

# Insight Driven Health Growing Pains for Private Health Insurance Exchanges

A large, stylized green arrow pointing to the right, composed of two parallel lines that taper towards the tip.

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## How to balance promises and priorities to sustain hyper-growth

Private health insurance exchanges are experiencing hyper-growth. There is enthusiasm and adoption among many employers, consumers and carriers alike. Accenture predicts that private health insurance exchange participation will approach public exchange enrollments by 2017—if not sooner, as enrollment figures indicate an earlier-than-expected growth spurt. Accenture estimates there were more than 3 million individuals that enrolled in private exchanges during the 2014 benefit year.

While rapid growth is encouraging to exchange sponsors, it's important to consider how exchanges can sustain this positive trajectory. Now that the first material open enrollment

period has concluded, exchange sponsors have the opportunity to reflect on what has worked and what hasn't. For instance, have the core promises of private health insurance exchanges been met—are these exchanges delivering the retail-like, front-end experience that consumers expect? Are employers feeling a reduced administrative burden?

Employer expectations, and corresponding service levels and capability maturities, will vary widely across exchange models (see Figure 1). However, no matter how "premium" or "simple" the exchange, there are fundamentals that all private health insurance exchanges should consider as key factors to help sustain their growth.

### Potential pain points

Lagging "back-end" benefits administration capabilities (see Figure 2) will emerge as a likely culprit restricting some exchanges' growth trajectories. These capabilities represent the most likely pain points for exchanges.

### The Core Promises of Private Exchanges

#### Consumers:

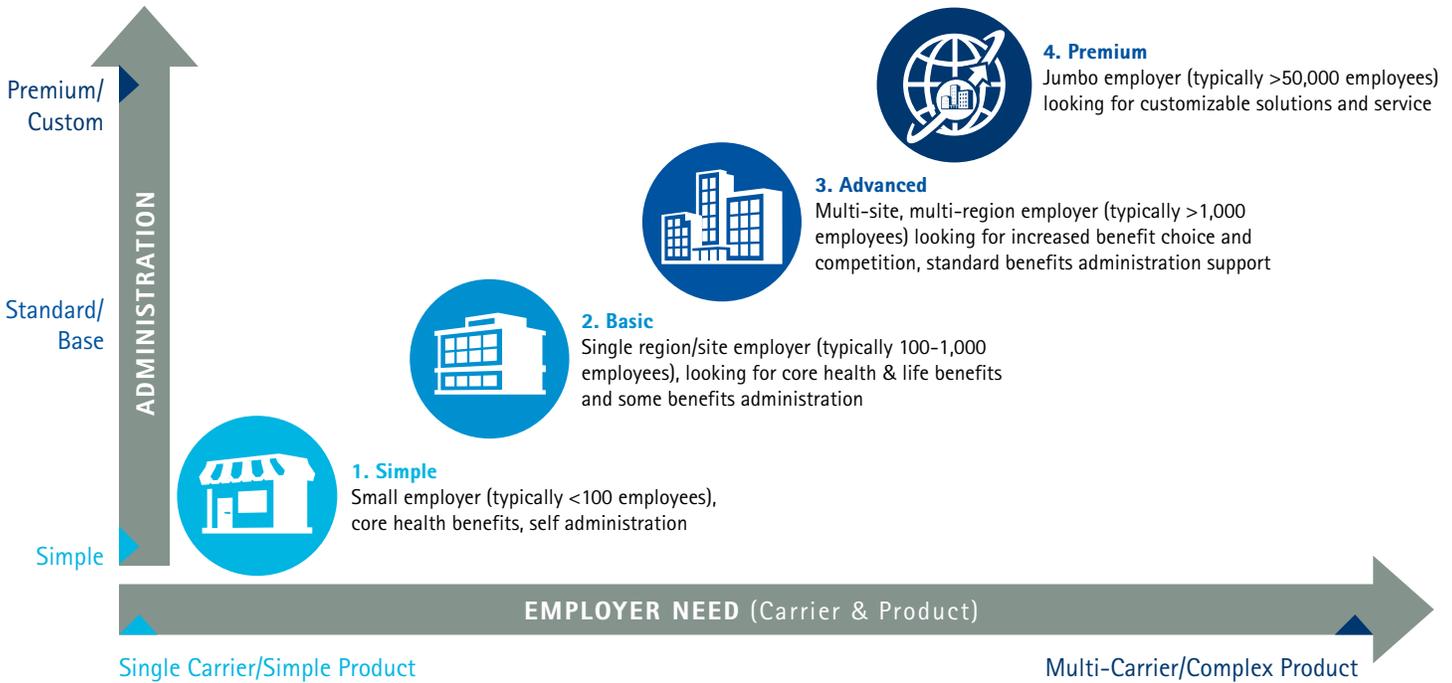
- A simple, retail-like shopping experience across multiple channels
- Increased choice and flexibility for benefits
- A diverse product set
- Decision support tools that help me "choose what's right for me"

