



# California Health Benefit Exchange

## Board Members

Diana S. Dooley, Chair  
Kimberly Belshé Paul Fearer  
Susan Kennedy Robert Ross, MD

## Executive Director

Peter V. Lee

## Stakeholder Input: Small Business Health Options Program August 14, 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 July 19<sup>th</sup> Exchange Board meeting. Feedback was solicited in two specific issue areas as well as other general comment. Nine organizations submitted comments using a stakeholder input form provided on the Exchange website and 125 organizations and individuals submitted comments in a separate letter. Comments received on input forms have been compiled in the tables below and are organized alphabetically by section. Letters will be posted separately on the Exchange stakeholder [webpage](#). 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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## Input Forms Submitted

Organization	Input Form	Letter / Attachment
Andriana Cornejo - Dickerson Employee Benefits		X
Anthem Blue Cross	X	
Agent Groups		X
Alex Silva		X
Ali Ebadat		X
Allan Eckmann, Bay Crest Insurance Services		X
Andre E. Woods, The Liberty Company Insurance Brokers		X
Andrew Hudson, Cambridge Financial Partners		X
Angela Kohls, Paychex		X
Anna Ambarian		X
Aris Amirian, B & T Financial and Insurance Services		X
Asian and Pacific Islander American Health Forum		X
Bedrosian & Associates		X
Ben Aranda, Aranda Insurance Services		X
Benefit Plan Coordinators		X
Blue Shield of California	X	
Brad Lening, Musser Lening Insurance Services		X
California Association of Health Plans	X	
The Children's Partnership	X	
Chip Goodrich, AXA Advisors		X
Chris Huang		X
Clinton Brown Financial		X
Consumers Union	X	
Craig McNeese, Pontrelli Timour & Associates		X
Cydney Michele Sibley		X
Daisy Tseng-Holmes, Dickerson Employee Benefits		X
Danilo Kim, MetLife of SoCal		X
Darlene Prince, Benebiz Worksite Marketing		X
David N. Johnston, The Benefits Consultancy		X



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Organization	Input Form	Letter / Attachment
David Sheinin, Sheinin Insurance Group		X
Dean Damuth, Dickerson Employee Benefits		X
Debbie Goulden, Warren G. Bender Co.		X
Deborah Reyes Insurance Services		X
Diana Miller, Dickerson Employee Benefits		X
Dickerson Employee Benefits	X	
Dickerson Employee Benefits - Attachment		X
Dickerson Employee Benefits – Comment Letter (1)		X
Dickerson Employee Benefits – Comment Letter (2)		X
Donna Finnegan, Wright, Finnegan & Sommer Insurance Associates		X
Dora Wang, Yuhjiun Wang Insurance Agency		X
Edward Stricklan, The Henehan Company		X
Erol Woods, AXA Advisors		X
Frank Garcia, InsuranceKO		X
Glenn A. McDonald		X
Grace Culolias		X
Greg Burkhardt Agency		X
Haissam Alrachid		X
Heather Browning		X
Helena Ruffin, The Ruffin Group Insurance		X
Herman Pun		X
Howard Folmar		X
Ileana Albert		X
Integra Insurance Solutions		X
James Johnson, O-Line Business Insurance		X
James R. Simpson, JRS Integrity Insurance		X
Jason Shin, Tyche Insurance Services		X
Jenny Chon, AXA Advisors		X
Jess M. Swick		X
John Assaf, Farmers Group		X
John C. Eshom		X
John C. Harcar, Asset Plan Partners		X
John Carter, Wright, Finnegan & Sommer Insurance Associates		X
Johnny Scharnweber, Dickerson Employee Benefits		X
Jon Moothart, Moothart Insurance Agency		X
Julie Ou, AXA Advisors		X



