



Small Business Insurance Group

Tuesday, October 29th, 2019

9:30 – 11:00am

United Way of Rhode Island

EMPLOYER SURVEY UPDATE

- Rhode Island Foundation is in contact with NORC at the University of Chicago
- Results are expected in February of 2020 at the earliest
- Outreach from organizations will be requested

SYLLABUS: MEETING 2

RI Small Business Insurance Group (SBIG) Schedule

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 in RI	Tuesday, Oct 8 1:00 – 2:30pm	United Way of Rhode Island – 50 Valley St, Providence
Meeting 3 Local carrier and national expert perspectives	Tuesday, Oct 29 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 4 Policy Deep-Dive (Based on Meeting 2/3 material)	Wednesday, Nov 20 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 5 Policy Deep-Dive Continued	Wednesday, Dec 11 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 6 Developing Recommendations	Wednesday Jan 8 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence
Meeting 7 Finalizing Recommendations	Wednesday, Jan 22 9:30 – 11:00am	United Way of Rhode Island – 50 Valley St, Providence

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: Insurer Observations

Purpose of Today's Meeting

- Learn from the insurers what they have observed in the Small Group Market and what they recommend.
- Compare the experiences of the insurers to identify any similar trends.

Today, we ask that you:

- Engage in the data: what do we know? Are the facts clear?
- What else do we need to know to be able to assess proposals against a solid starting point?

Agenda for Today

1. Follow-ups from the last meeting
2. Insurer Presentations on the Small Group Market
3. Facilitated Discussion of the Problems Identified and Related Interventions
4. Next Steps: Initial policy options to consider

REMINDER: KEY CONCERN - SMALL GROUP MARKET



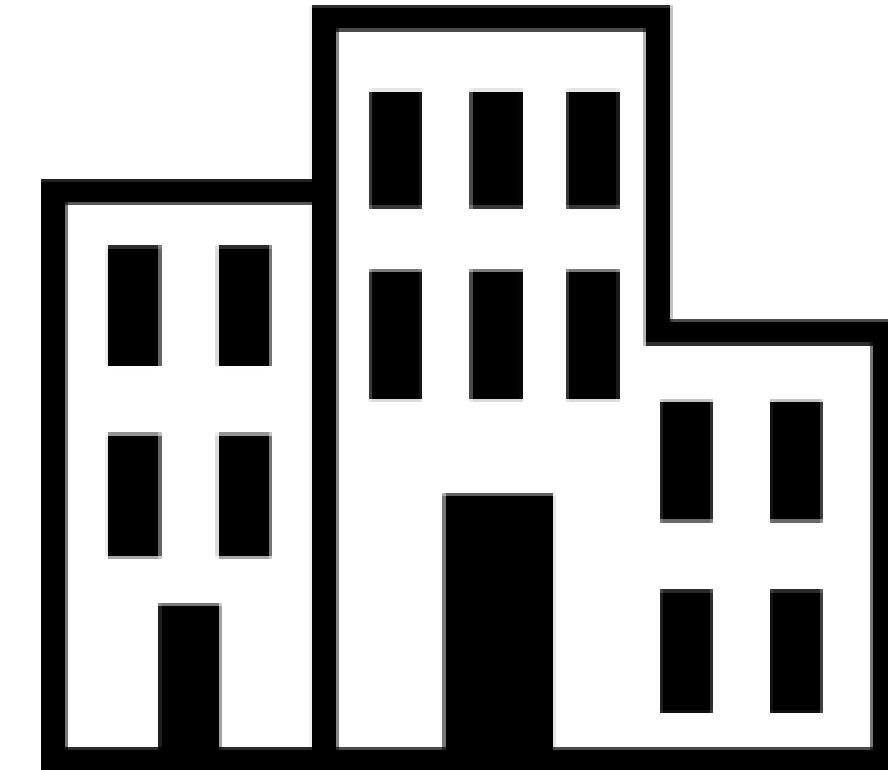
Employers

- Premiums/Costs
- Employee participation
- Benefits



Members

- Access and choice
- Affordability protections
- Cost-sharing
- Benefits



Carriers

- Carrier participation
- Financial stability

INSURER OBSERVATIONS

- ❖ Tufts Health Plan
- ❖ UnitedHealthcare
- ❖ Blue Cross Blue Shield of Rhode Island
- ❖ Neighborhood Health Plan of Rhode Island

