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## Shifting Workers to Exchanges

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Benefits Pro

For the majority of employers, the question of whether to move employees to the Obamacare exchanges is similar to so many business decisions they make throughout the year.

"It really is all about the bottom line and the results of cost-benefit analyses," said Iris Tilley, an employee benefits attorney in Portland, Ore. "That's what I'm hearing mostly from clients, and when they seek our advice about health care, we are encouraging them to undergo the means test and figure out what makes the most sense for their business."

In general, Tilley said those employers who are contemplating migration most seriously include companies with fewer than 50 full-time employees, those with high health insurance premiums or those who employ high-wage workers.

She said for them, an exchange migration might pencil out because they won't face pay-or-play penalties, or if they do, the penalties for some of those organizations likely will be less expensive than the cost of providing health care coverage.

Examples in that latter instance would include employers with a generally younger workforce, or employers with easy-to-replace employees.

One of the biggest advantages to moving to a public exchange may be the handing over of the financial and administrative burdens in running a company's health benefits.

That could sway some employers, but not all.

Take Harold Wood, for example. He employs seven people in an auto-body shop in Salem, Ore. Wood told the Statesman Journal last week that he stopped offering health insurance about a decade ago because it was too expensive. He intends to explore the Oregon state exchange, but at this point, he said he remains fairly pessimistic about health care costs.

"That's a wait and see, but again it better be good," he said. "I frankly don't think it's going to be in the affordable range for most business people."

But sometimes the bottom line is affected by the quality of the workforce, and not just the amount of cash coming in and going out.

Jeffrey Lewis, an employment law attorney in San Francisco, said employers who generally hire workers with unique and highly specialized skills might be more cautious when it comes to foregoing health care coverage and directing employees to an exchange.

"Then, yes, in an extremely competitive marketplace, it could become an issue, if you terminate coverage yet rival organizations continue to offer it (health care) as a way to attract and retain the best, brightest and most sought after employees with key skills to their companies," Lewis said.

On the other hand, he said, "it could not be an issue at all if your highly specialized workforce is younger and possibly more online savvy and completely comfortable shopping for insurance online, via the exchanges."

A recent report by Accenture estimated that roughly one out of five people will purchase their health benefits from an exchange in the next three years.

it will be a slow go at first.

"The issue right now is a lack of consumer readiness for exchanges, in general, but in particular for private exchanges," said Rich Birhanzel, managing director of Accenture Health Administration Services. "While private exchange providers have been largely focused on educating employers on the benefits they offer, almost no education has been provided to employees who are considering enrolling in these health plans."

Indeed, on Oct. 1, millions of U.S. consumers will begin to enroll in public exchanges under the Patient Protection and Affordable Care Act, while many private exchanges also are planned to launch this year.

While Accenture estimated that only 1 million individuals are expected to enroll in private exchanges by the end of 2013, that number is expected to reach 40 million individuals by 2018, surpassing the 31 million individuals likely to enroll in state-funded public exchanges.

One reason employers might be more inclined to push employees to private exchanges rather than public ones is less of a pocketbook issue and more about political leanings, Tilley said.

"Health care reform is very politicized," she noted. "And some employers and employees may object to using the exchanges because they don't want to 'help' health care reform succeed."

Politics aside, private exchange might be preferred by some employers because using them means employees get an allowance from the employer that can be used to buy insurance.

Private exchanges will allow employers to retain "key employer relationships while transitioning those employers to defined contribution," Birhanzel said. There are also increased opportunities to offer members a broader array of customized products such as dental, life, and disability coverage.

The success of the private exchanges will be measured largely by their ability to reduce healthcare costs for employers and the ability to provide consumer choice that leads to more efficient use of benefits by employees

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