



Small Business Insurance Group

Tuesday, October 8th, 2019

1:00– 2:30pm

United Way of Rhode Island

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

WHAT WE HEARD

1. Refine the **Guiding Principles**
2. **Employer survey** -- leverage this group and their member organizations
3. Consider/show the impact, **role of SHOP** in Small Group
4. Consider **age-group specific impacts** -- young/recent grads, 60+
5. Explore some noted possible **reasons for decline**
PEOs, self-insured/stop loss plans
6. Consider some noted **anticipated future changes** that may impact Small Group
Aging population, federal action - AHP, HSA, HRA, litigation relative to consumer protections
7. Consider specific **policy options**
Medicare coverage options, small group/individual market merger, expand small group to <100

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 (REVISED)

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: BY THE NUMBERS

Purpose of Today's Meeting

- Create a common understanding of where we are today – how have the markets changed over time and what is the status of the small group market?
- Establish a uniform set of facts as we move forward into policy discussions.

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

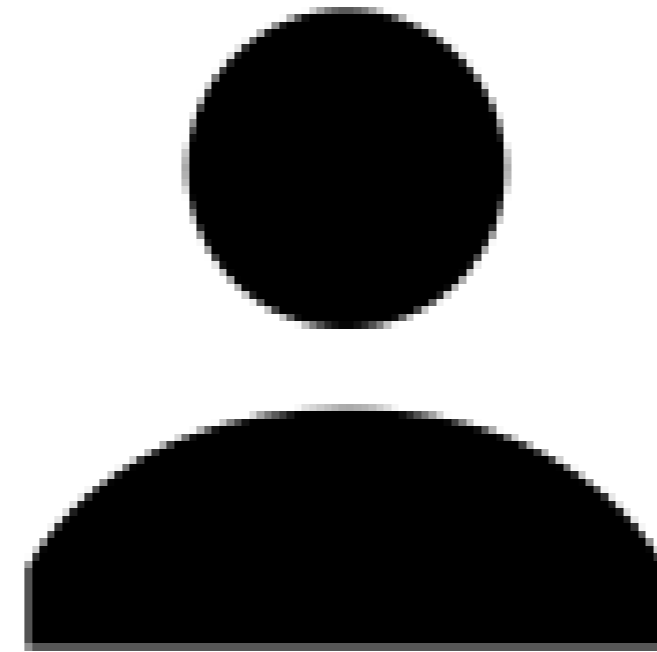
1. Small Group Insurance Market Stability – Moderate to Precarious
2. Observed Small Group Insurance Trends: Premiums and Enrollment
3. Sources of Enrollment Decline: Fewer Employers Offering
4. Why is Offer Rate Declining among Small Businesses?
5. Next Steps: Initial policy options to consider (*starting list of ideas*)

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

SMALL GROUP MARKET STABILITY: *STRENGTHS AND CONCERNS*

Premiums

- + Average annual premium increase during 2017-2020: 4.9%
- + Small group premium trends are consistent with other market segments
- + Premiums and trends consistent with (or below) national/regional averages

Enrollment

- Enrollment has shown continuous declines
- Small pool, risk of increasing volatility
- Though declines pre-dated the ACA, trends have gotten slightly worse

Choice

- + Four carriers in RI's small group market
- However, one dominant carrier with 80+% market share
- + Variety of plan/benefit structure options available

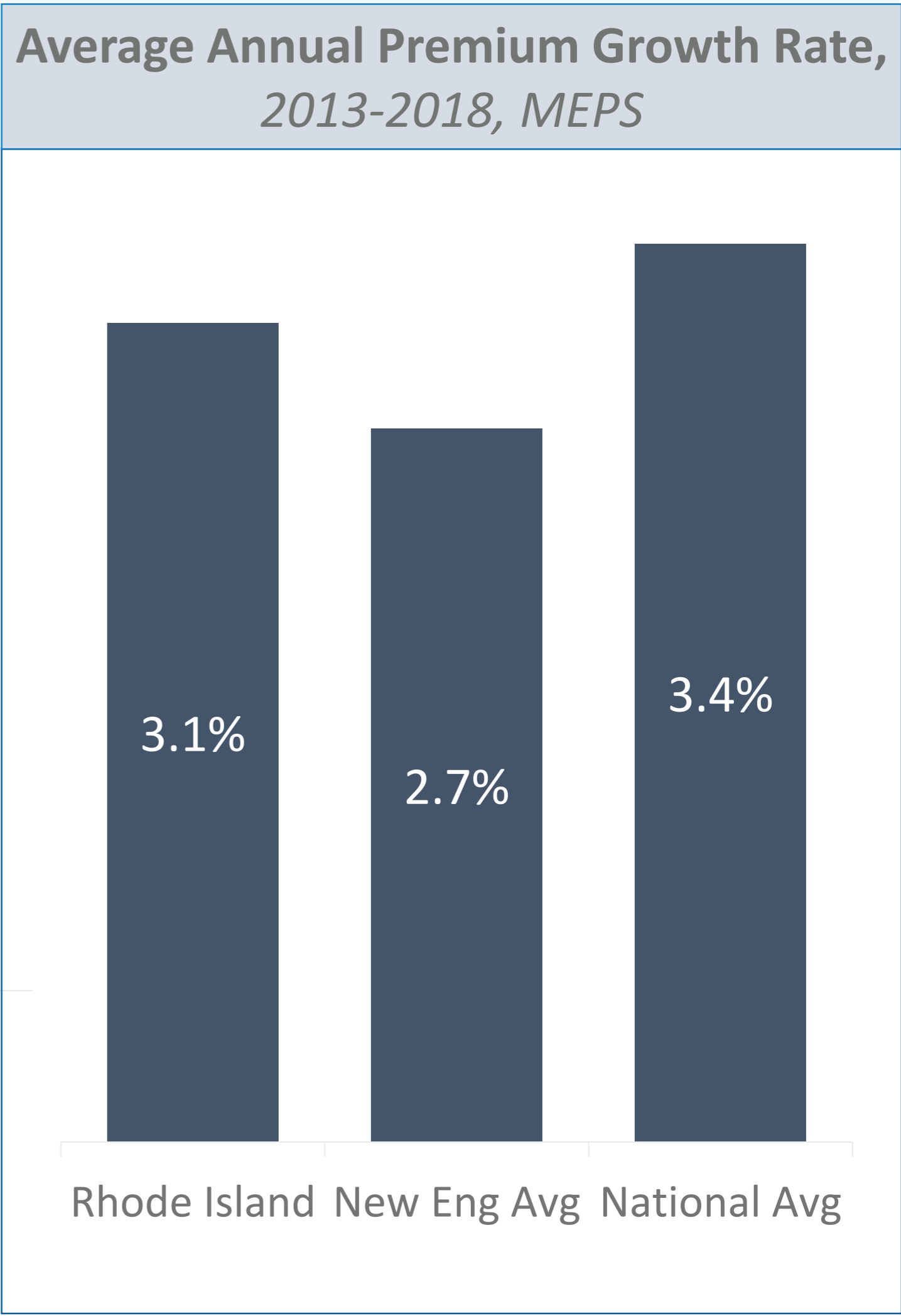
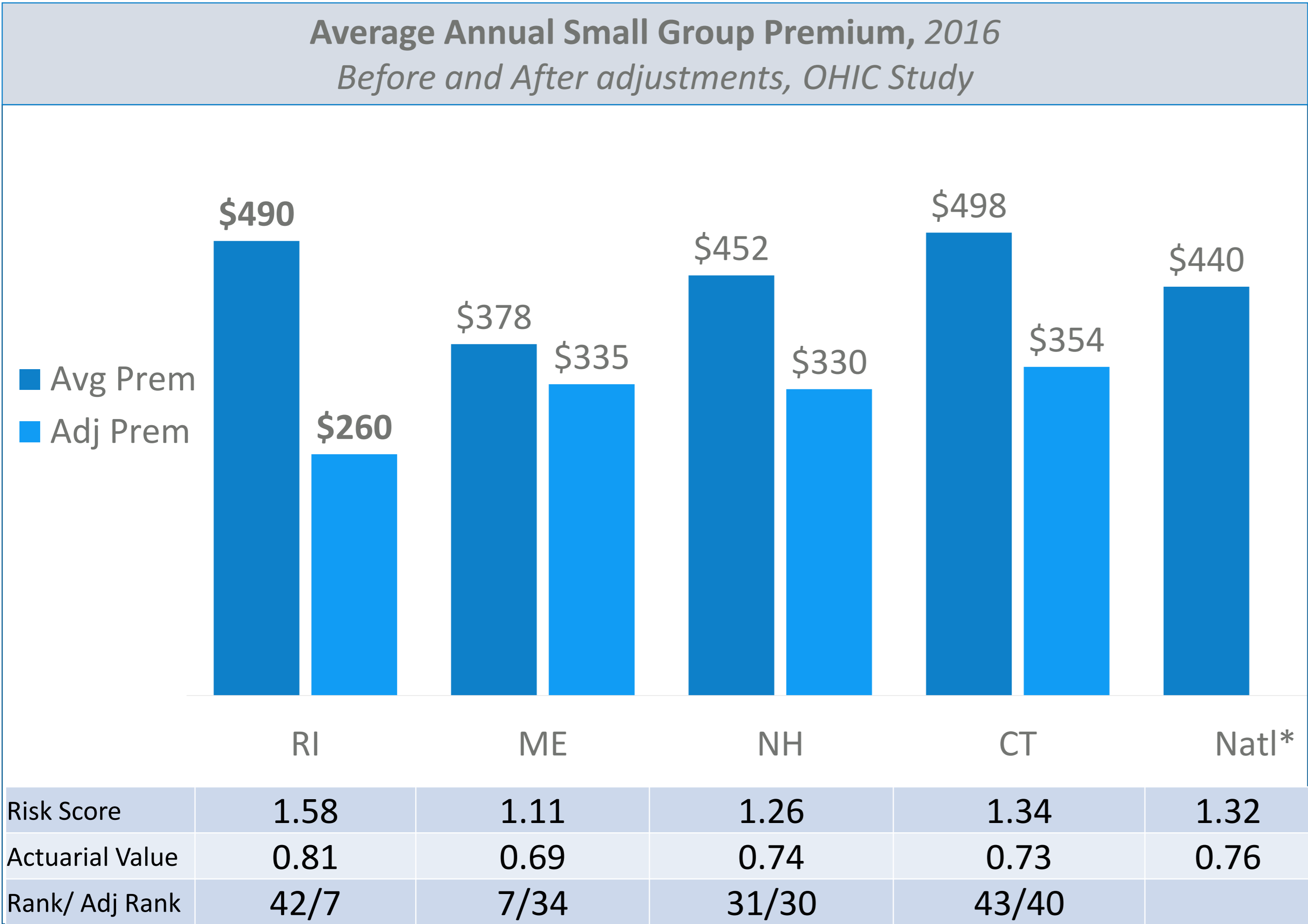
Carrier Stability

