

**Shopping for Benefits On the Private Health Exchange:
The Rise of a Smarter and More Empowered Health Care Consumer**

January 21, 2014



The Changing Environment for Employee Benefits

If there's one constant in the world of health care today, it's change. From the Affordable Care Act to wellness programs to advances in health information technology, it's an exciting – and challenging – time for businesses as they navigate the new opportunities brought on by the industry's metamorphosis.

Private health exchanges, while still relatively new, are quickly becoming part of the health insurance landscape. Many companies – spurred by the desire to provide better benefits and more options to their employees, and by the significant rise in the cost of providing benefits – are increasingly turning to private health exchanges as a solution. Growth is not only expected to continue, but to accelerate in the coming years.

There have been several studies about the size of the market for private exchanges, and the drivers for businesses to make the shift from traditional benefits programs. But less attention has been focused on the impact on the businesses that are using private exchanges as well as their employees.

Liazon Corporation, operator of the Bright Choices® Exchange, surveyed the companies that use its services to understand satisfaction with the Exchange, benefits selection preferences, and changes in the employer-employee dynamic. The survey was conducted online in July and August 2013.

The results show not only high satisfaction with the benefits provided and the process of shopping online, but that something even more meaningful is happening. A new, more empowered, health care consumer is emerging – one who understands his or her benefits better than ever before, and who extends that understanding to making smart health care choices.

The survey also identifies several other important insights, including:

- **Choice and Flexibility.** When it comes to benefits, employees want more choices, not fewer.
- **The Right Fit.** Cost is not the major driver in selecting benefits – getting the right benefits package is.
- **Employee Satisfaction and Engagement.** Employees using the Exchange have higher satisfaction and engagement levels than those in traditional benefit programs, building a happier and more engaged employee.

What is a Private Health Exchange?

It's an online store where employees can purchase benefits. It typically offers many health insurance plan options plus dental, vision, life, disability and other benefits. Private exchanges are private business enterprises and should not be confused with public health care exchanges run by federal and state governments.

Shopping for Benefits Online

Shopping online for everything from toys and clothes to car insurance has become the norm for many. There's a large contingent of consumers that have a clear preference for shopping online.

According to a recent UPS study, nearly 70% of consumers would rather shop at their computers than go to stores for merchandise.¹ And, the consumers that shop online report that they are more satisfied overall – with the experience, and with the supplier.

Liazon's survey found the same principles to be true in shopping for benefits online. When you combine the improved online experience with a much-needed education component, it results in higher overall employee satisfaction. Employees are more satisfied with the online experience, with the benefits they select.

The Bright Choices Exchange walks employees through a series of questions about themselves, their dependents, their health, network preferences, concerns and needs, and lifestyle, and then uses sophisticated statistical modeling to predict the right combination of plans for each person's individual needs. Overall, 75% of employees say they are satisfied or very satisfied with the experience of shopping for benefits online.

Employee Satisfaction With the Online Benefits Shopping Experience



“Using the Bright Choices Exchange turned the process of choosing my benefits package into a simple task, rather than the daunting nightmare it’s been in prior experiences.”

– Employee Respondent

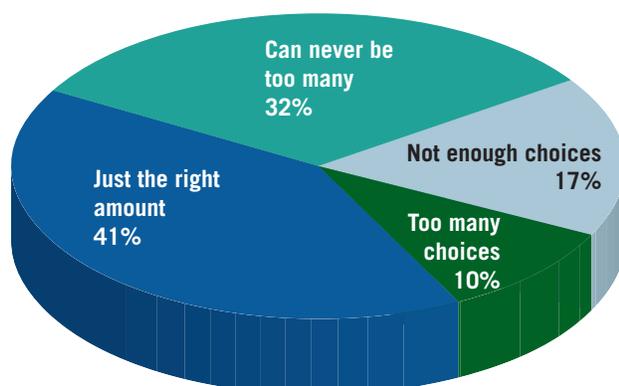
“I was initially skeptical about ‘shopping’ for my employee benefits. But having the ability to tailor my benefits to my personal needs and compare plans side-by-side made choosing exactly what I need and want that much easier.”

– Employee Respondent

Employees Want More Choice and Flexibility

While there's been some industry debate about whether or not employees – who are used to the one-size-fits-all of traditional benefits programs – want many choices when it comes to their benefits plans, the survey results are overwhelmingly clear: more choice is preferred by 90% of those surveyed.

Employee View of Choices Offered



As background, all survey participants had a minimum of five health plan options from Liazon to participate in the study. Many participants had more than five health plan options – the average number of health plans provided to users is 10.

In addition, they had options for other benefits, including dental, vision, disability, life, FSAs, legal plans, and even

telemedicine and pet insurance. In other words, they could access many options to select the right plans for their needs. Four out of ten respondents say this was just the right amount of choice.