Small Business Insurance Group

Health Plan Carrier Survey Response

October 29th, 2019

SBIG Carrier Survey Responses

1 – Observed trends in small groups that may impact costs

Over the past five years, have you observed substantive declines in small group enrollment? Is the trend worsening or improving? Any more recent concerns?

Tufts Health Plan’s (Tufts HP) Rhode Island small group membership has increased each year for the past 5 years. The increasing membership reflects the price position of Tufts HP’s products in the market.

	Apr-15	Apr-16	Apr-17	Apr-18	Apr-19
Tufts	804	1,564	2,346	4,069	4,656

SBIG Carrier Survey Responses

Do you have any data on the sources of decline: is it in certain industries, size subsegments? Geographies?

Tufts HP's Rhode Island small group membership distribution has remained consistent across size subsegments. The table below details the distribution of members by size subsegment as of September 2019

Enrolled Subscribers	Distribution of Members
1 - 5	17.4%
6 - 10	23.9%
11 - 25	41.8%
26 - 50	16.8%
Total	100.0%

SBIG Carrier Survey Responses

The breakout of top 20 industries has remained fairly consistent since 2016. These industries represent 84% of Tufts HP's member months going back to 2016. The top 5 represent 41% of the total.

Industry	% of MM
Retail and Wholesale Sales	11.5%
Business Services	7.8%
Contractor	7.6%
Industrial Machinery and Equipment	7.3%
Medical Services	7.1%

SBIG Carrier Survey Responses

Over the past five years, what are the underlying cost trends that you have observed?

Given the small size of Tufts HP's Rhode Island small group block, cost trends have been somewhat volatile over the past five years.

Have you experienced any degradation of the small group risk pool? Increased volatility? Is there any concern with the size of small group segments and volatility?

Consistent with the small group cost trend, the Tufts HP small group risk experiences similar volatility. There is concern with the size of the small group market and volatility. Increased volatility will lead to less accurate financial and rate predictions.

SBIG Carrier Survey Responses

Have you noticed a change or a trend in small group member demographics or product choices?

It is not uncommon for groups to purchase less-rich plans each year to minimize the rate increase impact. The rate at which groups have switched to less-rich plans increased in 2018. This decision is partially influenced by larger rate increases in 2018 than historically.

The average family size has increased since mid-2017. However, the average family size is still lower than the market average.

Product Pairings and the Competition

2 – Benchmarking

How does this trend compare with your experience in other states in which you operate?

Tufts HP's small group membership is increasing across all states in which it operates.

How does this trend compare with your experience in other market segments?

Tufts HP's Rhode Island small group membership trend is increasing, while enrollment in large group is decreasing. This is consistent across all states.

Product Pairings and the Competition

3 – Why have these declines occurred?

- Do you have any data on the key drivers of recent declines?
- Is it driven by declines in employers offering coverage?
- Are employers adding/increasing eligibility restrictions? Are fewer employees choosing to enroll?
- Where are they going: Are more employers shifting to other carriers, to out-of-state offerings, to self-insured? Dropping coverage altogether?
- Are they dropping coverage: Is it that employers are dropping coverage, or that fewer new employers are offering coverage?

Over the past five years, Tufts HP has seen a lower uptake of enrollees vs eligible subscribers. More employees appear to be waiving coverage. As a result, contract size is lower than in Massachusetts, but similar to New Hampshire.

SBIG Survey Responses – UnitedHealthcare

1. Observed trends in small groups that impact costs

- **Over the past five years, have you observed substantive declines in small group enrollment?**

Small Group membership in RI has declined over the past five years from 2014 to 2018.