- RI's commercial carriers all experienced positive (though narrow) net margins in 2018
- +/- Mixed financial performance trends by carrier

Sources: Premium increase average based on OHIC approved annual rate increases; carrier averages are enrollment weighted by year based on enrollment distribution by carrier from 2018 rate filing submissions. Average by year is average of annual increases.

Average Individual Market MLR, (NHP and BCBSRI average, evenly weighted); Individual Market Rate Filings 2017, OHIC website. Rate Template Part 1, Section A2 Completed and Incurred

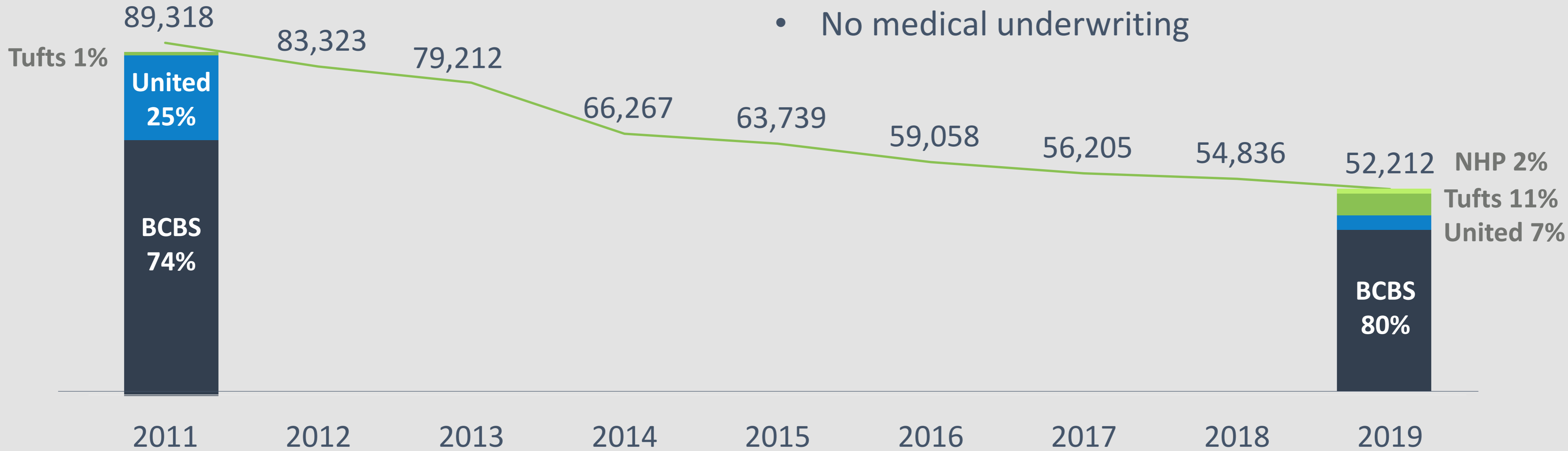
RI SMALL EMPLOYER PREMIUMS: BENCHMARKS



National Avg excludes MA and VT as risk adjustment data not available from sources used for actuarial study.
Sources: Premiums from OHIC Premium Analysis Study, 2017. AHRG MEPS data, Average Annual Single Premium per Enrolled Employee

RI SMALL GROUP MARKET ENROLLMENT TRENDS: 2011-18

- Group size: 2-50 employees
- Adjusted Community Rating (Age, family size)
- Guaranteed Issue
- No medical underwriting



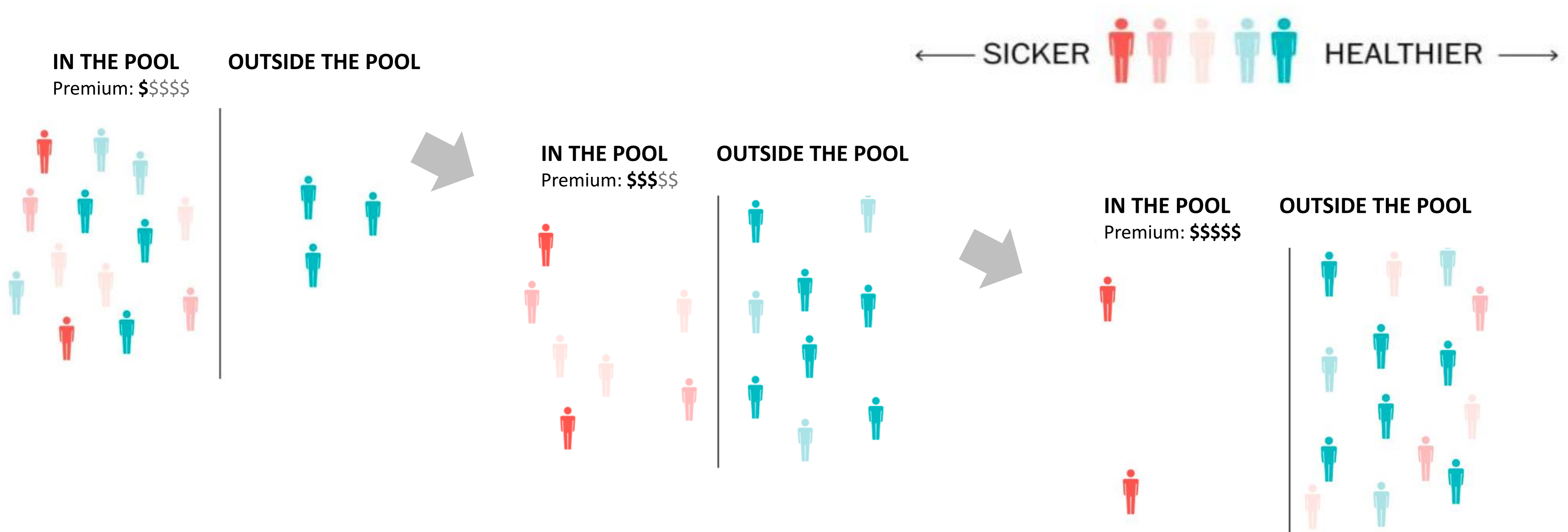
SHOP enrollment

Purchased on state Exchange (HSRI), fixed employer contribution, full employee choice

