



Small Business Insurance Group

MEETING 6

January 15, 2019

REMINDER: OUR CHARGE

Mission

As health care costs increase, the ability of Rhode Island small businesses (2-50 group size) to provide group coverage is impacted and fewer small groups participate in the small group risk pool.

Since 2010, the number of lives in the Small Group Market has decreased by 44%, and many small groups seek affordable insurance options.

The **Small Business Insurance Group (SBIG) on Market Stability** will investigate the origins and nature of these issues, reviewing Rhode Island's Small Group Market as well as market stabilizing strategies from other states.

Based off this analysis, the SBIG may consider **recommendations to improve Rhode Island's Small Group Market, whether legislatively or otherwise.**

Guiding Principles

1. Maintain market options that are attractive to small group market participants (businesses, carriers and employees);
2. Keep costs stable and affordable by addressing cost drivers and balanced risk pools;
3. Maximize the value of insurance coverage for all small businesses.

Goals

Identify and propose sensible, state-based policy options for RI that will be in service to those Principles.

TODAY'S AGENDA: Policy Option Deep Dive

Purpose of Today's Meeting

- Continue our deep dive into the details of the targeted policy options
- Show implications for Rhode Island of each option
- Discuss which options would work best in Rhode Island.

Today, we ask that you

- Consider which policy options make sense for RI.
- Share any concerns/considerations regarding the options as proposed
- Begin to discuss recommendations around these policy options.

Agenda for Today

1. Confirm what we heard – policy options we might consider/pursue
2. Continue/complete our deep dive on targeted policy options
3. Classify policy options as short term vs. longer term options
 - which may be feasibly considered as part of 2020 legislation
 - which require additional information, to be considered once survey is complete

SYLLABUS

Topic(s) for Discussion	Meeting Date	Meeting Location
Meeting 1 Introductions + Setting the Stage	Wednesday, Sept 25	United Way of Rhode Island – 50 Valley St, Providence
Meeting 2 What has been accomplished + What is at risk	Tuesday, Oct 8 1:00 – 2:30pm	United Way of Rhode Island – 50 Valley St, Providence
Meeting 3 Local carrier perspectives	Tuesday, Oct 29 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 4 National expert perspectives	Wednesday, Nov 20 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 5 Policy Deep-Dive	Wednesday, Dec 11 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 6 Policy Deep Dive Continued	Wednesday Jan 15 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 7 Developing Interim Recommendations	Wednesday, Jan 22 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 8 Refine Interim Recommendations	TBD	TBD

Notes

- **Meeting 7: Interim Recommendations** focused on feasible short-term actions within current legislative session
- **Meeting 8** to be added as needed to support interim recommendations
- **Anticipate SBIG 2.0** to reconvene once survey results are available

SMALL EMPLOYER SURVEY UPDATE

Goals

- Confirm and reproduce statistics similar to MEPS data: Offer, eligibility, takeup
- Assess offer/eligibility/enrollment rates by a variety of factors
- Test potential strategies to support small business health insurance

Logistics

- Small RI employers, with between three and 49 employees in total.
- Web-based survey instrument. Introductory letter (with link) will be mailed to the sampled firms
- Leveraging existing national survey template – reduced to be less than 15 minutes on average
- Expect to collect about 400 responses per current budget

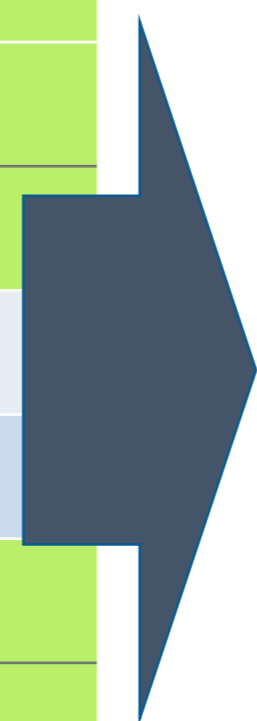
Anticipated Timeline

Survey invitations sent out	Jan 20th
Data Collection	6-8 Weeks
Data Cleaning/Weighting	4 Weeks
Crosstabs Available	Mid-April
Drafting of Report	2-4 Weeks
Final Report Available	May