- **Is the trend worsening or improving?**

Membership is slightly increasing in 2019.

- **Do you have any data on the sources of decline: is it in certain industries, size subsegments? Geographies?**

The only thing that we have noticed is that the membership is increasing for the smaller size groups as a % of total 2-50.

- **Over the past five years, what are the underlying cost trends that you have observed?**

We have been risk adjustment payer over the past five years. Risk adjustment had a material impact on the increase in our rates.

1. Observed trends in small groups that impact costs (continued)

- **Have you experienced any degradation of the small group risk pool?**

We have seen decrease in the risk adjustment in the past 3 years.

- **Increased volatility? Is there any concern with the size of small group segments and volatility?**

Our small group block has been very volatile, we have seen our risk adjustment vary from -2.2% to -11.9% during the past five years.

- **Have you noticed a change or a trend in small group member demographics or product choices?**

It appears that we are writing a slightly richer plan designs on average.

2. Benchmarking

- **How does this trend compare with your experience in other states in which you operate?**

We are not seeing the reduction in membership trend in other Northeast Markets.

- **How does this trend compare with your experience in other market segments?**

We are not seeing the reduction in membership trend in other market segments.

3. Why have these declines occurred?

- **Do you have any data on the key drivers of recent declines? Is it driven by declines in employers offering coverage? Are employers adding/increasing eligibility restrictions? Are fewer employees choosing to enroll?**

This is not data that we track. Our sales team reports we do see more part-timers being employed and impacting FTE counts, and more companies requiring spousal waivers if the spouse has availability of coverage at their employer.

- **Where are they going: Are more employers shifting to other carriers, to out-of-state offerings, to self-insured? Dropping coverage altogether?**

All of the above based are occurring in our experience, but again this is not data that we specifically track. Our brokers also tell us that Medicaid is a place they go. Also, smaller companies many times are acquired by larger companies and removed from the pool. Some members also are going to the individual exchange and receiving subsidies.

- **Are they dropping coverage: Is it that employers are dropping coverage, or that fewer new employers are offering coverage?**

This is not information that we track.

4. Proposed next steps

- **Within the context of the mission and guiding principles of this project:**

- What can be done to address these declines?**

- Small employers should be offered incentives to encourage them to offer coverage to their employees. The suggested regulations will not create a long term solution, primarily because they will not foster innovation and competition, which drive down prices, nor do they address cost. Cost is the primary concern of the small employer.

- What state action do you recommend for consideration?**

- Consider some means of offering incentives, such as tax incentives, to small employers to offer this coverage. That would relieve some of the cost, which is the primary concern of the small employer. Also, allow for product innovation within small business plan designs/offerings, rather than impose existing small group regulations and structure to additional populations in Rhode Island.

