

34TH ANNUAL ISCEBS

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*Symposium*

# Medicare Connector

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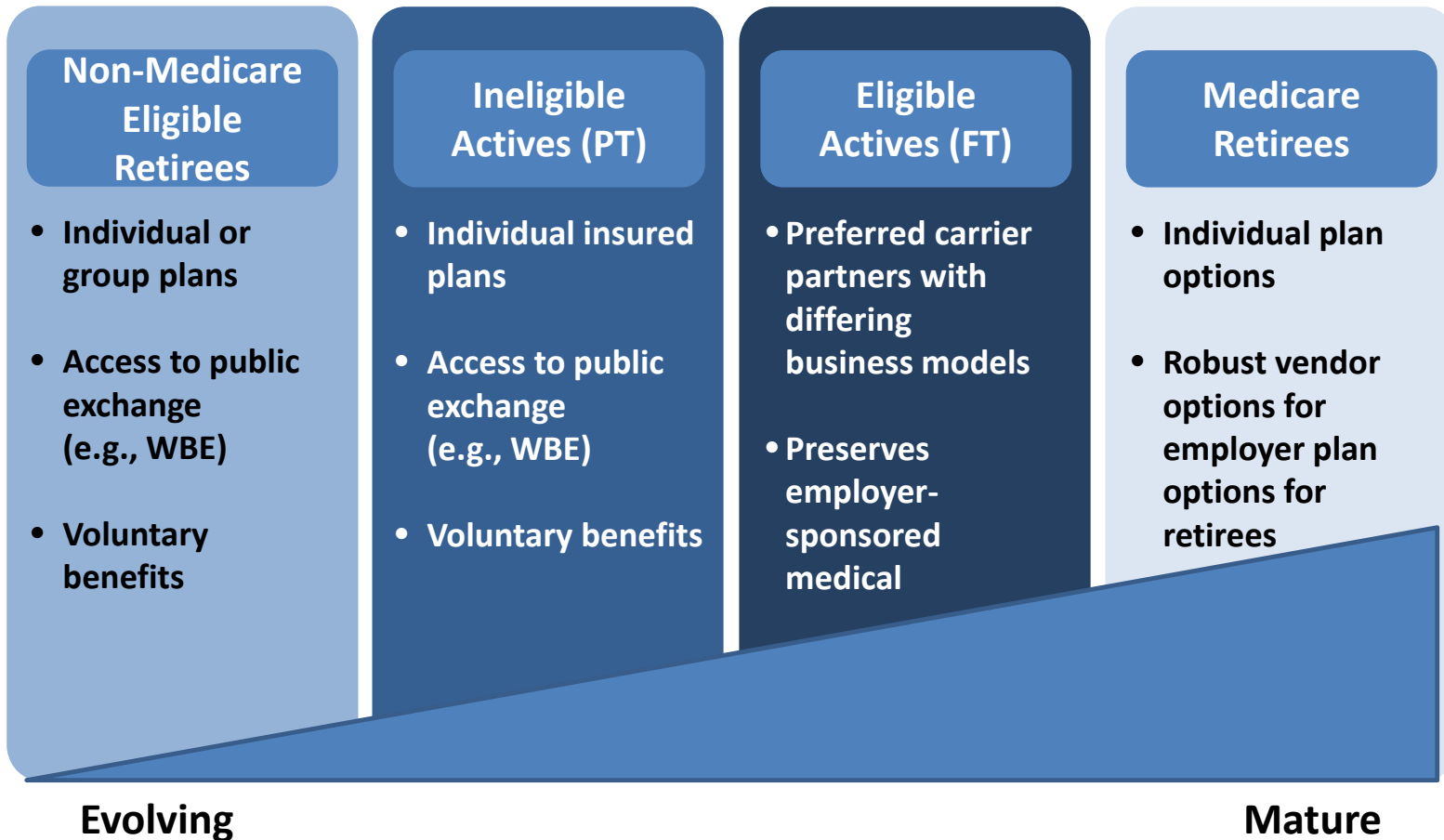
# Agenda

*About 1.6 million Medicare eligible retirees enrolled using a private exchange last year.*

—Connecture analysis of CMS RDS reports

- Medicare Connector Market At a Glance
- Solving the Business Problem
- Unpacking the Product Purchasing Risks
- Overview of Vendors/Points of Differentiation
- Implementation Timeline and Risks
- Other Issues
- Questions

# Medicare Connector Market Options





## Medicare Connector Market at a Glance

- In 2008, about 18 million Medicare eligible retirees received group retiree coverage from 330+ employers
- In 2014, about 1.6 million Medicare eligible retirees used a multi-carrier private exchange to transition from group to individual coverage

Source: Connecture analysis of CMS RDS reports



## Medicare Connector Market at a Glance

- Over 11 million Medicare eligible retirees from 200+ employers (50/50 private and public sector employers) receive employer sponsored coverage
- The group-to-individual transition trend is accelerating as employers are realizing significant cash and FASB/GASB savings

