

# Study Snapshot:

## Issues in Private Health Insurance Exchanges for Employers

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### key findings

- Private insurance exchanges for active workers have, to date, demonstrated promise for improving choice and competition in the group insurance markets.
- Private exchanges have not diminished employer sponsorship of health benefits and instead may encourage employers to continue offering health benefits.
- Private exchanges do not compete directly with the SHOP exchanges, which largely appeal to relatively few, small-group employers.
- There is no evidence indicating that private exchanges are used as a mechanism for circumventing the ACA's regulatory structure.
- Given the promise of private multi-carrier exchanges, regulatory forbearance appears to be the best course of action.

### The Question:

#### How should regulators respond to emerging private health exchanges?

Over the past decade, the concept of using private multi-carrier exchanges to create managed competition took significant hold only with respect to retiree health benefits. In the past few years, however, private exchanges offering employer-sponsored health coverage—available from competing insurers—have emerged among both large and small employers. Despite the marked potential of private exchanges, their growth has been slower than expected, raising public policy and regulatory questions. In a study funded by the Robert Wood Johnson Foundation,<sup>1</sup> Mark Hall, J.D., Wake Forest University, conducted expert interviews and an extensive literature review to evaluate the potential benefits and drawbacks of private multi-carrier exchanges. The goal of the study was to assess whether lawmakers and public policy actors should facilitate, remain neutral toward, or intervene in the market for private exchanges. The full results of the study are available on the [HCFO website](#).

### The Implications:

#### Given the positive development of private exchanges, regulators should remain on the sidelines and monitor how the exchanges evolve in the existing group insurance markets.

The majority of expert informants suggested that there are no regulatory barriers to the formation or spread of private exchanges; rather, private exchanges are simply an innovation in how conventional insurance plans are sold. Specifically, private exchanges have not diminished employer sponsorship of health benefits and may, in fact, encourage employers to continue offering health benefits. In addition, private exchanges are not in direct competition with the SHOP exchanges, and there has been no evidence suggesting that private exchanges are used as a mechanism for circumventing the ACA's regulatory structure. Informants differed on the value of regulatory measures to facilitate the use of private exchanges, including potential changes to the Employee Retirement Income Security Act (ERISA) and the tax treatment of individual insurance. Evidence to date suggests that lawmakers and public policy actors should refrain from intervening in the private exchange market and instead continue to monitor their development.

### Contact Us

For more information on the results from this grant, please contact the principal investigator Mark Hall ([mhall@wakehealth.edu](mailto:mhall@wakehealth.edu)) or call 336-758-4476.

<sup>1</sup> The Robert Wood Johnson Foundation Changes in Health Care Financing and Organization (HCFO) Initiative supports timely and policy relevant health services research on health care policy, financing, and organizational issues.



Robert Wood Johnson Foundation

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**If you would like to learn more about other HCFO-funded work, please contact: Bonnie J. Austin, HCFO Deputy Director | [bonnie.austin@academyhealth.org](mailto:bonnie.austin@academyhealth.org)**