

The Private Exchange Blog

Choosing a Private Exchange Is Not a Decision to be Taken Lightly

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As the rollout of the Affordable Care Act (ACA) continues to make the news, many employers that have waited to make health benefits changes are now considering whether a private exchange model is the right fit. On the surface, private exchanges can be seen as a way to control costs and simplify administration. However, the differences among exchanges can be extensive, and the impact of these differences can be difficult for employers to manage without further exploration.

Selecting a private exchange should not be approached in the same way as finding a new health insurance carrier — that is, issue a request for proposal (RFP) and then check the cost and capabilities of the vendors. Currently, the various private exchange models available in the market are so different from one another that a comparison of capabilities may lead to more confusion than clarity.

Before assembling an RFP, employers should first assess their goals for employee and/or retiree health coverage. This step will help to narrow the focus to the vendors that best align with these goals. Alternatively, this step may show that a private exchange is not the answer or that the implementation needs to be staged using gradual change to move the current health benefit plan closer to the strategy desired.

Based on this initial assessment, employers can then prepare an RFP and include only the vendors that specifically address those long-term goals. This makes analyzing the proposals simpler and provides options better aligned to the business. Following this process makes the final decision one that employers can stand behind comfortably, based on the factors that are most important to their program.

Due to the administrative requirements, mandatory benefits offerings and stringent design limitations of many of the private exchange vendors, employers should understand the complete program of each potential partner and recognize that this endeavor may be more than simply choosing a new health plan. The size and scale of the change involved has far-reaching impacts on the employee value proposition and is a decision that should not be taken lightly.

Shopping for a private exchange should not be a decision made while standing in the middle of the marketplace. Employers need to decide before they walk in whether they want apples, oranges or something else. They may have to live with that choice for a while.