

Small Employer Health Options Program (SHOP): Options and Recommendations

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California Health Benefit Exchange Board Meeting

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Small Employer Health Options Program (SHOP): Options and Recommendations Executive Summary (see Report, pages 1 – 9)

The staff of the California Health Benefit Exchange, with support from PricewaterhouseCoopers, has prepared a series of briefs to help inform the Exchange Board of some of the issues pertaining to the establishment of the Small Business Health Options Program exchange. The briefs offer final recommendations for the Board's consideration.

Board Recommendation Briefs

- Exchange QHP and SHOP Guidelines
- SHOP and Individual Exchange QHP Alignment
- Extent of Employer Versus Employee Choice
- SHOP Agent and General Agent Strategy
- Small Employer Benefits Administration and Ancillary Benefits
- Supplemental Benefits: Dental and Vision
- Employer Contribution and Participation Options

Board Background Briefs

- Promoting Employer Tax Credit for Health Coverage

Today's Objectives

- Review summary of recommendations from Board Recommendation Briefs
- Request Board Action on Final Recommendations
- Obtain alignment on next steps on several SHOP Exchange priorities, including Employer/Employee Choice and General Agent strategy

Stakeholder Feedback Received through Written Comments and Stakeholder Input Forum

The California Health Benefit Exchange solicited written stakeholder comments on the Small Business Health Options Program (SHOP) Options in six specific issue areas as well as other general comment. Sixteen comments were received in the stakeholder input form, one comment was received as a letter, and twelve organizations attended the Stakeholder Input Forum. The Exchange thanks all stakeholders for providing their valuable comments to assist in the planning and implementation of the SHOP with such quick turnaround.

Written Comments Received

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

Stakeholder Input Forum Participants

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

General Agent Stakeholder Feedback

Several Health Plan Issuers, General Agents and more than one-hundred agents also provided input into the SHOP General Agent and Agent strategy presented herein. Those providing input by August 13 are listed below.

<p>Andriana Cornejo - Dickerson Employee Benefits Agent Groups Alex Silva Ali Ebadat Allan Eckmann, Bay Crest Insurance Services Andre E. Woods, The Liberty Company Insurance Brokers Andrew Hudson, Cambridge Financial Partners Angela Kohls, Paychex Anna Ambarian Aris Amirian, B & T Financial and Insurance Services Bedrosian & Associates Ben Aranda, Aranda Insurance Services Benefit Plan Coordinators Brad Lening, Musser Lening Insurance Services Chip Goodrich, AXA Advisors Chris Huang Clinton Brown Financial Craig McNeese, Pontrelli Timour & Associates Cydney Michele Sibley Daisy Tseng-Holmes, Dickerson Employee Benefits Danilo Kim, MetLife of SoCal Darlene Prince, Benebiz Worksite Marketing David N. Johnston, The Benefits Consultancy David Sheinin, Sheinin Insurance Group Dean Damuth, Dickerson Employee Benefits</p>	<p>Debbie Goulden, Warren G. Bender Co. Deborah Reyes Insurance Services Diana Miller, Dickerson Employee Benefits Donna Finnegan, Wright, Finnegan & Sommer Insurance Associates Dora Wang, Yuhjiun Wang Insurance Agency Edward Stricklan, The Henehan Company Erol Woods, AXA Advisors Frank Garcia, InsuranceKO Glenn A. McDonald Grace Culolias Greg Burkhardt Agency Haissam Alrachid Heather Browning Helena Ruffin, The Ruffin Group Insurance Herman Pun Howard Folmar Ileana Albert Integra Insurance Solutions James Johnson, O-Line Business Insurance James R. Simpson, JRS Integrity Insurance Jason Shin, Tyche Insurance Services Jenny Chon, AXA Advisors Jess M. Swick John Assaf, Farmers Group John C. Eshom John C. Harcar, Asset Plan Partners</p>	<p>John Carter, Wright, Finnegan & Sommer Insurance Associates Johnny Scharnweber, Dickerson Employee Benefits Jon Moothart, Moothart Insurance Agency Julie Ou, AXA Advisors Julie Ting Keith Kantarina Insurance Agency Ken Green Kent James Shuster, Shuster Financial Group Kerstin E.M. Morgan, New York Life Insurance Kevin Jung Larry Sorenson, Sorenson Insurance Linda Rose Koehler, Herzog Insurance Agency Linda Soule' Dodge Insurance Services Lisa Sandoval LTai Lynn Caffrey, Caffrey Insurance Solutions Maddox Insurance Broker Marjorie Leviste Mark Shear, Shear Insurance Agency Marsha Multz, Braun Shield Insurance Services Mayra Vicuna, Dickerson Employee Benefits Mel H. Connley Merica Mojica, Dickerson Employee Benefits</p>	<p>Michael Wolff, Dickerson Employee Benefits Mike Grumet, Mike Grumet Insurance Services Nancy Ramos, Dickerson Employee Benefits Natalie Smith, Asset Plan Partners Neal Feigelman, Feigelman Insurance Services Nicole Bovee, Morgan and Franz Norma Paraiso, Hayward Tilton & Rolapp Insurance Associates Ogden Page, Ogden Page Accountancy Orion Risk Management Insurance Services Patrick Bascue, MVP Insurance Agency Paul Boulet Paul Romo Paychex Insurance Agency Peter G. Duncan, Sidles Duncan & Associates Phillip Di Rocco Rae R. Cohen, Rae Cohen and Associates Randy Stryker, ISU Curry Insurance Agency Richard Cabarloc, Assurant Employee Benefits Rick Bruner Rodney Nakada, Kagawa Insurance Agency Roy Kim</p>	<p>Roy Warnock Russell Oda, Reliable Benefit Solutions Ryan In Sung Song, New York Life Insurance Company Ryan Neace Scott Curry, ISU Curry Insurance Agency Shelton Gilmore, Dickerson Employee Benefits Sherri Guedea, Benebiz Worksite Marketing Simon Gurfinkel Insurance Agency Sin Hwang, Prudential Insurance Company Sitzman Morris & Lavis Insurance Company SMD Financial Services Steve Ro Steve Schultz, Schultz Associates Sunita Sharma T.J. Chen Tadashi Kimara Terese Alirez, Dickerson Employee Benefits The Henehan Company Timothy Collins, New York Life Insurance Company Timothy P. Johnson, Core Benefits Insurance Services Tony Suarez, Suarez Insurance Agency Wells Fargo Insurance Services Yasmina Enriquez, Dickerson Employee Benefits Yolanda Webb, Trinity Financial Partners</p>
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California Health Benefit Exchange Guidelines for Selection & Oversight of QHP (see Report, pages 10 – 13)