Small Business Insurance Group

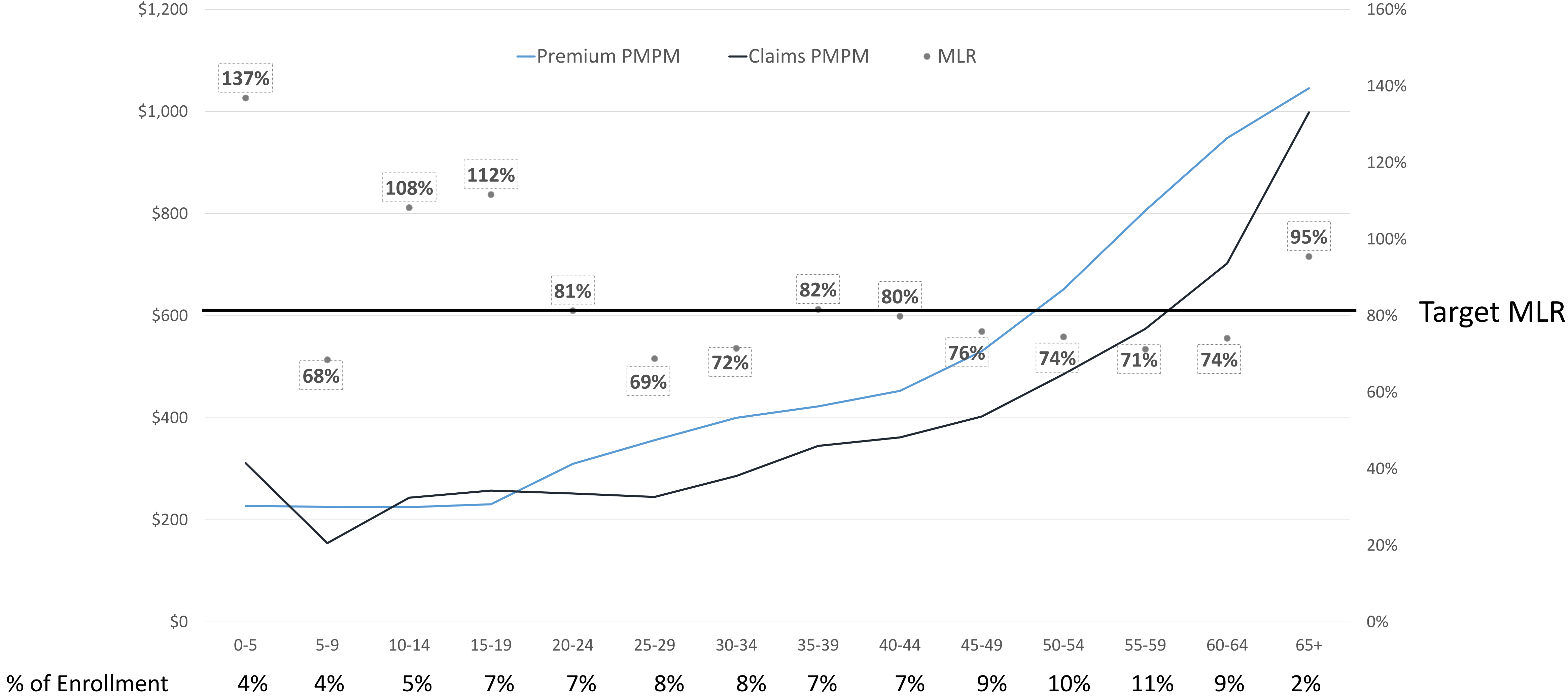
Blue Cross Blue Shield of Rhode Island

Small Group Enrollment 2013-2019



- BCBSRI small group enrollment has declined nearly 40% since 2013, this is significantly higher than the decline in National Blue Cross plan data
- Enrollment losses in recent years have slowed but still declining much faster than national Blue Plans
- Overall health status improved 2% in 2019 over 2013, however recent years show lost members are healthier which could start to impact the overall pool if they are exiting the market and this recent trend persists

Premium and Claims by Age Band



The ACA mandated premium age slope is steeper than the actual claims cost, therefore the older members are subsidizing younger members, with the largest enrollment concentrations in 45-64 age buckets

Premium and Enrollment by Benefit

- BCBSRI offers multiple plan designs in each metallic tier, including national network PPOs, Regional network HMOs and HSA, but the majority of the enrollment is in Platinum and Gold PPO plans

2019 Average Premium for a 40 Year Old



Current Enrollment Distribution



According to CMS Risk adjuster reports, RI ranks 4th highest in the country for benefit richness (as measured by the average Actuarial value)

Key Observations

- Enrollment is declining faster in RI than the national average, especially in recent years
- In the past 5+ years, off-cycle terminations have far outpaced terminations at renewal. Data is not available to explain the reasons for these off-cycle terminations, but it is unlikely they are going to other carriers as that would typically happen on renewal.
- Despite the drastic reduction in population the overall health status and age is better than it was in 2013, however the most recent years show members that are leaving are younger and healthier
- Benefits continue to be extremely rich, lower cost options are available



