



California Health Benefit Exchange

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Stakeholder Input: Small Business Health Options Program June 7, 2012

The California Health Benefit Exchange solicited written stakeholder comments on policy options for the Small Business Health Options Program (SHOP). The options are detailed in a SHOP Options Report posted on the Exchange [website](#) prior to the May 22nd Exchange Board meeting. Feedback was solicited in six specific issue areas as well as other general comment. Sixteen organizations submitted comments using a stakeholder input form provided on the Exchange website and one organization submitted comments in a separate letter. Comments received on input forms have been compiled in the tables below. Letters will be posted separately on the Exchange stakeholder [webpage](#). In addition, the Exchange hosted a stakeholder input forum on SHOP issues on June 7th. The comments received in writing and during the input session will be used for consideration of revisions to the SHOP Options Report and will be used during future implementation. The California Health Benefit Exchange thanks all stakeholders for their valuable comments that will assist in the planning and implementation of the SHOP.

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Comment Letters Submitted

The 100% Campaign

Input Forms Submitted

The 100% Campaign
Anthem Blue Cross
Asian Pacific American Legal Center of Southern California
Bespoke Benefits
Blue Shield of California
California Association of Health Plans
Choice Administrators
Consumers Union
Delta Dental
The Greenlining Institute
Health Access California
Health Net
Insure the Uninsured Project
Kaiser Permanente
SeeChange Health
Small Business Majority

Organizations Attending June 7, 2012 Input Forum

Anthem Blue Cross
Asian & Pacific Islander American Health Forum
Bay Area Council
Blue Shield of California
California Association of Health Underwriters
The Children's Partnership
Chinese Community Health Plan
The Greenlining Institute
Kaiser Permanente
Pamela & Associates
Pets Camp
Small Business Majority

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ISSUE 1

Issue #1: Exchange Qualified Health Plans and SHOP Guidelines	
Organization	Comments
Asian Pacific American Legal Center (APALC)	<p>General Comment</p> <ul style="list-style-type: none"> A glaring omission in the report is the lack of any mention of culturally and linguistically competent assistance provided to small employers and their employees, especially for limited-English proficient (LEP) small business owners and workers. Although there has been a recognition that culturally and linguistically appropriate outreach and education is needed for small businesses, there is no follow-through with regard to ensuring that LEP owners and workers understand the SHOP. As recognized in the Ogilvy report, California has the largest number of Asian American, Native Hawaiian and Pacific Islander (Asian American and NHPI)-owned businesses with more than 500,000. Many of these businesses are LEP with many LEP employees who work within their communities. We have been told by Health Justice Network partners, such as the Los Angeles Chinese Chamber of Commerce and other API specific small business associations, that many of their members are LEP. Also, many do not currently provide health insurance for their employees and as noted in the report, do not work with insurance agents. Rather, they work more closely with small business associations and community-based organizations as sources of information. The SHOP must be easy to understand and information must be provided in a culturally and linguistically appropriate manner. The SHOP should include brokers and/or navigators who are culturally and linguistically competent and can assist smaller employers to select and enroll their employees into the plan. <p>Guidelines for Selection and Oversight of QHPs</p> <ul style="list-style-type: none"> Similar to the Individual Exchange, the QHPs in the SHOP must provide culturally and linguistically appropriate health care services. With regard to the third policy guideline, in order to “facilitate informed choices of health plans and providers for consumers and small employers,” the requirement for the “inclusion of culturally and linguistically appropriate information” to make informed choices.
Choice Administrators	We fully agree that promoting affordability is one of the key goals of the SHOP exchange, particularly with respect to extending employer sponsored insurance (“ESI”) to employees in firms of 9 or fewer employees. We also believe that affordability is often facilitated through innovation of benefit plan design and creative thinking about provider networks and delivery systems. We believe that ACOs offer significant potential for new forms of value-based plan designs which support affordability and quality of care. The exchange should consider working with issuers to support this innovation.
Delta Dental	We agree with the principles expressed under Section III, and would very much like to see the Exchange foster a high level of plan participation that will permit meaningful choice for individuals and small employers. In order to facilitate meaningful choice, the Exchange should include sufficient capacity of dental plans and foster transparency in pricing dental benefits.
The Greenlining Institute	Greenlining strongly supports the recommendation that the selection and oversight of QHPs should be guided by the Exchange’s vision, mission and values and overall we feel the policy guidelines encompass the goals of the Exchange. We are

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	particularly pleased with the emphasis on prevention, wellness, health equity, reducing health disparities, and access to linguistic and culturally appropriate and competent care. We do encourage the Exchange to examine the use of any wellness programs in QHPs and work to ensure that these wellness programs are not punitive for the employees that participate but rather encourage prevention and wellness without a change in behavior or health outcome in mind.
Health Access California	Health Access supports a strong and robust SHOP Exchange and offers short comments toward that goal.
Insure the Uninsured Project	We support partial alignment, option A2 for at least two reasons: 1) we think local health plans are unlikely to participate effectively in the small employer market at this time and 2) you may get better prices if the plans have the options to choose the markets in which they will participate more effectively. The ideal is to offer a choice of plans that participate in both markets and the Medi-Cal program as well in order to allow continuity of plan and providers for subscribers.
Kaiser Permanente	In general we support the proposed guidelines for selection of qualified health plans. We concur that primary selection criteria should include cost (including administrative efficiency) and quality of care.
SeeChange Health	In general, we believe that this set of recommendations are well thought out and represent an initial plan for the SHOP Exchange that should help maximize its chance for success. There are a few areas, however, that we believe could undermine or hamper the process of developing this new marketplace.
Small Business Majority	<p>We believe the proposed QHP and SHOP guidelines reflect the needs of California small business owners and their employees.</p> <p>Affordability: The Exchange has listed “promote affordability” as its number one guideline, which is consistent with the findings of our research and outreach. According to our polling, 86% of the state’s small employers that do not provide coverage to their workers cite cost as the reason for not doing so. Additionally, 70% of small employers that do provide coverage state that affordability is a major challenge for their firm. Clearly, the SHOP must address affordability in order to meet the Exchange’s goal of increasing healthcare coverage.</p> <p>Prevention and wellness: We strongly support the proposed guideline to “promote wellness and prevention”. Wellness and prevention policies will help the SHOP address affordability and will also help make the SHOP competitive with the outside market. Small Business Majority has conducted two statewide Listening Tours in California since the passage of the Affordable Care Act and recently launched a third tour. Prevention policies and worksite wellness programs continue to be on the most popular discussion items at our Listening Tour events. Small business owners are aware of the innovative and cost-cutting policies that their big business counterparts have offered for years and are eager to adopt practices at their firms that will produce similar results. Due to the nature of running a small business, these firms have unique challenges in designing and operating prevention and wellness programs on their own. By incorporating prevention and wellness programs into its offerings, the SHOP can provide value to its customers and distinguish itself from the outside market.</p> <p>Operate with speed and agility: Our research and outreach have demonstrated a strong interest in the SHOP Exchange among small business owners but their skepticism towards government causes some to question how effective and successful the</p>

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	SHOP will be. We are pleased to see that operating efficiently, and with speed and agility is a proposed policy guideline for the SHOP. Operating in this manner will help gain the confidence of skeptical customers and also ensure the SHOP is more competitive with the outside market.