5,660 (11%)

WHAT MIGHT HAPPEN – IF HEALTHY GROUPS LEAVE

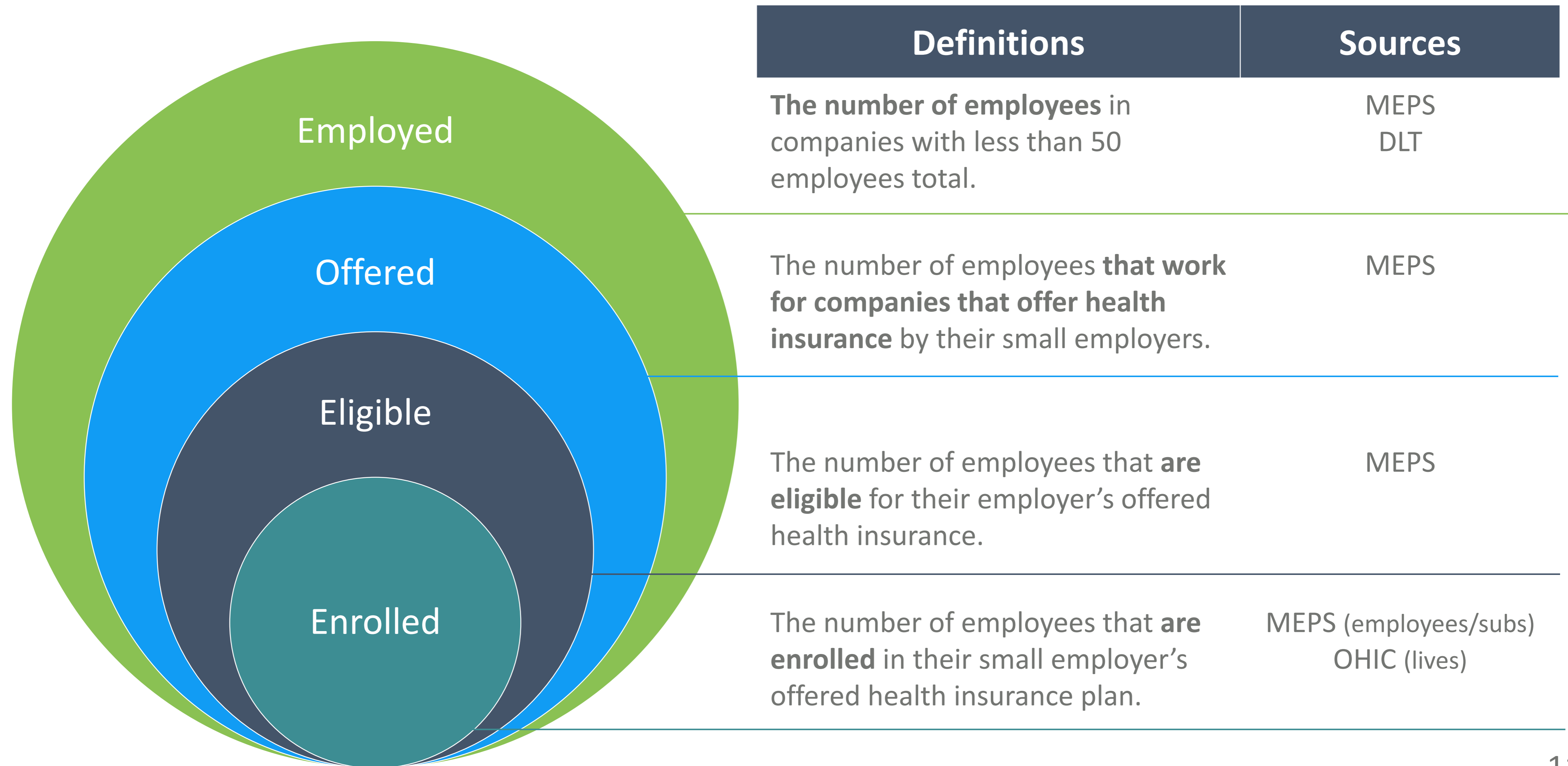
As healthier employer groups leave the market, premiums rise, causing more groups to leave the market and triggering a feedback loop



Actuary Feedback re: Shrinking Small Group Market

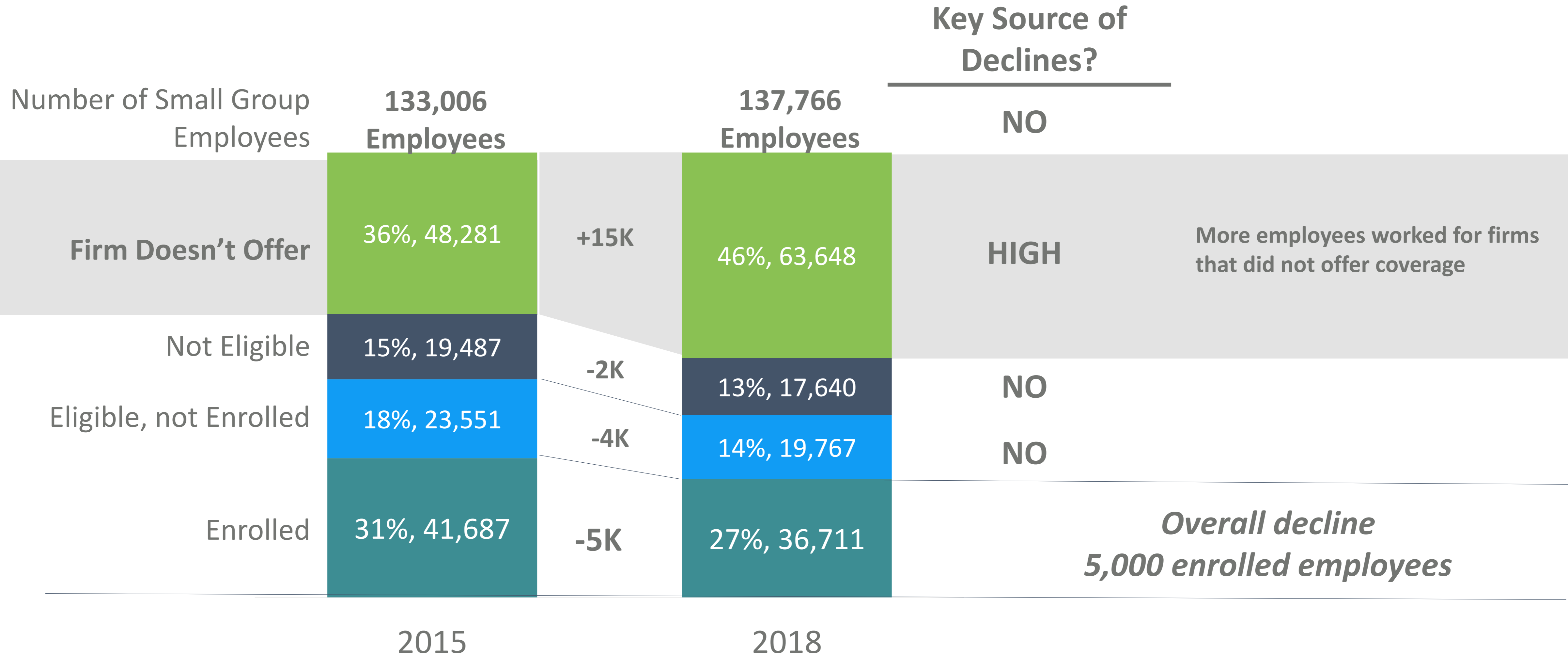
It seems that groups leaving the small group market would be healthier and can get health insurance cheaper somewhere else. This would suggest that there is selection happening in the small group market - which will drive small group premiums up.

SOURCES OF DECLINE: BY THE NUMBERS - DEFINITIONS



SOURCES OF DECLINE: BY THE NUMBERS – OFFER RATE

Offer rate appears to be the most substantive driver of declines in small group enrollment



SOURCES OF DECLINE: BENCHMARKS

REGIONAL + NATIONAL

- Offer rates in RI have **decreased at a 3x higher rate than the New England average** since 2015.
- Resulting overall enrollment rates have declined twice as much as New England average.