- I. **Promote affordability** for the consumer and small employer – both in terms of premium and at point of care .
- II. **Assure access to quality care** for consumers presenting with a range of health statuses and conditions
- III. **Facilitate informed choice of health plans and providers** by consumers and small employers .
- IV. **Promote wellness** and prevention
- V. **Reduce health disparities** and foster health equity
- VI. **Be a catalyst for delivery system reform** while being mindful of the Exchange' s impact on and role in the broader health care delivery system .
- VII. **Operate with speed and agility** and use resources efficiently in the most focused possible way

SHOP and Individual Exchange QHP Alignment

Board Recommendation Brief (See Report, pages 14 – 23)

Under California law, the California Health Benefit Exchange will establish a small business exchange that is separate from the individual market exchange. The Exchange will need to consider how closely aligned the QHPs should be between the two exchanges to ensure adequate choice for the participants of each.

Options for Alignment of Health Plan Issuers Between Exchanges

Option A: Full Alignment	Option B: Partial Alignment	Option C: No Required Alignment
Issuers participate in both individual and SHOP exchanges. Contracts are only awarded to issuers that can serve both markets.	Issuers participate in both the individual and SHOP exchanges. Exchange permits issuers that only want to participate in one exchange on an exception basis.	Issuers participate in either Exchange.

Options for Alignment of Benefit Plan Offerings Between Exchanges

Option A: Full Alignment	Option B: Partial Alignment	Option C: No Required Alignment
Benefit plan offerings would be identical in both exchanges.	Benefit plan offerings would be consistent in both exchanges, with the possibility of some differences to meet the needs of Individual and Small Group enrollees.	Benefit plan offerings are unique to each Exchange.

Recommendation: Partial alignment of Issuers and Benefit Plan Offerings (Options B for both issues)

Extent of Employer Versus Employee Choice

Board Recommendation Brief (see Report, pages 24 – 37)

The Exchange considered the extent to which employers and employees will have a choice of health plans and benefit designs under the SHOP exchange, including whether the Employer should make all choices of both Issuer and coverage level, or the Employee should have full or partial choice. The final decision on level of choice will depend in part on other SHOP configuration decisions, such as the number and standardization of benefit offerings.

