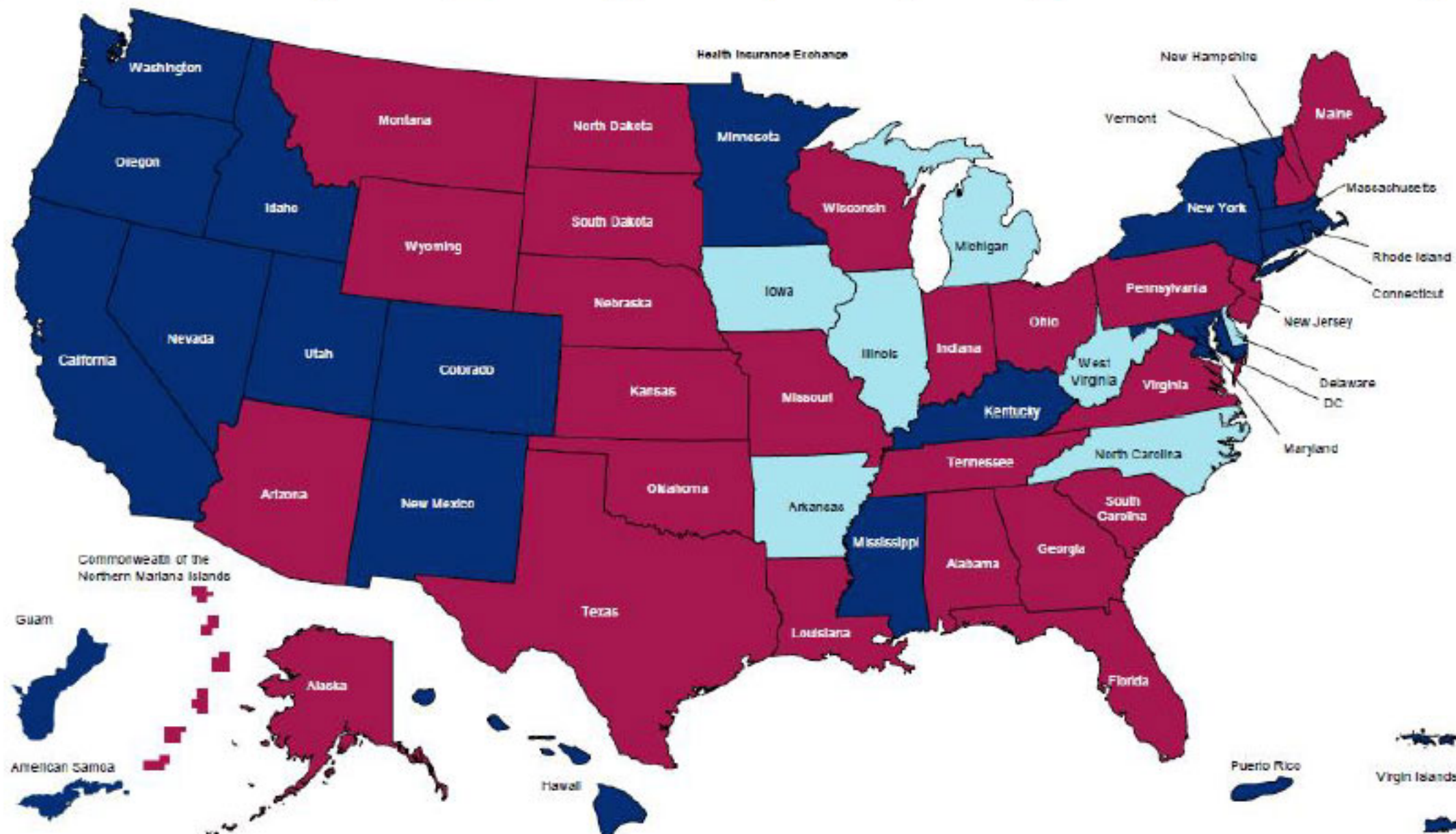


HEALTH CARE REFORM

Role of Exchanges – Public & Private

Status of state elections as of 23 January 2013

■ Default to federal exchange 26



Sources: Kaiser Family Foundation (states); HHS, HealthCare.gov (territories)

2014: Products offered in Exchanges

- Exchange open enrollment is October 1, 2013 – February 28, 2014

Plan options in public exchange – the metallic options

	Public exchanges					ER Group
Features	Bronze	Silver	Gold	Platinum	Catastrophic age <30	Plan design ¹
Plan value	60%	70%	80%	90%	HSA rules	≥60%