ISSUE 2

Issue #2: SHOP and Individual Exchange Qualified Health Plans Alignment	
Organization	Comments
Anthem Blue Cross	<p>Anthem believes the Exchange should not require full alignment between the individual and SHOP exchanges as in Option A1: Full alignment. We believe this could potentially limit the number of QHPs participating in either exchange, leading to fewer options for consumers and small employers to choose from. With regards to Option A2: Partial alignment, we ask that the Exchange provide additional clarification regarding what would constitute an exception; we would want to ensure that all health plans are competing on a level playing field.</p> <p>Furthermore, we believe that there should not be any required benefit alignment between product offerings in the individual and SHOP exchanges. Small employers have different benefit needs than individuals, and requiring that small employer plans be identical to products offered in individual exchanges could detract from the employer acceptability of the SHOP. Instead, health insurers should be permitted to tailor benefit designs to meet the needs of each market, and thus better serve individuals and small employers. Additionally, we are concerned that this policy could be problematic, given the \$2,000 deductible maximum in the small group market that does not exist in the individual market.</p>
Asian Pacific American Legal Center (APALC)	<p>We would agree with many of the respondents who expressed the belief that SHOP standards should be the same as standards for individual coverage. There must be alignment between the two Exchanges and the same standards for both, especially if there are requirements for the QHPs to be culturally and linguistically competent. However, we also recognize the need to cater to small businesses. With regard to the alignment of health plan issuers and benefit plan offerings, there must be some choices of both provided to the employers and employees. (P.13)</p> <p>We also believe that level of alignment should vary geographically based on health plan licensing status given that regional needs of California are vastly different with varying cost of living levels. Moreover, issuers should be encouraged to broaden their licensed coverage area to increase the level of choice and price options. This could be beneficial to certain populations if the issuer had language and cultural competency skills. (P. 14)</p>
Blue Shield of California	<p>The proposed recommendations require all issuers licensed in the individual and small group markets to submit QHP applications for participation in both the individual and small group Exchanges. Issuers that are only licensed in either the individual or small group market may participate in the Exchange associated with the market for which they are licensed.</p> <p><u>Blue Shield of California does not support this recommendation and recommends Option A3, no required alignment.</u></p> <ul style="list-style-type: none"> • Requiring issuers licensed in both markets to participate in both Exchanges may adversely affect participation of QHPs in the individual Exchange. An issuer that may prefer not to play in the SHOP may elect not to participate in the individual Exchange if they are required to participate in both Exchanges.

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	<ul style="list-style-type: none"> The administrative burden of preparing for both Exchanges may also dissuade some issuers from participating in either Exchange. In particular, synchronizing the different IT infrastructures for both the individual and small group markets with the Exchange will be costly, time consuming and a plan may not be ready to participate. This may affect affordability of products in both Exchanges. Given the added administrative costs of preparing for the SHOP, requiring issuers who are licensed in both markets to participate in both Exchanges creates an unlevelled playing field compared to issuers who are licensed in one market only. <p>The proposed recommendations also require alignment of benefit plan offerings between Exchanges except in the case where a clear argument can be made for differences that will reduce confusion among consumers. The recommendation does allow for differences in provider networks for the small group and individual Exchanges.</p> <p><u>Blue Shield of California does not support this recommendation and recommends option A3, no alignment of benefit plan offerings.</u></p> <ul style="list-style-type: none"> All benefit plan offerings will need to meet the EHB and metallic level requirements. This will facilitate an easier “apples to apples” comparison of plans for both individuals and small groups than exists today. Further alignment, particularly benefit alignment between individual and small group products, is not necessary for improving consumer transparency. We appreciate the flexibility of allowing different provider networks for the individual and small group exchanges. Many issuers will be piloting different provider networks to increase the affordability of products in the individual exchange. Required benefit alignment will affect Blue Shield’s ability to offer current products that are testing new ways of delivering care in the employer markets. Our ability to provide certain innovative products, such as our ACO products, is based on our relationships with providers and may not be workable for both markets at this time. A requirement to offer only products that are viable in both markets would undermine our ability to further pilot such initiatives. Section 1301(c) (2) of the ACA prohibits plans from offering products in the small group market with a deductible that exceeds \$2,000 for a plan covering a single individual or \$4,000 for any other plan. The same requirement does not apply to the individual market, where lower-cost bronze plans with higher deductibles may be a very attractive option for individuals with lower subsidies or no subsidies. Requiring alignment of benefits and deductibles would eliminate these low-cost products from the individual market. It is also becoming widely anticipated that carriers will not be able to offer bronze products at all in the small group market because of the cost-sharing limits. The requirement for benefit alignment would expand this problem to the individual market.
California Association of Health Plans	There is a difference of opinion among plans regarding the staff recommendation to the Board on QHP alignment. However, CAHP would like to highlight for the Exchange that the County Organized Health Systems (COHS) may pose a unique challenge for the current recommendation to the board. Some of the COHS have very limited Small Group lines of business, and this

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	<p>proposed recommendation would require them to participate in both the Individual and SHOP Exchanges.</p> <p>CAHP and our member plans oppose full alignment of benefits and cost sharing.</p>
Choice Administrators	<p>We believe alignment of benefit plan designs between the individual and SHOP exchanges supports membership transition between the two exchanges and is consistent with the interests of both individuals and the lower end of the small group market (e.g. <9 employees) who are a target market for the SHOP exchange. In our <i>Cal Choice</i> product, roughly 43% of our employers are offering ESI for the first time, and so we understand how to attract and sustain small group employers to offer ESI. We also believe product consistency between the individual and small group markets helps protect the exchanges against adverse selection which helps attract and retain health plans to the exchanges.</p>
Consumers Union	<p>Consumers Union supports Option A2, for health plan options, and B2 for benefit offerings, to align the SHOP and the individual Exchange. We appreciate the recognition that alignment may reduce the potential for adverse selection, and thus support partial alignment for employees' continuity of plan coverage, better leveraging for the Exchange, and ease of administration. We encourage the Exchange to exercise the exception for health plan offerings very carefully and limit the number of plans that would be permitted to only participate in one of the two Exchanges.</p> <p>The exception for benefit offerings may need more detailed language that characterizes the types of or grounds for exceptions. The language in the executive summary that describes the exceptions is quite vague, "...differences to meet the needs of individuals and small group enrollees." It would be beneficial to establish guidelines that would impose some parameters on the exceptions so that they are transparent, predictable, and evidence-based.</p>
Delta Dental	<p>Recommendation to pursue partial alignment (for both issuers and benefit plans) will work – it provides the flexibility where needed to account for any differences in plan design based on a target population or geographic region.</p> <p>Of general interest and by way of clarification, health issuers generally obtain a single license to operate in California (under the jurisdiction of the CDI and/or the DMHC) and that license affords them the opportunity to write various lines of coverage, including health coverage in the individual and small group markets. We believe it may have been intended to require issuers who have approved <u>product filings</u> in the individual and small group markets to participate in both of those markets via the Exchange.</p>
The Greenlining Institute	<p>We support the recommendation that the Exchange partially align its health plans and benefit design structures between the exchanges. We do strongly feel that as much as possible, we standards and contract terms should not differ between the SHOP and the individual Exchange. This is to ensure that plans contracting with the SHOP allow for seamless transition into an individual Exchange plan to account for potential life transitions (such as loss of job, divorce, etc.). We understand that full alignment might be too restrictive and limit the number of eligible QHPs, however, we do encourage the Exchange, when possible, to attempt to contract with QHPs that are able to participate in both the individual and SHOP exchange.</p>
Health Access	<ul style="list-style-type: none"> • Health Access conditionally supports partial alignment of issuers and benefit plan offerings, subject to further discussion

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California	<p>about benefit plan offerings and further negotiation by the Exchange with carriers.</p> <ul style="list-style-type: none"> Health Access supports the inclusion of local initiatives and COHS in the individual exchange but recognizes that these entities may choose not to participate in the SHOP exchange.
Health Net, Inc.	<p>It is our understanding that Exchange staff has stated verbally that service areas in the SHOP and Individual markets may be different than rating regions. We would appreciate confirmation of this statement and information about whether or not alignment would affect having service areas be different than rating regions.</p>
Insure the Uninsured Project	<p>We support Option B2. While we think the offerings should be identical, small employers and individuals may have different values that you will wish to accommodate.</p>
Kaiser Permanente	<p>Alignment of Health Plan Issuers We support the recommendation that Health Plan issuers who participate in both the individual and small group markets be required to submit applications to participate in both the individual and SHOP exchanges. We believe that this may be necessary to ensure adequate health plan participation in the SHOP to provide meaningful consumer choice. We also support the decision to make exceptions for health plan issuers who do not currently participate in both individual and small group markets.</p> <p>Alignment of Benefit Designs We support the recommendation that some exceptions to alignment of benefit designs between the individual and SHOP exchanges be made to allow for differences in provider network coverage, where issuers may wish to experiment with new network options on a small scale. We further believe that exceptions to alignment between individual exchange and SHOP plans should take into consideration the following:</p> <ul style="list-style-type: none"> Maximum Deductibles - Individual plan markets will be allowed deductibles greater than \$2,000 while small group markets will not. This should not limit the individual exchange to a \$2,000 limit. Catastrophic Plans – The individual exchange will be allowed these while the SHOP will not. Silver Plans – Carriers participating in the individual exchange may wish to offer only one silver plan as cost sharing subsidy requirements will necessitate offering 3 additional versions for each plan offered. Carriers should be allowed to offer more silver plans in the SHOP than in the individual exchange. Plan Types – some plan types (such as HRA compatible plans) would be allowed in the small group market, but not the individual market. Carriers should be allowed to offer differing plan types. <p>Although we support some variation in alignment between the individual and SHOP exchanges be allowed, we believe that competitor plan designs within the individual exchange, and within the SHOP be as closely aligned on cost sharing elements as possible in order to avoid consumer confusion and risk selection issues.</p>

