

Are You Ready? Private Health Insurance Exchanges Are Looming

Accenture Research shows: By 2017, nearly 1 in 5 Americans will purchase benefits from a health insurance exchange, yet consumers are unaware and ill prepared

Considerable attention has been paid to the state health insurance (public) exchanges created by the Patient Protection and Affordable Care Act. These public exchanges will expand and standardize coverage for an estimated 30 million individuals by 2017¹. However, this transformation is also paving the way for the rapid growth of another quietly emerging channel. Private health insurance exchanges have been incubating for several years, but the accelerated development of exchange products and technologies has employers increasingly re-evaluating traditional employee benefits.

Private health insurance exchanges will rapidly upend insurance purchasing for many of the 170 million people who receive benefits through their employer. According to Accenture research, private exchange participation will approach public exchange enrollment levels as soon as 2017 and surpass them soon thereafter. The result:

In 2017 approximately 18 percent of the American public will purchase insurance through exchanges, radically transforming the health insurance landscape.

Private exchanges facilitate employers' move to a defined contribution funding strategy to better manage future cost trends and offer employees greater choice, flexibility and a retail-like shopping experience. While the market has remained fairly nascent with fewer than one million enrollees in 2012, employers are expressing tremendous interest. Recent employer surveys indicate that more than 1 in 4 employers are considering moving to a private exchange in the next three to five years^{2,3}. Correspondingly, several benefits consultancies—Aon Hewitt, Buck Consultants, Mercer, Towers Watson—and a number of health plans are launching private exchanges to meet this expected demand.



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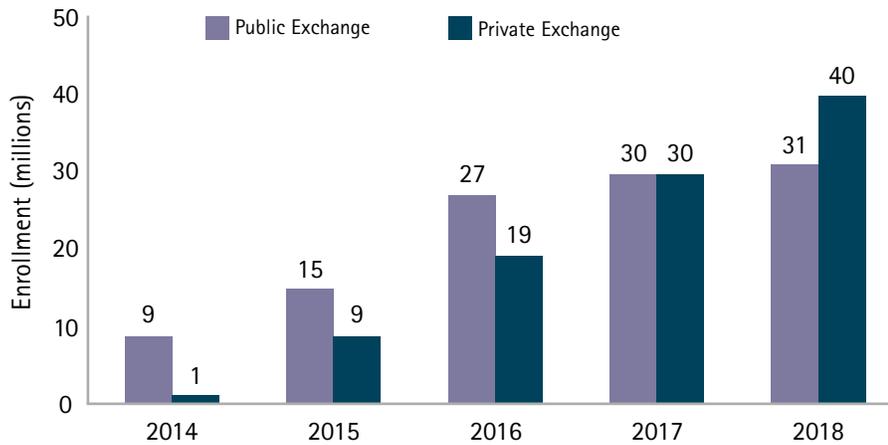
A private (health insurance) exchange is an online benefits marketplace that lets individuals shop for insurance products including health, dental, vision, life, auto and home. Typically an employer will provide a "defined contribution" (e.g., \$5,000 that works like a gift card) that can be used to purchase products that best meet individuals' needs, offering greater choice and flexibility than traditionally available.

¹ Congressional Budget Office: Estimate of the Effects of the Affordable Care Act on Health Insurance Coverage, February 2013.

² NY Times (2/28/13): According to Aon Hewitt's survey, about 28 percent plan to move into a private health care exchange over the next three-to-five years.

³ Wall Street Journal (4/15/13): "With 56% of employers considering a private exchange to provide benefits to their active employees or retirees, the transformation of the US health care landscape is well underway," said David Rahill, President, Health & Benefits, Mercer.

Public vs. Private Exchange Annual Enrollment



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.

Let the buyer beware

While private exchanges may be top of mind for employers, employees are largely unaware of this emerging model. According to a recent Accenture survey of 2,000 US consumers, 83 percent of consumers are entirely unfamiliar with the private exchange concept. A similar lack of awareness exists about public exchanges⁴. This lack of awareness is pervasive across all demographic categories.

Widespread employer interest paired with markedly low consumer awareness suggests there may be material, latent demand for the private exchange model. Accenture research revealed that once presented with the concept, 85 percent of those surveyed expressed a neutral to positive outlook.

Respondents are attracted to choice, flexibility, the personalized product selection and the shopping experience. In fact, the majority of respondents are even willing to share personal information about themselves and their families to receive personalized recommendations through the platform. This latent employee demand will further accelerate private exchange adoption.

Private exchange providers have been largely focused on educating employers of the concept's benefits. However, private exchanges will shift considerable financial responsibility to employees, expanding choice yet requiring users to become superior individual risk managers. This creates tremendous opportunity for carriers, brokers and employers to take credit for an

enhanced experience, yet also creates equally tremendous risk as dissatisfied consumers will blame plan sponsors. The majority of survey respondents remain wary that firms are merely looking to shift costs to employees—a notion that employers should quickly work to dispel.

Rapidly expanding private exchanges will increasingly enter c-suite conversations. Adoption has accelerated substantially, and will continue to do so as public and private exchanges demonstrate legitimacy and early vendors mature their offerings. However, this velocity of change will surprise a largely unaware consumer population. This may result in negative consequences for those who lack the education, support, and tools required to effectively manage increased responsibility for personal health care risk. Effectively addressing this latent demand and supporting consumer success are critical success factors for aspiring market leaders.

For more information, contact:

Richard Birhanzel

richard.f.birhanzel@accenture.com

Scott Brown

j.scott.brown@accenture.com

Joshua Tauber

joshua.tauber@accenture.com

⁴ Kaiser Health Tracking Poll: March 2013 finds a majority of Americans are unsure of how the ACA will affect them. While 58% of respondents in this poll said they understood that exchanges are a provision of the law, this level of awareness declined from 62% in an April 2010 poll. <http://kff.org/health-reform/poll-finding/march-2013-tracking-poll/>

Methodology

Accenture conducted an online survey of 2,000 consumers in the United States. The survey assessed consumers between the ages of 18 and 64 who receive health insurance through their employer or other affiliation, their significant other, or individually. The research was conducted in March 2013.

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