Source: Connecture analysis of CMS RDS reports





## Medicare Connector Market at a Glance

- Significant increase in RFP activity as employers access multiple exchange operators
- Market is dominated by two multi-carrier exchange operators (ExtendHealth and AonHewitt) who account for over 90% of all transition activity
  - New entrants are coming

Source: Connecture analysis of CMS RDS reports





## Medicare Connector Market at a Glance

- Multi-carrier exchange operators changing traditional enrollment channels
- Some payers launching own private retiree exchanges
- Retiree household (combining both pre- and post-65) transition and personalization are next sources of innovation and market differentiation

Source: Connecture analysis of CMS RDS reports



## Employer Conundrum

- Healthcare costs increasing rapidly—retiree group most expensive to cover
- ACA opened the door to the notion of consumer-based healthcare
- Employers in cost cutting mode—benefits managers challenged to save money





## Employer Conundrum

- Win-Lose: Employer uses cap to manage costs.  
Retirees absorb increases
- Desire to maintain commitment to retirees



## Retiree Conundrum

- Win-Lose: Retirees absorb increases due to employers capping benefits to manage costs
- Retiree planned for lifetime of support—behavior and budget difficult to change
- Healthy retirees do better than unhealthy retirees in the individual market
  - May not need to spend all of the funds offered
  - For unhealthy, funds offered may not cover costs



## Medicare Connector (Retiree Exchange)

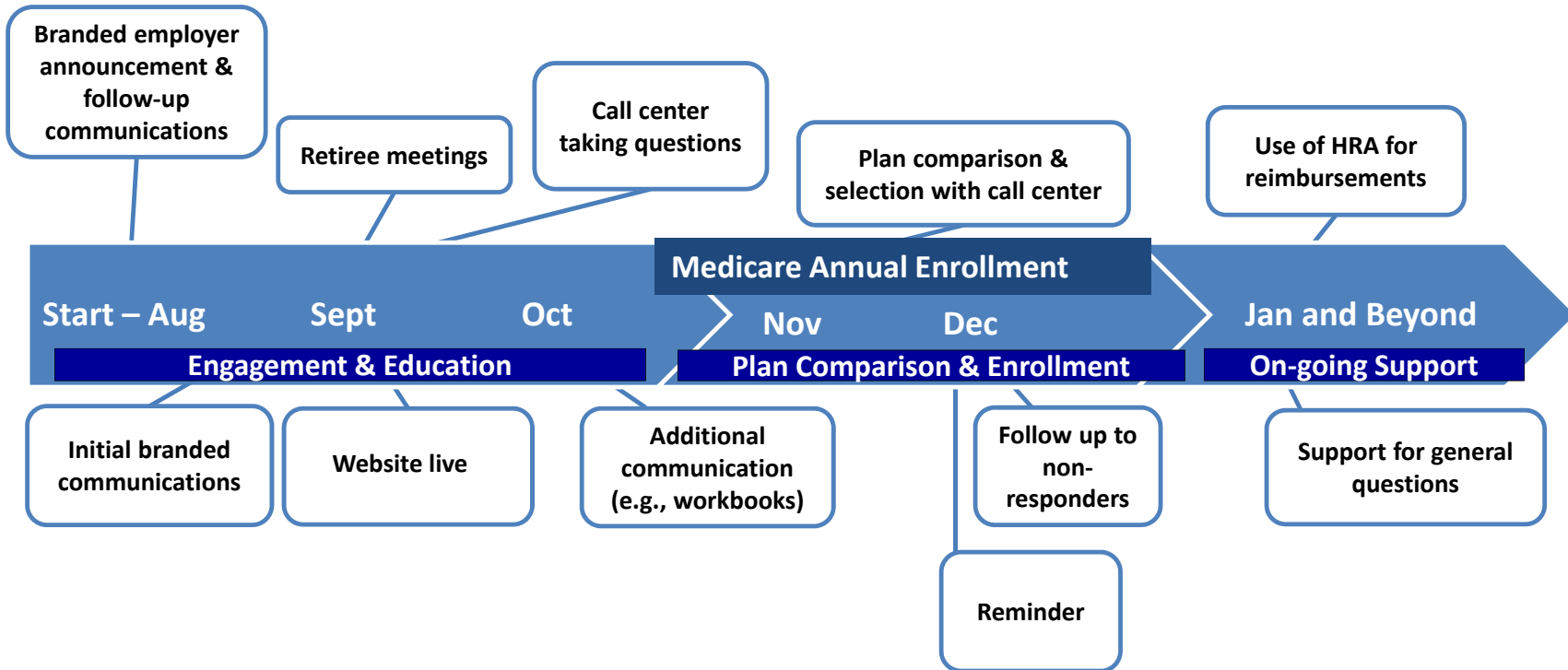
- Enables employers to move retirees from a group benefit (DB) to an individual product (DC)
  - Retirees buy individual policies supported by a vendor solution



