

SHOP Exchange Issues

***California Health Benefit Exchange
Board Meeting***

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CHBE is to operate a Small Business Health Options Program (SHOP) as well as the Exchange for Individuals.

- **This presentation will provide an overview regarding:**
 - *Market constructs important to the viability of the SHOP Exchange*
 - *Important, essentially different vs. similar roles for employer vs. individual Exchanges*
 - *Some key design and development issues re: the SHOP Exchange*

**Basic SHOP role same as for HIPC/PacAdvantage:
*Provide worker choice of competing plans for small firms.***

Sooo . . . does that suggest the SHOP Exchange will face the same fatal adverse selection problems?

Differences for SHOP Exchange with respect to adverse selection

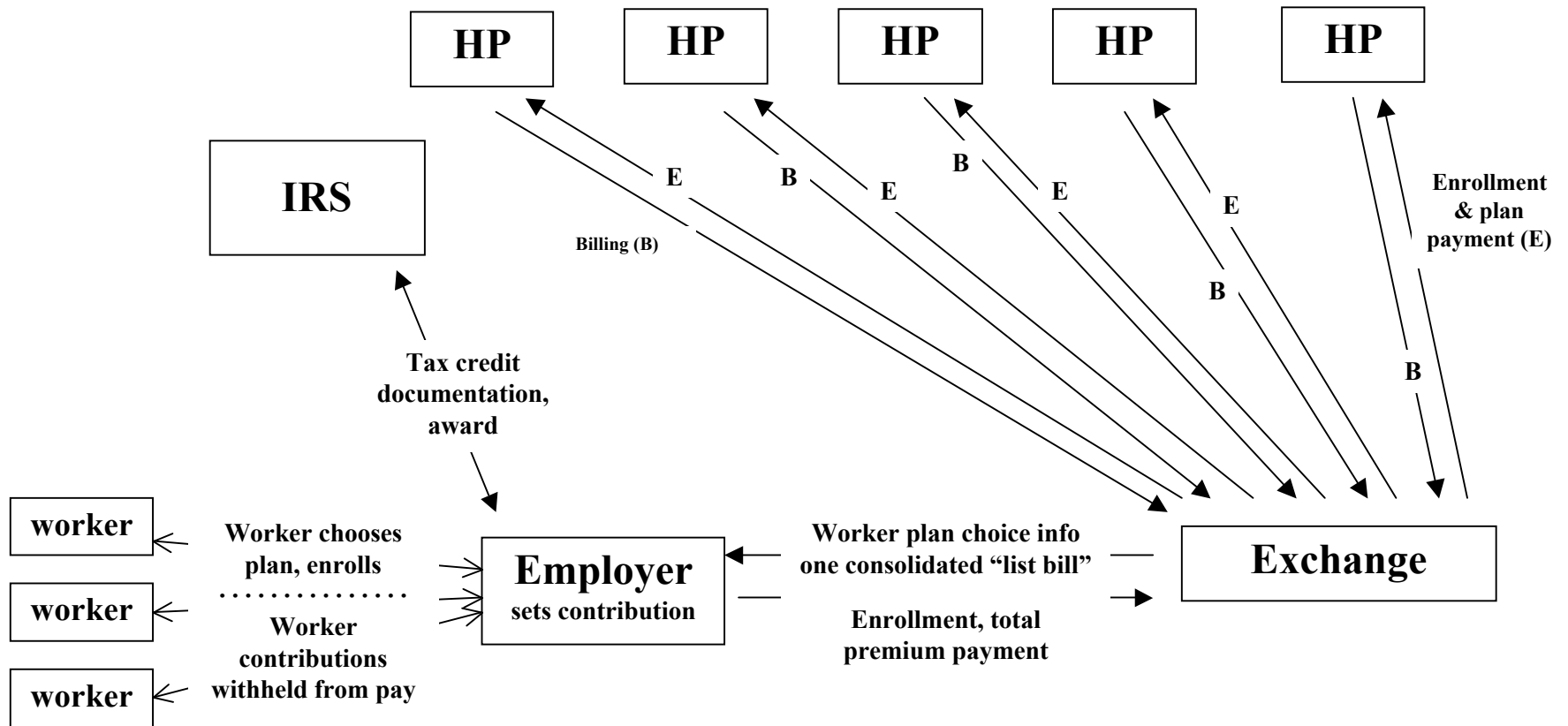
- *Individual market reforms and tax credits → greatly reduced adverse selection associated w/ high-risk individuals.*
- *Large “core” population of small-employer tax-credit recipient groups (should be relatively young).*
- *Small group market-wide rules:*
 - *NO health rating, 3:1 age bands.*
- *Each carrier required to set premiums for all products based on its overall enrollment risk profile.*
- *All carriers required to participate in risk adjustment across the outside and Exchange markets.*

***SHOP's* core “One-stop” administrative roles for employer to easily offer worker choice of plans**

- **Enrollment in worker’s plan of choice — and changes in participating workers and dependents**
- **One monthly bill to each employer listing individual workers’ plan and associated premium**
- **Makes premium payment to each health plan for its enrollment across employer groups**
- **Administrative and customer service for these functions different than individual exchange**

Employer One-Stop SHOP Exchange

(to make employee choice work for the employer)



Other SHOP differences from Individual Exchange include:

- Does not perform functions related to individual income eligibility and advance tax credit amount.
 - *Small employer tax credits are not prospective; tax filings are by, and credits are made to, the employer.*
- Workers are enrolled through Exchange as members of their respective employer groups.
 - *Workers' premium contributions for chosen plan depend on employer's contribution policies, not income.*
- *Need to be and be seen as trustworthy small business partner.*
 - *Distribution channels and agent roles.*
- Most group carriers far prefer whole group to worker choice.
 - *Risk segmentation and administrative function issues.*

SHOP and Individual Exchange functions that are essentially similar include:

- **Criteria and evaluation of health plan quality, access and service.**
- **Consumer information (i.e., other than premium contribution) to inform choice of plan.**
- **Consumer assistance for health plan enrollees.**

Increased synergies if Exchange offers same qualified health plans across SHOP group and individual products.

Key near-term SHOP Exchange design and development policy issues *inform development grant appl.* include:

Core administrative functions re: inter-face with employers, workers and health plans

– *Plans and employers won't participate unless these functions are performed extremely well*

- Build? — Exchange staff development and operation, OR**
- Buy? — Contract for administrative services, OR**
- Hybrid? — e.g., Purchase software and systems support.**

Decisions here might inform, or be informed by, selection of the SHOP Director.

Key near-term SHOP Exchange design and development policy issues (cont'd)

Health plan criteria (beyond federal), evaluation, certification, consumer information and services

– *Strategic as well as technical and operational considerations*

- Same across SHOP and Individual Exchange?
- Largely independent?
- Hybrid? — Consolidated staff for some functions, coordinated but separate for others
 - *e.g., criteria for individual QHP certification favors participation in SHOP*

Mid-term SHOP Exchange policy issues (*during development*) include:

- **Whether, who and how to partner with other organizations for business friendly inter-face.**
- ***Related — whether and how to offer other small-employer benefit services.***
- **(Probable) How to structure employer and worker choice of plans; employer contribution options.**
- **(Possible) How to define one-employee groups eligible for group coverage and SHOP.**

Long-term SHOP Exchange-related policy issues and considerations include:

- **Whether to combine the individual and small employer markets.**
- **Design and service considerations for expansion to 51-100 worker groups.**
- **Whether and on what terms to offer coverage to larger employers.**