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Organization	Input Form	Letter / Attachment
Julie Ting		X
Kaiser Permanente		X
Keith Kantarina Insurance Agency		X
Ken Green		X
Kent James Shuster, Shuster Financial Group		X
Kerstin E.M. Morgan, New York Life Insurance		X
Kevin Jung		X
Larry Sorenson, Sorenson Insurance		X
Linda Rose Koehler, Herzog Insurance Agency		X
Linda Soule' Dodge Insurance Services		X
Lisa Sandoval		X
LTai		X
Lynn Caffrey, Caffrey Insurance Solutions		X
Maddox Insurance Broker		X
Magnate Insurance Services	X	
Marjorie Leviste		X
Mark Shear, Shear Insurance Agency		X
Marsha Multz, Braun Shield Insurance Services		X
Mayra Vicuna, Dickerson Employee Benefits		X
Mel H. Connley		X
Merica Mojica, Dickerson Employee Benefits		X
Michael Wolff, Dickerson Employee Benefits		X
Mike Grumet, Mike Grumet Insurance Services		X
Nancy Ramos, Dickerson Employee Benefits		X
Natalie Smith, Asset Plan Partners		X
Neal Feigelman, Feigelman Insurance Services		X
Nicole Bovee, Morgan and Franz		X
Norma Paraiso, Hayward Tilton & Rolapp Insurance Associates		X
Ogden Page, Ogden Page Accountancy		X
Orion Risk Management Insurance Services		X
Patrick Bascue, MVP Insurance Agency		X
Paul Boulet		X
Paul Romo		X
Paychex Insurance Agency		X



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Organization	Input Form	Letter / Attachment
Peter G. Duncan, Sidles Duncan & Associates		X
Phillip Di Rocco		X
Rae R. Cohen, Rae Cohen and Associates		X
Randy Stryker, ISU Curry Insurance Agency		X
Richard Cabarloc, Assurant Employee Benefits		X
Rick Bruner		X
Rodney Nakada, Kagawa Insurance Agency		X
Roy Kim		X
Roy Warnock		X
Russell Oda, Reliable Benefit Solutions		X
Ryan In Sung Song, New York Life Insurance Company		X
Ryan Neace		X
Scott Curry, ISU Curry Insurance Agency		X
Shelton Gilmore, Dickerson Employee Benefits		X
Shepler & Fear General Agency	X	
Sherri Guedea, Benebiz Worksite Marketing		X
Simon Gurfinkel Insurance Agency		X
Sin Hwang, Prudential Insurance Company		X
Sitzman Morris & Lavis Insurance Company		X
Small Business Majority	X	
SMD Financial Services		X
Steve Ro		X
Steve Schultz, Schultz Associates		X
Sunita Sharma		X
T.J. Chen		X
Tadashi Kimara		X
Terese Alirez, Dickerson Employee Benefits		X
The Henehan Company		X
Timothy Collins, New York Life Insurance Company		X
Timothy P. Johnson, Core Benefits Insurance Services		X
Tony Suarez, Suarez Insurance Agency		X
Wells Fargo Insurance Services		X
Yasmina Enriquez, Dickerson Employee Benefits		X
Yolanda Webb, Trinity Financial Partners		X

California Health Benefit Exchange: Stakeholder Questions  
Small Business Health Options Program

ISSUE 1

Issue #1: Extent of Employer versus Employee Choice	
Organization	Comments
<b>Anthem Blue Cross</b>	<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.</p> <p>Anthem recognizes that <b>Option 3: Employer chooses tier, employee chooses issuer and plan</b> is required by the ACA and further supports <b>Option 6: paired/defined choice with limited tier options</b>, provided this option includes a premium adjustment for any selection dynamics. Our experience in the CalChoice market clearly identifies a selection factor in the low teens and while we have not yet modeled all the changes related to 2014 and the 3Rs we remain convinced there will be a selection dynamic not fully addressed and thus requiring a rating differential greater than 0% but less than that of the current market in CalChoice. Further, we believe the exchange is also contemplating <b>Option 2: Employer chooses issuers, employee chooses tier</b> and we would only support this option if <b>Option 6: paired/defined choice with limited tier options</b> was deemed not permissible or did not include any needed pricing adjustment. The primary reasoning for not supporting both is simplicity of the offering in that three different offerings will introduce too many options when coupled with the off exchange market.</p>
<b>Blue Shield of California</b>	<p>Blue Shield believes that absent the ability to impose minimum participation requirements at the health plan issuer level, offering employees any level of choice among issuers carries with it substantial risk of adverse selection. We understand, however, that the Exchange is obligated by the ACA to provide to employers the ability to choose a tier of coverage from which their employees would be free to choose coverage offered by any of the Exchange's issuers (Option 3). We believe that any additional option provided by the Exchange should serve to mitigate selection risk. We recognize that this is the intended goal behind the tentative recommendation for the paired choice option (Option 6). But the inability to apply minimum participation requirements at the issuer level renders this option of little use in mitigating selection risk. In our view, the only option that would help in this regard is Option 2, which would enable an employer to select a single issuer and its employees to select a plan at any level of coverage from that issuer. We recommend that this option be provided to all employers alongside Option 3. In addition, in order to limit the selection problems associated with Option 3, we recommend that the Exchange impose a premium load for coverage selected under Option 3 than Option 2 to reflect the expected adverse risk.</p>
<b>California Association of Health Plans</b>	<p>CAHP and our member plans continue to oppose option #5, which would allow for full employee choice in the SHOP. We are pleased to see that in the updated recommendations staff has moved away from this option. However, we are concerned with option #6, which is now the staff recommendation. This option would allow employers with 10-50 employees to use a paired choice model with limited tier options. We are concerned about the workability of this option and the potential for adverse selection. If the Exchange adopts option #6 it is possible that premium adjustments will be necessary to account for adverse selection between issuers.</p>

