



How Exchanges Maximize Healthcare Value

NCTR Panel Discussion

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Agenda

- Public Exchanges – PPACA Creation
- Purpose of Exchanges
- Power of Exchanges
- Process – Lessons Learned from a Successful Private Exchange
- Value to Employers and Retirees
- Q&A

Public Exchanges

- Created as part of the PPACA –HHS set rules – same as reform
- Up to the states to stand up their exchanges by 2013 for 2014
- \$68m in total grant funding - \$1m per state initially
- Several states have applied (CA/FLA); some opted out (Alaska/MN)
- Opt outs left up to the Federal Gov to develop – grey area
- Private Exchanges cannot be Public Exchanges – but can partner
- Eligible to purchase from the exchange:
 - Individuals
 - Early retirees
 - Self-employed
 - Individuals whose employer doesn't offer or those who cannot afford it
 - Small employers <100
 - Larger employers – up to states to determine by 2017
- Two Public Exchanges already exist – Mass/Utah

Purpose of an Exchange

The Kaiser Family Foundation highlights five important functions:

1. Offer consumers a choice of health plans and focus competition on price
2. Provide information to consumers
3. Create an administrative mechanism for enrollment
4. Move towards portability of coverage
5. Reform the insurance market

The Power of an Exchange

The basic idea: “**Exchanges help make coverage affordable** by being **large enough** to achieve economies of scale in brokering plans and in providing **information** to enable people to make **choices** among plans.” -- *Alain Enthoven (Stanford economist)*

- **Key: “large enough” = SCALE**
 - Large pool spreads risk (risk pooling)
 - “Economies of scale”
- **Key: “information” = EDUCATION**
 - Decision support
 - Transparent comparison of plan benefits, pricing
- **Key: “choices” = ROBUST # OF CARRIERS/PLANS**
 - Competitive market
 - Hold the line on insurance costs

Why an Exchange Works for Medicare

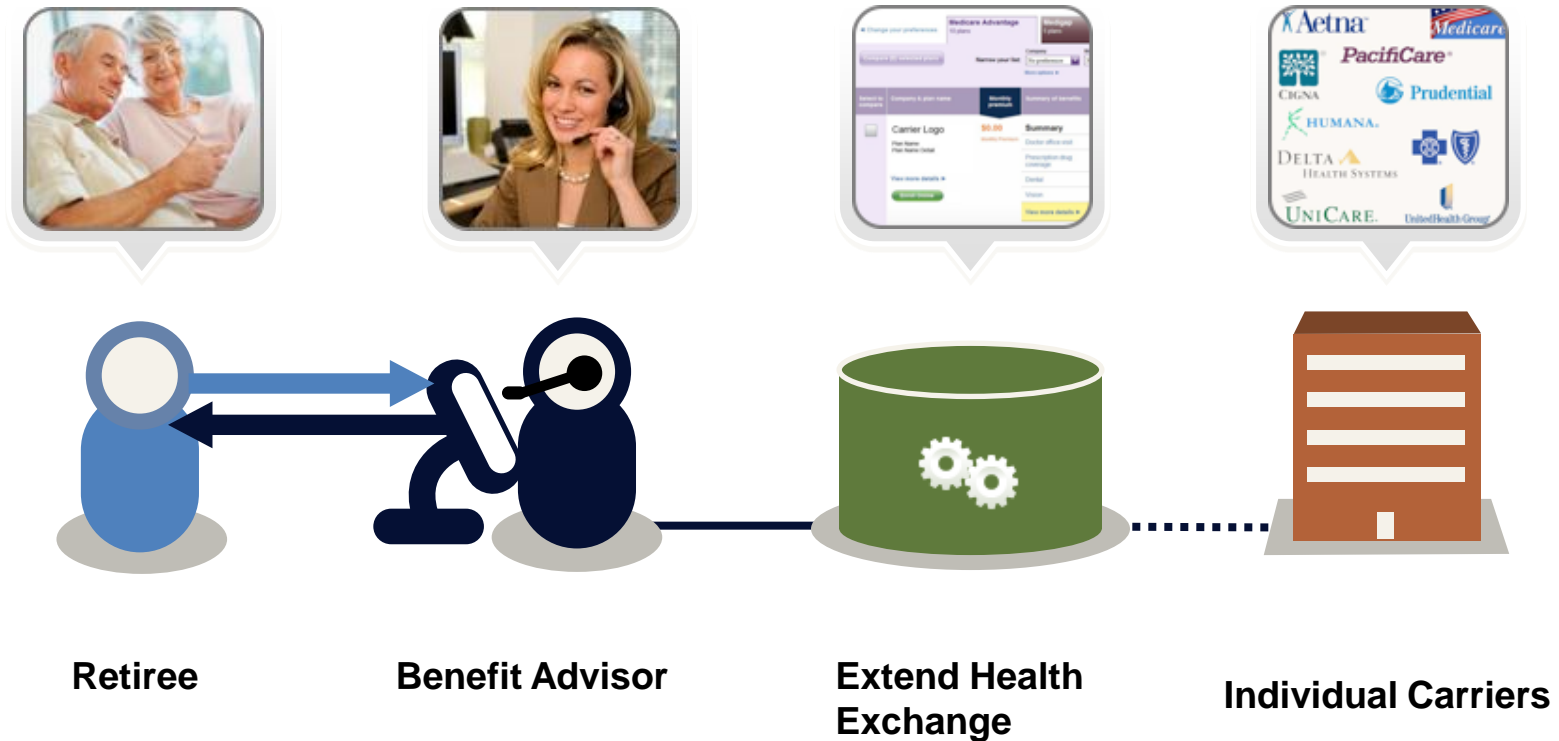
- Huge risk pools (large individual market ~ 45mm in Medicare now)
- Everyone joins at 65 (no adverse selection issue)
- Guaranteed issue (no one can be denied coverage)
- Subsidized (by retiree contributions during working years)
- Standardized plans for easy comparison (Plan A is Plan A is Plan A)

