term enrollment growth within Private Exchanges will primarily be focused within the private sector and industries significantly impacted by the employer mandate.
- Private exchange strategies for Pre and Post 65 retiree health care will receive greater traction among public entities.
- Most employers will continue to take a wait-and-see approach toward private exchanges. Over 71% of employers want to see hard evidence that a private exchange can deliver greater value than their self-managed plans.



Thank You!

Questions?