WHAT WE HEARD: POLICY OPTIONS TO CONSIDER

Options Selected for deep dive

Category	Policy Option
Products	1. Alternative plan design (e.g., limited networks, reduced benefits)
	2. Micro-group (<5) targeted products, administration
	3. Alternative provider payment methods
	4. Encourage SHOP enrollment with full choice
Rates and Incentives	5. Reinsurance for small group market
	6. Enhanced Small Group rate regulation
	7. Cost sharing subsidies
	8. Targeted employer incentives for coverage
Employer/consumer protections	9. Regulatory protections re: stop loss/self insurance
	10. Regulatory protections re: PEOs
	11. Regulate allowable employee eligibility restrictions
Market Structure	12. Merge markets (Ind/Small Group) potentially with HRA
	13. Merge markets (Small Group up to 100)
	14. Alternative structures using AHPs, HRAs*



Excluded Options

- #2 Micro-Groups**
Data suggests that micro-groups are not a key driver of declining small group enrollment
- #6 Enhanced Rate Regulation**
RI already has in place an active rate regulation structure relative to national benchmarks
- #7 Cost Sharing Subsidies**
This is targeted to address declining employee take up -- Data suggests that this is not a key driver of declining small group enrollment
- #11 Regulate Eligibility Restrictions**
Data suggests that eligibility restrictions are not a key driver of declining small group enrollment
- #12/13 Merge Markets***
Targets instability of pool – preliminary carrier data does not support this as a problem

* HRA's Added based on member interest after meeting 4; some interest in further information on Merge Markets at meeting 5

WHAT WE HEARD FROM YOU: MARKET MERGER FOLLOW UP

Goal: Stabilize Small Group rates, reduce/limit volatility

By the numbers

Merger would nearly double the size of the pool to merge in either direction

- Individual (44,000); Small Group (52,000); 51-100 (32,000)

Carrier Perspective *(Comments at prior meetings)*

BCBS, United, Tufts noted that they currently rate using broader, more stable book of business – thereby reducing rate volatility and substantially limiting merger impact

Prior RI Study - 2012 Wakely analysis *(Actuarial assessment of Individual/Small Group merger)*

- Zero sum game (winners and losers)
- Nominal impact on SmG rates (+2/-1% depending on model)

Other Market Experience *(Expert comments, Meeting 5)*

- Limited data available re: the states that expanded the small group size.
- Anticipated concerns regarding disruption and jump in rates did not happen
- Regulators noted resulting shift to self-funded or PEOs – some healthier groups exited the market.

For Discussion: Should a market merger be considered as part of longer-term policy options?

POLICY OPTION DEEP DIVE

WHAT WE HEARD LAST TIME

<p>I. PRODUCTS</p> <ul style="list-style-type: none">a. Benefits and Cost Sharingb. Innovative Provider Partnershipsc. Employer Contribution Strategies (HRAs)	<p><i>Continued interest in developing, encouraging low cost plan designs</i></p> <ul style="list-style-type: none">• <i>Engaging consumers/changing behavior</i>• <i>Engaging providers</i>
<p>II. ENCOURAGE SHOP ENROLLMENT</p>	<p><i>Today's Discussion</i></p>
<p>III. REGULATORY PROTECTIONS</p> <ul style="list-style-type: none">a. Stop Lossb. PEOs	<p><i>Continued interest in strategies to:</i></p> <ul style="list-style-type: none">-- <i>Increase employer education</i>-- <i>Consider/define some limited protections</i>
<p>IV. REINSURANCE</p>	<p><i>Today's Discussion</i></p>
<p>V. TARGETED EMPLOYER INCENTIVES</p>	<p><i>Today's Discussion</i></p>

POLICY OPTION II. ENCOURAGE/LEVERAGE SHOP

Goal: Leverage SHOP as a pathway to lower cost plan designs

What is HealthSource RI for Employers?