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	<p>Geographic License Status</p> <p>We understand that the exchange may wish to encourage carriers to expand coverage into underserved (mostly rural) markets. We believe that this should be accomplished through geographic rating area alignment with prevailing cost differentials to allow carriers to rate to high cost geographies without affecting their rates in lower cost geographies. We believe that the exchange should require that carrier's service areas offered be the same inside and outside the exchange.</p>
SeeChange Health	<p>We understand the motivation behind the recommendation for "partial alignment" between both the carriers and the benefits offered through the individual and SHOP Exchanges. However, we believe giving too much weight to such alignment could, in practice, be counterproductive. These are, after all, two different market segments with differing needs. And there are significant differences among the market participants, as SeeChange Health demonstrates.</p> <p>SeeChange Health is the first new carrier to enter California's small group market in in nearly 20 years. We're bringing to California businesses a different approach to health care coverage built around early intervention and management of serious conditions. The availability of a new health plan increases consumer choice California and brings cost-reducing competitive pressure to the market.</p> <p>Yet launching a new health plan is no easy task. Requiring carriers to enter both the individual and small group market sectors in order to participate in one of the Exchanges being established will pose a barrier of entry that diminishes the market while providing little in the way of public policy benefit.</p> <p>California consumers will be best served by allowing carriers to focus on the market segment to which they can deliver the greatest value without forcing them to expend energy and resources in entering a market to which their contribution might be more limited.</p> <p>It is fortunate that California, especially relative to some other states, has robust competition among carriers both within its individual and, particularly, its small group markets. Therefore, this specific policy stricture may not be necessary to increase competition. However, it could constrain the Board from making the best plans available to California consumers and businesses through the Exchanges.</p> <p>Concerning alignment of benefit design, we strongly suggest that the board not require uniformity among the benefit designs offered to individuals and to small groups. These are distinct markets with distinct needs and preferences. SeeChange Health, for example, has developed a value-based benefit design that incentivizes employers to invest in preventative health interventions that improve the health and wellbeing of their workforce. This product has been developed exclusively for the small group market and may not be appropriate for the individual market.</p> <p>We strongly urge giving more weight to preserving the flexibility the Board retains to select the best set of carriers and benefit designs for each Exchange than to a potentially counterproductive pursuit of alignment.</p>

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Organization	Comments
Small Business Majority	<p>Alignment of carriers: We support Option A2 (Partial Alignment) for the SHOP and Individual Exchange. When possible, we believe carriers should be participating in both sides of the Exchange to ensure maximum choice for consumers. However, we note not all carriers sell in the individual and small group market and should not be disqualified from participating in the Exchange solely for that reason. We therefore support Option A2 which seeks alignment when possible but in a way that does not discourage carriers from entering the Exchange. Additionally, we believe this option increases the negotiating leverage of the Exchange.</p> <p>Alignment of benefits: We support Option B2 (Partial Alignment) for benefit offerings inside the SHOP and Individual Exchange. As the proposal points out, defined actuarial levels and essential health benefits will limit possible variation between the two markets regardless of what decision the Exchange makes here. Further alignment will increase the Exchange’s negotiating power and limit administrative costs, both of which are goals we support. However, small businesses are unique and their needs can differ from that of individuals. We therefore support the partial alignment proposal to allow, when necessary, unique plan offerings that meet the needs of small employers. For example, a carrier may want to incorporate a worksite wellness program into its product that it cannot offer in the Individual Exchange.</p> <p>In addition, we note that partial alignment of both carriers and benefits can help small business employees who may transition between the SHOP and Individual Exchange. As workers change jobs they may gain or lose employer-sponsored coverage. If both Exchanges are partially aligned, employees may see less disruption.</p>

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ISSUE 3

Issue #3: Employer versus Employee Choice	
Organization	Comments
Anthem Blue Cross	<p>Anthem is concerned that allowing a qualified employee to purchase any plan across actuarial value levels will lead to adverse selection as sicker employees choose richer benefits and healthier employees choose slim benefits. As such, we recommend that California employ reasonable limits to guard against adverse selection and preserve a functional small group market. To do this, the Exchange should consider Option 3: Employer chooses tier, employee chooses issuer, as the set of minimum requirements regarding employee choice. We believe Option 2: Employer chooses issuers, employee chooses tier, is closest to current market practices today and appropriately balances choice with cost. While we recognize Option 3 is perhaps the best for California, we note that costs will significantly increase for both employers and employees if the Exchange selects Options 3-5. Specifically, with regards to Option 5: full employee choice, we would like to reiterate that prices will be significantly higher, as QHPs will have to price for the potential adverse selection.</p> <p>Additionally, Anthem would like to understand the impact of these policy decisions on off-exchange products given the requirement in California that issuers offer the same products off-exchange as they do on-exchange. For example, will QHP issuers have to offer employee choice off the exchange at the same price? We are concerned that this will again result in higher premiums for consumers. Traditionally, small employers have not given their employees full employee choice, and as such, Anthem is able to price for the specific products that employees enroll in, without the additional risk of adverse selection that we would need to anticipate for an employee choice model.</p>
Asian Pacific American Legal Center (APALC)	<p>We agree with the staff recommendation of Option 5 (Full Employee Choice of QHPs and coverage for employees, with a defined contribution paid by the employer). This will provide employees with maximum choices while at the same time allowing the employer to pay a defined amount.</p>
Bespoke Benefits	<p>In regards to this quote: <i>The most commercially successful product offered through this purchasing pool was a hybrid that combined employer and employee choice. The Paired Choice product allowed an employer to select among a number of different PPOs, one of which would be paired with an HMO from the large integrated delivery system, Kaiser Permanente</i> As an agent who sold PacAdvantage and their Paired Choice product once that became available I can assure you that the reason Paired Choice outsold the full portfolio PacAdvantage Pool was price. Any employer could save 10% to 20% just by moving from the Pool product to the Paired Choice product. To test this, simply pull rates from that time period and it will be clear why Paired Choice was more the successful portfolio.</p> <p>When given the option, most employers and employees want choice. One needs to look no further than the success of CaliforniaChoice to see this. CaliforniaChoice has never offered a limited choice version of their plans; it defeats the whole exchange concept and defined contribution strategy.</p>
Blue Shield of California	<p>The proposed recommendation is to pursue full employee choice in the SHOP where the employer determines the maximum contribution that will be made on behalf of the employee, and allows employees to select both the issuer and coverage level.</p>