#### Employers:

- Reduced administrative burden
- Access to standardized products
- Greater control over costs

**Figure 1: A variety of exchange models—**

More complex customer needs and expectations will typically require a more tailored, premium exchange solution.



Source: Accenture

**Figure 2. Benefits administration expectations increase for more "premium" exchanges.**

		SIMPLE	PREMIUM
BENEFITS ADMINISTRATION	Enrollment & Eligibility	Capture enrollment information, utilizing basic eligibility, contribution, and life event rules	Support more complex benefit configurations, product rules, and validation services
	Billing & Financial Mgmt.	Carrier billing direct to employer for each product on exchange	Consolidated billing across products and carriers including integrated remittance and reconciliation
	Data Mgmt.	Employer payroll deduction extract files with limited carrier integration	Customized employer payroll integration and integration with numerous carriers, savings and spending account administrators, and TPAs
	Comm. & Fulfillment	Digital employee communication and education materials	Highly targeted, digital and print employee communications and marketing campaigns
	Reporting & Analytics	Basic employer and consumer enrollment and contribution reports	Customized dashboards, reports, analytics, and segmentation

**Enrollment and eligibility**

Most employers believe benefits are a key differentiator in the market for talent. To this end, many tailor their benefit plans for specific sets of their workforce. While for smaller companies this tends to be fairly simple, for larger companies this process can be complex. Benefits often vary based on workforce elements such as full-time vs. part-time, executive vs. non-executive and geography. These variances can influence differences in what products are offered and how much is subsidized by the employer.

Although exchanges are working hard to standardize product offerings, they should offer solutions to manage these complexities. These challenges are compounded by the introduction of new defined contribution strategies that may have a variety of permutations across these employee groupings.

Further adding to the complexity of managing enrollment is the abundance of changes to an employee population that occur over the course of the year. New employees join the workforce, existing employees get promoted, move across states, take a leave of absence or quit/are terminated. Each of these situations could result in a change in benefits. Life events, such as marriage and childbirth, could also prompt a consumer to modify his or her benefits.

Source: Accenture

These are not new concepts for seasoned administrators, but leading exchanges will build automation to help reduce manual costs and minimize errors. Furthermore, these rules and processes should seamlessly integrate into an intuitive front-end consumer shopping experience. Exchanges that do not streamline and automate enrollment and eligibility processing for their employer partners will likely fail to deliver on a core promise of reduced administrative burden.

### Data management

As exchanges allow employers to offer an expanded set of products across multiple carriers, the amount and complexity of data being managed also grows. While some employers previously offered only a few plan options (typically less than three) for medical insurance, often with no carrier choice, now they may be managing five or six medical plans from three to five carriers—not to mention the additional products and carriers for dental, vision, life and other types of voluntary or ancillary insurance.

With such a large volume of information, issues arise around how to pass data back and forth across organizations, or how to handle exception processes and reconciliation. Exchange operators will be expected to address these increased complexities, often managed by benefits administrators today.