**California Health Benefit Exchange: Stakeholder Questions**  
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<b>Issue #1: Extent of Employer versus Employee Choice</b>	
<b>Organization</b>	<b>Comments</b>
<b>The Children’s Partnership</b>	Our organizations have previously commented on employer and employee plan choice issues in SHOP and are pleased to see the direction suggested by staff in the July 19, 2012 Board Recommendation Brief. The inclination to permit a reasonable level of both employer and employee choice by supporting Option 3 (Employer chooses Tier, Employee chooses Issuer) for small employers, and Option 6 (Paired/Defined Choice with Tier options) for larger employers seems reasonable. As we have previously indicated, we believe employees should have choices, but we also recognize the need to reduce the risk of adverse selection and not overwhelm consumers.
<b>Consumers Union</b>	As the brief points out, one of the most significant advantages of the SHOP to small employers and employees is expanded choice compared to current options. Consumers Union questions the recommended approach limiting choice to one plan for employers with the fewest employees (2-9 employees, viewing Options 3 and 6 together). The network limitations, for example, that could be imposed by this may make the entire option unattractive to employees. For example, if an employee has never been a Kaiser member and that is the only issuer chosen by the employer, shifting into that radically different system—desirable and praiseworthy though it may be for many consumers-- may not be right for someone for example with a longstanding relationship with a chronic disease specialist. Furthermore, in regard to Option 6 for larger employers (10-50 employees), limiting employers to two issuers may be fine, and is in fact what many larger employers do, but it is not clear why such a limitation is necessary. Even if we accept that the risk of adverse selection has been greater for smaller employers in the past, prior (and current) market circumstances were/are radically different from what we will have in 2014. Among the steps mitigating adverse selection concerns come 2014 are: requirements for common pricing inside and outside the Exchange; those offering in the Exchange must also offer identical products outside; guaranteed issue; statewide risk adjustment; and single statewide risk pools for each issuer’s small group and each issuer’s individual market. Lack of each of these features spurred the need for “Paired/Defined Choice,” now Option 6, in the PacAdvantage situation. But with each of these features coming in 2014, it is not clear why the limitations imposed by Option 2 and 6 would be needed
<b>Kaiser Permanente</b>	<p><b>Option #3 (Support):</b>            The goal of the SHOP exchange should be to bring as much unique value to the small business market as it can for as little additional cost. While providing small business employees of both a choice of competing carriers and of multiple benefit tiers would be attractive in the market, offering both types of choice is also quite expensive. But, the two types of choice do not add equally to cost. Choice of carrier adds to costs only minimally, while choice of benefit tier adds significantly. (An independent analysis prepared by Milliman for Kaiser Permanente supports this view.) Simply put, we believe the Exchange should offer the type of choice that is cheapest – choice of carrier.</p> <p>Choice of carrier at a single benefit tier chosen by the employer is quite attractive in the market, and adds only minimally to cost. Allowing employees to choose among competing carriers:</p> <ul style="list-style-type: none"> <li>▪ Allows employees to keep their doctors as they move from job to job.</li> <li>▪ Allows small business employees the same choice of carriers that is often available to employees of larger businesses.</li> <li>▪ Is the minimum employee choice option states must offer (the “default”) under federal guidance for state exchanges.</li> </ul>

