Private Exchanges: Four Years Later

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# Agenda and Speakers

<table>
<thead>
<tr>
<th></th>
<th>Agenda Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Evolution of Private Exchanges</td>
</tr>
<tr>
<td>2</td>
<td>Exchange Journey: North American Properties</td>
</tr>
<tr>
<td>3</td>
<td>Exchange Journey: Terumo BCT</td>
</tr>
<tr>
<td>4</td>
<td>Questions</td>
</tr>
</tbody>
</table>
WHAT IS A PRIVATE EXCHANGE?

• A private exchange is an employer-sponsored benefit plan
  – Offering multiple benefit options
  – That uses innovative technology and decision support tools and resources
  – To deliver a satisfying experience to plan members

• A private exchange is not:
  – Part of the public exchange offerings under the Affordable Care Act
  – An employer healthcare benefit exit strategy
  – A pooling, risk-sharing, or association arrangement with other employers
  – An employee leasing approach
<table>
<thead>
<tr>
<th>Trend</th>
<th>Five Trends That Exchanges Can Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Regulatory Changes</td>
<td>Greater Complexity</td>
</tr>
<tr>
<td>Payor &amp; Provider Consolidation</td>
<td>Integrated Compliance Services</td>
</tr>
<tr>
<td>Consumer Empowerment</td>
<td>Higher Costs</td>
</tr>
<tr>
<td>Multi-Generational Workforce</td>
<td>More Accountability</td>
</tr>
<tr>
<td>Technology &amp; Data Explosion</td>
<td>Greater Diversity</td>
</tr>
<tr>
<td></td>
<td>More Self-Service</td>
</tr>
<tr>
<td></td>
<td>Agile &amp; Ever Expanding Platform</td>
</tr>
</tbody>
</table>
PRIVATE EXCHANGE ENROLLMENT TRAJECTORY

• Precise statistics are hard to come by, but Accenture estimated that approximately 8 million people were covered by private exchange programs in 2016.

• Early growth estimates (40 million members by 2018) were overstated, but Mercer survey data shows that employers are still interested.

PRIVATE BENEFIT EXCHANGES OFFER EMPLOYERS A WAY TO OFFER CHOICE

Offer private benefit exchange, among large employers

- 5% for active employees (use now or plan to by 2018)
- 14% for pre-Medicare-eligible retirees
- 28% for Medicare-eligible retirees

*M Among current retiree medical plan sponsors

Mercer National Survey of Employer-Sponsored Health Plans 2016
EXCHANGE PARTICIPANTS ELECT HDHPS MORE FREQUENTLY

- 57% of employees are enrolling in a CDHP option
- 75% of enrollment is split evenly across the most prevalent options available ($800/$900, $1,500/$1,850 and $2,500/$2,850)
- Enrollment in the $4,500 and $6,550 options has increased from 4% in 2016 to 7% in 2017 as the option is offered to more employees

Source: 2017 Mercer Marketplace 365 Enrollment Results
North American Properties

• Founded in 1954
• Privately held, Multi-Regional Real Estate operating company
• Headquartered in Cincinnati
• Offices in Atlanta, Dallas and Fort Myers
North American Properties

63 Years acquired, developed, or developing:

• 169 projects
• In 67 cities, in 15 states
• 19,600 units residential
• 22 million square feet commercial
• 38 properties managed or in development
• 12 projects in the pipeline
Employee Demographics

250 ASSOCIATES

$80,394 ANNUAL INCOME

35% DEPENDENTS

41 AGE

51% MALE GENDER

OH / GA RESIDENCE

INCOME BREAKDOWN

- Less than $39,999: 26%
- $40,000–$49,999: 12%
- $50,000–$59,999: 13%
- $60,000–$69,999: 7%
- $70,000–$79,999: 10%
- $80,000–$89,999: 5%
- $90,000–$99,999: 5%
- $100,000–$149,999: 14%
- More than $150,000: 8%

INDUSTRY

REAL ESTATE

AGE BREAKDOWN

- 41% MILLENNIALS
- 30% GEN X
- 29% BOOMERS

TOP STATES

- OH: 34%
- GA: 32%

INCOME BREAKDOWN

- Less than $39,999
- $40,000–$49,999
- $50,000–$59,999
- $60,000–$69,999
- $70,000–$79,999
- $80,000–$89,999
- $90,000–$99,999
- $100,000–$149,999
- More than $150,000

25–34: 30%
35–44: 22%
45–54: 21%
55–64: 18%
65+: 1%
Evolution to a Private Exchange

- Introduced options (HDHP, PPO)
- Financial crisis had a major impact

2007
Evolution to a Private Exchange

2010

- Removed PPO
- Growth in projects
- Doubled in associates
Evolution to a Private Exchange

2015

- Introduced MMx
- Continued growth
Why a Private Exchange?

