

CHILDREN NOW



May 31, 2012

Members, California Health Benefit Exchange Board
2535 Capitol Oaks Drive, Suite 120
Sacramento, CA 95833

Re: "Small Employer Health Options Program Discussion Draft – Options and Recommendations"

Dear California Health Benefit Exchange Board members:

The 100% Campaign, comprised of The Children's Partnership, Children Now and Children's Defense Fund – CA, joined by the California Coverage & Health Initiatives, appreciates this opportunity to comment on the report submitted by PriceWaterhouseCoopers (PWC) dated May 18, 2012 entitled "Small Employer Health Options Program Discussion Draft – Options and Recommendations."

Our interest in the development of the California Health Benefit Exchange's (Exchange) Small Employer Health Options Program (SHOP) derives from the fact that most children in California (51%) receive their health coverage through an employer-sponsored plan. In addition, some of the children whose parents enroll through SHOP will be eligible for other insurance options such as Healthy Families. Thus, we see the SHOP as an important entry point for enrolling uninsured children in coverage.

The PWC report offers an excellent assessment of several key SHOP-related issues, as well as promising initial recommendations. We are pleased to share our observations and recommendations on the following:

SHOP/INDIVIDUAL EXCHANGE PLAN ALIGNMENT

In previous comments submitted to the Exchange Board, we recommended that plans offered in both the Individual and SHOP Exchanges be as aligned as possible. This will serve Californians well because it is likely that enrollees' source of coverage will periodically change and it will be important to minimize plan and provider disruption. Additionally, we expect that family members may also be obtaining coverage through different programs, and the ability to keep a family within the same plan may not only be desirable, but might also impact effective utilization. However, as PWC notes, we recognize that in some geographic regions there may well be advantages to allowing for partial discrepancies between the plans offered in both Exchanges. We therefore concur with the recommendation to strive for a "partial alignment" standard. This will allow the Exchange to permit some health plans to participate in one, but not necessarily both, Exchanges. That flexibility will serve the Exchange's diverse populations and geographic regions well.

EMPLOYER/EMPLOYEE CHOICE

As we have previously commented, our organizations believe that employees should have as much choice as is manageable when selecting the most suitable health plan for their health care needs. Consumers should have a broad choice of options that meet their needs, presented in a manner that makes comparison and appropriate selection easy and understandable. The PWC report recommendation is unclear, as the recommendation in the Executive Summary appears to recommend a limited “paired or defined choice” plan selection (option 4), while the body of the report (page 24) recommends “full choice of QHPs and coverage tiers for employees, with a defined contribution paid by the employer” (Option 5). We think it is important to recognize that broad plan choice is seen as an incentive to both employees and employers. Employers are able to attract and retain employees when attractive benefit options are offered, and employee health care needs are best met with a variety of plan options.

SHOP AGENT STRATEGY

Through our participation in the SHOP stakeholder work group and in the many ongoing discussions with insurance agent representatives both before and after, we have arrived at an understanding of the elements that will be needed in order to ensure SHOP success. These include an equitable approach to agent compensation, as well as clarifying the Exchange’s role in overseeing and administering agent payments related to SHOP enrollments. We therefore concur with the PWC report recommendation that agent compensation in SHOP should match marketplace compensation, and that agent payments should be administered by the Exchange, rather than by plans. It is clear that in order for the SHOP to succeed at establishing a stronghold in the small group employer-sponsored coverage market, that many small employers will want to continue established agent relationships, and that agents will need to be assured that by transitioning clients to SHOP compensation won’t be impaired. However, in order to inculcate strong accountability standards and ensure accurate data collection and management, we believe that the responsibility for administering such agent payments should vest with the Exchange.

EMPLOYER CONTRIBUTION OPTIONS

The PWC analysis of how best to set employer contribution levels is somewhat troubling. While the suggestion that employer contributions are offered “in lieu of wages” might serve to frame the cost-implications for employers, we recommend that the Exchange take care not to endorse or suggest that employer health plan contributions justify reduced wages. The analysis also raises the tendency of some employers to prefer low-premium plans with higher cost-sharing terms. The Exchange will need to guard against offering such SHOP plans, if they ultimately are not cost-effective for employees. If employers benefit from lower premiums, but employees are faced with high co-payments and deductibles that inhibit utilization, then the coverage is not meaningful. Although some plan designs may appear more “affordable” on the surface, if using the plans is ultimately cost-prohibitive or deters employees, then the affordability “test” has not been met. Similarly, affordability is also impacted if wages are depressed in order to provide coverage.

Without more information relative to the actual premium costs of plans likely to be offered in the SHOP, and more information about the profile of likely SHOP employers, we are not able to support the PWC recommendation that the SHOP employer contribution for employees be limited to the federally required minimum of at least 50% of the cost for single coverage. We know that SHOP employers will receive an additional tax credit (from 35% to 50%) in January 2014 in order to enhance access to affordable coverage. It therefore seems reasonable to ask that some portion of that benefit is “shared” with employees in the way of enhanced, rather than status quo, employer contributions.