Issue #1: Extent of Employer versus Employee Choice	
Organization	Comments
	<ul style="list-style-type: none"> <li>▪ Allows the Exchange to realize its goal as a catalyst for change, because it makes the small business market more competitive. This is because requiring employee choice of carrier prevents carrier practices that are common today that are intended to preserve market share by requiring small employers to offer just one carrier.</li> </ul> <p><b>For these reasons, employee choice of carrier should be the choice available in the SHOP exchange. This is Option #3, and we support the staff recommendation to provide this option.</b></p> <p>The primary reason that choice of carrier adds only minimally to cost is because it minimizes the extent of adverse selection due to individual employee choices. Choice of carrier results in minimal adverse selection, while choice of benefit tier adds significantly greater adverse selection. This is because individual consumers who believe they are relatively healthier, or, in contrast, believe they will have significant health care needs, primarily look to the <u>cost of different coverage options</u> in attempting to make the best choice for themselves. And, cost differences resulting from benefit tier differences are much greater than cost differences due to carrier choice. Also, while carriers may attract differences in risk mix due to network design, these can be addressed by risk adjustment between the carriers. It is not possible to fully address the adverse selection that stems from choice of benefit tiers, and for this reason, choice of benefit tiers adds to premium costs, since the impact must somehow be made up.</p> <p><b>Option #4 (Support with Reservations):</b>          The recommended proposal for “paired choice” among larger employer groups (Option #4) is an attempt to provide some degree of benefit tier choice by restricting the extent of carrier choice. If limited to only two contiguous metal tiers, this is an acceptable approach because it minimizes the cost associated with offering multiple benefit tiers – but it will not result in additional competition in the small group market, and it may limit the appeal of the SHOP, depending on how this paired offering is viewed in the market. Our preference would be that the SHOP offer only option #3, but if some degree of benefit tier choice is to be allowed, this option is preferable because choice would be limited to two contiguous metal tiers, thereby minimizing the cost impact from adverse selection of benefit tiers.</p> <p>Because most of the covered lives in the small group market are among employee groups of under 10, the anti-competitive impact of this option’s restriction on the number of carriers is minimized. We believe the proposal should be modified, however, to at least allow for a third choice of a regional carrier, where such carriers are available.</p> <p><b>Option #1 (Oppose):</b>          We do not support the SHOP offering “single carrier” options for several reasons. First and fundamentally, doing so means the SHOP is not adding anything new to the market. This is especially problematic because the tax credits for small employers that are available only through the SHOP – the SHOP’s “captive market” -- will be claimed by very few small employers. Accordingly, the SHOP must offer something besides tax credits to succeed. If the SHOP offers nothing unique in the market,</p>



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Issue #1: Extent of Employer versus Employee Choice	
Organization	Comments
	<p>we believe it will not attract significant membership, and will fail. Its administrative cost will become a greater share of premiums to the point where the SHOP will be unsustainable.</p> <p>Second, we believe the single carrier option continues today's anti-competitive market practices, whereby dominant carriers work to protect market share by preventing small employers from offering choices.</p> <p>Finally, we understand that proponents of the single carrier option believe this type of product can be offered at a lower cost. We do not believe this is the case. The ACA requirement that carriers consider the SHOP and outside market a single risk pool will not allow carriers to vary price based on whether a product allows for employee choice of carriers or not.</p>
Shepler & Fear General Agency	<p>We recommend that the Exchange continue to offer what is currently available in the market today: The employer may choose to offer a single plan to all employees or may allow individual employees to select from among multiple plans that the employer chooses to be offered. In other words <b><i>let the employer make the decision of whether to feature an "employee-choice" program or not.</i></b></p>
Small Business Majority	<p>Allowing for employee choice is a crucial component of the SHOP Exchange. The most successful private market exchanges (HealthPass New York and Health Connections in Connecticut) allow for employee choice and serve as an attractant for new customers. Robust employee choice will help distinguish the SHOP from the outside market. Without this distinction, employers will have little incentive to purchase coverage in the SHOP given that identical products at the same price will be available outside the Exchange. Research recently released by Small Business Majority and Kaiser Permanente show that 67% of California small business owners who plan to offer coverage in 2014 want to offer choice to their workers, just like many large companies do today.</p> <p>We are aware of no evidence that suggests allowing employees to choose amongst insurance carriers adds substantially to premium costs and we therefore encourage the Exchange to allow for this type of choice (Option 3) at a minimum. On the other hand, we do understand that unfettered choice amongst tier levels could potentially cause adverse pricing. We are therefore open to some reasonable limits in regards to the choice between tiers that employees are offered, similar to Option 6. While employers do show wide support for employee choice, their top concern is affordability. If Exchange products are significantly more expensive than non-Exchange products, small employers will not be likely to enroll. Therefore, the Exchange must strike a balance.</p> <p>In regards to Option 6, it should be noted that allowing for choice amongst only two carriers could limit competition, especially of local health carriers and CO-OPs. Businesses with employees throughout the state would likely not select a local carrier or CO-OP as one of just two options, thus making it difficult for these carriers to compete with the larger statewide issuers.</p> <p>While we support requiring the SHOP to offer employee choice, some small businesses will not want to offer employee choice.</p>