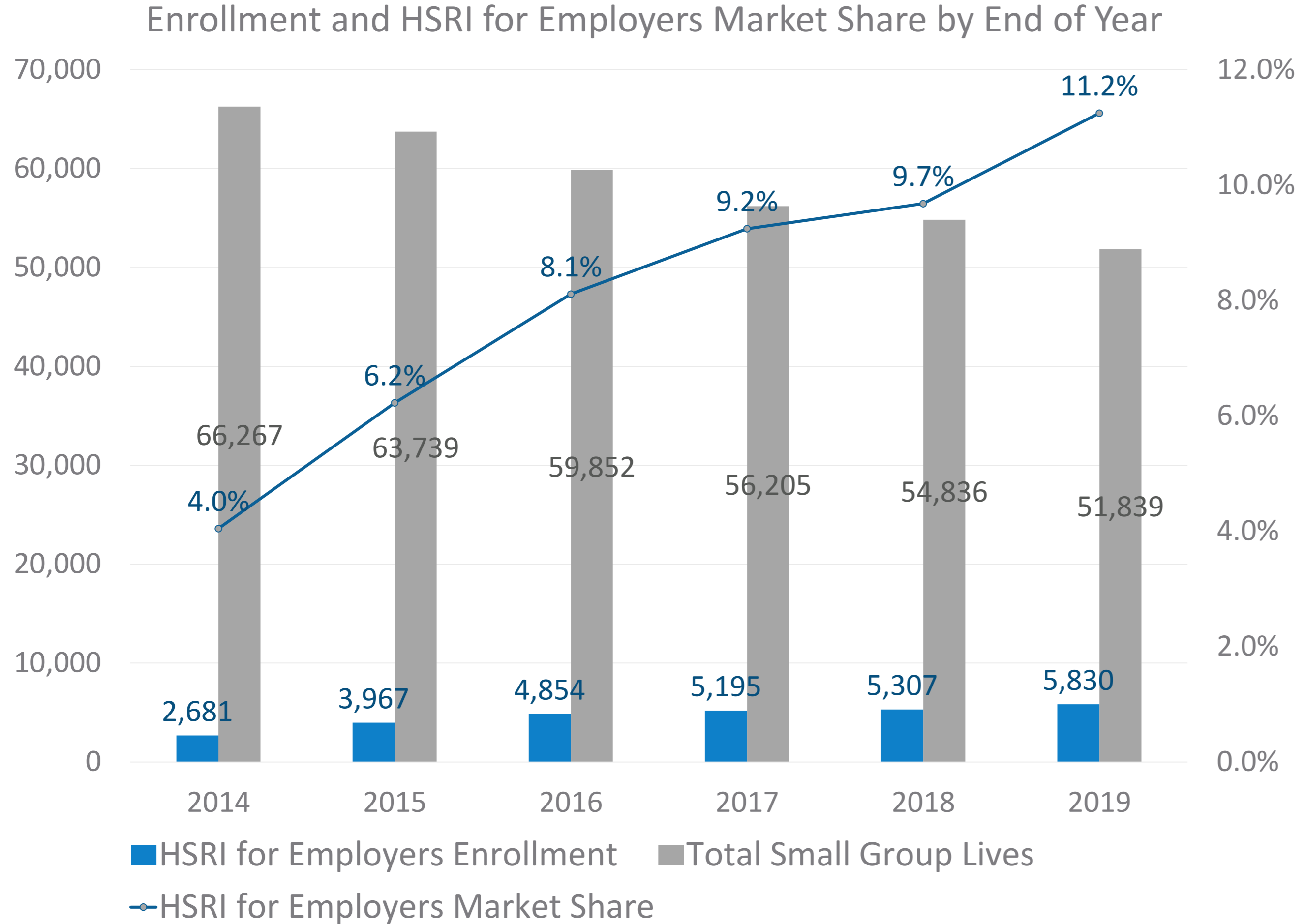
- ACA's Small Business Health Options Program (SHOP)
- A program of HealthSource RI, the state's health exchange, for small businesses to compare and buy insurance coverage
- Offer health and dental coverage; can connect businesses with ancillary products (e.g., vision, pet)
- Coverage is part of RI's small group market

How does it work?

- A business **requests a quote** and decides to enroll
- The business themselves, their broker, or our Business Engagement Team **fill out the online application**, picking a reference plan and a contribution per employee
- **Employees select their plan** to enroll in
- HSRI for Employers sends a **consolidated bill**
- After payment, HSRI for Employers transfers the enrollment information to carriers

POLICY OPTION II. ENCOURAGE/LEVERAGE SHOP

HSRI FOR EMPLOYERS BY THE NUMBERS



- Currently 824 covered employers, 3,606 employees; 5,830 lives
- Over 11% of the RI Small Group market, growth each year
- 96% of employers, comprising 98% of lives, use the full choice model
- About 70% of employers and employees choose Platinum or Gold plans
- Employers contribute about 70% on average towards single employee coverage
- 16 medical plans from BCBSRI and NHPRI, 5 dental plans from BCBSRI and Delta Dental
- **Among top performing state SHOP exchanges nationwide**