Options to Optimize Employer and Health Plan Participation

Option A: Employer Choice of Tier/ Employee Choice of Plan	Option B: Paired/Defined Choice with Limited Tier	Option C: Employer Choice of Plan / Employee Tier Choice	Option D: Full Employer Choice	Option E: Full Paired Choice	Option F: Full Employee Choice
Employer establishes the metal tier for all employees, and allows employee to select among available health plans. Required by Federal law (PPACA).	Employer chooses two issuers in a paired choice offering to their employees, and chooses two or more contiguous coverage tiers. Pairings are not negotiated by the	Employer chooses among the available health plans for the geography, and allows the employee to determine level of coverage among the metal tiers.	Employer makes a choice of health plan and coverage level within the available SHOP options for their geography.	The exchange negotiates paired choice options from which the employer chooses; all coverage tiers are available.	Employer determines the maximum contribution that will be made on behalf of employees. Subject to minimum contribution requirements, employees choose from all qualified

Recommendation: The Exchange staff recommends **Options A & B**. Small business employers with 2-50 employees choose the coverage tier, and employees choose among the offered plans (Option A), Larger employers (10 - 50 employees) will also have the option to choose a Paired/Defined Choice approach (Option B). Exchange staff will consider if additional options are viable and obtain additional stakeholder input. Consider option for employers choose an issuer and employees choose across metal tiers (Option C).

Extent of Employer Versus Employee Choice

Board Recommendation Brief (see Report, pages 24 – 37)

Recommended Option

A: Employer Choice of Tier / Employee Choice of Plan

	Bronze	Silver	Gold	Platinum
Issuer 1				
Issuer 2				
Issuer 3				
Issuer 4				
Issuer 5				
Issuer 6				

B: Paired/Defined Choice with Limited Tier

	Bronze	Silver	Gold	Platinum
Issuer 1				
Issuer 2				
Issuer 3				
Issuer 4				
Issuer 5				
Issuer 6				

C: Employer Choice of Plan / Employee Choice Tier Choice

	Bronze	Silver	Gold	Platinum
Issuer 1				
Issuer 2				
Issuer 3				
Issuer 4				
Issuer 5				
Issuer 6				

Highlights

Option A is a federally mandated (ACA) option. It offers choice not broadly available in the current small group market. Employers with multiple worksites may select from local, regional, and statewide insurers. Employees have the choice of many plan types (HMO, PPO, HSA) across issuers.

Recommended

Option B is consistent with the current market pairing option popular for 10+ groups. This option offers a broader range of affordability options for larger and more diverse employers. Limiting issuers and tiers to two limits confusion.

Recommended

Option C is most similar to current small group market offerings. Employers can define contribution and allow employees to buy-up or buy-down tiers. Employees have the choice of plan types (HMO, PPO, HSA) across tiers.

Additional Consideration and Stakeholder Input required

SHOP Agent Strategy

Board Recommendation Brief (see Report, pages 38 – 49)

Agent engagement and structure of the agent payments have important implications for sales and distribution of the SHOP Exchange products. For small employers, in particular, agents serve as an important distribution channel. The method for compensating agents, and the alignment of compensation amounts to the external market are important considerations.

Options to Optimize Agent Commission Payments

Option A: Match commissions (Issuer pays)	Option B: Match commissions (Exchange pays)	Option C: Exchange sets and pays commissions
Exchange matches issuer commissions and issuers administer payments to agents.	Exchange administers payments to agents. Exchange would offer agent compensation competitive with the market standard in 2014.	Exchange sets rates for agents considering current market standards, and issues payments to them.

Recommendation: Exchange will provide “market competitive” agent payment levels (Option B). Since there is no consistent market standard for agent commissions, the exchange cannot match them.

SHOP General Agent Strategy

Board Recommendation Brief (see Report, pages 38 – 49)

Sales distribution through General Agents and the associated compensation (overrides) in addition to agent compensation has important implications for sales and distribution of the SHOP Exchange products. For agents serving the Small Employers segment, General Agents serve as a significant distribution partner and aggregator of multiple carrier proposals and rates, among other services. The method for compensating general agents, and the alignment of compensation amounts to the external market are important considerations.

Options for General Agent Strategy

Option A: Exclude General Agents	Option B: Some General Agents	Option C: All General Agents
Exchange does not contract with General Agents and instead works directly with issuers for sales and enrollment resource.	Exchange allows General Agents to bid for distribution rights. Exchange selects two or three winning bidders based on standardized RFP criteria.	Exchange prepares standard General Agent contract with set terms and conditions. Standard General Agent offer extended to all General Agents (approximately 6-10 in CA) who meet set criteria specified in RFP prepared by exchange.

Recommendation: Meet with General Agents and Plan Issuers to review above options; Solicit input from health plans for RFP bid criteria and general agent standards if Option B or C is selected.