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<b>Issue #1: Extent of Employer versus Employee Choice</b>	
<b>Organization</b>	<b>Comments</b>
	Employers that want to select a carrier and tier for all their workers should be allowed to do so. Given the Exchange is operating in a free market, we encourage the Board to re-examine this issue once the SHOP is up and running. If evidence shows that the SHOP could offer additional employee choice down the road, we would encourage the Exchange to allow for that kind of flexibility.

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ISSUE 2

Issue #2: SHOP General Agent Strategy	
Organization	Comments
<b>Anthem Blue Cross</b>	<p>Anthem has no objection to <b>Option A2: Match commissions (Exchange pays)</b> however we question the process for developing rates when the exchange may alter agent compensation over time.</p> <p>As for general agents, Anthem believes in a facilitator model, so we would welcome <b>Option B3: SHOP contracts with all qualified general agents</b>. However, we understand the recommendation for <b>Option B2: SHOP contracts with some general agents through a bid process</b>. Anthem does not have any objections to this approach given the selective contractor role the exchange is taking.</p> <p>Finally, regarding <b>Table 6: Agent Payment Operational Considerations</b> we would like to seek further clarification; the table currently includes conflicting information for agent compensation in the individual and SHOP exchanges. Anthem looks forward to providing additional comments once we have received further clarification on Table 6. Anthem does not have a captive agents or telesales for small group; we will continue to assess these issues and will offer additional comments as the exchange finalizes recommendations. Specifically, we would like to seek additional clarification regarding vesting. We ask that you provide clarification regarding “legacy contracts” to understand whether that means grandfathered policies or existing members. Additionally, for group, the vesting should be based upon the group, not the members in the group. For individual, we believe non-grandfathered members would need to move to a QHP regardless, so there would not be a concern about the agent not being incentivized to move the business. Additionally, Anthem would like to seek clarification regarding whether or not an issuer can pay an agent who “owns” that business but is not certified to sell on the exchange. Finally, we ask that the table clarify what will happen with off exchange commissions. In the individual exchange, we are concerned that having the “lower” commissions on the exchange could incentivize agents to keep members off the exchange, and could drive some abrasion as Anthem reaches out to members who would be eligible for subsidies.</p>
<b>California Association of Health Plans</b>	<p>CAHP and our member plans suggest that in order to ensure affordability the Exchange should carefully evaluate what specific services it will need a general agent to provide and negotiate contract terms that reflect the specific needs of the Exchange and not the typical services provided by general agents. There are services currently provided by general agents that may not be necessary in the SHOP Exchange.</p>
<b>Consumers Union</b>	<p>Consumers Union supports the component of Recommendation A2 that has the Exchange as an aggregator paying agent commissions in the SHOP Exchange. As stated in our comments to the individual market agent options, we would like to see the Exchange collect and administer agent commissions in the SHOP and the individual market for some of the same reasons noted in the “pros” list (p. 7): the Exchange increasing its visibility as the agents’ payer of record, building relationships, and simplifying processes. This is similar to our reason for promoting the Exchange as aggregator of premiums and payer of those premiums to plans. (See CU letter of August 3, 2012 on premium aggregation). 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, and would create a simplified, coherent structure by which the Exchange would become the single agent commission payee for all</p>