OTHER MARKET SEGMENTS *Large Group*

- Small group experience is **inconsistent with large group**. Large group offer rate has remained high (96%+ of employees work for businesses that offer coverage)

MARKET SUB-SEGMENTS *Micro Groups*

- **Micro-groups** (<10 employees) are generally less likely to offer insurance
- However, the decline in employers offering insurance appears to be **occurring in both the smallest employers as well as the larger small group employers**.

PRE + POST ACA

- Eligibility rates, employee enrollment rates have **increased** post-ACA for employees at small groups that offer insurance
- However, offer rates have continued to decrease at the same rate

WHY ARE FEWER SMALL EMPLOYERS OFFERING COVERAGE?

(1) Affordability	HIGH	National survey of small employers: Biggest challenges facing your business: (#1) the cost of providing health coverage to employees; and (#2) attracting new customers.
(2) Industry Mix	HIGH	Employment growth in RI has been concentrated in industries that are less likely to offer insurance; this shift appears more substantive than national benchmarks
(3) Part-time workforce	HIGH	Increase in RI employer reliance on part time workers – significantly greater than regional/national benchmarks. And part time workers are much less likely to be offered/eligible for coverage
(4) Stop-loss plans	MODERATE	Only 1% of small employers offering insurance in RI have stop-loss based coverage; however stop-loss explains some of recent declines
(5) Micro-groups	NONE	Decline in offer rate occurring in both the smallest employers as well as the larger small group employers. Note growth is in larger subsegment – which should have <i>increased</i> offer rate
(6) Other?	?	<ul style="list-style-type: none"> • Available individual market alternatives – employers seek out alternative options due to concerns with affordability • Corporate structure/centralization of benefits

SMALL BUSINESS OWNERS POINT OF VIEW *(National Survey)*

2019 Commonwealth Fund Study of Small Business Owners

Health care cost is a major problem for small employers

- **Biggest challenges facing your business: (#1) the cost of providing health coverage to employees; and (#2) attracting new customers**
- Almost half (44%) said health care costs were a “major problem” for their business
- Two-thirds (69%) said the problem is getting worse
- Concern with health care costs looms larger the smaller the business

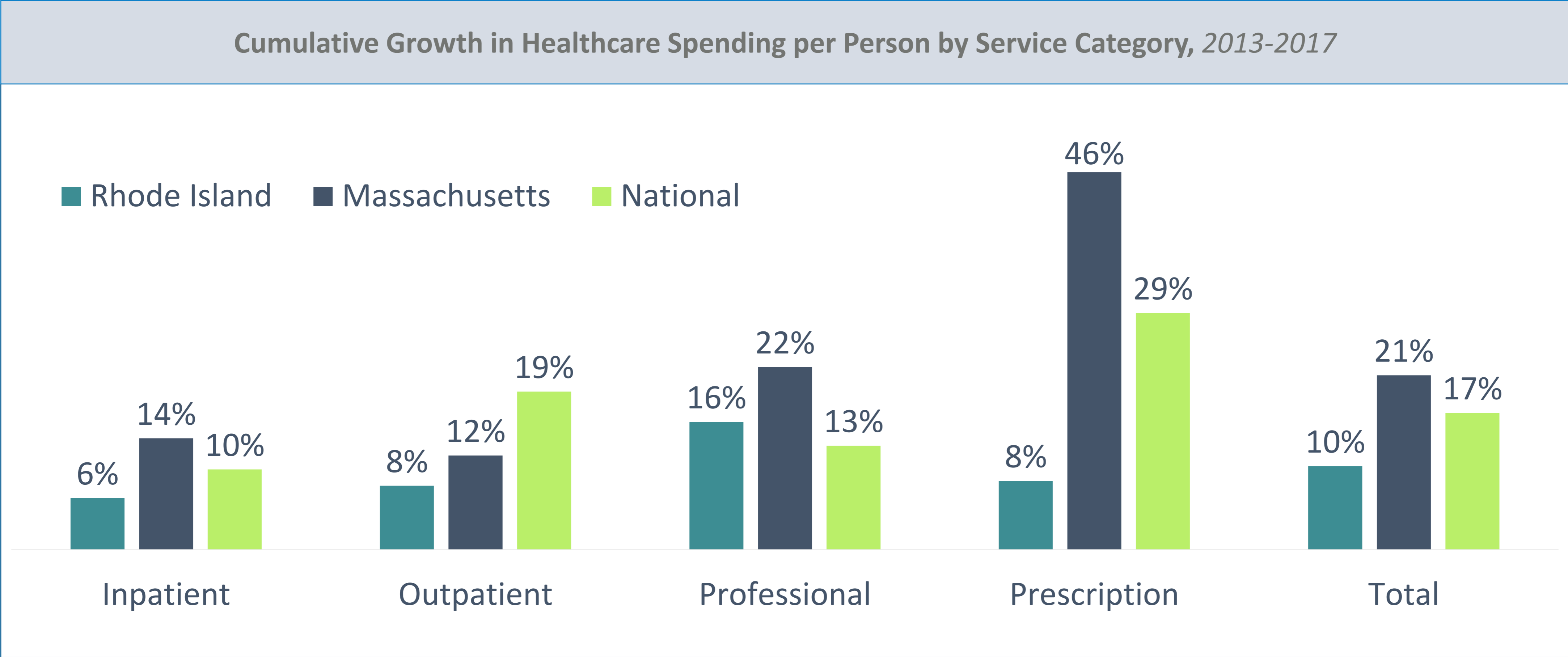
Small-business owners have taken steps to lower their own health care costs

Over half say they have made recent coverage adjustments to decrease costs:

- About half (48%) increased deductibles or cost sharing
- Over one-fourth (27-29%) negotiated for lower rates or changed carriers
- About one-fourth (25%) Increased employee premium share
- 16% Reduced or eliminated dependent coverage

Fewer (one-third) have considered discontinuing coverage for their employees

RI HEALTH INSURANCE MARKET: *COST DRIVERS*



NOTE: Data for all Employer Sponsored Insurance, not just small group.

Source: Health Cost Institute 2017 Health Care Cost and Utilization Report, <https://www.healthcostinstitute.org/research/hccur/2017-health-care-cost-and-utilization-report>

SMALL GROUP MARKET: EXCLUSIONS/ALTERNATIVES

Many new + complex alternatives for small employers – are additional regulatory protections needed?

What is NOT included in Small Group Market

(Alternatives to Small Group Insurance)

(1) Stop loss/Self Insured Plans

Employer at risk for employees' healthcare costs; stop loss protects against catastrophic losses

Recent growth limited by OHIC underwriting restrictions as of July 2019

(2) Professional Employer Organizations (PEOs)

Outsourced solution for HR, payroll, benefits, workers' comp, and compliance

Typically offered by payroll companies; anecdotal evidence that this option is growing

(3) Association Health Plans (AHPs)

Group health plans offered by business/professional associations to members' employees