Another 32% agreed with an even bolder statement: there could never be enough choices. And, along those same lines, 17% of respondents say that there were not enough choices. Only a small minority (10%) indicated there were too many choices.

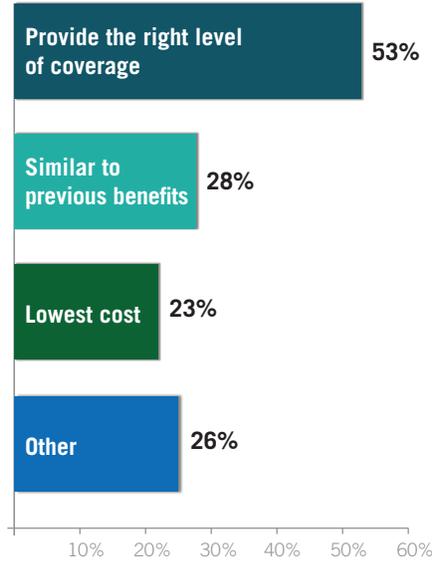
Flexibility is another key factor for employees. The Exchange – offering a wide variety of benefits that can appeal to the most diverse groups of employees at all stages of their lives – enables employees to shift benefits annually to match their needs at that time. Nearly 60% of employees surveyed say they plan to evaluate their benefits and select a modified or new portfolio from year to year.

Debunking a Myth: Cost is Not the Major Driver in Selecting Benefits

Cost is a tremendous source of pressure on both employers and employees. Employer-sponsored health insurance costs have increased 80% over the last ten years.² And employees have faced higher deductibles and co-pays that far outpace average annual salary increases.

Despite this context, the survey found that cost is not the main driver for selecting benefits on the Exchange. More than half (53%) of employees say they selected their benefits package because it “provided the right level of coverage.” Only 23% say they selected the lowest cost option.

Decision for Choosing Coverage



In reality, many companies do save money when they move to the Exchange, but it is not because employees are seeking out and selecting plans based on price. Instead, the survey confirms that employees are selecting the right insurance for their needs.

When companies switch to Bright Choices, they often save money as more efficient behavior takes hold. Overall, 82% of employers surveyed report that benefits costs have remained flat or decreased by moving to the Exchange, particularly compelling considering the 10% per year average increases with traditional plans.

Benefits as the Gateway to a More Engaged Workforce

Why are employers so focused on getting the benefits equation right? For one, it impacts the bottom line. Also, there's a link between benefits and employee satisfaction – an organization's degree of health care benefits engagement and knowledge can factor into the ability to recruit new employees, employee satisfaction, productivity and retention.

How does Bright Choices Exchange measure up? Overall, 71% of employees and 72% of employers said they are satisfied or very satisfied with the Exchange.

More than two-thirds of employees are satisfied or much more satisfied with the benefits they selected through Bright Choices compared to the plans they had previously. Both employer and employee satisfaction levels are strong, and there's room for these levels to continue to improve as they become more immersed in the features of the exchange model.

“Knowing the actual cost of the benefits... gave me an understanding about my benefits that I simply never had before.”

– Employee Respondent

Solving a Problem: Helping Employees Understand Their Benefits

When it comes to understanding benefits, both employers and employees have had a longstanding problem. Employees say they rarely, if ever, fully understand the benefits they have.

A recent study by JD Power & Associates highlights the extent of the problem: 74% of employees say they only sometimes, rarely, or never understand everything that is covered by their policies.³

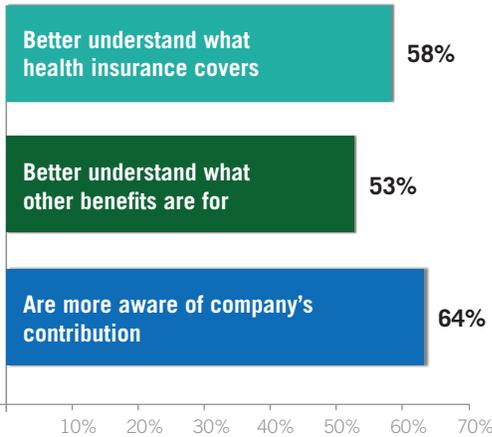
Private exchanges are changing this. Employees using Bright Choices report that they understand their benefits better than ever before.

According to the survey, employees report clearer understanding of what their health insurance covers, increased clarity around their ancillary benefits (including life, critical illness and disability) and describe a new appreciation for the value of their employers' contribution to their benefits.

How Does Bright Choices Foster Better Understanding of Benefits?

- *Recommendation process*
- *Side-by-side plan comparisons*
- *Decision support tools*
- *No jargon, clear explanations*
- *Educational videos and articles*
- *Glossary*
- *Clear plan summaries*

Changes in Employee Awareness



A Smarter, More Empowered Health Care Consumer Is Emerging

One of the drivers for change in the health care industry is cost reduction, but a very important effect of the change is consumer empowerment. Among the employees using the Bright Choices Exchange, a more empowered health care consumer is emerging – one who has a greater understanding of all aspects of his or her benefits, and a greater appreciation for both the employer’s contribution, and how to maximize that contribution.