POLICY OPTION II. ENCOURAGE/LEVERAGE SHOP

Benefits of buying through HealthSource RI

- **Full Choice model**
Employers set a contribution and employees select from a range of plans across multiple carriers
- **Flexible Customer Service**
Can help the business, broker, or employees as much or as little as needed—including on-site visits
- 2-year **small business tax credit** for businesses under 25 employees and \$50,000 average wage
- Improved, smooth **online service** since 2019 system upgrade

Keys to Success for HealthSource RI for Employers

- RI emphasis on importance of small group coverage
- Partnerships with brokers and business groups
- Marketing and communications, including word of mouth

For Discussion

- What role can HSRI for Employers play in protecting the small group market?
- What can this group recommend to enhance these efforts?

ACA Health Insurance Premium Tax (HIT) Discontinued as of 12/31/20

The **ACA HIT tax** has been applied to premiums paid in the Individual and Group Markets for 2014-2016, 2018 and 2020 (suspended 2017 and 2019; Eliminated for 2021 and beyond)

In RI, this federal HIT averaged a 2.2% added impact on commercial premiums (\$26M) for 2020.

- Three states have passed laws to substitute a State-level HIT for the discontinued federal tax, as a source to fund their Individual Market reinsurance programs. Other states are considering other uses.
- RI has an existing 2% state premium tax (about national average %) on all types of insurance (fire, auto, etc.)

Options for SBIG to consider recommending to the Governor:

- 1. Let the federal tax reduction accrue as a reduction in premiums for 2021 (Individual and Groups);
- 2. Identify a policy option for Small Groups that needs funding, and design a state HIT to effectuate that;
- 3. Develop a policy option that will reduce costs for all insured lives that a state HIT could fund (more work needed to develop)

ACA Health Insurance Premium Tax (RI--*Estimated*)

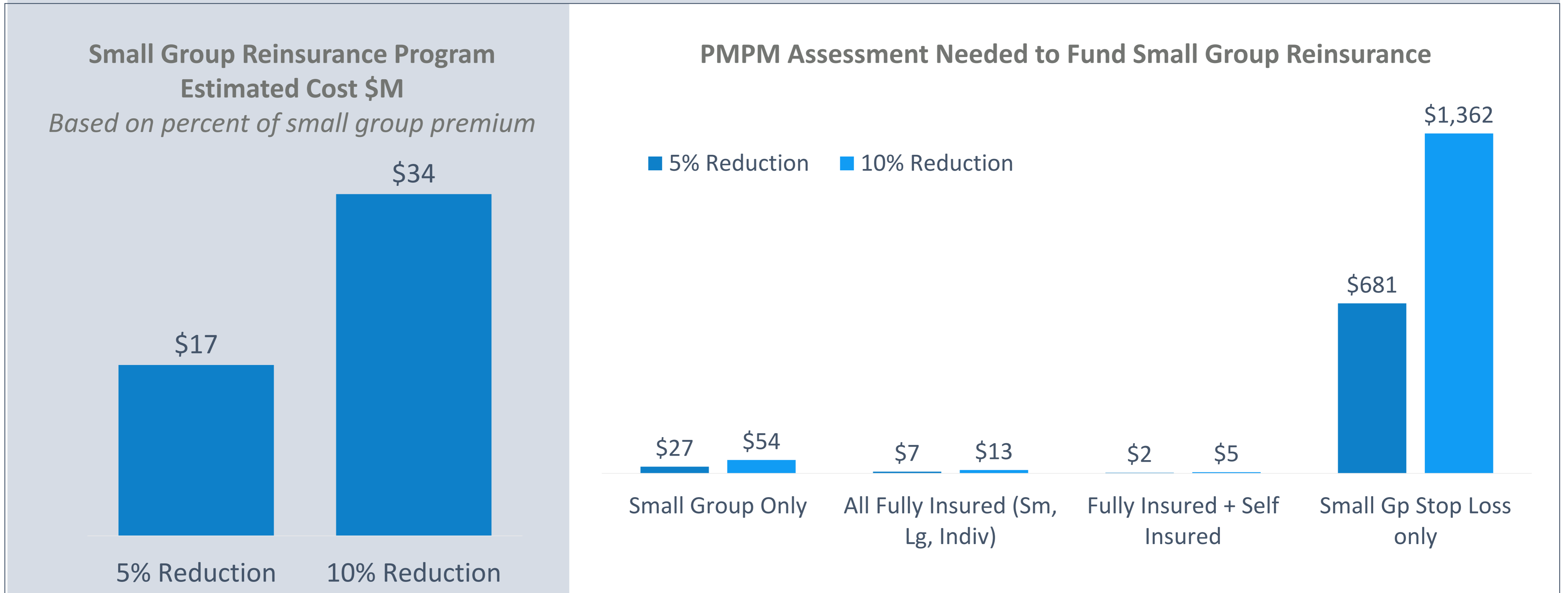
Market	Insurer	\$ Estimated Impact	Estimated % of Premium	Totals
Individual Mkt	BCBSRI	\$ 2.86M	2.1%	\$2.91M
	NHPRI	\$ 0.049M	0.0%	
	Total			
Small Group Mkt	BCBSRI	\$ 6.46M	2.1%	\$7.63M
	NHPRI	\$ 0.00M	0.0%	
	THP	\$ 0.52M	1.7%	
	UNC	\$ 0.65M	2.7%	
	Total			
Large Group Mkt	BCBSRI	\$10.88M	2.1%	\$15.83M
	THP	\$ 1.33M	1.5%	
	UHC	\$ 3.62M	2.7%	
	Total			
Total ESTIMATED				\$26.37M

