



Small Business Insurance Group

MEETING 7

January 22, 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.

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 8 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 1/29 or 2/5?	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

TODAY'S AGENDA: Short-term Legislative Priorities

Purpose of Today's Meeting

Focused discussion of policy options that might be feasibly considered within the current legislative session.

Today, we ask that you

- Consider which policy options we might consider as part of a short-term legislative package
- Share any concerns/considerations regarding the options as proposed
- Begin to discuss specific recommendations around these policy options.

Topics to Cover

1. Regulatory protections re: stop loss/self insurance
2. Regulatory protections re: PEOs
3. Health Insurance Premium Tax

WHAT WE HEARD LAST TIME *(excluding HIT discussion – addressed later)*

Topics	Committee Feedback
1. Market Merger	<ul style="list-style-type: none"> Consider Market Merger as part of a broader package of recommendations – Would this package of recommendation be better served with a market merger?
2. SHOP	<ul style="list-style-type: none"> Opportunity to leverage SHOP as a vehicle to encourage small group market growth Eliminates some of the challenges that may be driving small group enrollment declines. Strong value proposition of SHOP acknowledged by some committee members Concern Raised: Is SHOP more expensive? <ul style="list-style-type: none"> BCBSRI analysis: if SHOP were mandatory (i.e., no outside market) SHOP would be more expensive than direct market – mostly due to SHOP fee and adverse selection associated with full choice. State noted single rating pool (SHOP and Direct), so rates are NOT higher on SHOP. NHPRI noted that there are policy options that could mitigate BCBSRI concerns. Concern raised: Market Perception of SHOP as Gov’t Program vs. a market-based solution
4. Reinsurance	<ul style="list-style-type: none"> A material impact on rates (5-10%) would cost \$17-34M -- and would require us to repurpose the full HIT Concern Raised: One-time impact of reinsurance – would it be sufficient to materially impact employer behavior/purchasing decision? Concern Raised: How meaningful is this impact, given current carrier rating practices
5. Targeted Subsidy	<ul style="list-style-type: none"> Targeted Subsidy is more cost effective than reinsurance program – could leverage HIT Challenge – Who to Target? <ul style="list-style-type: none"> Survey should provide valuable insights into how best to target subsidy How to target subsidy – given that many low offer rate firms rely on part time and/or seasonal workers Can we link this to RiteShare, target employers with Medicaid eligible employees? . Challenge - Administration Administration of a subsidy is significant; however, could leverage SHOP infrastructure

TODAY'S DISCUSSION : SHORT TERM POLICY OPTIONS

Policy Options	TODAY	
	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	✓	

The Market for Small Business Insurance Today



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The Goal for Small Business Insurance Markets



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Stop-Loss/Self-Insurance

State Policy Options for Consumer Protections

Self-funded plans offer an alternative to some small employers, outside of the small group market – exempt from ACA protections (i.e., rating, benefit standards) and the HIT.

State regulation of self-funded employer plans is generally preempted under ERISA

- BUT: some combinations of self-funding + stop-loss are fully insured products “in disguise”
- State goals:
 - Protect small biz from unanticipated liability
 - Foster level playing field and limit adverse selection



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Stop-Loss/Self-Insurance

State Policy Options for Consumer Protections

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

1. Ban stop-loss for all or some small employers
 - NY (under 100); NV (under 15), NC (under 20), DE (under 5)
2. Increase attachment point
 - NAIC actuarial study (Milliman) recommends \$60K
 - CA, DC: \$40K
3. Minimum policy standards
 - Lasering; timing of premium rate changes; claims tail resolution
4. Improve disclosures
5. Assessment of stop-loss carriers; use \$ to support ACA-compliant market

NOTE

Policy options offer varying levels of impact, regulatory burden



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Professional Employer Organization (PEO)

State Policy Options for Consumer Protections

PEOs offer an alternative to **some** small employers, outside of the small group market – not subject to many ACA protections (i.e., benefit standards, rating rules)

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 goals:
 - Protect small biz from unanticipated liability
 - Foster level playing field and limit adverse selection



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Professional Employer Organization (PEO)

State Policy Options for Consumer Protections

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

State policy options include:

1. Apply look-through rules and/or ban underwriting of small employer clients
 - E.g., ME, NH
2. Assessment of PEO health plans; use \$ to support ACA-compliant market



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Thank You!