- Silver – second-lowest cost plan – is baseline for calculating government subsidy
- Government subsidy and member contribution requirement calculated based on income, vary by level between Medicaid eligibility and 400% FPL
- Once subsidy determined for silver plan, can use for gold plan (pay more) or bronze plan (pay less)

1. Some provisions apply differently for grandfathered and non-grandfathered plans

Who is eligible for subsidized government insurance

Assumes state expands Medicaid to 138% FPL

If an individual does not have access to affordable employer coverage and:

Household income $\leq$ 138% FPL

Eligible for Medicaid*

Household income $\leq$ 400% FPL

Could be eligible for
subsidized exchange coverage

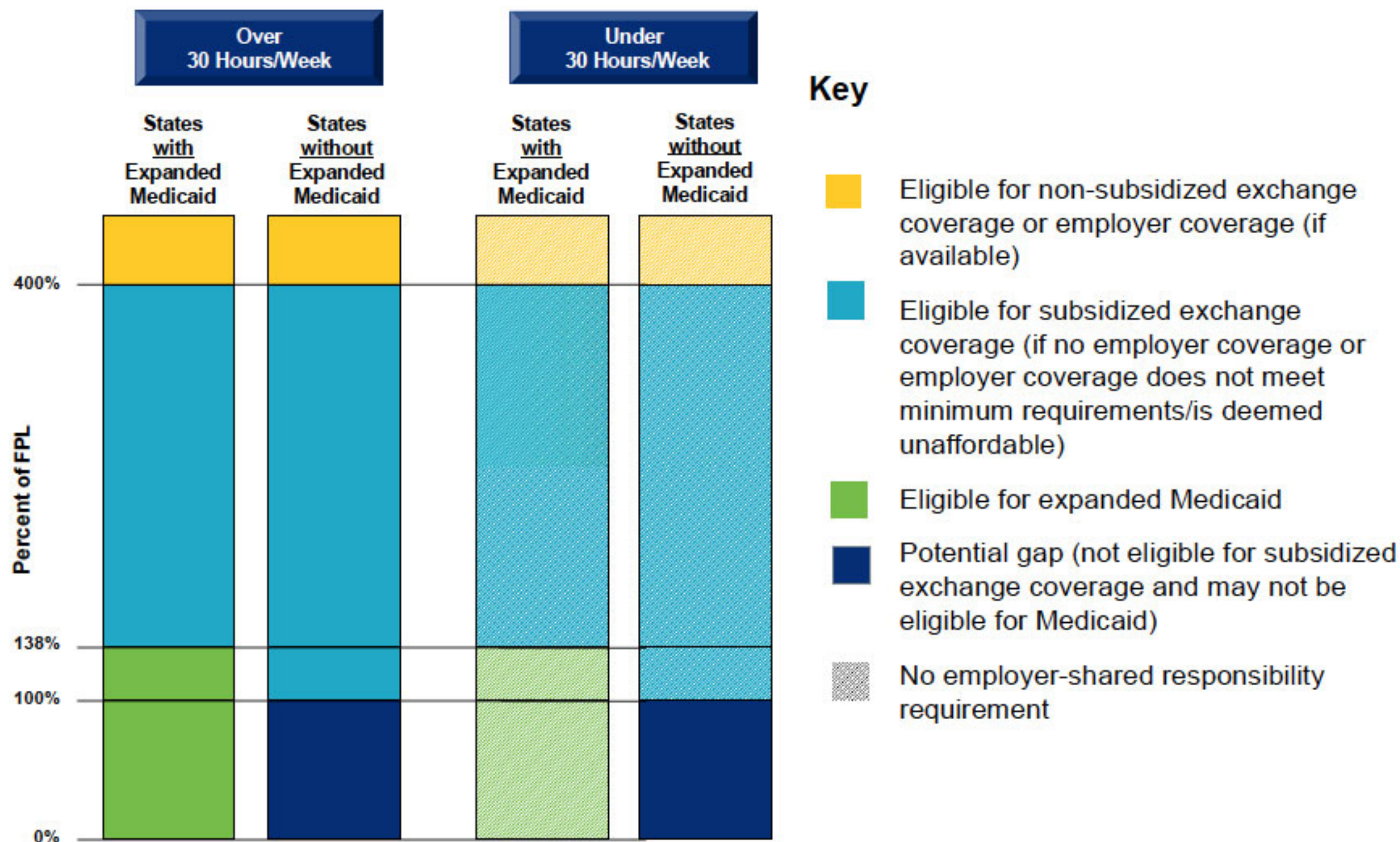
Family size of	Federal Poverty Level (FPL)		2014 eligibility threshold estimates**	
	2013	2014**	Medicaid 138% FPL	Exchange 400% FPL
1 (single)	\$11,490	\$11,835	\$16,332	\$47,339
2	\$15,510	\$15,975	\$22,046	\$63,901
3	\$19,530	\$20,116	\$27,760	\$80,464
4	\$23,550	\$24,257	\$33,474	\$97,026
5	\$27,570	\$28,397	\$39,188	\$113,588
6	\$31,590	\$32,538	\$44,902	\$130,151
7	\$35,610	\$36,678	\$50,616	\$146,713
8	\$39,630	\$40,819	\$56,330	\$163,276