Neighborhood Health Plan of Rhode Island

SBIG October 29th, 2019



Overview

- Neighborhood began offering small group plans in 2014
- Growth has been slow but steady with a 56% compounded annual growth rate
- 97% of Neighborhood groups select HSRI full choice model
- Average Small Group premium contribution is 63%
- Average group size is 4
- Majority of plan selections in Gold and Platinum tiers

Small Group Challenges

- HealthSourceRI for Employers growth slow since January 2017
 - Jan 17 to Jan 18 – 1% growth*
 - Jan 18 to Jan 19 – 2 % growth*
- Employer contributions lower than larger group

	Small Employers KFF	Large Employer KFF	Small Employer NHP
Single Coverage	82%	82%	70%
Family Coverage	62%	71%	58%

- Gold tier largest segment offered to groups in RI
 - Groups interested in robust coverage, rich benefits
 - HSA lower premium options available; though not as attractive

*Legislative Report 2018_01 and 2019_01

Small Group Challenges

➤ Neighborhood's small base, slow growth affords less opportunities to control costs and create more beneficial products

- Payment models to drive cost efficiencies
- Investments in new technology
- Investments in broker community

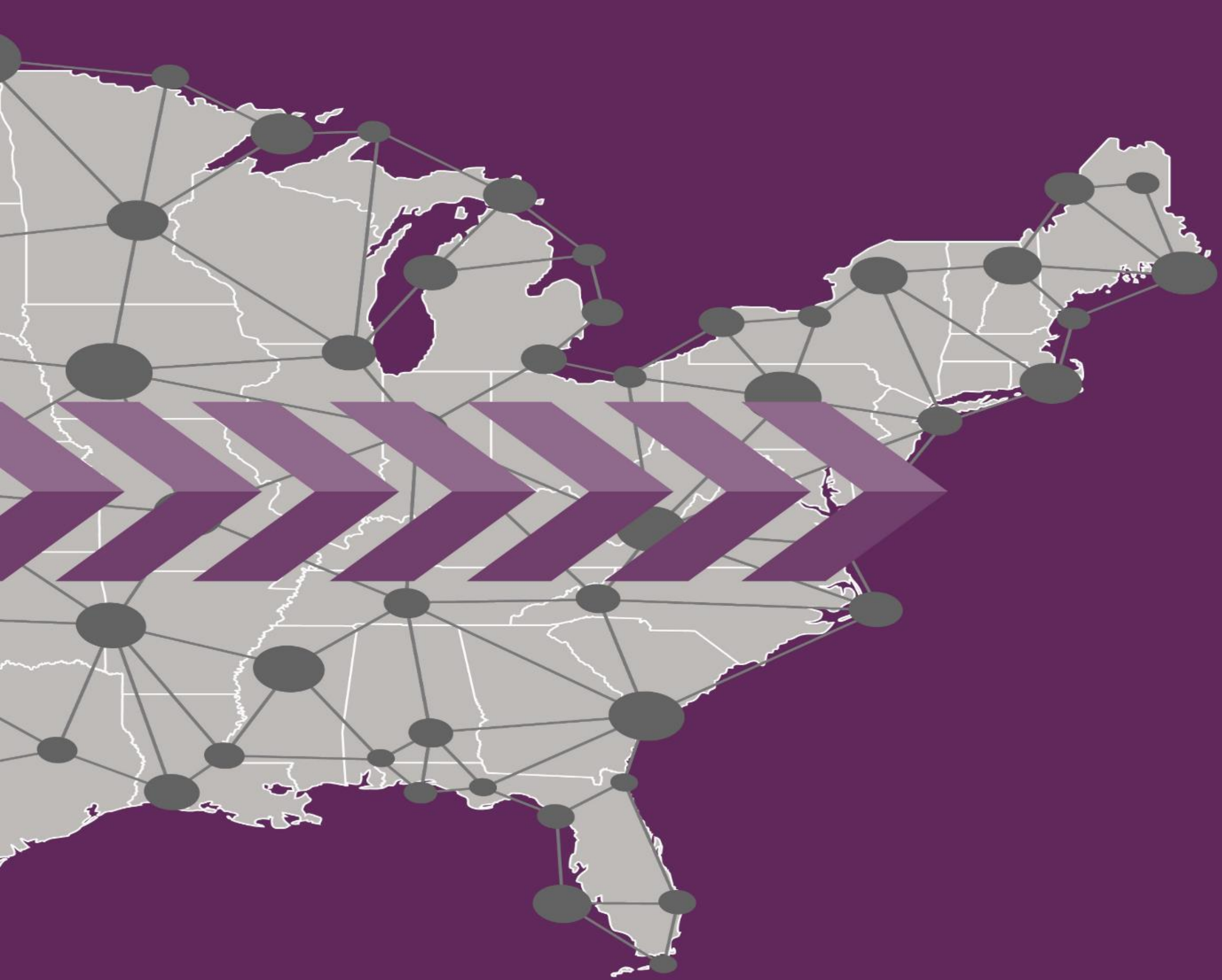
➤ Fees, Taxes and Other administration costs versus Self-insured