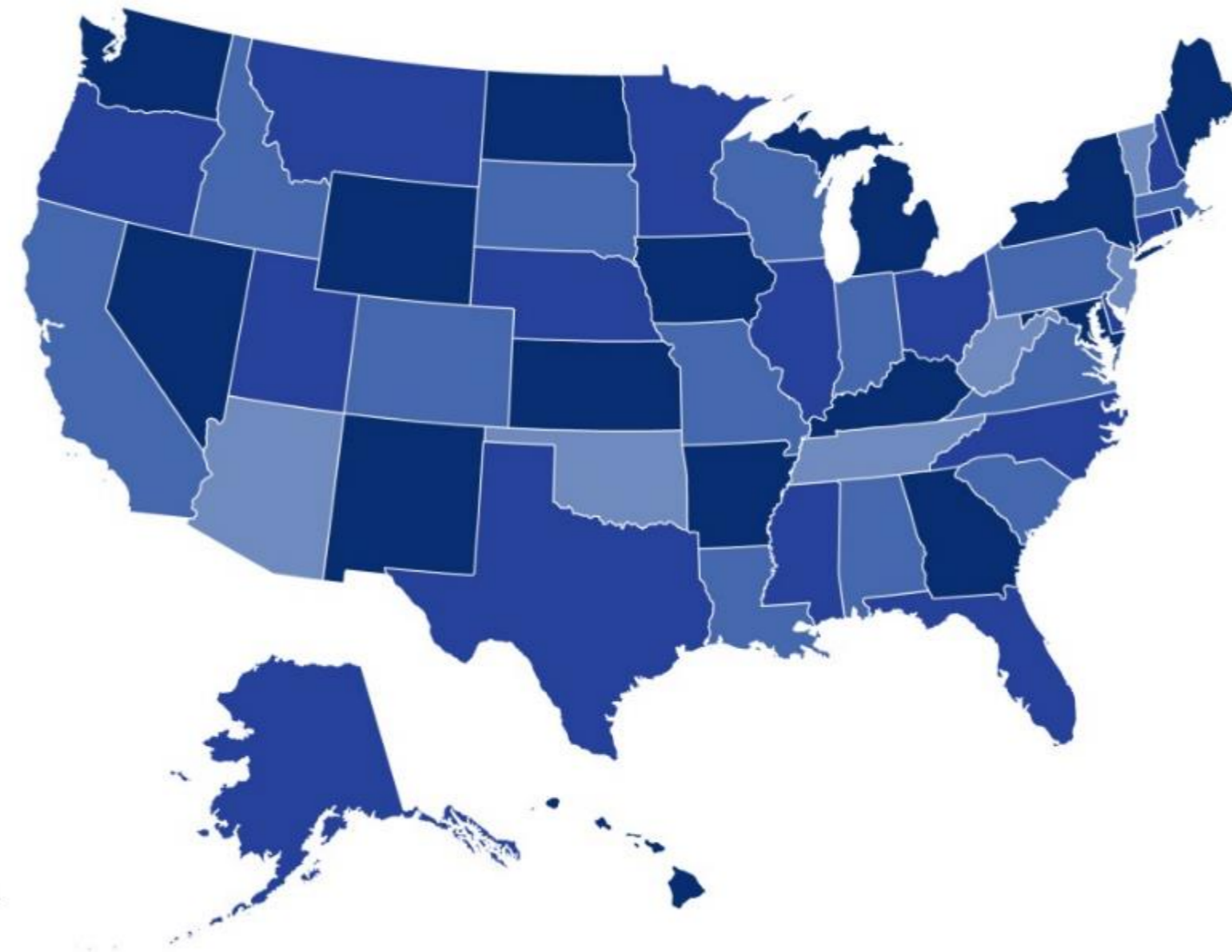
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HEALTH INSURANCE PREMIUM TAX (HIT)

What We Heard Last Time

- **Structure**

Current Federal HIT Structure vs. RI Specific Model/Refinements (e.g, NHPRI is exempt)

Group acknowledged likely best to retain existing structure

- **Opportunity**

Significant funding opportunity – \$26 M

would allow for programs that could materially impact Small Employer Trends

- **Concerns Raised**

-- BCBS as primary payer IN – would like some time to consider their position

-- Leveraging other market HIT contributions to support Small Businesses

STRAWMAN Recommendation from the SBIG

- Let the HIT tax sunset for 2020
- Revisit the HIT in 2021, once the SBIG has developed meaningful policy options, informed by employer survey data, for the state to pursue

DISCUSSION: SHORT TERM POLICY OPTIONS

Goal: Identify and propose sensible, state-based policy options for RI in service to the Principles.

	Principles		
Should legislative action be proposed in 2020 to:	1. Attractive market options	2. Keep costs stable & affordable	3. Maximize value of coverage for all small biz
1. Implement regulatory protections re: stop loss/self insurance?			
2. Implement regulatory protections re: PEOs?			

- 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.

SHORT TERM POLICY OPTIONS FOR 2020: STOP LOSS/SELF INSURANCE

Which specific recommendations might we consider?

Policy Options	Principles			State Admin Burden
	Maintain attractive market options	Keep costs stable & affordable	Maximize value of coverage for all small biz	
1. Ban stop-loss for all or some small employers NY (under 100); NV (under 15), NC (under 20), DE (under 5)				Low
2. Increase attachment point NAIC actuarial study (Milliman) recommends \$60K; CA, DC: \$40K				Low
3. Minimum policy standards Lasering, mid-term rate increases; claims tail resolution				Med/High
4. Improve disclosures				Med/High
5. Assessment of stop-loss carriers used to support ACA-compliant market				TBD

1. Maintain attractive 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.

SHORT TERM POLICY OPTIONS FOR 2020: PEOs

Which specific recommendations might we consider?

Policy Options	Principles			State Admin Burden
	Maintain attractive market options	Keep costs stable & affordable	Maximize value of coverage for all small biz	
7. Apply look-through rules and/or ban underwriting of small employer clients e.g., ME, NH				Low
8. Assessment of PEO health plans; use \$ to support ACA-compliant market				TBD

1. Maintain attractive 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.

PUBLIC COMMENT?

THANK YOU



HealthSourceRI
WE WORK FOR YOU



OFFICE OF THE
HEALTH INSURANCE COMMISSIONER

STATE OF RHODE ISLAND



Reminder

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

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)