* Health reform legislation specifies income threshold of 133% FPL but also requires states to apply an "income disregard" of 5% of FPL in meeting income test; effective income threshold for eligibility is 138%

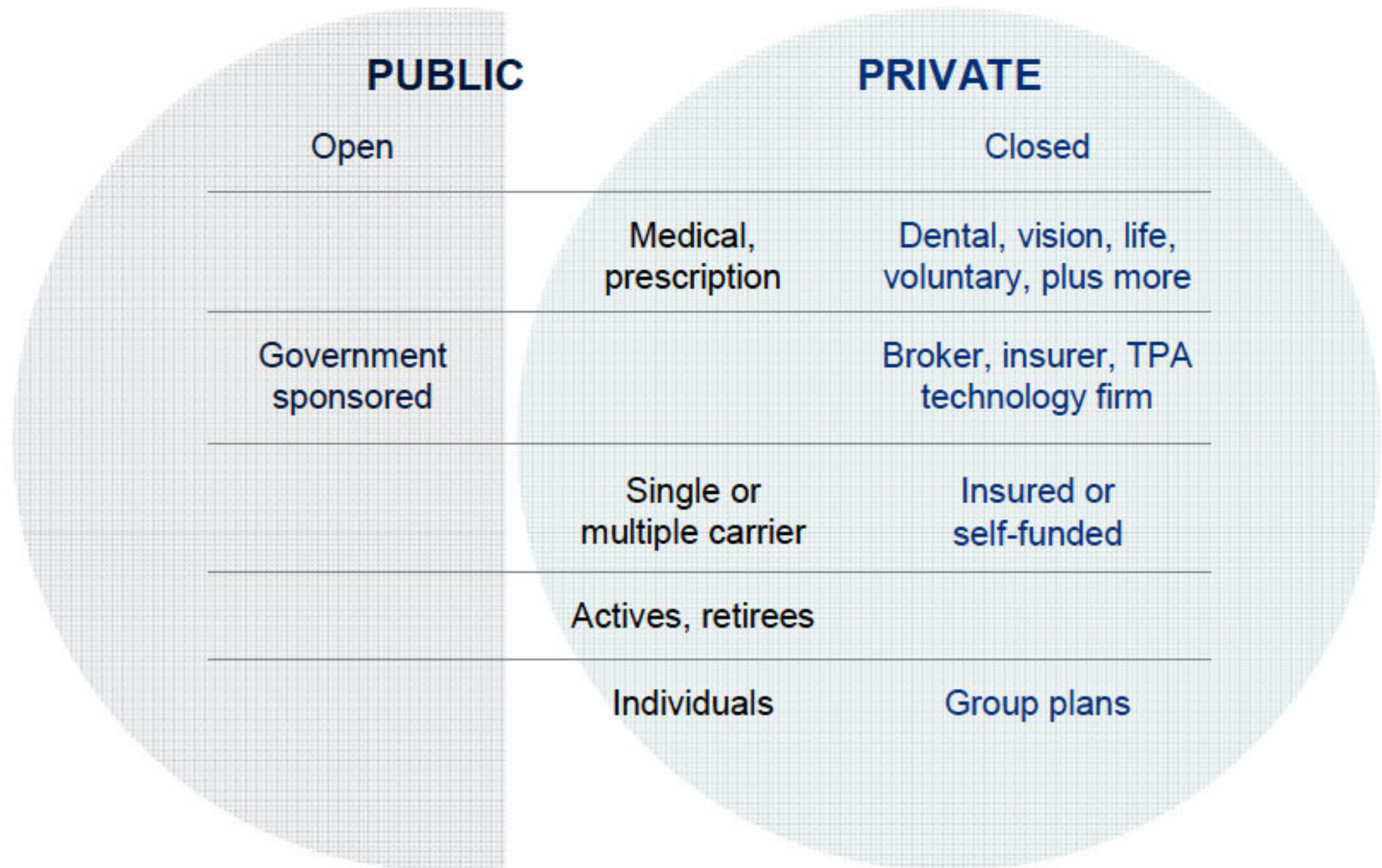
** Federal Poverty Level (FPL) assumed to increase 3% per year