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	<p><u>Blue Shield of California does not support this option and instead recommends Option 2 (employer chooses the issuer and the employee chooses the tier) as an additional option to be offered alongside Option 3 (employer chooses the tier and the employee chooses the issuer). The SHOP may also want to allow an employer to select both the carrier and the tier as an additional option.</u> Under the ACA, the SHOP is not restricted in the <u>additional</u> options it provides around employee choice, so long as one of the options the SHOP offers is for the employer to pick a level of coverage and the employee select the issuer.</p> <ul style="list-style-type: none"> • Option 2 allows employee choice of tier, but by having the employer select one issuer for all their employees, allows an issuer to aggregate the individual risk across the entire group and still provide affordable premiums for these small groups. • Option 5, on the other hand, does not allow an issuer to aggregate the risk of the group, and consequently each benefit level must be priced according to the expected take-up for each metal level product. It is expected that younger, healthier individuals will take up the least comprehensive coverage, while older individuals or those with complex conditions will gravitate toward more comprehensive products. Even more importantly, history shows that individuals with more complex conditions tend to select products associated with the broadest networks, putting comprehensive products combined with a broad PPO network at most risk for selection. One need only look at the history of PacAdvantage to understand the premium death spiral inherent in this approach and the resultant lack of choice for consumers over time as issuers exited PacAdvantage. • Cal Choice, which adopts a similar approach, has struggled to retain PPO plan offerings alongside the Kaiser HMO offering because of this same selection bias. As a result of the adverse selection into broader network plans, Cal Choice PPO offerings are priced materially higher than the outside market. • The risk adjustment required in the ACA, may mitigate some of the selection bias against PPO plans, but is unproven and will not likely offset the full selection bias. • If the SHOP Exchange hopes to offer choice of both issuer and plan type, HMO and PPO over the long-term, we urge the Exchange to allow Option 2 alongside Option 3.
California Association of Health Plans	CAHP and our member plans have varying opinions on the impact of employee choice in the Exchange marketplace. However, health plans oppose the staff recommendation to the Board that would allow for full employee choice among all metal tiers because it poses a high risk of resulting in adverse selection, which will ultimately increase costs to the consumer through higher premiums.
Choice Administrators	We believe Option 3 in which the employer picks a benchmark plan of carrier and benefit plan in a metal tier and allows employees to select alternative health plans and coverage within that metal tier serves the best interests of the exchange, employers, employees, health plans, and other key stakeholders. This is because Option 3 is the best combination of providing employee choice while preventing adverse selection which is at risk when employees are able to choose among different metal tiers of coverage. In our experience, health plans will often place utilization loads on premium when broad employee choice is

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Organization	Comments
	<p>offered to reduce the risk of adverse selection. In this way, the premium cost of providing unlimited employee choice may be at a 10% - 20% additional cost for the same coverage which reduces the advantage and attractiveness of the SHOP exchange and limits enrollment.</p> <p>By limiting employee choice to a metal tier, employees are still provided choice of carriers and coverage within the same actuarial value which incents health plan participation and rate and benefit competition.</p>
Consumers Union	<p>Consumers Union supports employee choice, providing SHOP enrollees with autonomy to choose the right plan for themselves, just as enrollees in the Individual Exchange will be able to do. Option 5 may require a definition of “maximum contribution,” to clarify whether it means a fixed dollar amount contribution, a percent of premiums, or something different altogether.</p> <p>In our research, we have seen that when applicants are choosing amongst a variety of health plans, they often over emphasize the importance of monthly premium costs and choose a plan that offers the lowest monthly premium, but does not necessarily provide them the greatest value overall. In the SHOP, if employees are presented with the employer’s maximum contribution, research indicates that enrollees might simply choose the lowest monthly premium plan, focusing on premium rates and not overall costs, which may be higher because of co-pays, deductibles and other out of pocket costs. If the Exchange decides to use maximum employer contributions in the SHOP, attention should be given to the manner in which it and employee costs are displayed so that the employer contribution does not override other factors important to consumers making wise choices.</p>
Delta Dental	<p>We concur that employers will feel positive about less decision-making and administrative simplification, but question whether added competition will be a positive factor in the long run if fewer carriers are either allowed to participate or remain as participants.</p>
The Greenlining Institute	<p>Greenlining supports the recommendation of Option 5, which would give employees full choice of QHPs and coverage tiers, with a defined contribution paid by the employer. We believe this will add an incentive for small businesses to purchase in the SHOP that may be missed if choice is limited. In order to compete, employers want to be able to offer their employees the best choice possible when it comes to health insurance. We have also heard from small business owners that they want to be able to offer the current plan(s) that they do now for their employees. By allowing for increased choice, this should help increase the likelihood that an employer will be able to offer the same plan(s) they do now, while also giving employees the opportunity to choose a plan in the event that an employee would prefer something different.</p>
Health Access California	<p>Health Access strongly supports full choice by employees (and dependents) of health plan</p>
Health Net, Inc.	<p>We believe that adoption of the broadest possible level of employee choice (all tiers, all plans), combined with the requirement for all plans to offer all metal tiers, will lead to adverse selection and higher costs for employers because employees with major medical costs will be likely to select the platinum tier. Accordingly, we respectfully oppose the recommendation to provide the broadest level of employee choice. We note that the suggested level of choice is contrary to the Exchange’s expressed goal of simplifying choice in the health insurance market.</p>

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Issue #3: Employer versus Employee Choice	
Organization	Comments
Insure the Uninsured Project	We support Option 5 in which the employer decides the contribution level and the employees decide which plan and which tier of coverage.
Kaiser Permanente	<p>We believe the recommendation to allow employee choice of both any health issuer participating in the SHOP and any coverage level will be attractive to employers desiring to provide a defined contribution arrangement for their employees. Unfortunately, we do not support unfettered choice of benefit tiers as it will result in significant additional selection cost, which would cause either prices to be higher for SHOP-offered plans than comparable plans offered in the outside market, or carrier margins within the SHOP to be lower. Either would likely result in limited carrier participation, and efforts to steer buyers away from the SHOP toward more profitable coverage that issuers will offer outside the SHOP.</p> <p>In general, unfettered choice, particularly of benefit tiers, causes revenue insufficiency. If a single plan and benefit level is offered to a group of employees, the healthier employees will use fewer benefits than the sicker ones, while paying the same premium. In effect, the healthy subsidize the unhealthy with premiums collected at a constant level. If the same group is offered a choice of a higher cost/richer benefit plan and a lower cost/leaner benefit plan, the healthier employees will chose the lower cost plan and, because the premiums are lower, provide less of a subsidy to the relatively sicker employees because they are paying less into the pool that is available to finance care. This must be made up in the form of higher overall rates than would otherwise occur. (We note that a similar issue exists in the individual exchange, when individuals are allowed to choose from five benefit tiers – and is further exacerbated by the ability to jump over several tiers at renewal in anticipation of needing care.)</p> <p>The same phenomenon theoretically occurs when more efficient carriers are offered in parallel with less efficient carriers – because the more efficient plans are able to charge less to provide the same benefits. Again, healthier individuals will tend to choose the (slightly) cheaper carrier, thereby causing a selection effect. The rate differential in this circumstance, however, is miniscule as compared to the dramatic price differences that are presented to individuals across a span of four benefit tiers ranging from 60 percent actuarial value all the way to 90 percent actuarial value. In effect, the revenue insufficiency problem is dramatically less for carrier selection because the range of paid premiums is far closer to constant. This difference according to plan choice is also potentially mitigated if the loyalty of enrollees to one plan is dramatically greater than it is for others. In this case, such a plan will experience a population that is somewhat older and sicker over time, balancing the effect if it is also the more efficient carrier. For these reasons, we believe the impact of employee choice of health plan issuer is in the range of 1% or so of premium, and easily managed by risk adjustment, as compared to the much more costly effect of unlimited choice of benefit tier.</p> <p>Accordingly, we recommend full employee choice of carrier within a tier, and choice of benefit level be limited to a single tier, or perhaps a one tier “buy up” from a base tier selected by the employer. Simply put, this allows the SHOP exchange to offer an</p>