Small Employer Benefits Administration and Ancillary Benefits Board Recommendation Brief (see Report, pages 50 – 62)

The Exchange may provide health and administrative support that best serves the needs of small businesses. By aggregating services to administer COBRA and Cal-COBRA, Flexible Spending Accounts, and Health Spending Accounts, the Exchange has the potential for providing value-added benefits that facilitate one-stop shopping at a modest cost.

Options to Optimize Benefit Administration Support

Option A1: Mixed vendor limited employer benefits administration	Option A2: Cal-COBRA/COBRA only administration	Option A3: Full-service vendor-supported benefits administration
Exchange engages vendor(s) to provide select employer benefit administration services and may offer some services directly.	Exchange undertakes a minimal role and offers Cal-COBRA and COBRA administration only	Exchange engages a single vendor to provide an array of employer benefits administration services.

Options to Optimize Ancillary Benefit Support

Option B1: Specialty carriers	Option B2: Participating health plans
Exchange provides employer benefits administration services and offers ancillary benefits using specialty carriers.	Exchange provides employer benefits administration services and offers ancillary benefits through multiple participating health plans.

Recommendation: Exchange will explore vendor options for COBRA, IRS 125, FSA and HSA (Option A1) through specialty vendors on standalone basis (Option B1)

Small Employer Supplemental Dental and Vision Board Recommendation Brief (see Report, pages 62 – 66)

The Exchange may provide supplemental dental and vision that best serves the needs of small businesses. By providing these optional benefits, the Exchange may provide the value of large group purchasing on behalf of participating small employers seeking the convenience of one-stop shopping and administrative ease.

Options for Supplemental Dental and Vision

Option A: Offer Supplemental Dental and Vision	Option B: Do Not Offer
Exchange provides supplemental dental and vision benefits (beyond essential health benefit requirements)	Exchange only provides dental and vision benefits as defined by essential health benefit requirements.

Offering Supplemental Benefits in SHOP Exchange

Option A: Combined with Medical	Option B: Stand-Alone Plans	Option C: Hybrid
Exchange offers supplemental dental and vision coverage only as embedded as part of medical QHP plans.	Exchange offers stand-alone dental and vision plans.	Exchange offers a combination of (a) stand-alone dental, vision and medical plans; and (b) medical plans with embedded dental and vision benefits.

Recommendation: Exchange will explore vendor options for Supplemental Dental and Vision (Option A) through specialty carriers and vendors on standalone basis (Option B)

Employer Contribution and Participation

Board Options Brief (see Report, pages 67 – 75)

Employer Contribution and Participation Options

Small employer health benefit plans require that the employer make a contribution to premiums for employees, typically at least 50% of the premium amount. The Exchange must consider the minimum employer premium contribution requirement for participation in the SHOP, as well as the minimum percentage of an employer's eligible employees that are required to participate, to guard against adverse selection. Market standards for minimum employee participation levels should also be followed, and the Board should consider whether to deviate from minimum market standards for employer contribution levels, while also considering the contribution needed to qualify for the small employer tax credit.

Employer Contribution Options

Option 1: Require contributions consistent with current market underwriting rules	Option 2: Require contributions at least meet minimum federal tax credit	Option 3: Require contributions at a level higher than current market or federal tax credit
Establishes minimum employer contributions at levels consistent with the current small employer market.	Establishes minimum employer contributions at levels that ensure the tax credit can be taken, if other requirements are satisfied.	Establishes minimum employer contributions at levels higher than the current market or federal tax credit requirements to qualify for a tax credit to support more affordable coverage for employees.

Recommendation: Require contributions consistent with current market underwriting rules (Option 1)

Promoting Employer Tax Credit for Health Coverage

Board Background Brief (see Report, pages 76 – 78)

- The Affordable Care Act provides for a Small Employer tax credit to offset a portion of the cost of providing health insurance for some small employers.
- To date, the tax credit has been used by only a low percentage of eligible employers. Reasons for the relatively low adoption of the tax credit include:
 - The tax credit is generally not well understood by small businesses
 - The tax credit may be of marginal benefit to many small employers given their tax liability.
- Despite the low adoption of the tax credit, more than 375,000 small employers in California are estimated to be eligible for the credit.
- To maximize adoption of the Promotion and education of the small employer tax credit should be considered a core marketing feature to support development of the SHOP Exchange marketing strategy.

Next Steps

- Comments invited:
 - Submit comments to info@hbex.ca.gov
 - Please use Comment Form available at Stakeholder Section of the Exchange Website
- Obtain feedback from stakeholders on General Agent strategy options, then initiate RFP for General Agents (if applicable)
- Initiate RFP for externally sourcing SHOP Exchange business functions