Extend Health Exchange Overview

- **Nation's first and largest private Medicare Exchange**
 - Serves more than 100 clients and 250,000 retirees
- **Economies of scale:**
 - Private, public and labor market segments
 - **Risk pooling** across all Medicare individuals in a geographic area
- **Information:**
 - Dedicated objective **human advocates** help retirees personalize their healthcare coverage
 - **Decision support tools** designed solely for retiree plan selection and evaluation
- **Choice:**
 - 65+ carriers
 - 3,500+ plans

How Our Exchange Works

- Information + human advocacy + carrier relationships



Exchange Results

- **Reduce employer costs and administrative burdens**
 - Save employers 20-50% of spend and reduce OPEB liability
 - To date our clients have saved in excess of \$1 billion in retiree health care spend
- **Provide Medicare retirees with better overall benefits and value**
 - “Tailored” coverage – not one-size-fits-all
 - Retirees often spend less on plan premiums
 - Average retiree saves \$500-600 per year in OPEB
- **Offer personal expert support for every retiree**



Example: Ford Motor Company



CHALLENGE:

High gas prices, falling sales and revenue combined with a multi-billion dollar health care expense for active and retired employees meant Ford needed to address the health care cost-per-vehicle to remain competitive.

SOLUTION:

Extend Health provided transition coordination, customized communications and personalized advocacy and enrollment support to move tens of thousands of retirees to individual Medicare plans with a Health Reimbursement Arrangement (HRA).

RESULTS

- \$80 M annual cash savings for Ford
- Ford estimates “even more” in balance sheet liability reductions
- Average retiree couple saved \$500 in OOPE in 2008 vs. 2007
- Retirees selected and enrolled in 600 different plans from 40 different insurance carriers

Questions for Further Study

- Who's in control of state exchanges?
- When do the state exchanges happen?
- What happens if my state chooses not to create an exchange?
- What can I do to influence the exchange in my state?
- Where can I learn more?
- Why should I engage?

Thank You!

Questions?