The Exchange provides a completely different model – one that puts control and decisions in the hands of the employee. It’s a significant shift when an employee receives \$500 per month to spend on a wide array of benefits, versus the less transparent method of a small payroll deduction and limited choice. Overall, 63% of employees say they are more aware of the costs of medical care than they were previously. Furthermore, 60% of employees are more engaged in decisions about their own care.

In terms of the employer view, the results are even higher – 83% of employers say their employees are more aware of the costs of medical care. And 65% of employers say employees are more engaged in health care decisions. This is a trend that’s likely to continue – there’s clearly an appetite for more choice, more understanding and more empowerment.

“The Liazon exchange has... made our employees become more informed consumers when it comes to their health, vision and dental care. I witness them comparing costs with different providers and asking providers if the procedures they are recommending are truly necessary.”

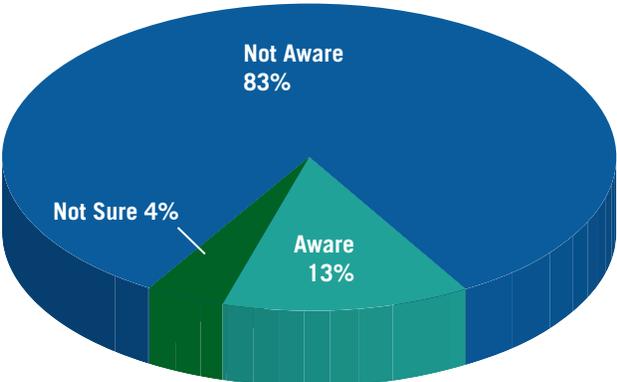
– Heather Gumbert, Valley Brook Country Club

Private Exchanges: There is an Awareness Gap

Perhaps it’s all the noise around the Affordable Care Act and the associated public exchanges. Perhaps it’s all too new. But there is clearly limited awareness among businesses and employees when it comes to private exchanges.

Overall, 83% of the employers surveyed say that they were not aware of private exchanges

Employees Aware of Private Exchanges Prior to Working with Liazon



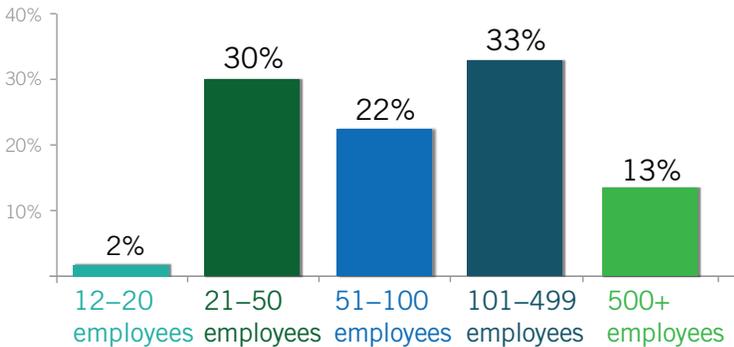
prior to signing up with Liazon. This matches what Accenture found in a recent survey of 2,000 U.S. consumers in which 83% of employees were largely unaware of the private exchange model.⁴

There’s clearly an opportunity for more education on private exchanges and how they can help businesses that offer employer-sponsored benefits.

Survey Methodology

The survey was conducted by Phoenix Marketing International online in July and August 2013 among Liazon’s Bright Choices customers and employee users. This summary represents the responses from 54 employers and 207 employees. Only active employers with at least 5 health plan options participated.

Breakdown of Employers Surveyed



References

1. United Parcel Service, *2013 UPS Pulse of the Online Shopper*, 2013
2. Henry J. Kaiser Family Foundation, *2013 Employer Health Benefits Survey*, 2013
3. J.D. Power & Associates, *2013 Member Health Plan Study*, 2013
4. Accenture, *Are You Ready? Private Health Insurance Exchanges Are Looming*, 2013

About Liazon

Founded in 2007, Liazon operates the industry-leading private benefits exchange for businesses. Its flagship product, the Bright Choices® Exchange, is an online benefits store that is changing the way employers and employees buy benefits. Bright Choices helps employers manage their healthcare costs by setting predictable budgets through a defined contribution funding strategy while guiding employees to purchase better coverage of health, dental, vision, life, disability and other benefits. Advanced cloud computer infrastructure and robust security protection ensures continual access and safeguards confidentiality of data transmission. Liazon works with top national and regional insurance providers and supports more than 2,400 businesses nationwide through a distribution network of leading broker partners. To learn more about Liazon and the Bright Choices Exchange, go to liazon.com.