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	attractive option not generally available to small businesses and their employees at minimal cost. We also note this is consistent with the default federal requirement. The exchange may be wise to begin at this level of choice, rather than adding to it significantly by allowing wide choice of benefit tiers, and would certainly be wise not to trade away its most significant draw in the marketplace by allowing inexpensive choice of carriers to be restricted.
SeeChange Health	<p>We likewise understand the motivation behind the staff recommendation that employees be able to select a carrier and benefit design once the employer has selected a level of coverage. We are relieved the staff and Board both understand the troubling adverse selection dynamics associated with allowing employees to select different actuarial tiers and we appreciate the thought put into this recommendation.</p> <p>There is an additional consideration that we do not believe the proposed rules takes into account. Failing to do so could result in missing a meaningful opportunity to responsibly bend the cost curve. Specifically, this proposal may miss the extent to which unlimited employee choice would undermine the capacity of small employers to design programs that encourage employee wellness by providing meaningful incentives and educational programs that are consistent across their entire workforce. Our product suite is particularly suited to this type of employer engagement with employee wellness, but other carriers offer their own wellness programs as well.</p> <p>Our experience makes clear the critical role employers play in motivating member engagement in wellness programs. The ability of employers to speak to all their employees in a consistent manner to achieve a shared goal cannot be underestimated. To the extent that employees select offerings providing very different financial incentives—or no incentives—based on differing criteria may undermine employers ability to lower their own healthcare costs, improve the quality of life of their workers, and generate cost savings for the entire system.</p> <p>As a concrete example, SeeChange Health offers products that reward members for obtaining gender- and age-specific preventive exams and taking other specified health-promoting actions. Our experience is that employee uptake of these health actions is highly correlated with employer promotion of the financial incentives and the health benefits of early detection. Many employers have embraced this this approach to better health, lower costs and improved productivity. The Exchange should not prevent these companies from using this valuable tool to achieve these goals simply because they are seeking coverage through the Exchange. In fact, creating obstacles to such preventive and wellness initiatives is contrary to the spirit of the PPACA and the Exchange’s stated goal of improving the state’s health system and the health of Californians.</p>
Small Business Majority	Employee choice is an essential component of the SHOP Exchange that serves to make small businesses more competitive with their big business counterparts and helps make the SHOP more competitive with the outside market. We therefore support Option 5 (Full Employee Choice) which gives employers and their workers maximum flexibility. This employee choice model has been used successfully by private-sector exchanges such as HealthPass New York and the Connecticut Business and Industry Associations’ Health Connections, and employee choice is central to their success. In fact, management of both the New York

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	<p>and Connecticut exchanges believe that an exchange that does not offer full employee choice will fail because it will not be substantially differentiated from the outside market. Federal employees use a similar employee-choice model under the FEHBP system and state employees have employee choice under CalPERS. Many large companies offer this to their workers as well. While we understand the potential for adverse selection with employee choice, it should be noted that HealthPass, Health Connections, FEHBP, CalPERS and many large companies are all operating quite successfully under an employee-choice model. In addition, the ACA makes risk adjustment available to help protect against selection issues between carriers.</p> <p>Additional reasons to adopt Option 5 include:</p> <ul style="list-style-type: none"> • Employers will no longer need to assume responsibility for choosing a “one-size fits all” product that may or may not meet the health and budget needs of all employees. • Employee choice enhances satisfaction among employers and employees. According to research we released in partnership with Pacific Community Ventures in 2011, small employers prefer an employee-choice model by a 2:1 margin. • Employees experience less year-to-year disruption and confusion associated with changing health insurance products and/or carriers when they control this decision. • “Consumer driven healthcare” is facilitated by the ability of employees to choose plans that fit their needs because they will be more involved in selecting a plan and knowing the cost of their healthcare. • When employees change jobs, which is more frequent in small businesses, they can have a greater ability to stick with the same health plan at a new employer who also purchases through the SHOP. • HealthPass New York has found a high success rate in signing up new small businesses for health insurance because employers can designate a fixed contribution for a benchmark plan and let their employees pick the plan that fits their needs and budget. Many small businesses that do not offer coverage today (about half of small businesses) fear signing up for a new employee benefit that may become unaffordable in the future. Employee choice can help alleviate this. • Full employee choice allows for small and/or local health plans to be more competitive in the SHOP, creating more options for employers and employees. Case studies of existing exchanges have documented this positive impact. <p>We concur with the staff recommendation that the issue of employee choice may need to be revisited once the Board has made QHP policy decisions to determine what impact employee choice may have, if any, related to adverse selection, carrier participation and pricing.</p> <p>The Exchange should also clarify what is meant by “employer determines the maximum contribution”. We have assumed this means a fixed dollar amount, not a fixed percentage, which is consistent with how public and private exchanges operate today. A fixed dollar amount allows the employer to control his or her budget while a fixed percentage would put the employer on the</p>

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	<p>hook for an unidentified amount, therefore being completely unworkable.</p> <p>Lastly, the Exchange should also clarify that employee choice is an option available to businesses, not a requirement. While we fully support employee choice and the concept is popular with many small business owners, businesses that would like to select one plan for all their workers should also have that option in the SHOP to do so.</p>

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ISSUE 4

Issue #4: SHOP Agent Strategy	
Organization	Comments
Anthem Blue Cross	Anthem supports Option 1: Match commissions (plan pays) regarding the SHOP agent strategy. We believe this will allow health plans to leverage their long standing systems and approach to commissions. Additionally, because general agent compensation is derived from agent compensation, Anthem suggests that having QHP issuers pay the agent eliminates the need for the Exchange to build this system capacity. While we advise against a full employee choice model, if the Exchange decided to adopt such an approach, then Option 2 (Exchange pays) would be practical.
Asian Pacific American Legal Center (APALC)	We would recommend that rather than rely on agents to serve the small business community, we would use Navigators and assisters, similar to the Individual Exchange. As the report noted, there is a significant number of small businesses, around 25%, that do not use or trust agents, but rather trust small business organizations and non-profits more. Interestingly, the report points out that there is a need for “alternative sources of information” for the businesses with Hispanic employees, but does not mention the Asian American and NH workers, which face similar issues. Therefore, we would also require both agents and assisters be culturally and linguistically competent if they are enrolling immigrant and LEP small business owners and employees. The SHOP Exchange could be added as a special topics training for navigators who would like to serve small businesses. (P. 31)
Bespoke Benefits	Further to the comments above, agents are “decision support”. There are great tools available that can automate the narrowing down of options, but if agents are involved it is unnecessary to build a robust tool for this function.
Blue Shield of California	<p>The proposed recommendation is for the Exchange to pay agents directly either matching market compensation or setting payments.</p> <p><u>We agree that the Exchange should pay agents directly and recommend the Exchange keep its options open to either pay matching market compensation or set payments.</u></p> <ul style="list-style-type: none"> Blue Shield supports the idea of matching market compensation inside and outside the Exchange. However, we are concerned about the ability of off-Exchange products to meet MLR requirements. In addition to market compensation, off-Exchange products would need to add the Exchange user fee cost to off-Exchange premiums to ensure that QHP premiums are the same price inside and outside the Exchange. This dual administrative load may prevent issuers from meeting MLR requirements.
California Association of Health Plans	CAHP and our member plans have no objection to the staff recommendation that the Exchange make payments directly to agents as long as this does not apply to captive agents. We look forward to working with the Exchange to address captive agent compensation arrangements in the near future.
Choice Administrators	We applaud the exchange for recognizing the critical role brokers and agents play in assisting small employers with carrier and coverage selection as well as HR and employee benefits support. Nationally, roughly 95% of small businesses use brokers and agents to aid their employee benefits selection, and we believe the implementation of the ACA will make agents and brokers even more essential to both individuals and small employers.