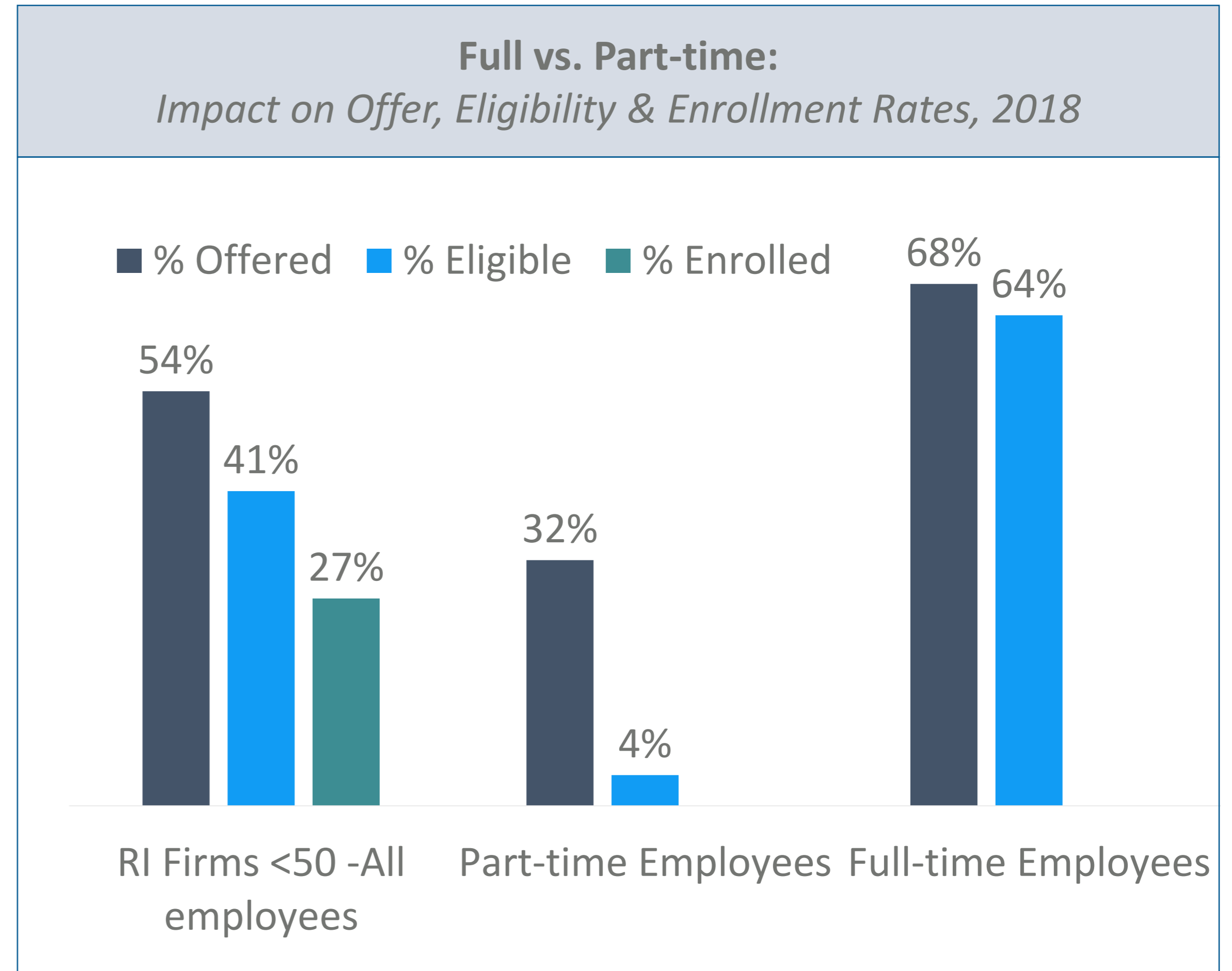
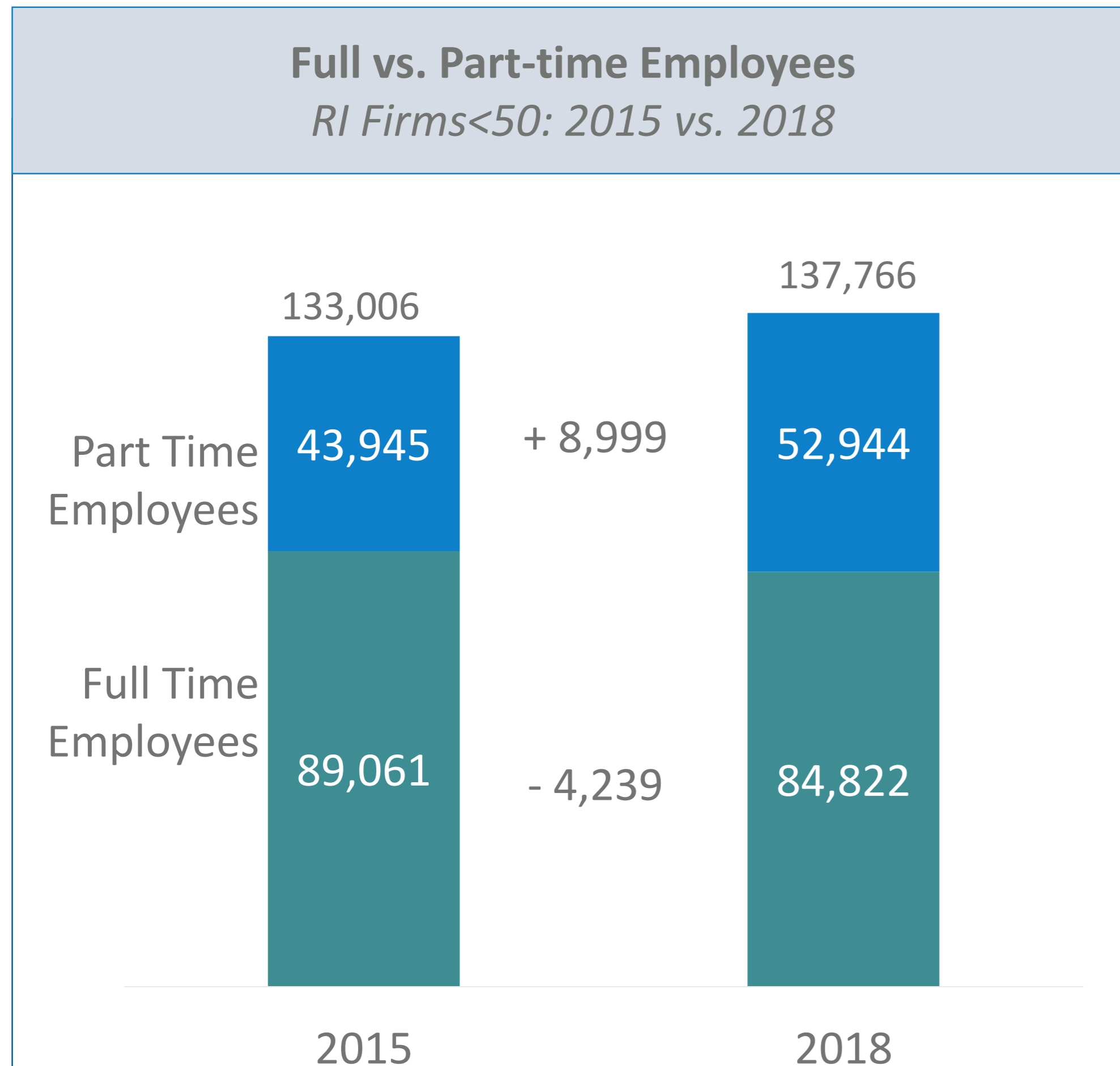
Limited by state law, exemption for Builders

(4) Health Reimbursement Accounts (HRAs): New option in 2020

Tax-advantaged employer-funded plan to reimburse employees for Individual market premiums.