Health Care Reform

Population segmentation

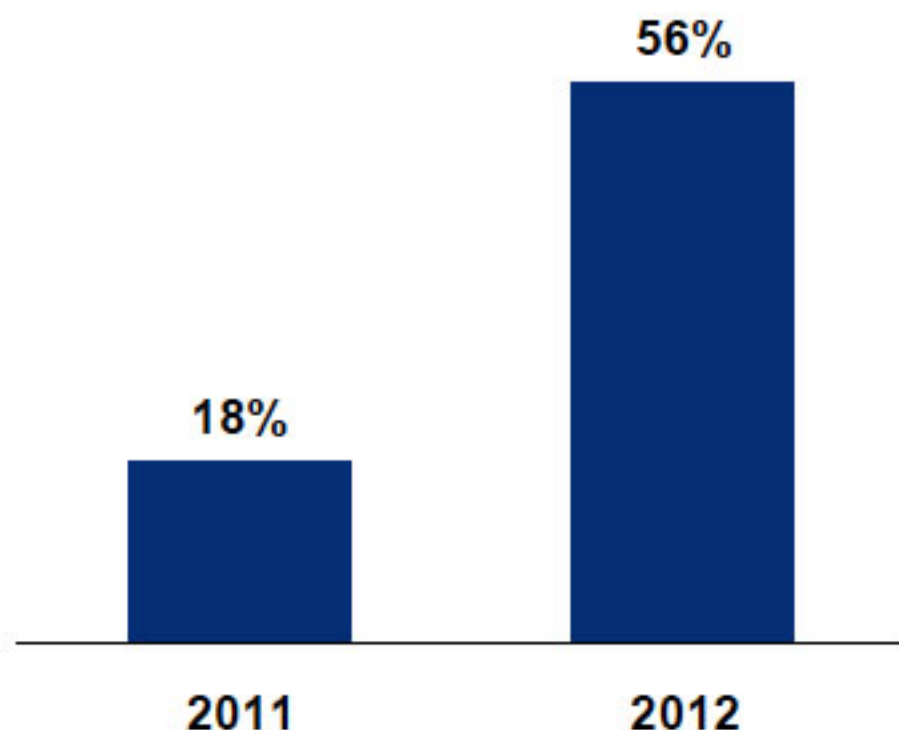


PUBLIC VS PRIVATE EXCHANGES



Growing interest in private health care exchanges

Percent of employers that would consider offering a private exchange



Why are employers looking at private health care exchanges?

- ✓ **One-stop shopping** across core medical, life, disability and voluntary benefits
- ✓ **Technology** eases employee decision-making
- ✓ **Collective buying power** and influence help control total benefit cost
- ✓ Some allow employers to **retain control**
- ✓ Employees are not necessarily opposed to change as long as they see **financial benefit**

HOW DO PRIVATE EXCHANGES WORK?



Funding: DB or DC

Employer defined contribution
Employee contribution or combination



Employee support

Online
Call center
Print & e-mail



Administration

Eligibility determination
Data-driven events
Election management
Contribution calculation