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Organization	Comments
	<p>With respect to how best to engage and retain agent and broker support for the exchange, we believe Option 3 provides the best combination of market-based compensation and flexibility to assure compensation payments are affordable and consistent. In our experience, the value of employee choice is unique and highly desirable. As agents and brokers appreciate consistency of administrative and compensation policy, the exchange would be well served by providing compensation that mirrors the commercial market as much as possible, but remains affordable to the exchange. If agent and broker compensation is slightly less than the market but is consistent, brokers and agents will still sell the SHOP product because of its unique value proposition.</p> <p>We also believe it is important for the exchange to pay commissions directly to agents and brokers instead of delegating this function to health plans. First, it reduces the administrative clutter of sending brokers multiple payments from different health plans for the same SHOP account, and, secondly, it promotes an important relationship between the exchange and the agent and broker community which, in our experience, is essential for the long term viability of the exchange.</p>
Consumers Union	<p>Consumers Union supports the preliminary recommendation proposed by PricewaterhouseCoopers that would have the Exchange undertake the payment of agent commissions in the SHOP Exchange. As we stated in our comments to the individual market agent options, we believe that the Exchange should collect and administer agent commissions in the SHOP and the individual market. Making the Exchange the collector of agent commissions for both the SHOP and individual Exchange parallels the alignment proposed for health plan and benefit design options. It would create a simplified structure by which the Exchange would become the single commission payee for all Exchange business for each participating issuer. In addition to coherence and simplicity, alignment would reduce the incentive for agents to recommend one plan over another.</p> <p>We understand that it has yet to be determined whether the SHOP Exchange will set rates for agents and brokers or match commissions set through the current market. Consumers Union understands the rationale for relying on current market compensation arrangements between issuers and agents, to maintain stability in the marketplace. We note, however, that compensation based on a percentage of premium incentivizes agents to guide consumers to policies with higher premiums. Percentage-based commissions built on top of the ever rising health insurance costs also perpetuate the upward spiral and inhibit the Exchange's ability to contain costs—a critical need in our health care and insurance system. If the Exchange adopts an agent commission model that relies on current market practice, Consumers Union encourages the Exchange to undertake rigorous monitoring to consider whether, in time, a reasonable flat fee or cap on commissions, rather than a percent of premium without limit, would be a better compensation model for agents. To achieve that, Option 2 could be revised to make explicit that the Exchange will monitor and consider setting of commissions in the future.</p> <p>Under Agent Payment Option 2 or Option 3, Consumers Union also urges the Exchange to carefully consider establishing contractual requirements on Qualified Health Plans in the SHOP Exchange, identical to what we recommended in the individual market Exchange, that require issuers to:</p>

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	<ul style="list-style-type: none"> • Pay equal commissions for the sale of QHP and non-QHP products, creating parity in commission rates inside and outside the Exchange to avoid adverse selection; • Prohibit preferential direct or indirect consideration to agents for products inside; outside the Exchange based on health status, age, products with differing benefits; • Prohibit higher commissions, or other direct or indirect consideration, in the first year of a policy versus renewal years, in order to discourage churning; • Prohibit volume bonuses for enrolling a certain number of new lives each year in one or more particular products; and • Prohibit “fee waivers” for establishing websites, providing e-mail lists, offering preprinted promotional fliers, etc. for those agents who are deemed "high-producing" agents. <p>While some of the concerns these provisions aim to address may diminish over time, current marketplace circumstances warrant addressing them contractually, whether or not the Exchange adopts Option 2 or Option 3.</p>
Delta Dental	Due to past experience and the reliance of small employers on brokers, it is critical that agents are compensated and the recommended option (Option 2 or 3) would reinforce the aggregator role of the Exchange. However, if agents will be paid by QHPs in the Individual Exchange, the Exchange should consider if the lack of alignment creates any unintended consequences.
The Greenlining Institute	Greenlining supports the recommendation of Option 2, where the Exchange matches health plan commissions and acts as the issuer of payments to agents. We are encouraged by the discussion that not all small businesses will utilize an agent to purchase in the SHOP and that as next steps; staff need to consider the role of agents or other assisters in the SHOP. We would encourage the Exchange to adopt agent participation rules (pg. 40) that are in line with the same certification and registration standards required by those selling in the individual Exchange. We would further urge the Exchange to go beyond establishing a financial relationship with agent and validating licensure, to also establishing and monitoring quality assurance standards, data reporting and other activities. Greenlining would also encourage the Exchange to adopt a common fee schedule for agents that is transparent. This is to ensure the greatest amount of transparency possible for employers.
Health Access California	Health Access strongly supports matching health plan commissions and paying agents directly.
Health Net, Inc.	<p>We would appreciate information about how the Exchange will deal with an agent who has no contractual affiliation with a plan yet who brings business to that plan through the Exchange. We understand the desire of the Exchange to set standardized commission rates, but we do not currently conduct business with an agent absent a contractual relationship. We would appreciate clarification about how specifically such transactions will be handled by the Exchange.</p> <p>We do not fully understand the policy behind the recommendation to have plans pay commissions in the Individual Market, yet have the Exchange take on the responsibility to pay commissions in the SHOP. We are concerned that operational complexities could ensue from this structure and would appreciate additional information about the different payment mechanisms.</p>

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Organization	Comments
	It is not clear whether the recommendations in the SHOP Discussion draft apply solely to external agents, and we would appreciate clarification on that point. We do not believe it is feasible for the Exchange to require our in-house sales staff or our captive agents to provide impartial information about other plans.
Insure the Uninsured Project	We support Option 3; we think the Exchange is best positioned to decide the level of commissions. We urge that the use of an agent is optional and the level of the commission is transparent. While we use and value our agent, we think that consumers will be very price sensitive in the Exchange and the use of the agent should be a value added option for individuals and small employers.
Kaiser Permanente	<p>Brokers</p> <p>We support the view that the exchange should provide compensation to brokers and should be the source of payment as this would be most effective and efficient in a multi carrier employee choice exchange. We believe that it would be most efficient for the exchange to set a single commission level based on current industry norms, rather than attempt to match the specific compensation model of each participating health plan as this could prove to be administratively problematic in terms of initial complexity and the need for frequent revisions as each plan modifies outside market compensation programs. We suggest that the SHOP also create bonus programs that are comparable to those offered in the outside market, and that health plans not be allowed outside market bonus arrangements that would tend to reward sales made outside the SHOP.</p> <p>General Agents</p> <p>We understand that general agencies are currently involved in approximately 50% of all small group sales and would provide a valuable enhancement to the SHOP's distribution channel. It should be recognized that general agencies add to administrative cost in a very material way, and when considered in concert with the other structural elements of the SHOP that could cause costs to be higher than equivalent outside plans (employee choice and SHOP administrative loads), may work against either cost of premium or carrier participation.</p> <p>We suggest that if general agencies are to be included for the SHOP, that any payment structures be designed to be adaptable to future market conditions and that the cost be passed on to participating carriers in such a way as to reflect the proportion of membership brought to each carrier via this channel.</p>
SeeChange Health	We agree with the implication of the staff recommendation: the Exchange will succeed or fail, in large part, based on its willingness and ability to earn the support of independent brokers. Products sold through the Exchange should have the same commission as similar products sold outside of the Exchange and these should be established through market dynamics, not fiat. The Exchange should use brokers and agents as a critical, primary sales channel. Brokers have consistently demonstrated their commitment to bringing innovative health care coverage programs to their clients and have proven their effectiveness in working with exchanges in other parts of the country. Underestimating their value to the system—and to the Exchange in particular—would be an unfortunate and avoidable misstep.

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Issue #4: SHOP Agent Strategy	
Organization	Comments
Small Business Majority	<p>A strong partnership with agents is essential for the SHOP to succeed as evidenced by previous and current small business exchanges in California and the rest of the nation. Furthermore, research we released in partnership with Pacific Community Ventures demonstrated that 75% of California small businesses who provide health benefits currently use an agent and want to continue doing so. Agents also rank as one of the most trusted voices to small business owners and thus can be very effective in encouraging SHOP participation and act as a de facto “sales force” for the Exchange.</p> <p>We urge the Board to consider Option 2 or 3 in which the Exchange pays the agent commissions, either matched to the outside market (Option 2) or with rates set by the Exchange (Option 3). In any case, we believe the Exchange should be paying agents directly. The SHOP will work best if agents feel they are a valued partner of the Exchange. Direct payment from the Exchange is the most effective way to make that happen.</p> <p>We can understand the appeal of both Options 2 and 3. Option 3 is attractive because by the Exchange setting one competitive compensation rate for all Exchange products, agents will not have a financial incentive to sell products from one carrier over another. On the other hand, if any particular carrier were paying a higher agent commission on the outside market, agents could be incentivized to sell against the Exchange. In this situation, Option 2 is attractive because it would prevent the Exchange from being at a competitive disadvantage with the outside market. We therefore encourage the Exchange to conduct additional market analyses in an attempt to better understand the pros and cons of these two options. Given the choice between Options 2 and 3, we would urge the Board to err on the side of protecting the integrity of the Exchange over the alignment of rates between carriers, and thus are somewhat more inclined to support Option 2 at this point.</p>