WHY DECLINING OFFER RATE: *IMPACT OF PART TIME WORKFORCE*

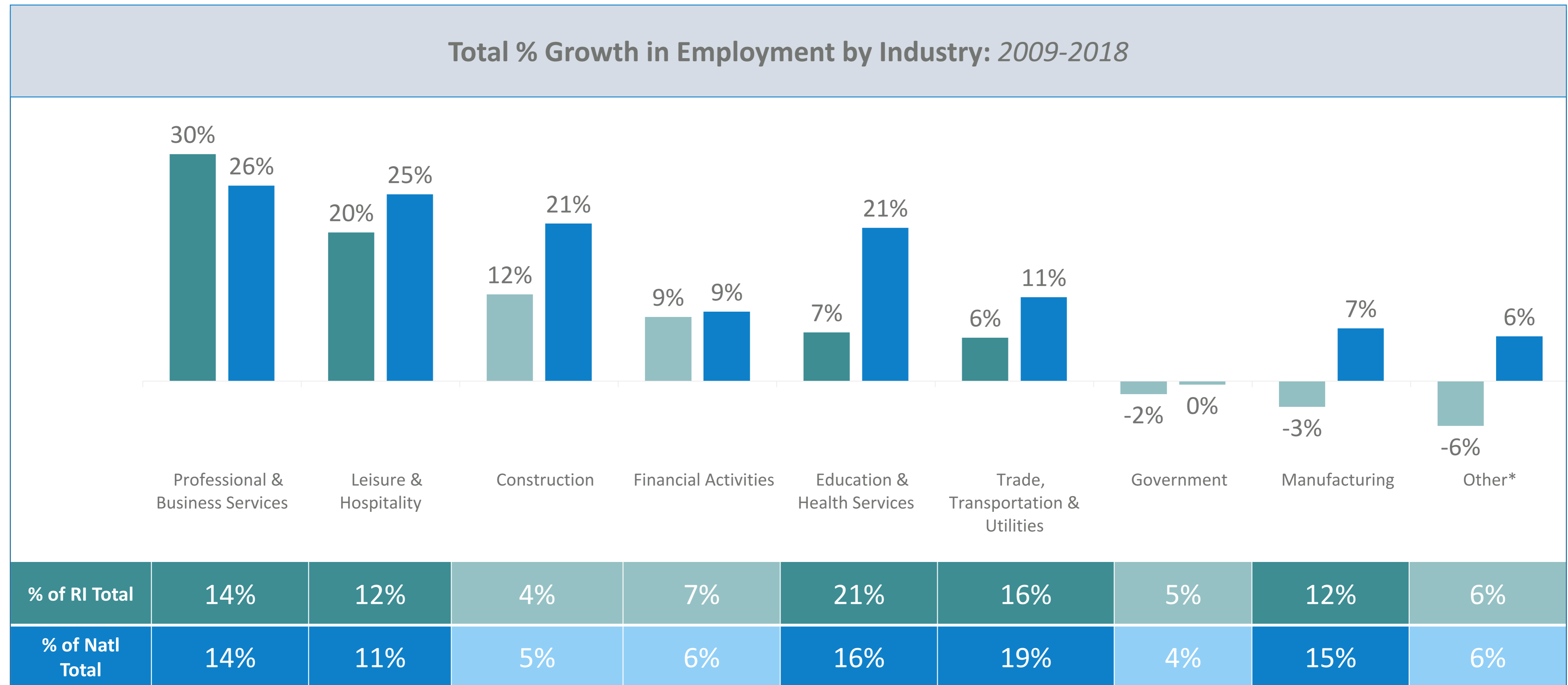
There has been a substantive shift in the Rhode Island workforce toward part time workers.



Source: AHRQ MEPS data, full- and part-time employees in employers under 50. Enrollment rate not available for part-time and full-time employees in firms under 50 due to MEPS sample size limitations.

WHY DECLINING OFFER RATE - RI INDUSTRY MIX

Employment growth in RI has been concentrated in industries that are less likely to offer insurance.



*Note: Other category includes industries labeled as "Mining and Logging", "Information", and "Other Services" in the DLT data.

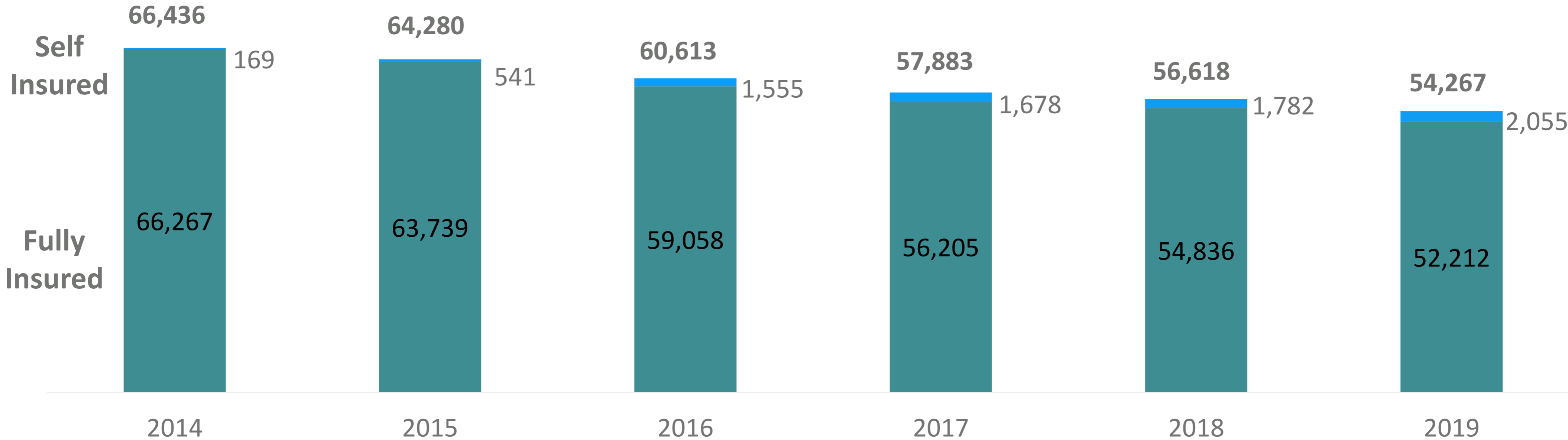
Source: RI Department of Labor and Training, Current Employment Statistics Program, 2008-2018. Total increase in number of employees by industry from 2008 to 2018 **19**

WHY DECLINING OFFER RATE: *IMPACT OF STOP LOSS*

Enrollment of Small Group Individuals in Self Insured Plans: 2014-2019

OHIC data for RI businesses, regardless of employee residence

NOTE: Temporary regulatory restriction on medical underwriting in place beginning July, 2019



Net Gain	2015	2016	2017	2018	2019
Fully Insured	-2,528	-4,681	-2,853	-1,369	-2,624
Self-Insured	+372	+1,014	+123	+104	+273

Net gain in Self insured small group 2016-2019 = 500

Source: OHIC RI Carrier Enrollment to April 2019, small group data (<50), Enrollment reflect RI business, regardless of employee residence

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?

NEXT STEPS: POLICY OPTIONS -- STARTING LIST OF IDEAS

Source of Decline	Impact	Possible Strategies
Fewer small employers, fewer working age adults	NO	<ul style="list-style-type: none"> Economic development
Lower offer rate among small employers	HIGH	<ul style="list-style-type: none"> Full use of SHOP to lower employer costs Merge markets (Ind/Small Group or <100)* potentially with HRA Regulatory actions as needed to address purchasing policies -e.g., stop loss/self insurance, PEOs, AHPs, HRAs, etc. Small Group rate regulation or plan design to lower cost – e.g., limited/tiered networks or alternative provider payment methods Targeted employer incentives for coverage Reinsurance or subsidy program
Employee eligibility	NO	<ul style="list-style-type: none"> Regulate allowable employee restrictions
Employee take up	NO	<ul style="list-style-type: none"> Cost sharing subsidies, regulations, reinsurance Encourage SHOP enrollment with full choice Medicaid alignment – RiteShare? Individual mandate enforcement

* Note: At meeting #1, here was some discussion of “eliminating” the small group market; this is likely best effectuated via a market merger

PUBLIC COMMENT?

THANK YOU



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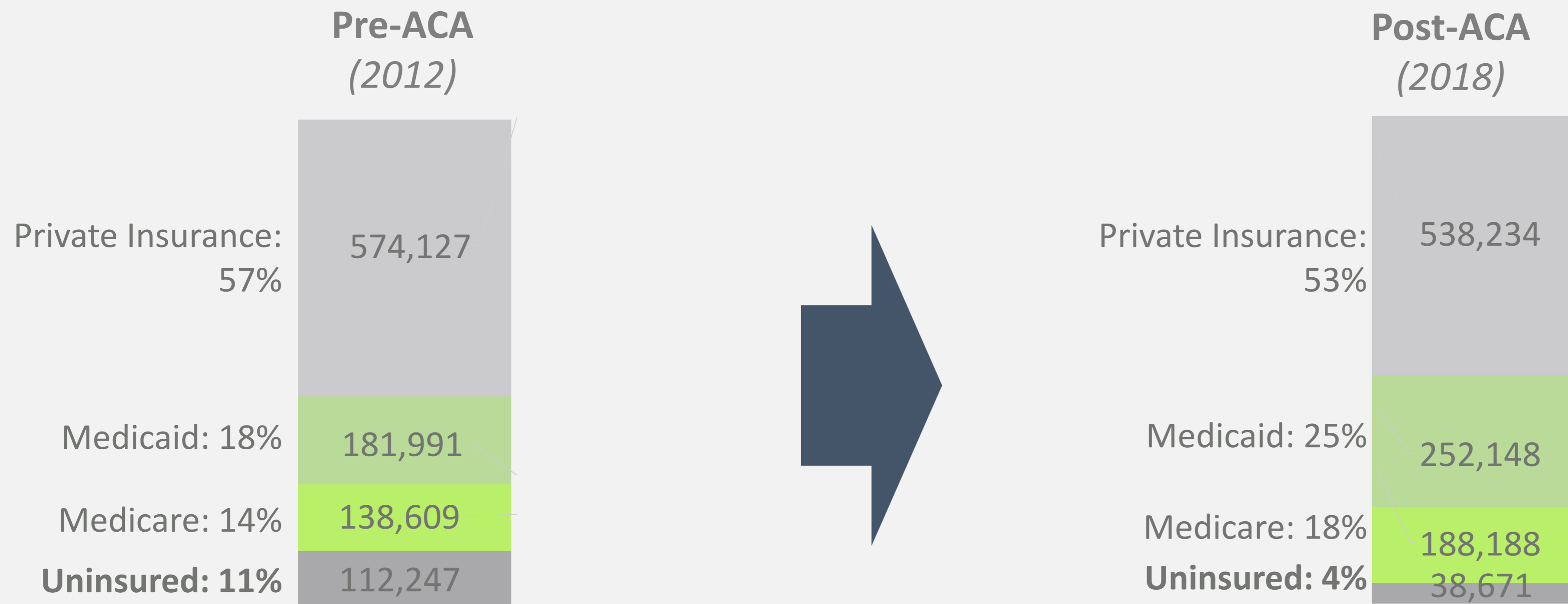