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Organization	Comments
	<p>Exchange business for each participating issuer.</p> <p>While Consumers Union understands the rationale for relying on current market compensation arrangements between issuers and agents at the start-up to maintain stability in the marketplace, blanket reliance on this without a time limitation or requirement to revisit this periodically in the future may be counter-productive. The current marketplace is not functional for consumers and for cost-containment purposes, and using it as a basis for ongoing agent compensation for an indefinite period seems unfounded and unwise. Compensation based on a percentage of premium, a current standard, 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 strongly 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. This would also align agent payment methods more closely to that for Navigators. Thus, we urge that Option A2 be revised to make explicit that the Exchange will monitor and consider setting of alternative compensation/commission structures in the future.</p> <p>Under Payment Option A2, Consumers Union also urges the Exchange to 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> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Prohibit preferential direct or indirect consideration to agents for products inside; outside the Exchange based on health status, age, products with differing benefits;</li> <li>• Prohibit higher commissions, or other direct or indirect consideration, in the first year of a policy versus renewal years, in order to discourage churning;</li> <li>• Prohibit volume bonuses for enrolling a certain number of new lives each year in one or more particular products; and</li> <li>• Prohibit “fee waivers” for establishing websites, providing e-mail lists, offering preprinted promotional fliers, etc. for those agents who are deemed "high-producing" agents.</li> </ul> <p>While some of the concerns these provisions aim to address may diminish over time, current marketplace circumstances warrant addressing them contractually at the outset.</p> <p>Regarding General Agents, the staff brief notes that General Agents add another 2-3% to the average 7% agent commissions. While we want a broad array of players bringing in leads and especially helping and encouraging small businesses enrolling in</p>

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Issue #2: SHOP General Agent Strategy	
Organization	Comments
	<p>the Exchange, we question the wisdom of Recommendation B2 encouraging bids for General Agent contracts with the Exchange. The brief notes the additional premium cost added by General Agents (p. 5), and posits that “the load on premium would hopefully be offset by the expanded access to agents and new enrollment volume.” We would like greater clarification of the evidentiary basis for this hope. We agree with the brief that General Agent expenses should appear in issuers’ administrative expense calculations, but since the medical loss ratio rules (MLR) are already in effect, there should be some evidence about the extent to which General Agent payments have affected rates in the small group market. This evidence, which should be available from the Department of Managed Health Care and Department of Insurance, would aid the Board in assessing and deciding whether to approve the Recommendation.</p>
<b>Dickerson Employee Benefits</b>	<p>Dickerson Employee Benefits is excited about the opportunity to participate in the bidding process and hopes to be selected as a General Agent partner in the future.</p> <p>We would like to point out though, that constricting the number of authorized General Agents will jeopardize the mission of the SHOP as we understand it.</p> <p>As General Agents, we all serve an important role as a translator, educator and expert in small group health insurance.</p> <p>This is particularly true for California as its economy is carried overwhelmingly by small companies. These business owners rely on the advice of their local agents and brokers to make their health plan decisions. History has proven that small business owners are not buying these products directly from the carrier or on the internet. The SHOP decision to include agents in the distribution of its products is therefore very well advised. The decision to recognize the importance of General Agents is equally important. But just as it would not be helpful to rely only on a number of agents, it is questionable as to whether relying on a few General Agents’ (that most likely cannot cover all of the state with equal quality) ability to fulfill the specific and regional needs of the agents and their customers is a good idea.</p> <p>In our opinion, the purpose of the Exchange to reach all Small Businesses in California and their agents, wherever they are, would be better served if all of the 8-10 recognized Health Insurance General Agents would be harnessed.</p> <p>Each one of the General Agents, especially the smaller regional ones, are embedded in the fabric of their community. They earned the trust of their agents and brokers by delivering excellent service over decades. More, not less, General Agents will find the best products thus keeping the Marketplace transparent. California Agents who are aligned with a General Agent that does not represent the SHOP will resent having to move to an unknown General Agent for this specific product. This would create an unnecessary barrier to doing business with the SHOP.</p> <p>Another important aspect is that all General Agents carry the entrepreneurial risk of their overhead costs as they only get paid</p>

