



The Rise of Private Exchanges

by Jake Biscoglio, Cigna Private Exchange Business Lead

The rise of private health insurance exchanges is attracting some employers looking for new tools to engage their employees and manage health care benefits. Let's take a look at these exchanges and their unique characteristics.

Private Exchanges: How they work

For employers who are trying to introduce more choice for the employees, manage cost through using a defined contribution approach or benefit buy-downs and simplify their administration, private exchanges offer an interesting solution that combines technology and guided choice to make it easier for employees and retirees to shop for employer sponsored benefits. Employers can give their employees or retirees a set amount of money (defined contribution) and then direct them to a private exchange. Employees or retirees can then shop for a health plan and other benefits from the insurance carriers on the exchange their employer has selected. Private exchanges are not run by the government but by a private sector company, like a health plan or a consulting firm.

Private exchange models

Generally, there are two types of Private Exchanges:

Single-carrier exchanges are typically administered by brokers or insurers (like Cigna) and offer the shopper (employee/retiree) the choice of products and benefit plans. Under the broker model, the employer chooses one carrier per line of coverage (e.g., medical, dental, disability). In an insurer administered model, the employee/retiree typically has the choice of plans offered by that insurer. Employers are generally involved in selecting the products and plan design options that will be offered to their employees, but there is no variety among insurers offered. Single-carrier broker exchanges are run by brokers and allow the employer to select one carrier from a number of insurer partners.

Multi-carrier exchanges are typically run by third parties (such as a broker or a consultant) and include numerous pre-set plan design options from multiple insurers. The insurers compete for enrollment by offering different pricing structures, health care networks and levels of performance and customer support. In these models, the employee typically has a selection of carriers to choose from for their medical, dental and other ancillary benefits.

Cigna's Private Exchanges

Cigna has been among the first participants in private exchanges for employee and retiree health plans. Cigna's success is based on our ability to help employers improve their employees' health and healthcare costs, well-being and productivity. We view these markets offering individuals increased choice and this product as another option for our employers to choose from to achieve their benefits strategy. Cigna currently offers its own proprietary exchange called Cigna Solutions and also participates in more than fifteen consultant/broker private exchanges across the country. In addition, Cigna offers online enrollment and plan administration - Choicelinx.

We believe the private exchanges will continue to grow. These solutions offer additional choice to our customers, and the Cigna proprietary exchange is another option for our employer-clients to choose from to achieve their benefits strategy.