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ISSUE 5

Issue #5: Small Employer Benefits Administration and Ancillary Benefit Options	
Organization	Comments
Anthem Blue Cross	<p>Anthem supports Option A2: Mixed vendor limited employer benefits administration; we believe a combination of vendors will be able to more adequately fulfill all of the possible administrative capabilities. Furthermore, we believe this will allow the Exchange to use a “best in class” vendor approach. While we support efforts to implement additional benefit administrative services, such as COBRA, HRA, HSA, Section 125, etc. we strongly believe that the Exchange should consider this a secondary priority, given all the Exchange must accomplish in such a compressed timeline.</p> <p>With regards to ancillary benefits, Anthem believes Option B2: The exchange provides employer benefits administration services and offers ancillary benefits through multiple participating health plans is best. Anthem believes allowing participating health plans to provide ancillary benefits through the Exchange could encourage small employer group participation in the Exchange. We believe employers will be increasingly looking to one-stop solutions to meet all of their needs, and allowing participating health plans to provide these benefits would encourage participation in SHOP. In addition, we would encourage the SHOP Exchange to permit broad participation by ancillary carriers and products to ensure that the range of small employers needs are adequately met and that the SHOP is competitive with the off-exchange market.</p>
Asian Pacific American Legal Center (APALC)	<p>With regard to options for benefits administration, it would be easiest for small businesses if the Board offered limited services through a single, full-service vendor. That way, the owner would just have to deal with one vendor and not keep track of which vendor is administering the different benefits.</p>
Blue Shield of California	<p>The proposed recommendation is for the Exchange to offer limited benefits administration (COBRA, HRA, HSA, FSA and Section 125) through mixed vendors subject to a further review of cost and employer interest.</p> <p><u>Blue Shield does not recommend pursuing this option in the initial phases of the SHOP Exchange.</u></p> <ul style="list-style-type: none"> We agree that offering ancillary services as part of the SHOP offerings for employers may be of value to employers at some later date. However, the cost and complexity of offering these services for the initial open enrollment period should not be a priority for the Exchange. Instead, the Exchange should target efficient eligibility and enrollment processes and superior customer service. The addition of ancillary services would for example require the Exchange to assume liability for the administration of COBRA if offered and would require the Exchange to build interfaces with issuers and vendors to transmit eligibility for other services.
California Association of Health Plans	<p>CAHP and our member plans support the concept of providing these benefits to employers in the SHOP. However, we believe that there are many competing priorities and suggest that this is something the Exchange may want to consider as part of a longer term strategy.</p>
Choice Administrators	<p>The Draft Recommendations recommends offering a limited set of administrative support (e.g. COBRA, HRA, HSA, FSA, Section 125) through specialty vendors as the most appropriate support for the SHOP exchange’s target market. The Draft Report also underscores the broader range of administrative and HR support tools available in our <i>Cal Choice</i> product. While</p>

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Issue #5: Small Employer Benefits Administration and Ancillary Benefit Options	
Organization	Comments
	we believe the basic administrative support provided by the services recommended are important and relevant, we also believe the SHOP exchange and small employers would benefit from providing a broad range of payroll, HR policy, employee handbook templates, and other tools valued by small employers, particularly at the lower end of the market which often doesn't provide ESI. As the Draft Report highlights, one of the potential advantages of contracting out the administration of SHOP services is that these additional value-added services may already be provided by a potential vendor. We concur with this conclusion and believe the exchange and small employers would benefit from the efficiency of contracting out the administration of SHOP functions to experienced vendors.
Consumers Union	The Exchange may determine that there are administration services or ancillary benefits that could be added at the outset at little or no cost that would enhance the SHOP Exchange's attractiveness to small businesses, drawing them into the SHOP. On the other hand, establishing the core functions of the Exchange—providing health coverage—may require all the focus and resources the Exchange has. Consumers Union suggests that the Exchange weigh its capacity against the “draw” of these ancillary services and benefits to small businesses, and consider a phased approach, leaving open the option of undertaking employer benefits administration or ancillary benefit options once the Exchange has successfully helped small business employers and their employees access needed health coverage.
Delta Dental	Some small employers may appreciate having the Exchange supply value added services such as COBRA, FSAs, HSAs, HRAs and section 125, but in our experience employers have a small budget for these services and they are not a top priority. Therefore, this could be costly for the Exchange to set up and yield small returns. Although the document specifies that for purposes of this briefing, ancillary benefits are defined as other than dental and vision, we would like to point out that supplemental dental benefits are highly valued by small employers - second only to medical benefits – and would likely increase the attractiveness of the Exchange should they be included in addition to the required pediatric benefit.
The Greenlining Institute	We support the recommendation that at a minimum the Exchange will engage vendors to provide select employer benefits administration services because of the added incentive these services may provide for a small business unsure of purchasing in the SHOP. We would encourage further examination of providing a single vendor for these services in order to create a one-stop-shop experience. However, cost is the top priority for many small businesses and should be weighed with the potential for ease of use that could occur with one vendor.
Health Net, Inc.	We support the concept of the Exchange providing ancillary services to small employers, but we are concerned that this additional responsibility will complicate the already daunting challenges facing the Exchange in the short time-frame it has to implement essential tasks.
Insure the Uninsured Project	We support Option 2; as a very small employer, we would like to outsource these administrative services to those with expertise.

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Issue #5: Small Employer Benefits Administration and Ancillary Benefit Options	
Organization	Comments
Kaiser Permanente	<p>We believe that adding benefit administration and ancillary benefits to the SHOP offering will provide some additional market value and enhance sales opportunities, however our experience with similar services/benefits in commercial exchanges is that with the exception of COBRA administration, the uptake rate, and therefore expected market value of these additions is rather low, so would not make them a top priority (note we also suspect that the volume of COBRA uptake and need of employers for this service will fall significantly in 2014 with the availability of subsidized guarantee issue individual plan coverage).</p> <p>If ancillary services are offered, we recommend that they be provided by specialty carriers rather than by the participating health plan carriers in order to ensure that they are available to the entire employee population regardless of which health plan they select. We further recommend that these additional benefits & services not result in increased medical premium.</p>
SeeChange Health	<p>We do not believe the Exchange should engage in administration of ancillary benefits or administrative services. By bringing together a large population, carriers participating in the Exchanges and third-party vendors who specialize in such programs will have the incentive to develop these options in a flexible and cost-effective manner. The Exchange will maximize its effectiveness by focusing on its core mission of providing high-quality health care coverage to Californians.</p>
Small Business Majority	<p>Eighty percent of small businesses have fewer than 10 employees and most do not have sophisticated Human Resources departments. The SHOP can increase its competitive edge by offering administrative services to its customers, saving businesses time and money. We support Option A2 in which the Exchange offers limited services and ancillary benefits through a mix of specialty vendors. The Exchange should determine which of these services and benefits employers find most attractive and prioritize those. As the Exchange grows and evolves, it can begin offering additional services and benefits. The Exchange should examine each service and benefit and determine whether to provide it directly or contract it out based on cost and quality of service.</p> <p>In regards to the implementation of these services, we support both Option B1 and B2. We believe the Exchange should consider making this decision on a case-by-case basis. If there are ancillary benefits that a health plan can best provide, the Exchange should contract with that plan. Alternatively, if a specialty carrier can provide a lower price and/or higher quality of service, the Exchange should go that route.</p> <p>While we support the addition of these benefits and services, they should not be added if doing so jeopardizes the ability to launch the SHOP successfully. To the extent that the Exchange can efficiently add these services in, the Board should do so as aggressively as possible to maximize the competitive advantage of the SHOP.</p>