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<b>Issue #2: SHOP General Agent Strategy</b>	
<b>Organization</b>	<b>Comments</b>
	<p>on performance. This means more General Agents do not increase costs because each one of them will have to pay for themselves with production.</p> <p>We hope that the SHOP products will be competitive and attractive. But as the marketplace is always skeptical at the beginning, they will need as many advocates as possible to explain the value for the communities.</p> <p>We all expect a fair amount of confusion in the marketplace once additional choices in the SHOP are available. In our experience the agent/broker, does not trust the product representatives as much as their independent General Agents. The agent is relying on product independent education and advice. With all the changes upon us and the complexity of the Health Care Reform, the role of the General Agents is becoming even more important. We are, for example being called upon right now to help with the MLR Rebates and how the employers are supposed to reimburse their employees for part of the rebates.</p> <p>We strongly recommend maximizing the goodwill of all Agents and their associated and trusted General Agents to launch the SHOP. By definition, restricting the number of General Agents reduces the number of qualified Agents and Brokers who are willing and educated to grow the exchange from its inception. The launch of SeaChange Health in California was in large part successful because it strategically relied on all General Agents with their diverse background, history and relationships in their communities to endorse the new Carrier.</p>
<b>Kaiser Permanente</b>	<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. General agencies, if included in the SHOP design, are also an element of overall SHOP administrative costs. These costs, if excessive, will work against premium affordability and/or carrier participation.</p> <p>We suggest that if general agencies are to be included for the SHOP, 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>

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Issue #2: SHOP General Agent Strategy	
Organization	Comments
Magnate Insurance Services	<p>Reject Option B2 - SHOP Exchange contracts with 2-4 General Agents.</p> <p>By limiting the number of contracted General Agents, this option reduces choice for brokers and employers:</p> <ul style="list-style-type: none"> <li>• The small group market in California is complex and delivering solutions to address employer needs is demanding. General agents develop and deliver a broad suite of solutions for use by brokers to help serve this dynamic market. By leveraging the services brought to the market by the general agent brokers bring coverage to more employers and more employees.</li> <li>• As a broker serving small employers in California I find that general agents are responsive and accountable. Perhaps this is because like brokers, they are compensated only when they excel at delivering on commitments.</li> <li>• I rely on a variety of general agents to support brokers and by extension their employer clients. Just as no two employers are alike, no brokers and no general agents are identical. Each provides a unique set of services that appeal to differing clients' needs. Having a broad choice is important to brokers and to the market.</li> <li>• As a broker serving small employers in California I look forward to including a SHOP option when considering solutions for my clients. This is because meeting the needs of small employers is best achieved when there is a broad array of choices.</li> <li>• Please don't restrict my choice for business solutions. Choose Option B3, SHOP contracts with all qualified General Agents</li> </ul>
Shepler & Fear General Agency	<p>The Exchange would be well served to contract with <b>regional general agencies</b> in targeted geographic or cultural areas of the State. These agencies possess the knowledge and relationships between <b>local</b> carriers, health care providers, employers and their insurance agents. This strategy would enhance the enrollment success of the Exchange, therefore <b>minimizing any adverse enrollment selection</b>.</p>

ISSUE 3

Issue #3: Other Comments	
Organization	Comments
<p><b>Anthem Blue Cross</b></p>	<p><b>Individual Exchange – QHP Alignment:</b> Anthem believes the exchange should not require full alignment between the individual and SHOP exchanges as described in <b>Option A3: No required alignment</b>. We continue to believe that requiring alignment could potentially limit the number of QHPs participating in either exchange, leading to fewer options for consumers and small employers to choose from. We recognize the strong recommendation for <b>Option A2: Partial alignment</b>. We remain cautious about the exception process and concerned that QHPs could be induced to participate in a market that they are not passionate about serving.</p> <p>Furthermore, we support <b>Option B3: No required alignment</b>, 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. However, Anthem recognizes the strong recommendation for <b>Option B2: Partial alignment</b>. We would like to seek further clarification regarding what would constitute as “some differences” and remain concerned that the attractiveness of small group offerings may be undermined by requiring alignment.</p> <p><b>Employer Contribution and Participation Options:</b> Anthem believes <b>Option 1: Require contributions consistent with current market underwriting rules</b> would be in the best interest of the exchange and would align with the current market.</p>
<p><b>The Children’s Partnership</b></p>	<p><b>NAVIGATORS</b> While we recognize that Navigators are not the specific focus of the July 19, 2012 Board Recommendation Brief, we nonetheless note various references to the role of navigators in the brief. In our view, a thoughtful examination of how employers and employees might best receive assistance in SHOP necessarily prompts consideration of the role in navigators in SHOP. Accordingly, we wish to share the following recommendations with the Board. We note that the Brief raises the question of whether or not SHOP employers should be compelled to utilize agents. Importantly, the Board Brief also points out that there is a “significant portion of small businesses that do not use- and potentially do not trust – agents.” The cited Pacific Community Ventures survey reports that “43% of small business owners anticipate a combination approach of using both the Exchange and agents,” and further that “among the 25% that do not use agents, they trust small business organizations and non-profits ...” This report therefore clearly suggests an important role for navigators in the SHOP.</p>



