

# SHOPPING FOR BENEFITS ON THE PRIVATE HEALTH EXCHANGE: The rise of a **smarter** and **more empowered** health care consumer

## SHOPPING FOR BENEFITS ONLINE

Shopping online for everything from toys and clothes to car insurance has become the norm for many. There's a large contingent of consumers that have a clear preference for shopping online.

According to a recent UPS study, nearly 70% of consumers would rather shop at their computers than go to stores for merchandise. The consumers that shop online report that they are more satisfied overall with the experience and with the supplier.

The same principles are true when shopping for benefits online. When you combine the improved online experience with a much needed educational component, it results in higher overall employee satisfaction. Employees are more satisfied with the online experience and with the benefits they select.

The Private Exchange walks employees through a series of questions about themselves, their dependents, their health, network preferences, concerns and needs, and lifestyle, and then uses sophisticated statistical modeling to help the individual select the right combination of plans for each person's individual needs. Overall, 96% of employees say they are satisfied or very satisfied with the experience of shopping for benefits online.

## WHAT IS A PRIVATE HEALTH EXCHANGE?

It's an "online store" where employees can purchase benefits. It typically offers many health insurance plan options plus dental, vision, life, disability and other benefits. Private Exchanges are private business enterprises and should not be confused with public health care exchanges run by federal and state governments. Private Exchanges are subject to the Group Underwriting process.

## HOW DOES IT WORK

If there's one constant in the world of health care today, it's change. The Affordable Care Act, wellness programs, and advances in health information technology challenge businesses as they navigate the new opportunities brought on by the industry's metamorphosis. Private Health Exchanges, while still relatively new, are already a part of the health insurance landscape.

Many companies, spurred by the desire to provide more and better benefits and the significant rise in the cost of providing them, are increasingly turning to Private Health Exchanges as a solution. Adoption of this strategy is expected to accelerate in the coming years.

There have been several studies of the size of the Private Exchange market and of the drivers for businesses to make the shift from a traditional benefits programs. However, there has been less attention focused on the impact to the businesses and their employees.

To understand satisfaction with the Exchange, benefits selection preferences, and changes in the employer-employee dynamic, Liazon Corporation, operator of the Bright Choices® Exchange, surveyed the companies that use its services.

The survey identifies several important insights including:

**Choice and Flexibility** - When it comes to benefits, employees want more options.

**The Right Fit** - Cost is not the major driver in selecting benefits. The major driver is the right benefits package for the employee's unique needs.

**Employee Satisfaction and Engagement** - Employees using an Exchange have higher satisfaction and engagement levels than those in traditional benefit programs, building a happier and more engaged workforce.



Satisfied/Very Satisfied with shopping for benefits online **96%**

Satisfied/Very Satisfied with using a Private Employer Exchange **91%**

Satisfied/Very Satisfied with a variety of choices **91%**

## EMPLOYEES WANT MORE CHOICES & FLEXIBILITY

While there's been some industry debate about whether or not employees who are used to the one-size-fits-all approach of traditional benefits programs want many choices when it comes to their benefits plans, the survey results are overwhelmingly clear: more choice is preferred by 90% of those surveyed.

Another 32% agreed with an even bolder statement: there could never be enough choices. And, along those same lines, 17% of respondents say that there were not enough choices. Only a small minority (10%) indicated there were too many choices.

Flexibility is another key factor for employees. The Private Exchange, offering a wide variety of benefits that can appeal to the most diverse groups of employees at all stages of their lives enables employees to shift benefits annually to match their needs at that time. Nearly 60% of employees surveyed say they plan to evaluate their benefits and select a modified or new portfolio from year to year.



- CAN NEVER BE TOO MANY
- TOO MANY CHOICES
- JUST THE RIGHT AMOUNT
- NOT ENOUGH CHOICES

## A SMARTER, MORE EMPOWERED HEALTH CARE CONSUMER IS EMERGING

One of the drivers for change in the health care industry is cost reduction, but a very important effect of the change is consumer empowerment. Among the employees using the Private Benefits Exchange, a more empowered health care consumer is emerging, one who has a greater understanding of all aspects of his or her benefits, and a greater appreciation for both the employer's contribution, and how to maximize that contribution.

The Exchange provides a completely different model, one that puts control and decisions in the hands of the employee. It's a significant shift when an employee receives \$500 per month to spend on a wide array of benefits, versus the less transparent method of a small payroll deduction and limited choice. Overall, 63% of employees say they are more aware of the costs of medical care than they were previously. Furthermore, 60% of employees are more engaged in decisions about their own care.

In terms of the employer view, the results are even higher – 83% of employers say their employees are more aware of the costs of medical care. And 65% of employers say employees are more engaged in health care decisions. This is a trend that's likely to continue. There's clearly an appetite for more choice, more understanding and more empowerment.

## THE FUTURE

As healthcare costs continue to rise, more and more employers and employees are likely to look to Private Exchanges. They provide a consumer-friendly way to purchase health insurance, and can result in tangible savings. In addition, it is likely that Private Exchanges will help employees become better consumers of healthcare. Regardless of whether the Affordable Care Act is fully implemented or modified due to a shift in politics in the coming years, Private Exchanges will play a critical role in the future of healthcare.

**Shawn Hanlon**  
Baldwin Krystyn Sherman Partners  
[shanlon@bks-partners.com](mailto:shanlon@bks-partners.com)  
T 813.387.3829 | C 941.799.0425