

Private Exchange ACOs Emerge as Next Generation ACO Model

Public *health insurance exchanges* (exchanges), created by a provision of the *Patient Protection and Affordable Care Act (ACA)*, have received considerable attention as the ACA has started to expand health insurance coverage to previously uninsured individuals.¹ These exchanges alone are expected to provide coverage to approximately 13 million individuals in 2015, a significant increase over the average coverage of individuals by exchanges in 2014, of approximately 7 million individuals.² Private exchanges are also grabbing the attention of consumers,³ with enrollment in private exchanges expected to equal the enrollment in public exchanges as early as 2017.⁴ This increased interest in private exchanges is primarily from employers that are looking to cut healthcare costs, as well as from individuals who do not qualify for federal subsidies and are examining their alternatives in order to comply with the *Individual Mandate* provisions of the ACA.⁵ Therefore, both public and private payors are devising innovative strategies, such as partnering with *Accountable Care Organizations (ACOs)*, to capitalize on the increasing demand for affordable health insurance plans, which offer the consumer a range of health insurance plan options.⁶ This article will discuss these new private exchange ACO models, as well as the driving factors behind the increased interest from consumers in choosing private exchanges over public exchanges.

Within the first three months of open enrollment for the federal exchanges in 2013,⁷ the largest private health insurance exchange provider, eHealth Insurance, experienced a 50% increase in enrollments from 2012.⁸ This dramatic increase in enrollment was not unexpected, due to the implementation of the ACA,⁹ but also follows a trend of U.S. employers shifting their health insurance offerings to private exchanges.¹⁰ According to a 2014 Aon Hewitt survey, only 5% of employers in 2014 offered private health exchanges; however, the survey projects that this value will increase by 33% in the next three to five years.¹¹ Private exchanges are attractive to the employer because:

- (1) They can constrain premium growth due to direct competition between insurers for customers; and,
- (2) They are able to offer the employee a wider range of choices in healthcare plans.¹²

Other employer benefits which may be realized through the move to a private exchange include:

- (1) “*Improve predictability of healthcare costs by transferring risk to the insurance carrier*”;¹³
- (2) “*Increase ability to focus efforts on other initiatives, such as health/wellness programs*”;¹⁴
- (3) Ability to “[a]lign health care benefits/subsidies with overall employee compensation”;¹⁵
- (4) Ability to “[m]inimize employer’s plan design and vendor management responsibilities”;¹⁶
- (5) “*Improve competitiveness of current benefits*”;¹⁷ and,
- (6) “*Reduce long-term cost trend through competitive market forces*.”¹⁸

Another added value for private health insurance exchanges is the ability to offer health and wellness programs. The ACA provides new incentives to employers to promote wellness programs and support healthier workplaces.¹⁹ As private exchanges proliferate in the marketplace, offering comprehensive wellness programs will be an important strategy for consumers and employers to differentiate between plans.²⁰ With the paradigm shift from *volume-based* care to *value-based* care, wellness programs are becoming an essential component to mitigate risk, by reducing emergency care visits and hospital admissions.²¹ Therefore, as providers begin to adopt value-based care models, some are looking to ACO models that emphasize quality care while providing services to aid in managing population health.²²

Value-based health insurance contracts have a different focus from conventional insurance products, in that their priority is on structuring agreements that focus on keeping patients healthy, while avoiding unnecessary costs.²³ Therefore, it is relatively easy to identify a collaborative care model, inherent to ACOs, as beneficial to a value-based health insurance plan. Industry experts agree that private exchanges align well with value-based care, and are predicting that the partnering between private health exchanges and ACOs is an emerging care model for insurers.²⁴

Two of the major players taking advantage of this new emerging care model are Aetna and Bloom Health, both

of which are rapidly expanding.²⁵ Bloom Health's private ACO exchange is offered by approximately 250 employers,²⁶ and has a 51% selection rate for ACOs in their private exchanges,²⁷ indicating that customers may increasingly desire the options available to them through an ACO. Another option consumers can explore is Aetna's private-label health plan, which is a component of the company's larger plan to create a national ACO chain that can address large employer populations in specific markets.²⁸ Aetna notes that "ACOs can bring very attractive value propositions (cost and quality) in their market where the ACO provider partner has strong local market recognition."²⁹ This local market recognition is essential to their effort to localize purchases, reasoning that providers may sometimes have stronger local reputations and relationships than a national health plan, and this reputation could increase the health plan's overall market share.³⁰

The partnering of private exchanges with ACOs represents a new innovation in the fight for market share and value-based care. Private exchanges may still be considered a "progressive experiment" by some, but with the increased emphasis on high quality care at a lower cost, it is likely that these private exchanges could have the flexibility required to meet these value-based care goals.³¹ ACOs are also at the forefront of streamlined care, and thus will be an attractive option on the private exchanges, because they offer an easy option for employers to purchase health plans with an emphasis on population health.³²

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