**California Health Benefit Exchange: Stakeholder Questions**  
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Organization	Comments
	<p><b>Navigators should have a strong presence in the SHOP.</b> Navigators operating in the SHOP can and should be a key linkage for consumers between the SHOP Exchange and coverage in the individual exchange and public programs. While navigators may not be the primary avenue to coverage through the SHOP, navigators operating in the SHOP will be important to ensure smooth transitions between coverage options, ensure continuity of coverage, address complex coverage circumstances, provide assistance to businesses who choose not to utilize an agent or broker, and assist businesses where agents or brokers may not be geographically available. SHOP navigators will be needed to address the needs of diverse populations, minority-owned businesses and fill in gaps where agents or brokers may not be present or able to address the population’s needs. Navigators will likely have an ancillary but critically important role to play in the SHOP. While most small businesses will likely continue to lean on their existing relationship with an agent or broker to seek coverage through the SHOP, navigators will play an important role in creating the needed link between the SHOP and individual exchanges and in ensuring that the SHOP is part of the “no wrong door” path to coverage.</p> <p>SHOP navigators will help to ensure the seamlessness of coverage by:</p> <ol style="list-style-type: none"> <li>a. Addressing complex coverage circumstances (multiple coverage options within one family, divorce, sudden job loss, or disability, and dependent coverage).</li> <li>b. Supporting families who have members eligible for coverage in both Exchanges.</li> <li>c. Assisting families and individuals transitioning from coverage in the SHOP to individual coverage or a public program and vice versa.</li> <li>d. Assisting small businesses that don’t have an existing relationship with a broker and prefer to use a navigator.</li> <li>e. Providing assistance to small businesses in geographic areas where the networks of agents and brokers are insufficient to address the demand for assistance.</li> </ol> <p>We are pleased to see the role of navigators identified under “Next Steps,” and welcome the opportunity to participate in subsequent stakeholder discussion. The Board brief includes a staff recommendation that further development of various issues, including the role of navigators, be conducted “in consultation with potentially participating Qualified Health Plans and agents.” We respectfully request that such dialogue and consultation also include consumer advocates.</p>
<b>Consumers Union</b>	<p>Direct sales –in terms of containing costs and ensuring affordable policies for small employers/employees, it is hard to understand the benefit of disallowing direct sales arrangements by issuers and of requiring the use of agents. This would add a layer of cost, disturb current arrangements that have been working well, and seem to run counter to letting the current marketplace arrangements continue.</p> <p>Stakeholder involvement—the Staff brief states that it will consult with potentially qualifying health plans and agents about the potential contracts with General Agents, whether to allow direct sales or require the use of agents for all SHOP products, and how best to assist small businesses in enrolling in the SHOP. Consumers Union urges inclusion of consumer groups in these</p>

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	<p>conversations as well. These issues, and the array of operational issues set forth in Table 6, are very significant and will have an effect on adverse selection, the plans small businesses select, and the cost of SHOP policies. All of these issues are of direct concern to small business employees.</p>
<p><b>Shepler &amp; Fear General Agency</b></p>	<p>For a number of years, carriers have relied on a network of <b>local general agencies</b> to help educate and train insurance agents about their products, services and benefits. These local general agencies have <b>well-established, close ties</b> to the local agent community and have proven to be excellent allies with their carrier partners. Additionally, agents have come to rely heavily on the enrollment, billing, claims and customer service assistance these local general agencies provide at <b>no additional cost</b> to the consumer.</p> <p><b>The Role of General Agencies in Exchange Training:</b>          We recommend the Exchange conduct a formal evaluation of <b>local general agencies</b>, including a personal interview with the principals. The selected <b>local general agencies</b> must have demonstrated their ability to train insurance agents, employers and employees on a variety of topics. Those topics would include: <i>The Affordable Care Act, Qualification for Premium Subsidies, How an Exchange Works, How HMO's and PPO's differ, Network Provider and Benefit Issues, Consumer and Employer Service Issues, Consumer Enrollment Assistance, and How Employee Choice programs work.</i> Additionally, this training would be extended to include <b>Exchange Navigators</b>.</p>