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ISSUE 6

Issue #6: Employer Contribution Options	
Organization	Comments
Anthem Blue Cross	Anthem believes Option 1: Require contributions consistent with current market underwriting rules would be in the best interest of the Exchange and would align with the current market. Tying contribution requirements to the minimum requirements for the federal tax credit would be confusing to employers. It is also important to acknowledge that even a small increase in a required employer contribution amount could deter small employer enrollment through the Exchange.
Asian Pacific American Legal Center (APALC)	We need to confer with our small business members to determine whether the recommendation of Option 2 would be acceptable to them.
Blue Shield of California	<p>The proposed recommendation is for employer participation rules to mirror the current market and for employer contribution requirements to at least meet the minimum federal tax credit. The brief argues that this approach is generally consistent with current market underwriting rules and would minimize disruption to the market while ensuring that employers can receive the tax credit without additional administrative burden.</p> <p><u>Blue Shield does not support the recommended approach and recommends option 1, requiring contributions that are consistent with market underwriting rules.</u></p> <ul style="list-style-type: none"> The employer contribution must be at least 50% of the premium for the single employee tier for a small employer to qualify for the federal tax credit. In many cases, this is too high a bar for employers and one reason that take-up of the credit has been lower than expected. In the current small group market, the minimum contribution for an employer defined contribution is a fixed \$100/employee. We recommend mirroring the current small group market rules to ensure greater participation in the SHOP.
California Association of Health Plans	CAHP and our member plans support the recommendation to the Board to have participation requirements that mirror the current market.
Choice Administrators	<p>We agree with the Report's suggestion that Option 2 in which employer contributions meet the requirements of Section 45R of the IRC is the most appropriate and flexible option. In this way, employer contributions will both meet the most common requirements of the market while also facilitating access to the ACA's tax credits. Option 2 also prevents adverse selection and will promote health plan participation and retention in the exchange. It will also meet the expectations of brokers and agents who will largely be the most active distribution channel for SHOP products.</p> <p>We also believe employee participation requirements should mirror the marketplace as closely as possible. In this way, the SHOP exchange will more successfully solicit health plan participation and choice for employees.</p>

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Issue #6: Employer Contribution Options	
Organization	Comments
Consumers Union	Consumers Union supports an employer minimum contribution that is at least the amount required of a business that wishes to take advantage of the small business tax credit (Option 2). The Exchange should monitor the market, both inside and outside of the Exchange's book of business, and exercise the flexibility, over time, to be able to increase the minimum employer contribution to a higher standard than the tax credit requires, if the market would support such an increase.
Delta Dental	We agree that the participation rules need to mirror the current market. Regarding employer contributions, we would prefer option 1 (contributions consistent with current market underwriting rules) because, from a carrier perspective, it prevents adverse selection. However, the selection of option 2 (contributions consistent to qualify for the tax credit) is a workable alternative.
The Greenlining Institute	Greenlining supports the recommendation that the Exchange require contributions with the minimum requirements to meet the federal minimum for the tax credit. While we would encourage small businesses to contribute more than the minimum requirement, we feel that this is the best solution to ensuring that those businesses that do qualify, receive the tax credit.
Health Access California	<ul style="list-style-type: none"> • Health Access supports employer contributions of a minimum of 50% of premium • Health Access strongly opposes defined contribution plans which limit employer's exposure to a dollar amount while requiring employees to make up the difference when premiums increase.
Health Net, Inc.	We favor minimum participation requirements that mirror the current market.
Insure the Uninsured Project	We recommend Option 1 as we think the highest priority is to bring small employers into the pool. The Exchange should clearly explain the criteria needed to qualify for the tax credit.
Kaiser Permanente	We believe that to ensure against selection issues relative to the outside market, that the SHOP should set employer contribution levels consistent with those prevailing in the market (which in California is 50%, the same as the minimum to qualify for the small business tax credit).
Small Business Majority	In order for the SHOP to succeed, it must be competitive with the outside market. To that end, employer contribution and participation requirements should be consistent with what is required in the outside market. We believe the best option to achieve that consistency is Option 1, in which the contribution level would be matched to the outside market. A top priority for the Exchange should be to ensure the rules inside the Exchange are the same as the outside market and Option 1 accomplishes that. While we support the goals of Option 2, it should be noted that the market today generally requires employers to contribute at least 50%, which is also the contribution requirement for the small employer tax credit. Under Option 1, we believe most, if not all, SHOP customers would still meet the tax credit's contribution requirement. A requirement higher than the outside market would place the SHOP at a competitive disadvantage and we believe is not a viable option. Additionally, we encourage the Exchange to use the tax credit as a marketing tool to attract eligible employers into the SHOP. Although state and federal law requires all Exchange products be sold on the outside market at the exact same price, a small business that qualifies for the tax credit will be able to effectively get a cheaper rate by purchasing in the SHOP. This will be a powerful tool to encourage eligible businesses to use the SHOP in order to claim the tax credit. As noted in our earlier comments on outreach and marketing, the tax credit should be a centerpiece of the SHOP's marketing strategy.

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Anthem Blue Cross	Anthem would like to clarify a statement made on page 30 of the paper that indicates that Anthem manages a considerable volume of direct sales through an embedded sales organization. While this is true for our individual line of business, it is not true for Anthem’s small group business. For Anthem small group, agents are our sole distribution channel.
Asian Pacific American Legal Center (APALC)	We have not had an opportunity to participate in any discussions of the SHOP and have not provided any input into the SHOP Exchange proposals and recommendations. We are further disappointed that the comments to the SHOP report were due on May 31 st when there has been little discussion of the SHOP at the HBEX meetings. We would appreciate an opportunity to check with our HJN small business partners for their input and provide HBEX with more complete responses at a later time.
Choice Administrators	<p>We agree on the potential marketing advantage offered via the tax credit and the potential benefits of the credit to induce small employers to offer ESI. We also agree the exchange needs to focus on those product and administrative functions that will make the exchange attractive to small employers. We believe there are several ways to communicate the availability of the credit including outreach to trade associations, digital marketing (e.g. search engine optimization, pay-per-click outreach), awareness promotion to retailers frequented by small employers (e.g. Staples) and outreach to state accounting societies.</p> <p>There is also an important role the CHBEX web site can play in providing not only a tax credit “calculator,” but in providing clear examples of tax credit eligibility and scenarios of calculation. As not all small businesses use accountants, the opportunity to simplify and clarify the calculation of the credit is desirable role for the exchange.</p> <p>Thank you for the opportunity to comment on the Draft Options and Report. Our experience in marketing and administering insurance exchanges since 1996 underscores the complexity of SHOP administration and the importance of high quality and consistent customer service to employers, members, and health plans. The process of aggregating and disseminating premium, confirming member eligibility, and providing an easy and simple enrollment experience requires experience. We believe the success of the SHOP exchange is directly related to the quality of the administrative experience by key stakeholders.</p> <p>We hope these comments have been helpful, and we believe they are consistent with the goals of providing more options and affordability to small businesses and with health reform in California.</p>
Delta Dental	<p><u>Promoting Employer Tax Credit for Health Coverage</u></p> <ul style="list-style-type: none"> As a dental carrier and marketer to small businesses we highly support the idea that ensuring employer awareness of the credit be a core marketing feature of the SHOP marketing strategy. This is a new and different approach for small businesses and the tax credit is not well understood by small businesses. The more the Exchanges and the tax credits are understood by small employers, the more likely they will be to consider enrolling their employees in them. <p><u>General Comment</u></p> <ul style="list-style-type: none"> By referencing dental as a supplemental benefit, the PriceWaterhouseCooper document fails to make clear that

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	<p>employers in the SHOP will need to be given the option to couple medical-only QHPs with dental-only plans specifically for the required essential pediatric oral services, in addition to dental that may be bundled/embedded with medical. While we agree that supplemental dental benefits for adults is a good idea, we urge that dental coverage be mentioned as both being required (for pediatric oral benefits) as well as being optional (additional supplemental benefits).</p>
Health Access California	<p>Health Access supports efforts to promote the small employer tax credit.</p>
SeeChange Health	<p>Health plans offering value-based benefit designs empower small employers to take concrete steps to improve the health and productivity of their workforce while lowering costs not just for a particular group, but for the system overall. Studies have demonstrated the effectiveness of using financial incentives to encourage employees to take the steps necessary for early identification of chronic conditions and to better manage their health. In establishing the SHOP Exchange, it is critical the Board avoid inadvertently undermining the contribution value-based benefit designs can bring to the state, its business communities and its citizens. This innovative approach to medical insurance now has strong scientific evidence to support its efficacy and, as our company is proving every month, is increasingly popular in the marketplace. By encouraging this approach to health care coverage—and avoiding creating obstacles to offering these plans within the Exchanges—the Board will promote its broader mission while providing Californians access to an important tool to lower costs and improve health.</p>