POLICY OPTION IV: REINSURANCE

Goals: Reduce premiums, reduce rate volatility

Challenge: Requires investment, low/moderate administrative lift

For Discussion: Source of Funds?



POLICY OPTION V: TARGETED EMPLOYER INCENTIVES

Goal: Targeted employer support for specific industries, wage, size categories with low offer rates

Challenge: Requires investment, med/high administrative lift

For Discussion: Who to target?

Employer Size

Category	# Firms	# Emp'ees	Offer rate
< 10	15,435	53,928	34%
10-24	3,446	51,494	60%
25-99	1,880	68,336	77%
100-999	1,791	83,692	97%
1000 +	4,291	16,9394	100%
Total	26,843	426,844	82%
<50	20,069	137,766	54%
>50	6,773	289,078	96%

Employer Wage Quartile*

Category	# Firms	# Emp'ees	Offer rate
I	10,594	106,644	57%
II	7,678	106,337	88%
III	3,970	107,083	93%
IV	4,601	106,780	93%
Total	26,843	426,844	82%

Note: Because the sample frame is based in part on confidential IRS tax records, the average wage value cutoff for each quartile cannot be disclosed.

Industry

Industry	# Firms	# Emp'ees	Offer rate
Agri, fish., forestry and construction	2,653	25,197	73%
Mining and Manufacturing	761	37,377	96%
Retail/Other Services/Unknown	116,31	141,797	68%
Professional Services	6,972	157,532	90%
All Others	4,826	64,942	92%
Total	26,843	426,845	82%

POLICY OPTION V: TARGETED EMPLOYER INCENTIVES

Goal: Targeted employer support for specific industries, wage, size categories with low offer rates

Challenge: Requires investment, med/high administrative lift

For Discussion: Program Scope, Sources of Funds

Estimated Annual Program Cost, \$M

Incentive Amount: as a % of Premium

**Include
Small
Employers
Capturing xx%
of Employees**

	5%	10%	20%	30%	40%
5%	\$1	\$2	\$3	\$5	\$7
10%	\$2	\$3	\$7	\$10	\$13
20%	\$3	\$7	\$13	\$20	\$27
30%	\$5	\$10	\$20	\$30	\$40
40%	\$7	\$13	\$27	\$40	\$54
60%	\$10	\$20	\$40	\$60	\$81
100%	\$17	\$34	\$67	\$101	\$134

POLICY OPTION V: TARGETED EMPLOYER INCENTIVES

Lessons Learned: ACA Small Business Health Care Tax Credits

Current Program

- Credit = up to 50% of SHOP plan premiums for 2 years
- Eligible employers
 - Pay at least 50% of self-only coverage
 - Have <25 FTEs
 - Average wages <\$54,000

Lesson Learned: very limited use (2016 GAO study)

- 181,000 employers out of potentially 4M eligible
- Credit amount not large enough incentive
- Two-year limit – not sustainable for employers
- Earnings threshold too low
- Cost and complexity of claiming the tax credit

Possible Enhancements

- Raise average earning level
- Increase maximum # of FTEs
- Make available for more than 2 consecutive years
- Increase amount of tax credit
- Provide support for application process

Challenge: Where will \$ come from?



