

## White Papers on Private Exchanges

### HR and employees need for support will force businesses to use a system

ACA's rate structure has turned online enrollment from an optional service to a requirement to stay in business. Employee Navigator came to this conclusion after updating our enrollment software to accommodate the new age banding structures and seeing first-hand how difficult it has become to present insurance options to employees. Employers who don't have a technology system to help their employees deal with the yearly new compliance changes & renewal changes will find themselves overwhelmed. Until now, the market did not require Employers to support a technology platform (especially for small groups) and most Employers could get away with referring their employees to the Brokers or just fill out forms. Employers who don't offer employers a tool to manage premium and payroll deduction calculations will lose time and possible penalties due to overwhelming number rate permutations for HR and employees.

### Handing out a grid of rates at employee meetings won't work

We have all been at a meeting where someone selling critical illness or cash value life insurance hands out a rate sheet littered with a bunch of ages, benefit amounts and premiums. ACA rate structures in most states have created too many rate variations making paper calculations impossible. For example, a company with 7 single employees, 3 families and 5 employees with double coverage could have 15 different monthly rates. If the employer offers high and low option medical plans, the number will increase to 30 and if there is smoker penalty there will be over 60 payroll deduction permutations. The only realistic solution is to present the plans and deductions to employees on a system that allows employees to quickly model different enrollment scenarios and calculate the rates real-time.

### What type of calculations are involved with ACA rates?

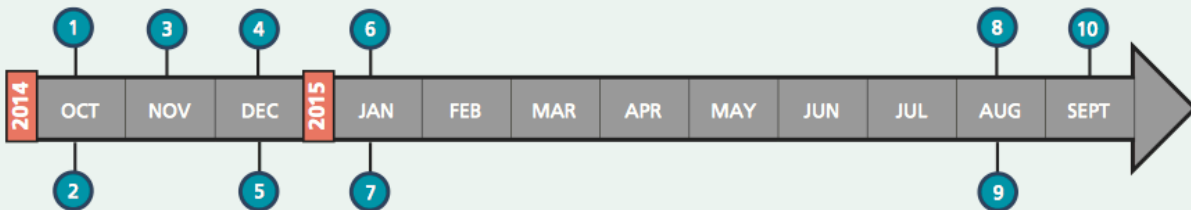
- Employees will need to calculate their age and rates based on a future effective date
- Premiums may be based on the employee's home address or office location (varies by carrier)
- The premium for dependents over age 21 must be calculated
- Only the first 3 or 4 dependent children under age 21 will be charged a premium
- Employer contributions and payroll deductions will be different for virtually every employee
- Some employers may have multiple payroll frequencies

### 99% of all companies will use new rate structures by 2016

There are approximately 5.3 million businesses in the U.S. Of these, only about 45,000 file an IRS Form 5500, which is required for companies with over 100 employees on a welfare plan. This means that when ACA is expanded in 2016 to companies with less than 100 employees, only 1% of businesses in the United States will be able to avoid the ACA rate structure. As a result, the need for Employers to use a tool to communicate with and enroll employees online exponentially increases with the size of the employer.

### Transaction Complexity and Volume

John's scenario necessitated 10 administration transactions in the Exchange system – just for Health benefits. On top of the Health transactions, for Exchanges that aim to serve the consumer's full set of benefit needs, numerous benefit elections needed to be processed for Dental, Vision, Life, Disability, Flexible Spending Accounts, and Health Savings Accounts, among others. And sent to the respective carriers, in addition to updating the payroll deductions in the payroll system.



	Functional Area	Transaction
1	Plan Selection & Enrollment	Initial Open Enrollment election for January 1, 2015 in Carrier 1 / Plan 22
2	EDI	Enrollment data sent to Carrier 1 for this election
3	Plan Selection & Enrollment	Life Event Enrollment election for November 27, 2014 in Carrier 2 / Plan 57 (a "Retro Add" because the election wasn't made until December 15)
4	EDI	Retroactive termination of coverage in Plan 22 – cancellation sent to Carrier 1 (a "Retro Term") and enrollment data sent to Carrier 2 for coverage in Plan 57 (a "Retro Add")
5	Invoicing & Payment	Invoice (dated December 3, 2014) sent to ABC Plastics for January 2015 bill
6	Payroll Deductions	Payroll deduction sent to ABC Plastics payroll system for 1/1/2015 election (sent in early January for first 2015 payroll run)
7	Invoicing & Payment	Invoice (dated January 3, 2015) sent to ABC Plastics for February 2015 bill and also retro-adjustments on January bill
8	Plan Selection & Enrollment	Life Event Enrollment election for August 1, 2015 in Carrier 2 / Plan 57 (a "Retro Add" because the election wasn't made until August 12)
9	Payroll Deductions	Payroll deduction sent to ABC Plastics payroll system for 8/1/2015 premium change (a "Retro Change" sent in mid-August)
10	Invoicing & Payment	Invoice (dated September 3, 2015) sent to ABC Plastics for September 2015 bill and also retro-adjustments on August 2015 bill

Current benefit systems are not up for the task

Leading benefit administration firms have been around since the early 1990's and their business model remains mostly unchanged. Existing software platforms were custom built for large companies and cannot be easily adapted for small employers. They also require a long lead time to get a company up and running and the software configuration is not intuitive. In short, software platforms supporting smaller companies will quickly move into the large case market and force classic benefit administration firms to retool their business.

Decentralized benefit administration will replace the centralized service model

**Figure 2.**  
**End-to-End Exchange Functionality**



As more employees begin using an enrollment tool, support will need to be brought out of the central offices of the benefit administration firms and into the hands of the Employer and HR. For example, when a last minute employer change in contributions, is the broker going to pick up the phone and call a service center to make change? These and other real-world situations make the central service model impractical when using a paper platform. The decentralized service model allows the work to be distributed among brokers, their clients and the employees and will force a realignment of roles allowing insurance brokers to focus on quality service and policy management while HR managers can oversee employee messaging.

## The enrollment software is the new employee meeting

It wasn't too long ago when brokers would assemble carrier reps for the various benefits being offered at the annual employee benefits meeting. Brokers created plan summaries and comparisons for employees and then headed out to their clients' office. The meeting would begin with a discussion on the health insurance and would include a summary of changes for the upcoming plan year. Depending on the employer there might be a dental, vision, voluntary life, accident or a FSA presentation after the medical. At the end of the meeting you'd hang around and answer questions from employees and give some very helpful advice, get in your car and bug your clients for the enrollment forms. Today software can handle just about all of these functions for your agency. More importantly, out-of-pocket costs and participating providers are the only remaining plan variables. Since employees will need to use an enrollment tool to calculate premiums, it will be easy for brokers to offer voluntary products while as part of the medical enrollment workflow.

## What tools will Employee Navigator be building in 2014?

- Employee & dependent data collection: If you aren't the incumbent how can you quote?
- Quote engine: The rates are published, we'll let you publish them to your employee
- Cost modeling: We'll create a tool for your client to model company contributions.

## Conclusion: Employers who can embrace Private Exchange wins

The concept of data control has been around for years. Selecting the wrong Exchange technology solution can damage your ability to compete in what clearly will be a competitive Exchange marketplace. Without the right technology, you may face a litany of obstacles ranging from dissatisfied customers, inaccurate billing and payroll deduction errors to excessive custom programming fees or manual processing fees. And, isn't the purpose of Exchanges to streamline benefits administration and reduce costs?