Private Exchange Mechanics

Plan Sponsor
HRA/Subsidy Strategy

Plan Sponsor converts current group-based health care subsidy into an HRA credit, which may be set at or below the actuarial equivalent of the current subsidy

Retiree HRA

Private Exchange Platform

- Insured health care offerings
- Communications
- Decision Support
- Enrollment
- Advocacy
- HRA Administration

Insured Health Care Offerings

- Medicare Advantage
- Medigap
- Individual Part D
- Other (dental, vision)

Private exchange platform assumes many of the current plan sponsor group program responsibilities, but with a significantly “higher-touch” retiree experience

Retiree Enrollments
Commission Revenue
HRA (or “RRA”) Design and Strategy Considerations

Retiree Health Reimbursement Account (HRA) Strategy Development

- HRA strategies are typically designed to balance the following:
  - Plan sponsor cost management objectives leveraging individual market efficiencies
  - Equity among participant groups, relative to the current group structure
  - Participant flexibility
  - Encouragement of consumerism
  - Ease of participant understanding and use
  - Administrative simplicity

- There are four main elements of HRA design:

<table>
<thead>
<tr>
<th>HRA Design Element</th>
<th>Description</th>
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<tbody>
<tr>
<td>1) Subsidy Level</td>
<td>Extent to which the subsidy is preserved or reduced relative to current</td>
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<td>2) Subsidy Calibration</td>
<td>The number of unique “subsidy cells” required to support key objectives</td>
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<td>3) Subsidy Delivery</td>
<td>The manner in which the subsidy is provided to the participant for use</td>
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<tr>
<td>4) Subsidy Rules</td>
<td>Outlines the subsidy protocols, uses, and potential limitations</td>
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Catastrophic Prescription Drug HRA Strategy

2013 Medicare Part D Standard Plan

- 50% pharma discount counts as if the member paid it for TrOOP purposes
Why Provide a Catastrophic Rx HRA?

Protecting the Most Financially Vulnerable Members

- Individual market-based Medicare Part D prescription drug coverage represents the main area of financial exposure for members moving to the individual health care market from the group program.
  - All Medicare Advantage plans provide a medical out-of-pocket maximum and Medigap Plan F covers all Medicare medical program cost-sharing – so members in the individual market are able to protect themselves financially from catastrophic medical claims.

- Medicare Part D plans do not provide an out-of-pocket maximum, and generally provide at most a 95% coinsurance benefit for claims in the catastrophic coverage phase.
  - Members with significant prescription drug claims generally have more financial exposure in the individual market relative to their current group program when and if they experience catastrophic drug claims (e.g., specialty claims).
  - For example, if a member incurs a $100,000 drug claim during the catastrophic coverage phase of the Part D plan, the member would generally be required to pay $5,000 out-of-pocket for this one claim, as opposed to a nominal copay if current Rx benefits do not have a “donut hole”.

- Plan sponsors can protect members using a contingent “catastrophic Rx HRA” that funds all or a portion of the required 5% member cost-sharing during the catastrophic coverage phase.
  - Creates a prescription drug “out-of-pocket maximum” at a member-friendly level.
  - Plan sponsors might want to start the contingent coverage at some point after the catastrophic coverage phase begins (e.g., after $500 is spent out-of-pocket) in order to focus on members with material cost exposure and avoid nominal reimbursements for “rank and file” claims.
Segmentation Five Segments

**Offline & Disengaged**
- 3%
- Not confident about health insurance decisions
- Unprepared for retirement

**Pragmatic Evaluators**
- 36%
- Informed about health insurance decisions
- Planning ahead for retirement
- Interested in exchange

**Confident Deciders**
- 15%
- Well-prepared for retirement
- Confident about health insurance decisions
- Interested in exchange

**Got it Covered**
- 25%
- Feel they know about health insurance
- Unprepared for retirement

**Help Me Please**
- 21%
- Lacking health insurance knowledge
- Unprepared for retirement
- Dissatisfied with current insurance

**Key**
- X% = 62-72
- Y% = 73-82
Education and Communication

**WELCOME LETTER**
A customizable letter that announces the change; gives reasons for the change; outlines the process and expectations

**TRANSITION GUIDE**
Describes what’s changing and why FAQs

**PROMOTIONAL CONTENT**
Provides high-level overview of changes; promotes services; to be used in client marketing efforts

**RETIREE MICRO-SITE**
Provides retiree micro-site with retiree meeting dates, future communications, and access to the Aon Hewitt Navigators site.

**EMAIL**
Provides high-level overview of changes; Promotes services

**FLASH VIDEO**
Promotes services; Provides overview of enrollment process

**IN-PERSON MEETINGS**
Creates comfort level with services and process and face to face preparation
Support Through the Enrollment Process

**Personalized Letter and Education Kit**
- Mailed to all AT&T retirees
- Includes appointment details
- Includes Medicare education booklet

**Appointment Reminder Postcard Series**
- Mailed to retirees who have not confirmed their appointment, and reminds retirees who confirmed appointments

**Pre-scheduled Appointments**
- Appointment with aligned Benefit Advisor
Post Enrollment Ongoing Support

**Post-Enrollment Outreach**
Outbound calls to each retiree to ensure they are comfortable and confident with their selection.

**HRA Welcome Kit**
Sent to each retiree introducing them to their HRA account and providing amount and details on reimbursements.

**Advocacy**
Retirees and their dependents have access to advocates who can help with billing and coverage issues. This support helps increase retirees’ sense of health security.

**Annual Outreach**
Letters sent to all retirees to remind them they have the opportunity to change plans if their needs—or their plans—have changed.
Customer Experience

Announcement and Change Management

Education and Enrollment

Ongoing Support

Care For Life

HRA

Annual Outreach

Advocacy
2013 Annual Enrollment Statistics

**Preferred Telephonic**
- 99%

**Customer Satisfaction**
- 92%

**Service Levels**
- 91%

<1%
Escalations

2.3
Calls per enrollment

**2014 AEP**
22 New Clients, Engaging 100,000 New Retirees