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STATE OF RHODE ISLAND



CONTEXT: RI INSURANCE MARKETS

RI Insurance Market Enrollment: Pre and Post ACA

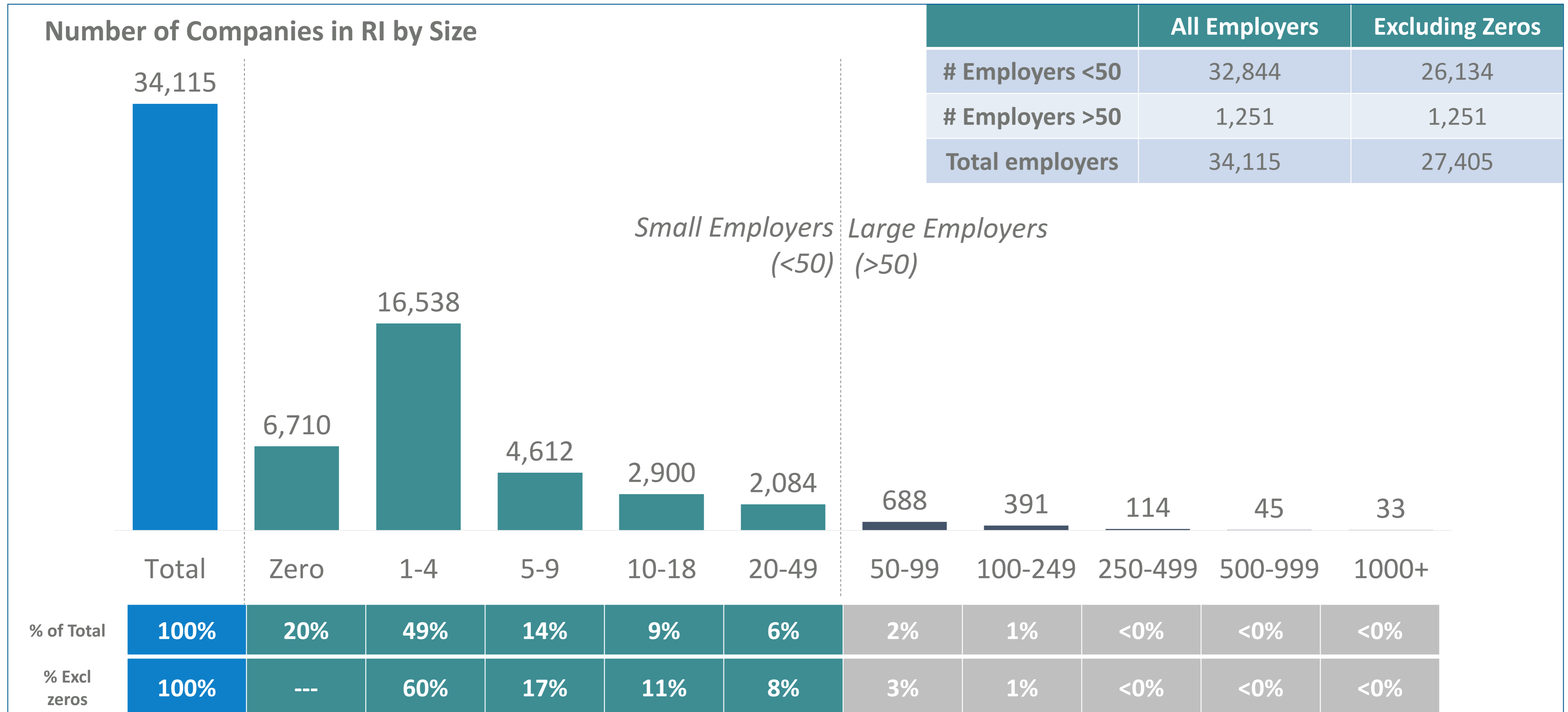


NOTE: This is survey data and as such may vary compared to carrier reported data shown on later slides.

Source: Health Source Rhode Island Health Insurance Survey 2012, 2018 - <https://healthsourceri.com/health-insurance-survey-interactive-reports/>

BACKGROUND: RHODE ISLAND EMPLOYERS - 2018

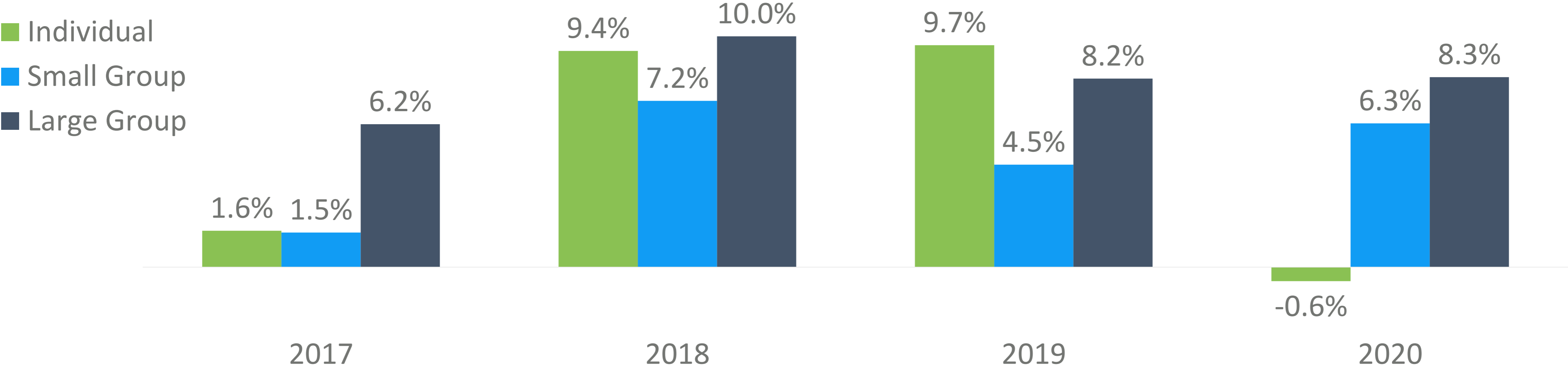
Employers with less than 50 employees make up 98% of all companies in Rhode Island, or 96% when excluding companies with zero employees.



RI PRIVATE INSURANCE MARKET PREMIUM TRENDS

There have been “moderate” small group premium trends over the past four years.