## Medicare Connector (Retiree Exchange)


- Five components:
  - Retiree Communication
  - Website (typically with decision support for medical/Rx)
  - Call Center—Licensed agents help retirees select plans
  - Carrier Network—choice of plans by market negotiated by vendor
  - HRA—vehicle to help retirees spend dollars provided by employer (typically for premiums and reimbursement for drugs)
  
- Points of differentiation are subtle

# Typical Retiree Experience





## Purchasing the Exchange

- Consulting firms pressured to sell products—eliminates transparency and impartiality
    - Conduct analysis and demonstration with three top vendors
    - Conduct demonstrations with actual retirees and actual agent
    - Explore outside procurement and analysis support (e.g., Curcio Webb, Deloitte, Health Exchange Resources)
  - Can my retirees get the same or better plan on the individual market for the same cost that they can get from me?
    - Conduct no-cost analysis with multiple vendors—carrier options are mostly the same
  - RFP considerations
    - Avoid “comprehensive” RFP that promotes stock answers
- 



## Purchasing the Exchange

- Contracting can seem easy but CMS compliance is an issue
  - Procurement can get confused—look at it as technology implementation
  - No rebates for lack of performance
  - Understand the length of contract and support—commissions run out
- Call center (volume) and HRA need to be simple and elegant
  - Ensure you work with one project manager and one company
  - Ask how many implementations are being completed
- There is capacity in the market beyond the major players
  - If under 5,000 retirees, great service and pricing available with Tier 2 vendors



## Purchasing the Exchange

- Ask about balance of MAPD vs. Medigap enrollments
- Check retention rate
  - Retirees switching plans from year one to year two indicates that they chose wrong
- Pricing has become irrational
  - No cost HRA for multiple years
  - Actuarial services and other consulting included



# Purchasing the Exchange: Vendor Overview

Tier 1 Vendors	Date	Clients	Retirees	Carriers	Firm	Partner	Other
Extend Health	2008	600	1M	95	Towers	Payflex HRA	50K+
Aon Retiree Exchange	2010	45	500,000+	85	Aon	No	Advocacy

Tier 2 Vendors	Date	Clients	Retirees	Firm	Partner	Other
Mercer Marketplace	2012	Unknown	Unknown	Mercer	Transition Assist	Mid-market
RightOpt	2010	Unknown	Unknown	Xerox	No	Technology

Other Options
AMWINS
Retiree Health Access
HealthPlanOne

*Other options include single carriers, regional vendors, and broker/agents. Also look for myCustomHealth 2.0, eHealth/Empyrean, Select Quote Senior/Lockton, GoHealth to enter the market*



## Typical Implementation Timeline

Activity	Timing
Execute contract	May-June
Kick-off meeting, consultative discussions, finalize decisions	May-June
Data layout for eligibility, other (e.g., premiums)	June
Finalize employer data loads, retiree communication materials	June
Distribution of retiree communication materials	June-August
Retiree meetings, Medicare eligibility, and HICNs confirmed	July-August
Call center and website available for retiree use	Sept-Oct
Medigap, MA, and Part D plan info and premiums available	Oct-Nov
Open enrollment	Oct-Dec
Effective date of plan elections	January



## Implementation Risks

- Setting defined contribution
- Contracting (e.g., performance guarantees, rebate issues with CMS, no-cost options including HRA)
- Retiree noise—relationship to senior management
- Data transfer between competing companies



## Implementation Risks

- Finding all retirees
- Call center volume—competing for call center resources
- HRA—set up and HRA training for retirees
- Measuring success—retiree plans are no longer associated with the company



## Other Considerations

- Types of Exchange Options (“by degree”):
  - Exchange: **“closed”** (retirees must use the exchange to receive subsidy) or **“open”** (e.g., retirees receive subsidy and buy from any source—typically local broker)
  - Hybrid Subsidized Exchange: Employer continues current group plan and retirees may or may not be able to return to the group plan if they select individual coverage—can also be either “closed” or “open”
  - Access Only Exchange: Employer can terminate or continue current group plan, but does not provide a monetary subsidy (retiree can buy from exchange or other channel—typically local broker or direct to plan)



## Other Considerations

- Pre-65 market is evolving as active exchanges evolve
  - Not a 1:1 comparison—pre-65 can disrupt active exchange model (e.g., unhealthy populations can disrupt health of pool)
  - Ensure connectivity with public exchange
- Pay attention to the long view but with caution
  - Active and retiree exchanges are completely different (e.g., government subsidies vs. negotiated carrier options)
- Retiree exchange only works when retiree chooses correctly
  - Bias to Medicare Supplement plans