On a positive note, we are very pleased to see recognition in the PWC report of the value of SHOP in meeting the needs of SHOP employee dependents, including children. As the report indicates, “A key market for subsidy eligible individuals for the Exchange, Medi-Cal, or Healthy Families will be spouses and dependents of these

workers.” We concur that “The Exchange will need to develop marketing, outreach, and enrollment approaches that maximize the enrollment of these individuals without undercutting employers’ support.” We look forward to continuing to work with the Exchange on how best to not only link other health coverage programs to SHOP, but to ensure that SHOP employers and employees are made aware of Exchange assistance for facilitating dependent enrollment.

GUIDELINES FOR SELECTION AND OVERSIGHT OF QUALIFIED HEALTH PLANS AND DEVELOPMENT OF THE SMALL EMPLOYER HEALTH OPTIONS PROGRAM

We applaud the identification of the critical program guidelines outlined in the PWC report. In some instances we think the guidelines can go further, in order to ensure the intent is realized.

For example, as previously noted, determining affordability is a complex calculation. We are pleased to see PWC note that premium cost, as well as “point of care” costs are both key elements of affordability. We recommend that the Exchange build into its oversight and assessment functions a mechanism for periodically evaluating utilization of benefits in relation to various cost-sharing obligations.

We are equally pleased to see access to quality care identified as critical to selection and oversight of Qualified Health Plans (QHPs) in SHOP. We fully support the PWC Guidelines suggestion that the Exchange establish “access standards,” including for continuity of care for those individuals who will periodically transition between coverage programs. We further recommend that the Exchange devote a future public discussion to the creation of access standards and mechanisms for monitoring those standards.

The PWC proposal to facilitate the informed choice of plans by consumers and small employers could be enhanced by ensuring that the plan selection process and criteria developed for the Individual Exchange also be incorporated into SHOP. Rather than requiring contracted plans to provide enrollees with plan selection tools (where the potential for bias for steering exists), we recommend amending that portion of the PWC recommendation to link SHOP plan selection to the model and tools established in the Individual Exchange. The presentation of plans for selection purposes should include clearly identifying plans that are available in both Exchanges.

SHOP BENEFITS ADMINISTRATION AND ANCILLARY BENEFIT OFFERINGS

As the PWC report notes, potential SHOP employers may well be attracted to an Exchange that offers benefit administration support and access to ancillary health benefits. By also assisting with employer administration of COBRA and Cal-COBRA, Flexible Spending Accounts, Health Spending Accounts, Health Reimbursement Accounts or Section 125 accounts, and/or other Human Resource type services, the SHOP can position itself as not just a purchase point, but also as a service provider. Our discussions in the SHOP stakeholder Work Group consistently pointed out the potential value of such added support. Additionally, it is worth noting that in the current market, insurance agents often provide such assistance to small employer clients. It is unlikely that small employers who currently provide employer coverage could be persuaded to switch to a SHOP if fewer services were offered. While we don’t offer an opinion about contracting out for these services, versus the Exchange performing them internally, we concur with the assessment that such services are valuable and might well be determinate in the attraction of small employers to SHOP. PWC’s preliminary recommendation to offer limited services through a mix of specialty vendors may be appropriate.

NAVIGATORS IN THE SHOP EXCHANGE

We are pleased to see that on page 31 of the PWC report, PWC takes notice of recent research conducted by Pacific Community Ventures that indicates many small businesses are not comfortable using agents and “potentially do not trust agents.” The 25% of small businesses that do not use agents, according to the research,

“trust small business organizations and non-profits as sources of information.” PWC goes on to note that the ACA establishes that Navigators will be used to provide educational support to assist new enrollees. We concur, and in fact strongly support, PWC’s recommendation as part of its “Next Steps” to further develop “The role of navigators in assisting small business to either generally understand the SHOP exchange or to enroll in the SHOP.” This recommendation is in line with the work and recommendations of the California Consumer Advocates Navigator Workgroup (CCAN). CCAN is a significant coalition of organizations representing a range of non-profit organizations providing both advocacy and direct services to millions of Californians, with expertise and experience focused on consumer needs, and strategies to ensure maximum enrollment and retention. Our groups have been an integral part of that coalition.

We appreciate that this is a preliminary draft report and look forward to continued dialogue as various SHOP issues are further developed.

Thank you for the opportunity to offer our comments at this initial juncture. We look forward to the actual presentation of the PWC options report at the upcoming Board meeting. If you wish to contact us, please feel free to contact Kathleen Hamilton at The Children’s Partnership at khamilton@childrenspartnership.org or 916-706-2917.

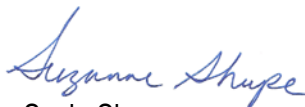
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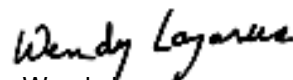
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