Exchange operators must ask—and find answers to—questions including, how should data be packaged and processed to carriers? Should there be one enrollment file per group, or one across the marketplace? How do these increased complexities impact legacy carrier systems and processes for employer and member setup? How does the exchange integrate with employer payroll systems to ensure accurate employee deductions? How will the emergence of defined contribution impact pre- and post-tax earnings?

Successful exchanges will develop thoughtful approaches to data management that can help simplify their employer and payer partners' data complexities.

### Billing and financial management

When employers are used to getting five bills per month—but now they are getting 15—they are not feeling administrative ease. Exchanges must provide employers the ability to support the efficient processing of bills from multiple carriers.

Many exchanges are deferring billing functionality or delegating it to carriers altogether, providing data files that say, "here are the products your employees purchased, and here is how much to take out of employees' paychecks." Furthermore, some exchanges fail to provide reconciliation. Employers must trust that the exchange and carrier systems are in sync in a complex environment ripe for errors and that offers little visibility into the source of truth. Mature exchanges will help emulate the ideal experience: an employer pays one bill (consolidated billing) across all carriers and products with assurance that the balance matches employee elections on the health insurance exchange (reconciliation).

### Fine-tuning the front end

Advancing the "front-end" consumer marketplace will also distinguish leading exchanges (see Figure 3). Consumers expect the retail-like, personalized and data-driven experience that they get in other parts of their lives. These are some areas in which exchanges are improving the front-end experience.

#### Personalized decision support powered by analytics

According to an Accenture survey of 2,000 US consumers, 87 percent identified "tools to help project my expenses and select coverage levels" as an important feature, with 58 percent identifying it a very important or critical feature.<sup>1</sup> Personalized decision support tools better enable consumers to assess/predict their own benefits utilization to drive product recommendations. Advanced analytics may also help with product recommendations by leveraging claims data to forecast expected out-of-pocket costs and showing products that "people like me" may have bought.

#### Integration with provider look-up tools

Most exchanges today link to carrier tools so that a consumer can manually determine which products cover which doctors. Integrating these tools will make it more convenient for consumers to understand this critical factor in the decision-making process.

**Figure 3.** A spectrum of front-end capabilities.

		SIMPLE	PREMIUM
FRONT END	 Consumer	A basic, online shopping interface	Intuitive, easy navigation across multiple products accessible via PC or tablet
	 Decision Support	Product recommendations driven by user input	Data-driven product recommendations leveraging integration with claims, provider directory, and spending accounts
	 Employer & Broker Portal	Basic group setup and self service	A simplified benefits administration experience
	 Product Library	Core health products including medical, dental, vision, savings, and spending accounts	A broad, configurable array of health and ancillary products including life, voluntary, and P&C products
	 Contact Center	Sales representatives with ability to enroll on individual's behalf	Personalized call experience tightly integrated with online tools inclusive of chat and co-browsing

Source: Accenture

## Product bundling

When exchanges enable a retail-like experience, consumers will see recommended product bundles that are pulled from a fuller library of health and ancillary products. Ultimately, the overall shopping experience will be faster, and checkout will also be simplified and expedited.

## Integration with savings and spending accounts

Front-end integration with healthcare savings and spending accounts makes it easier for users to manage current and future contributions/balances. This information could also feed into the decision support tools mentioned previously, better enabling consumers to forecast the longer term financial impacts of their elections.

## Stretching to sustain growth

The private health insurance exchanges that make the right moves in the next 18–24 months will be the ones who are better positioned to achieve sustainable growth as this robust market matures. Getting the front end right will draw in customers, and getting the back end right will retain them.

<sup>1</sup> Accenture; "Private Health Insurance Exchange (HIX) Survival Guide"; <http://www.accenture.com/us-en/Pages/insight-private-health-insurance-exchange-survival-guide-summary.aspx>

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