

Administration of the Small Business Health Options Program

Summary

The California Health Benefit Exchange is considering its options with regard to administration of the Small Business Health Options Program (SHOP) including whether to develop an administrative infrastructure within the Exchange or contract for administrative services. While several business functions such as governance and policy management are considered “core” and will be maintained internally, the Exchange staff recommends that SHOP administrative services be contracted in the initial years of the program. Following a public comment period to gather stakeholder input, Exchange staff recommend releasing a request for proposals (RFP) that will inform the selection of a vendor(s) to administer SHOP operations.

Issue

The Affordable Care Act requires states to establish health benefit exchanges to facilitate the purchase of qualified health plans by eligible individuals and to provide for the establishment of a Small Business Health Options Program that is designed to assist small employers in the state in facilitating the enrollment of their employees in qualified health plans offered in the small group market in the state. In establishing exchanges, states must meet minimum requirements including: certification of qualified health plans; determination of eligibility for coverage in the exchange, Medicaid, and the Children’s Health Insurance Program; establishment and maintenance of an enrollment web portal and consumer assistance center; and creation of a Navigator program to provide enrollment assistance to consumers.

The California Health Benefit Exchange is working aggressively to meet all Affordable Care Act requirements including: design and development of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS); development of a solicitation for qualified health plans; establishment of a statewide outreach and marketing campaign; and implementation of a comprehensive consumer assistance strategy including design of a service center and in-person assistance program. These efforts must be closely coordinated with other public health care programs in order to maximize enrollment and ensure that individuals can easily transition between coverage programs as their income and life circumstances change. The Exchange is partnering in these efforts with the Department of Health Care Services and the Managed Risk Medical Insurance Board to facilitate enrollment for the almost 3 million Californians that are expected to enroll in the Exchange and Medi-Cal in 2014 alone.

In order to begin operations, the federal government must certify that the Exchange will be capable of performing all minimum functions in time for open enrollment in October 2013. The complexity of the Individual Exchange and the interrelationship with other state health programs require the Exchange to devote significant staff and consultant support to policy and systems development that will assure the success of this effort. The Exchange has not yet developed the internal resources which will be critical for successfully undertaking the activities needed to support full development and launch of the SHOP Exchange. Because of this, staff

recommend the Exchange consider a contracting arrangement for the initial administration of the SHOP.

The rationale for contracting with a vendor for the establishment and initial administration of the SHOP include:

- The time required to build an internal operational capability for SHOP is significant, and the time may not be sufficient to be in a position to implement small business open enrollment by 2013
- External vendors have existing functionality that serves the small business market today that could be easily adapted to the Exchange functions
- There are other competing, high priorities with tight timelines facing the Exchange Staff (i.e. building and operationalizing the Individual exchange)
- Variations in enrollment volume (higher volume at the end of the month and immediate enrollment growth during open enrollment) are expected in the near term. These factors will require flexibility in service center operations – and possibly other areas - which could be challenging to manage internally

Recommendations

Staff recommends pursuing a transition strategy in which the Exchange will contract for establishment and operational services for SHOP in the near term, and then evaluate bringing operational control of SHOP operations in-house after the SHOP exchange is operationalized (e.g., after 2015). This transitional approach will allow the Exchange to focus on standing up the individual Exchange in the near term while taking advantage of consultant expertise to ensure that small businesses receive best-in-class service.

It is important to note that while the Staff recommends contracting for SHOP administrative services, this excludes several SHOP business functions that are considered “core” operational and policy functions. “Core” functions that will be internal to the Exchange include:

- Governance, policy development, and quality assurance: the Exchange will retain ultimate governance and policy-making authority and ensure that contractors are meeting contractual quality standards.
- Health plan management: the Exchange will retain control over health plan selection, certification and ongoing management of plan relationships for the SHOP.
- Marketing: the Exchange will lead SHOP marketing efforts and will maintain direction of marketing campaigns and outreach.
- Legal: the Exchange will manage legal issues internally.

The Exchange recommends contracting for the following services:

- Information technology services
- Eligibility and Enrollment
- Agent management
- Customer service
- Grievances and appeals

- Financial Management

The Exchange Staff are not asking for board action at this point. Rather we are informing the board and broader community of the likely forthcoming action of approving an RFP at the September Exchange board meeting.

The Exchange welcomes comment on a number of key issues with regard to this strategy which can inform its development of an RFP, including:

1. Is the list of functions that may be contracted out appropriate? In particular, how should the Exchange best use marketing expertise and agent relationships that may reside with potential vendors?
2. How can the Exchange best assure coordination and integration between it and a contracted vendor to assure maximum enrollment of individuals who may be family-members of covered small business employees who are eligible for Exchange tax-credit support or Medi-Cal?
3. Are there particular criteria, qualifications or issues regarding potential vendors that the Exchange should consider?

The Exchange would appreciate receiving comments on these and other matters that would assist in its development of an RFP by September 4, 2012. Comments should be sent to info@hbex.ca.gov.

Input from stakeholders will inform the creation of an RFP for contracting SHOP operations. Both the stakeholder input and a draft of the RFP will be shared with the Board at the September 18, 2012 Board meeting.

References

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<http://cciio.cms.gov/resources/files/ffe-guidance-05-16-2012.pdf>

Timothy Stoltzfus Jost, "Health Insurance Exchanges and the Affordable Care Act: Eight Difficult Issues", September 2010

http://www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2010/Sep/1444_Jost_hlt_ins_exchanges_ACA_eight_difficult_issues_v2.pdf

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