(not an all inclusive list)

- State supplied vaccine
- HSRI assessment
- Sustainability initiative
- State database support: Current Care, APCD
- Support for quality measures
- Risk adjustment

Small Group Opportunities

- HealthSourceRI Full Choice Model
 - Groups can offer member/family choice while still providing benefits to eligible employees
 - Great option for groups with range of family demographics
 - If on-exchange business were to significantly grow, potential to reduce HSRI administrative fees
- Exploring change to state definition of small group
 - Increase to 100 employees
 - Expands risk pool
 - Age-based rating may improve rates for some groups versus experience rating
- Explore education on new HSA rules



Opportunities to Promote Small Group Stability

Chiquita Brooks-LaSure

October 29, 2019

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Across States*

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About State Health and Value Strategies

State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's Woodrow Wilson School of Public and International Affairs. The program connects states with experts and peers to undertake health care transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies, and brings together states with experts in the field. Learn more at www.shvs.org.

Questions? Email Heather Howard at heatherh@Princeton.edu.

*Support for this webinar was provided by the Robert Wood Johnson Foundation.
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About Manatt Health

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Objectives

- Snapshot of the Small Group Market
 - Discuss takeaways from insurer presentations
- Importance of Small Group Stability
- Discuss Recent Guidance and Market Impact
- Policy Options to Consider

Why Focus on Small Group Market Stability?

- Many states are grappling with reforms to this market – overall small group enrollment has been declining since at least the early 1990s
 - 13.6 million nationally in 2016, down 3.8 million, or 22%, from 2012
- The Affordable Care Act (ACA) created more incentives for enrollment growth in the individual market than the small group, in part because of individual market is more subsidized than small group (e.g., reinsurance, subsidies)
- Nationwide, substantially more small-business owners and employees now have coverage today than prior to the ACA; however many are enrolled and using subsidies in individual Marketplace plans
- For those who remain in the small-group market, price increases have been similar to those in the large-group market



How does Rhode Island's experience compare to these trends?

Source: McCue, M & Hall, M, [The Health of the Small-Group Insurance Market](#), The Commonwealth Fund, October 2018

Why Focus on Small Group Market Stability?