Election data

Carriers

Deductions

Payroll

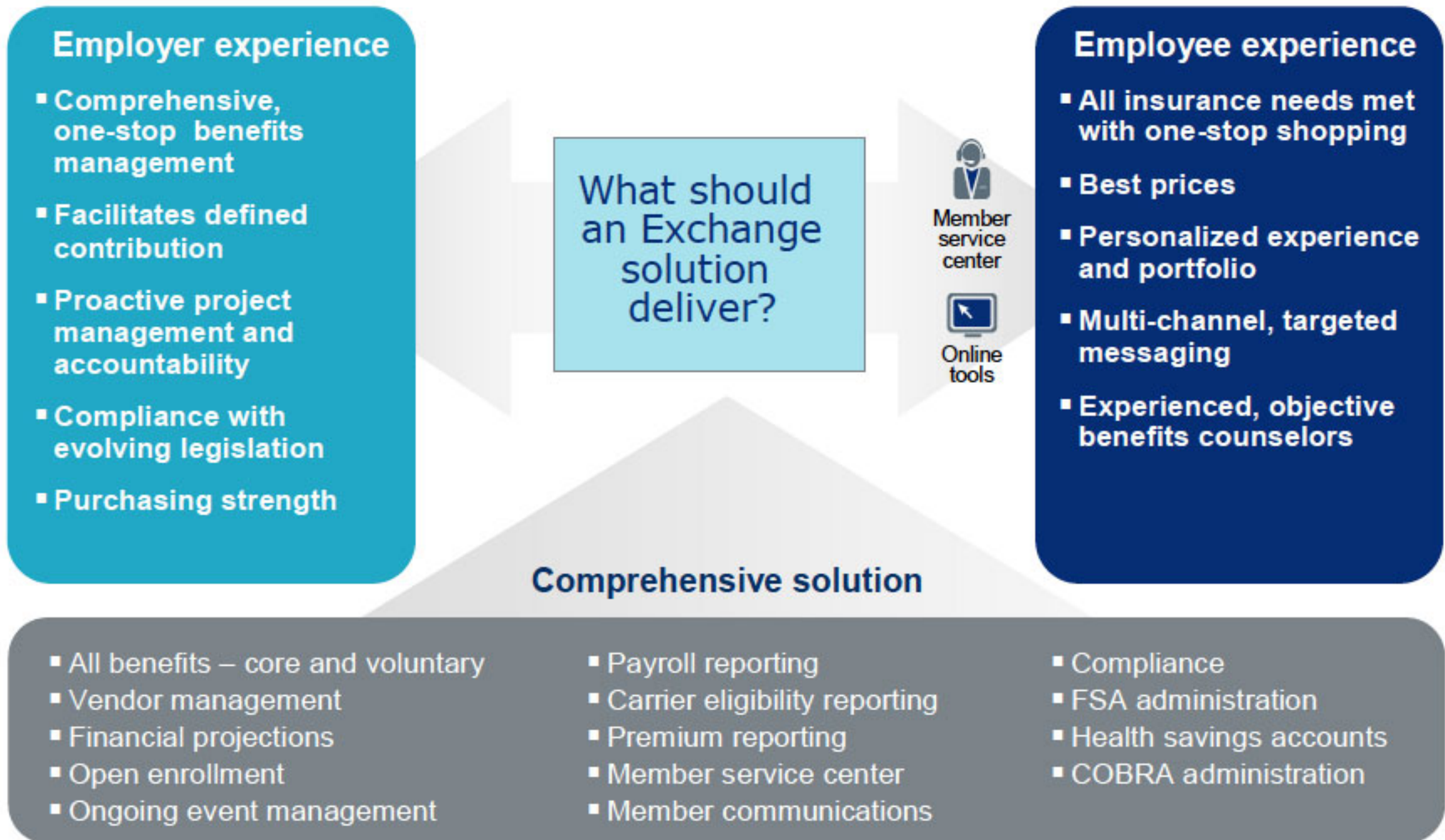
Reporting & premium data

HR professionals

Integrated benefit processes

Private Exchanges

Combining cost management, employee choice & administration ease



Defined contributions: one way employers are resetting benefit value

A framework, not a single strategy

Currently use or are considering a defined contribution approach

Core | buy-up (same employer contribution for all plan options)



Flat-dollar subsidy | voucher



Fixed employer increase



Why are employers looking at a defined contribution approach to medical?

- ✓ **To reset how the employer and employee share** the cost of coverage
- ✓ **To connect employees** to their health care and its cost – and be a catalyst for employees to make better choices
- ✓ **To improve financial predictability** in medical program budgeting
- ✓ **To parallel** retirement plans' transition from DB to DC

Preparing for 2014 – Lots to consider and do!

Employee communications

- Required communication on public exchanges
- Keeping employees informed on how to make their selections
- Potential for confusion with direct to consumer advertising for the public exchanges

Data requirements

- Tracking hourly workers for “look-back” period; rolling enrollment throughout the year
- Erroneous enrollments on public exchanges
- Still waiting guidance on reporting and disclosure requirements

Navigating the 2014 requirements and the public exchanges will be complicated for both employers and employees

Issues for multi-state employers

- Knowledge and processes for dealing with the public exchanges everywhere their employees live
- Public exchange options and Medicaid expansion will vary by State

System requirements

- Technology and tools to track employee hours and interact with the public exchanges
- Cost associated with upgrades and implementation