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Oral Testimony  
on behalf of Aon

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Before

U.S. House of Representatives  
Committee on Education and the Workforce  
Subcommittee on Health, Employment, Labor and Pensions

Hearing entitled

“Innovations in Health Care: Exploring Free-Market Solutions  
for a Healthy Workforce”

April 14, 2016



Mr. Chairman and Members of the Subcommittee: Thank you for the opportunity to testify at this important hearing on the value proposition that employer-sponsored coverage brings to our nation's health care system. More than 175 million Americans receive their health coverage through their employer. Facing an increasingly diverse workforce and employees' desire for greater choice and control over their health care, employers are creating a more consumer-driven experience for their employees—arming them with the right balance of tools, resources and incentives to improve their health and their choices, along with the guidance, advocacy and support needed for those individuals with serious and ongoing medical needs.

Aon is a leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions. We help public and private employers identify new strategies in offering health and retirement benefits. In the U.S. alone, we serve nearly 5,000 employers and employees across all 50 states. We administer health benefits for 350 employers representing more than 10 million employees and retirees.

Employers are looking for new and innovative ways to change the way health benefits are offered, and they are looking to help employees lower their risks of rising health care costs and increasing financial volatility. These new programs include wellness programs, new technology, innovative delivery systems, private exchanges and greater transparency in the cost and quality of health care services.

While we have experience in these and other types of new innovative programs that employers are offering, today I will focus the discussion on one program in particular—Aon's development of a **private health exchange**, which enables employees to select their choice of health care coverage.



## **Private Health Exchanges and the Consumerism Movement**

Employers face the significant challenge today of providing quality, affordable health coverage for employees in our complex health care system. There are changes in how health care is delivered and paid for and these often vary from market to market. Employers that have employees in multiple states face the difficult task of determining how to offer innovative solutions in different health care marketplaces.

Employers are focused on promoting consumer engagement, reducing health care spending and continuing to ensure that employees and their families have comprehensive coverage. Our 2016 Health Care survey reveals that employers support the value proposition of offering health benefits to their employees, and only 5 percent of employers say they will stop offering health benefits in the next three-to-five years.

But health care costs continue to rise at a rate higher than CPI, and shifting costs to employees through increased out-of-pocket payments, limits on benefit offerings and higher coinsurance is not a sustainable approach. Employers are evaluating better solutions that empower consumers with more choices in their health plan and benefit offerings. A private health exchange is a competitive, retail-based, web-enabled marketplace offering employer-sponsored group coverage.

Aon gives employers the ability to offer benefits through a private health exchange. Private health exchanges combine cost-accountability with meaningful choice. The employer remains a vital part of the health care delivery system. Employers continue employer-sponsored coverage, pay the employer premium for the group health plan and remain subject to ERISA.

Employers determine how much of the coverage costs to subsidize, and employees use this subsidy to choose from a menu of plans and insurance providers that best fit their health and financial needs.



Employees select among varying out-of-pocket differences and network requirements. It is a win-win for employer-sponsored coverage and for employees who have the ability to select a plan that meets their needs and the needs of their families.

What we have learned is that most employees will select a plan based on the physician and hospital network, their prior experience with that insurance carrier, the coverage of prescription drugs and price.

The private health exchange offers employees real choice within a retail-shopping experience. Employers have the power to enhance the value of the benefits offered to their employees.

Many employers that currently offer their medical benefits through the Aon Active Health Exchange are also pursuing other workplace programs that encourage greater wellbeing and management of chronic illnesses. Employers using the private exchange experienced a 3.3 percent cost increase for 2016, compared to an average health care cost increase of 5.5 percent to 6.5 percent.

### **Policies That Support Innovations by Employers**

We appreciate talking about private health exchanges, such as the Aon Active Health Exchange, as one way to maintain affordable employer-sponsored health coverage and expand the role of consumers in health care decision making. We are proud of these efforts. We also are eager to help employers find other innovative ways to engage their employees, and we urge the Committee to support these efforts.

Rising costs, recent market shifts and health care reform are challenges to maintaining coverage for Americans. Employers are the key to the success and need flexibility in the design and management of their benefit plans. They need Congressional support to preserve and enhance the value of benefit plans offered to their employees and their families.



## **Conclusion**

Thank you for permitting me the opportunity to testify today. I will also submit for the Record more comprehensive information about the development and growth of private health exchanges and other innovations that employers are adopting to engage their employees and their families.