

5 Misconceptions Of Retiree Health Exchanges

Misconceptions regarding Retiree Health Exchanges can create organizational headaches and retiree dissatisfaction. Here's what you need to know before you commit to a new program.

White Paper

INSIDE

The changing landscape of healthcare in the United States is causing confusion and alarm, particularly for an aging population of retired workers with questions about what these changes mean for them, a group with great reliance on healthcare. Trying to explain the intricacies of a specific market requires a lot of information that can be confusing to the coordinator, let alone the retiree who has been accustomed to one thing and is now being told they are getting another. Coordinated phone calls typically last 55 minutes, tying up call center personnel and doing little to reassure a confused retiree.

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The creation of Affordable Care Act healthcare exchanges has done little to quiet the noise. Exchanges require that retirees navigate this uncertainty on their own, buying directly from the carrier with no familiarity or trusted direction. Additional options come with even more questions, but working with the right partner helps cultivate a relationship that is painless and helps put an organization's former employees at ease while they enjoy their golden years. Group plans have customer advocacy centers that cater specifically to an elderly population and can help reinforce the trust during such an ambiguous time. The following misconceptions about retiree healthcare exchanges will help shine light on some of this misinformation.

1. INDIVIDUAL PLANS ARE CHEAPER THAN GROUP PLANS

Not necessarily. A retiree who is 65 may have a greater likelihood of finding an inexpensive individual plan, but what about an individual that is 75 or 85? Not so.

One reason is that individual plans have costs built into them to help the carrier recover adverse selection. And because there is a "take it or leave it" component built into individual plans, meaning the individual can always go look for another plan if one isn't to their liking, they will often have a charge to protect against the gaming that comes with adverse selection. Some carriers try to build-in other underwriting characteristics in an attempt to circumnavigate this, often with a questionnaire. People who "pass" the underwriting questionnaire may then get a preferred rate, but nothing is certain. This maneuvering doesn't exist with group plans, which are rated across the entire retiree segment and not solely on an individual's particular characteristics.

Also, multiple plans are available to a retiree in a group setting – but, with an overwhelming number of individual plans available, how does a retiree receive the assurance that the one they select is actually right for them. A retiree certainly can buy an inexpensive plan but that plan likely won't cover much.



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2. MOVING TO AN EXCHANGE ELIMINATES EMPLOYER FINANCIAL LIABILITY

False. FASB106 liability is based on Other Post Employment Benefits (OPEB), which includes funding any benefit to retirees other than a pension. This includes medical, prescription drug, dental and vision. Any promise of funding an HRA would be included as well, regardless of whether these benefits are offered on an individual policy form or a group policy form. The reality is that these liabilities will exist as long as the Employer has made a promise to pay, regardless of the policy form chosen. The liability continues to exist as long as the employer makes contributions in any form, and in any amount, to a retiree's plan. This standard requires reporting of costs as well as advance mechanisms that ensure future payments to retirees will be available.

3. RETIREES WANT MORE COVERAGE OPTIONS AT DIFFERENT PRICE POINTS

Choice is a good thing, sure, but too much choice is often overwhelming. In a recent survey, a pool of more than 1,500 retirees enrolled in a group plan was asked if they wanted more options, and responses were pretty much split down the middle between yes and no. And of the respondents that said yes, I want options? An overwhelming 82 percent said they only wanted two or three options – that's right, four of the five respondents who said they did want options only wanted a couple to choose from.

4. EXCHANGES ELIMINATE THE EMPLOYER'S ADMINISTRATIVE BURDENS

Because healthcare is critical to an aging population, they are likely to have questions, and change only spurs more questions and the complaints that come with them. Retirees want comfort in not only knowing what they have, but the stability that comes with consistent care. A large American auto manufacturer switched to an exchange model and knew what was headed their way – the noise level from retirees was deafening and it continued for nearly a year. The company had no choice but to take it.

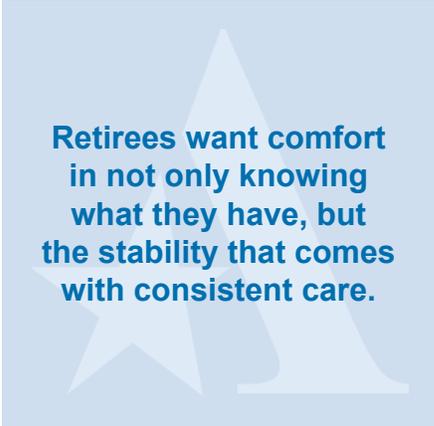
If administrative obligations and burdens are a concern, consider changes to the administrator, not the plan.

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5. THE MOVE TO AN EXCHANGE WON'T CAUSE ANY DISRUPTION FOR THE RETIREE

Guess again. The confusion and commotion that come with a shift to an exchange model can have a detrimental impact on the retiree, which in turn can cause great disruption within the employer's organizational structure. The reality is that healthcare is one of the most important things in retirees' lives. Think about your own mortality and what life will look like in 10, 20, 30 or 40 years, about where your health and well-being will rank. It is a dramatic shift, with much higher utilization of healthcare, which is screaming near the top of your priorities.

Retirees, the same group that built the company and carried it through hard times to prosperity, now feel forgotten. The resulting removal of expectation can feel like betrayal. The victims of broken promises and disloyalty. One problem is that the people who made those promises are gone, replaced by players in a management structure with no relationship or moral obligation to these retirees. Help quiet the noise by removing some of the anxiety around change and overwhelming choice.



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