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POLICY OPTIONS DISCUSSION

Which options might be feasibly considered as short-term policy options within the current legislative session; which might be considered as part of a longer-term proposal?

Policy Options	Short term (2020) Policy Option?	Longer-term Policy Option?
1. PRODUCTS <ul style="list-style-type: none"> • Benefits and Cost Sharing • Innovative Provider Partnerships • Employer Contribution Strategies (HRAs) 		✓
2. REGULATORY PROTECTIONS <ul style="list-style-type: none"> • Stop Loss • PEOs 	✓	
3. ENCOURAGE SHOP ENROLLMENT		?
4. REINSURANCE <i>(Using Health Insurance Premium Tax)</i>		?
5. TARGETED EMPLOYER INCENTIVES <i>(Using Health Insurance Premium Tax)</i>		?
6. MERGE MARKETS <ul style="list-style-type: none"> • Individual/Small Group • Small Group >100 		?
7. DISCONTINUE HEALTH INSURANCE PREMIUM TAX	?	

PUBLIC COMMENT?

THANK YOU



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OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND



WHAT WE HEARD FROM YOU – REGULATORY PROTECTIONS RE: SELF FUNDING

Meeting 5 Discussion Summary

Background

- **Self Funding in Small Group**
Increased marketing of self-funding + stop-loss as fully insured products “in disguise”, post ACA. Employer risk set low; issuer bears most of risk.
- **Contractual concerns** with some products/practices; e.g.,
 - **Lasering:** Employees with certain specified conditions excluded from policy
 - **Claims lag/tail:** liability after contract term
 - **Fully insured-like product elements** (UR, prior auth, care management)
 - **Mid-year terminations,** rate adjustments
- **Value Proposition concerns**
how much of the self-insured premium is actually paid out to participating employers?
- **Market Concerns**
Pulls healthy risk out of the small group market, leaving remaining pool in jeopardy

Options to Consider

- (1) Restrict Size**
Allow stop-loss for small employers only over a certain size
NY: 50; DE: 5; NC: 20; NV: 15
- (2) Minimum Policy Standards**
e.g. prohibiting lasers, mid year rate adjustments, require claims tail liability, no medical underwriting, allowable services
- (3) Increase Attachment Point (i.e., CA, DC, MD)**
RI: current attachment point (in legislation) is min \$20,000, 120% of aggregate claims. Change requires legislation.
Milliman study: Recommends attachment point of \$60K/agg 130% to make the product more truly self-funded. Carriers would then only offer to employers that can take that risk
- (4) Require Disclosures, Reporting specific to risks, benefits**
MLR-like reporting requirements
- (5) Other Options**
 - Rate/form review & approval;
 - Assessment to support small group market (e.g., reinsurance)

WHAT WE HEARD FROM YOU: ALTERNATIVE PLAN DESIGNS

Meeting 5 Discussion Summary

The Problem

RI employers choosing to offer rich plans or no plan at all. How to encourage employers to choose lower cost plan design vs not offering at all?

- RI Employers are not choosing low cost plans - most plans sold are gold and platinum
- Not unique to Rhode Island, and follows similar trends nationally, however RI choices appear richer than national average.
- Need more value-based design - which would provide high value at a lower cost. Need to move away from fee for service

Key Challenge – How to engage, offer strong value proposition, financial incentives for all parties

Lower cost plan designs must be financially viable for the carrier, provider, employer and the member.

- **For Employers:** Why move from a gold to a bronze plan if the difference in premium is not that significant?
- **For Carriers,** Why expose themselves to increased volatility of high deductible/low-cost plans?
- **For Providers,** what is the financial reward to move to alternative payment models? RI market structure is added challenge.
- **For Members** - Wellness rewards programs offer value; but tends to be the healthier people who participate.

Our Existing Toolkit

- **HMOs** offer structure that enables value-based design, provider engagement. Caution: docs don't like them, employers not selecting
- **Tiered Networks** - Tiered networks could save 5-12% according to a Health Affairs study. Can we tier/narrow PCP networks? access to Boston?
- **Medicare ACOs** have started to take root here, taking on more risk and responsibility amongst the hospital based ACOs.
- **OHIC Affordability Standards** – new requirements push toward APMs, away from FFS based payments
- **Wellness Programs** in place; however, engaging consumers is challenging - it tends to be healthier people who participate.