- Nationwide, a significant portion of the remaining uninsured work for small businesses
- Group insurance, on average, is better than individual coverage in terms of benefits, provider networks and employer contributions
- While some small businesses have found other options, a healthy small group market provides comprehensive coverage to employers and employees because of ACA protections
- A sizeable, healthy risk pool is a key component of ensuring reasonable and stable premiums
 - **Stable, affordable small group coverage is necessary for those employer groups who do not have the option of self-insuring/stop-loss**

Recent Federal Regulation May Impact Small Group Coverage: HRAs

- A Health Reimbursement Arrangement (HRA) is a tax-preferred, account-based health benefit funded by employers to pay various healthcare expenses
- The ACA generally prohibits HRAs and similar arrangements because they violate the annual limit and preventive services rules
 - Obama Administration guidance allowed a narrow exception
 - ~~Under these restrictions,~~ employers could not provide pre-tax dollars to help employees buy individual market coverage
- On June 13, the Administration finalized regulations allowing employers to use of HRAs to pay employees' individual market health insurance premiums as an alternative to traditional group health insurance

Potential Impacts of the HRA Rule

- Employers with a sicker workforce/unhealthy risk can move their workforce to the individual market with HRAs, while firms with healthier employees may continue to bear their own risk with traditional employer insurance
- Although there are limits on using HRAs to prevent discrimination, employers may find ways to shift only sicker workers into individual market with HRAs by defining different classes of employees (e.g., part-time vs full-time), keeping healthier employees in traditional employer coverage



Are RI small businesses expressing any interest in the HRA rule?

Revised Federal Guidance: Association Health Plans (AHPs)

- Under the Department of Labor (DOL) rule, AHPs are group health plans that employer groups and associations offer to provide health coverage for employees
- A goal of forming AHPs is to achieve lower premiums than what is offered in the small group; they often attempt to do so by attracting healthier risk and than in the individual and group markets
- Recent federal guidance made it easier for AHPs to form, although states can continue to regulate AHPs. The guidance was challenged in court, AHPs can no longer enroll new employers (in some cases) while DOL appeals the latest ruling
- Since AHPs are likely attracting employers with healthier risk, they may lead to adverse selection and ultimately higher premiums for small employers buying plans in the traditional insured markets
 - Small group market is already increasingly segmented because of self-funded and stop-loss insurance

Options for Increasing Small Group Participation

- Increased marketing to employers to encourage enrollment
- Financial assistance to small businesses to encourage participation (e.g., small group reinsurance, increases to the small business tax credit)
- Merging markets (i.e., the small and individual markets or increasing small group from 50 to 100)
 - Additional analysis needed to determine pricing differences/impacts in the markets being merged
- Further restrictions on stop-loss insurance
- Tying insurer participation to other markets

For all of these options, insurers will be important partners!



What are the merits and challenges of these ideas in Rhode Island?

Biography



Chiquita Brooks-LaSure

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Education

- Georgetown University, Masters of Public Policy
- Princeton University, A.B., politics

About

A former policy official who played a key role in guiding the Affordable Care Act (ACA) through passage and implementation, Chiquita Brooks-LaSure provides policy analysis and strategic advice to healthcare stakeholders across the private and public sectors. Her practice focuses on helping clients understand the implications of federal and state regulatory and legislative policies across private insurance, Medicaid and Medicare.

Chiquita has more than 15 years of experience in health policy. As deputy director for policy at the Center for Consumer Information and Insurance

Oversight within the Centers for Medicare & Medicaid Services, and earlier at the Department of Health & Human Services as director of coverage policy, she led the agency's implementation of ACA coverage and insurance reform policy provisions.

Earlier in her career, Chiquita assisted House leaders in passing several healthcare laws, including the Medicare Improvements for Patients and Providers Act of 2008 and the ACA, as part of the Democratic staff for the U.S. House of Representatives' Ways and Means Committee.

FOR DISCUSSION

- From your vantage point, what are your biggest concerns?
- Which market segments or populations are you most concerned about?
- In light of the charge of this workgroup, what do you view as the most imperative actions/interventions needed to stabilize the market?

NEXT STEPS

Are there policy options that come to mind that you would want to learn more about as we move further into the syllabus?

POLICY OPTIONS -- STARTING LIST OF IDEAS

Category	Policy Option	Guiding Principles		
		Market Options	Costs & Risk Pool	Value of Coverage
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			

PUBLIC COMMENT?

THANK YOU



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