Cost Effective

More Options

Improved Administration

Mercer Marketplace (MMx)
Initial Benefit Options

2015

• Three medical options:
  ➢ $350 deductible PPO (11% enrollment)
  ➢ $1,500 deductible HDHP (21% enrollment)
  ➢ $2,500 deductible HDHP (68% enrollment)

• Dental (51% enrolled) and Vision

• Expanded life insurance choices

• Ancillary health benefits (hospital indemnity, critical illness, accident)

• Voluntary benefits—ID theft, legal coverage, pet insurance and auto/home
Associate Comments

“I am now enrolled. Process was easier than advertised: 30 minutes +/-.”

“I did this yesterday. Loved the online process. Very user friendly!”

“I absolutely loved this year’s open enrollment experience! The website was informative and it was easy to use. Thanks for adding dental!”
Lessons Learned

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

~ Colin Powell
Lessons Learned

Be Positive, Patient, and Proactive

Be Realistic with Duties

Responsible for the Exchange

Educate, Educate, Educate

Change is Good
Future Strategies

- MMx continues to align
- Continue to monitor premiums
- Educate and communicate
Finally . . .

As with any rewards initiative, always consider your—

- Values and strategy
- Relationships with consultants and vendors
**COMPANY PROFILE**

<table>
<thead>
<tr>
<th><strong>Established:</strong></th>
<th>In 1964 as COBE Laboratories</th>
</tr>
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<tbody>
<tr>
<td><strong>Number of Associates:</strong></td>
<td>Over 6,000 in 36 countries</td>
</tr>
<tr>
<td><strong>Global Headquarters:</strong></td>
<td>Lakewood, Colorado</td>
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<td><strong>Manufacturing Facilities:</strong></td>
<td>Belgium, India, Japan, Northern Ireland, United States, Vietnam</td>
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<td><strong>Main Business:</strong></td>
<td>A global leader in blood component, therapeutic apheresis and cellular technologies, and the only company with the unique combination of apheresis collections, manual and automated whole blood processing, and pathogen reduction.</td>
</tr>
<tr>
<td><strong>Parent Company:</strong></td>
<td>Terumo Corporation; Tokyo Stock Exchange (4543)</td>
</tr>
</tbody>
</table>
One company, three businesses, eleven product lines

**Blood Centers**
Delivering higher economic and clinical value with strategic supply chain solutions

**Therapeutic Systems**
Advancing blood therapies to bring more treatment options to patients

**Cell Processing**
Enabling cellular therapies that may fundamentally improve outcomes
**Pre 2010**

- Multiple medical vendors
- Many supplemental options
- CDHP with HRA
- Wellness programs introduced
- Ownership changes

**2010-2014**

- 2 Medical vendors, 4 medical plans
- Switch to HSA from HRA
- Clunky enrollment
- Minimal migration
- Wellness programs enhanced

**ADMINISTRATION & MANAGEMENT**

**INCREASING COSTS**
• Five medical options across two vendors (CIGNA and Kaiser)
  • $0 deductible HMO—Kaiser only
  • $350 deductible PPO
  • $800 deductible PPO
  • $1,500 deductible HDHP w HSA
  • $2,500 deductible HDHP w HSA
• Two dental plans and two vision plans
• Company-paid basic life, AD&D, and disability
• Optional buy-up for additional life, AD&D and permanent life insurance
• Ancillary health benefits (hospital indemnity, critical illness, accident)
• Voluntary benefits
WHY DID WE MOVE TO AN EXCHANGE?

- Cost Savings
- User Experience
- Ease of Administration
- Plan Design
HOW WAS THE MOVE?

Cost Savings
• $809k in first year
• $5.6 million over five years
• Trend migration, savings from collective purchasing, and reduced internal support

User Experience
• Modern enrollment website
• Call center with expanded hours
• Nine medical choices
• Larger menu of ancillary product offering

Administrative Ease
• Wellness discount administration
• Enrollment feeds to vendors
• Integration to payroll

Plan Design
• Standardized plan designs
• Streamlined compliance
IMPROVEMENTS AND PLANS

2017

• Expanded wellness programs to include coaching and additional financial wellness
• Continued management of pharmacy

2018...

• Introducing spousal surcharge
• Competitive bidding for all plans
• Considering elimination of one plan
• Continued pharmacy management
LESSONS LEARNED

- Plan, well in advance and very thoroughly
- Change management and communication are critical
- Get ahead of key stakeholders early and keep them informed
- Leverage tools and information to ease concerns
- Emphasize making good choices
THOUGHTS FOR THE FUTURE

- Private Exchanges will continue to grow in popularity
- Rationale will continue to shift from cost savings to choice and administrative ease
- Growth in jumbo market limited to certain industries—many can achieve similar outcomes already
- Ideal for introduction of new concepts (ACOs, narrow network, emerging voluntary benefits)
- Optimal opportunity for small and mid sized employers to access best in class technology and services/prices
THANK YOU!

QUESTIONS?