Policy Options

1. **Encourage Culture Shift:** Education/communication plan building on existing business community committee members as a base
2. **Require Carriers to offer VBP Design Options** - e.g, specify cost savings target, product characteristics; could require offered on SHOP
3. **Specify Product:** Design a specific product, premium provider partnership model that must be offered by all carriers.

WHAT WE HEARD FROM YOU: HRAs

Meeting 5 Discussion

Pros

- Predictable (capped) employer contributions
- Employee choice of Ind. Mkt plan

Cons

- Cost-shift to employee
- Less generous coverage
- Complex to administer
- Adverse selection?
- Employee confusion

Key Takeaways

- **Limited State role in HRAs - state policy not needed for growth or expansion**
- Similar value proposition to SHOP for employers
- Lack of broker compensation in individual market + complexity will likely impact take up



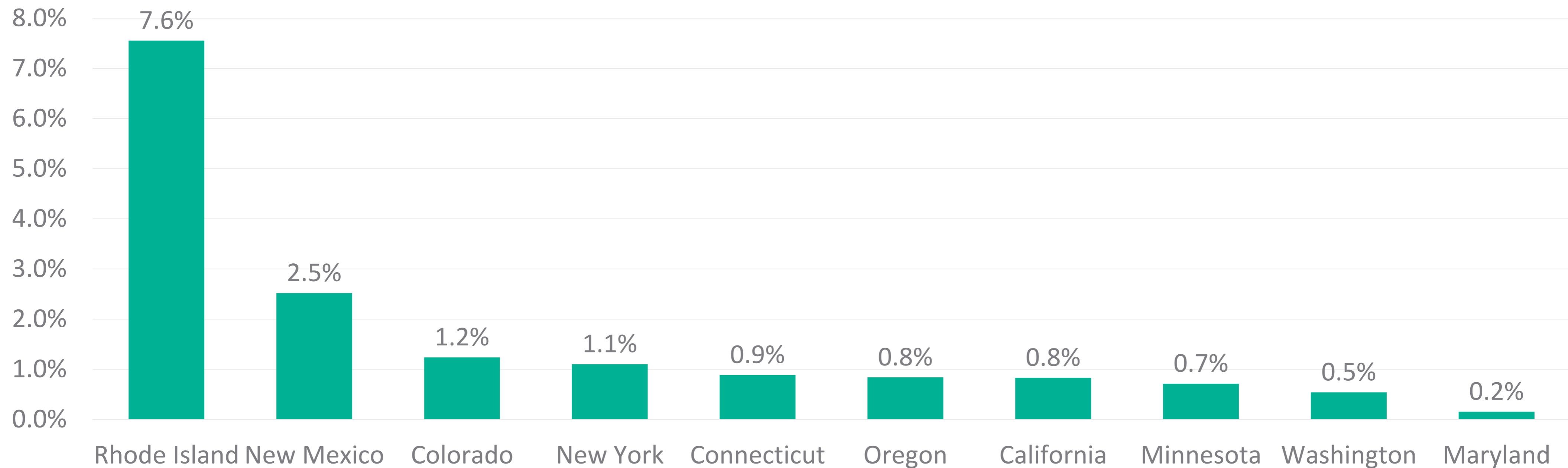
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POLICY OPTION II. ENCOURAGE SHOP ENROLLMENT

HSRI for Employers By the Numbers

2016 SHOP Market Share among Comparable* State Exchanges



Data from [GAO-19-306](#) Health Insurance Market Concentration. UT, MA, ID, HI did not provide data to GAO

*DC and VT omitted as not comparable

POLICY OPTION III: REGULATORY PROTECTIONS

Goals: (1) To protect small businesses from unanticipated liability; and,
(2) to foster a level playing field, limit adverse selection

b. PEO Regulation: State Options

PEOs are MEWAs under federal law and thus subject to state regulation

PEOs may “cherry pick” healthy small groups and/or charge low “teaser” rates that go up after taking over critical admin functions

State Options include

- Collect data to quantify PEO penetration in state
- Apply look through rules and/or ban underwriting of small employer clients (ME, NH)
- Assessment to support small group market (e.g., reinsurance, incentives)



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