RI Private Insurance: Average Annual Approved Premium Trend



Individual Market Annual Premium Trend				
Min / Avg / Max	-5.9% / 1.6% / 5.9%	5.0% / 9.4% / 12.1%	8.7% / 9.7% / 10.7%	-1.5% / -0.6% / 0.2%
Small Group Annual Premium Trend				
Min / Avg / Max	-3.1% / 1.5% / 2.1%	6.0% / 7.2% / 8.1%	-5.0% / 4.5% / 10.2%	-0.6% / 6.3% / 14.1%
Large Group Annual Premium Trend				
Min / Avg / Max	3.6% / 6.2% / 7.0%	8.0% / 10.0% / 10.5%	8.0% / 8.2% / 10.3%	8.1% / 8.3% / 10.6%

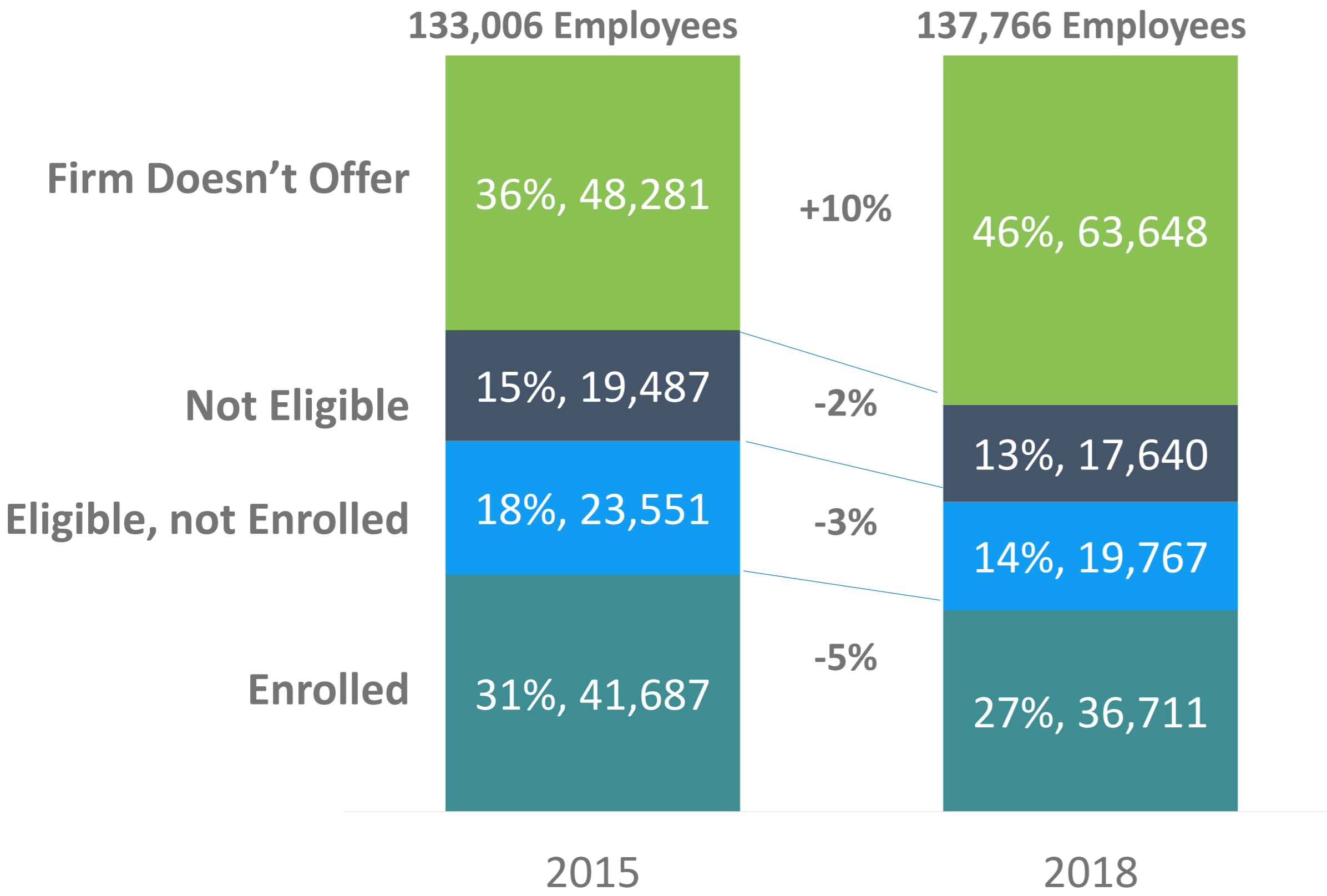
Note: Avg. premium trend is based on the average approved premium increase by carrier, enrollment weighted by the distribution of members by carrier (min and max represent the lowest and highest carrier average); 2020 rates weighted by 2019 enrollment.

Sources: OHIC, *Requested and Approved Summary for Rates in the Individual, Small Group, and Large Group Markets*, annual reports. Enrollment by year from OHIC 2020 Rate Template small and large group submissions by carrier

RI SMALL GROUP MARKET 2015-2018: REGIONAL/NATL BENCHMARKS

RI declines in offer rate are more substantive than national or regional benchmarks.

RI Experience, 2015-18, Employers <50



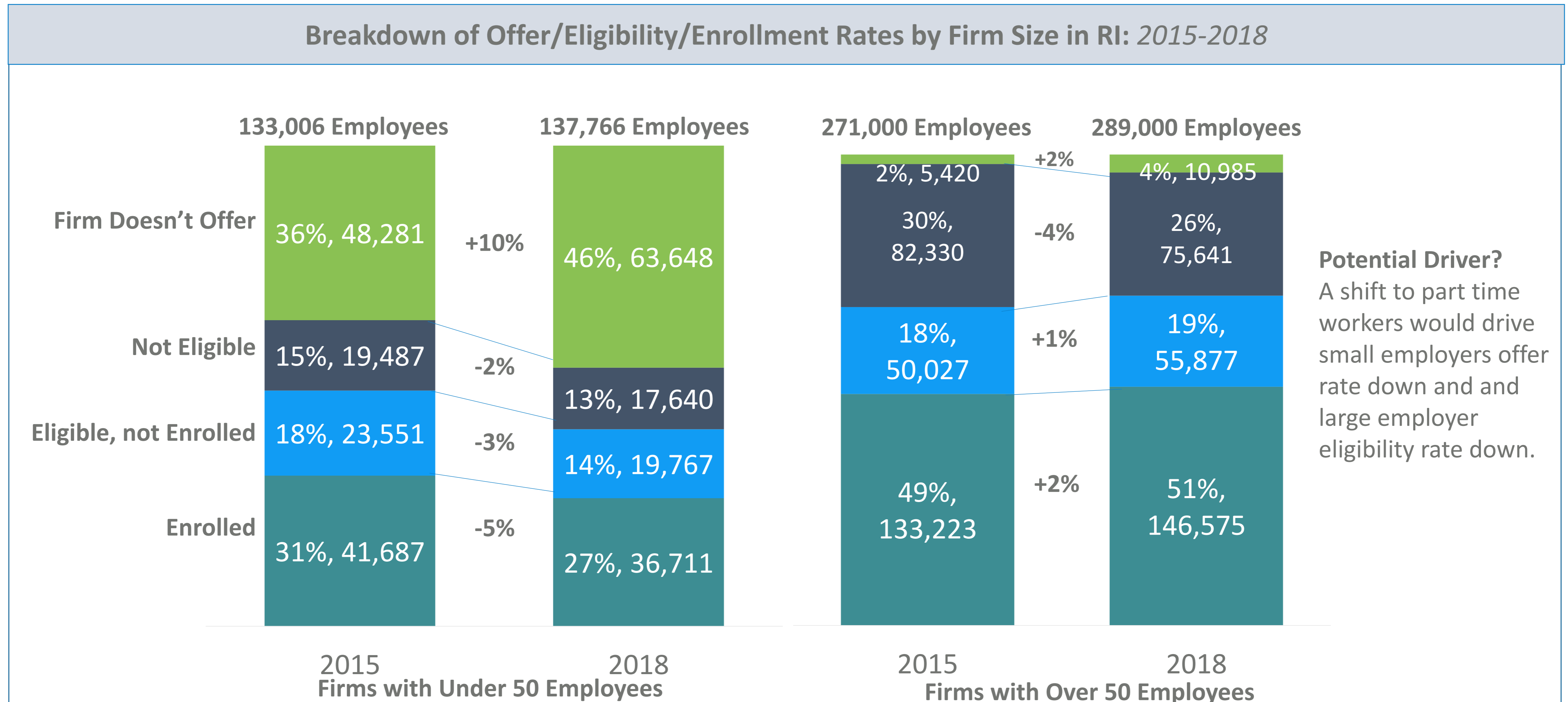
Regional/National Benchmarks, <50

2015-2018	RI	MA	CT	NE	US
Firm Doesn't Offer	+10%	+3%	+5%	+3%	0%
Firm Offers, Not Eligible	-2%	-2%	0%	0%	0%
Eligible, Not Enrolled	-3%	0%	-2%	-1%	0%
Enrolled	-5%	-1%	-2%	-2%	-1%

Source: AHRQ MEPS data, employers under 50

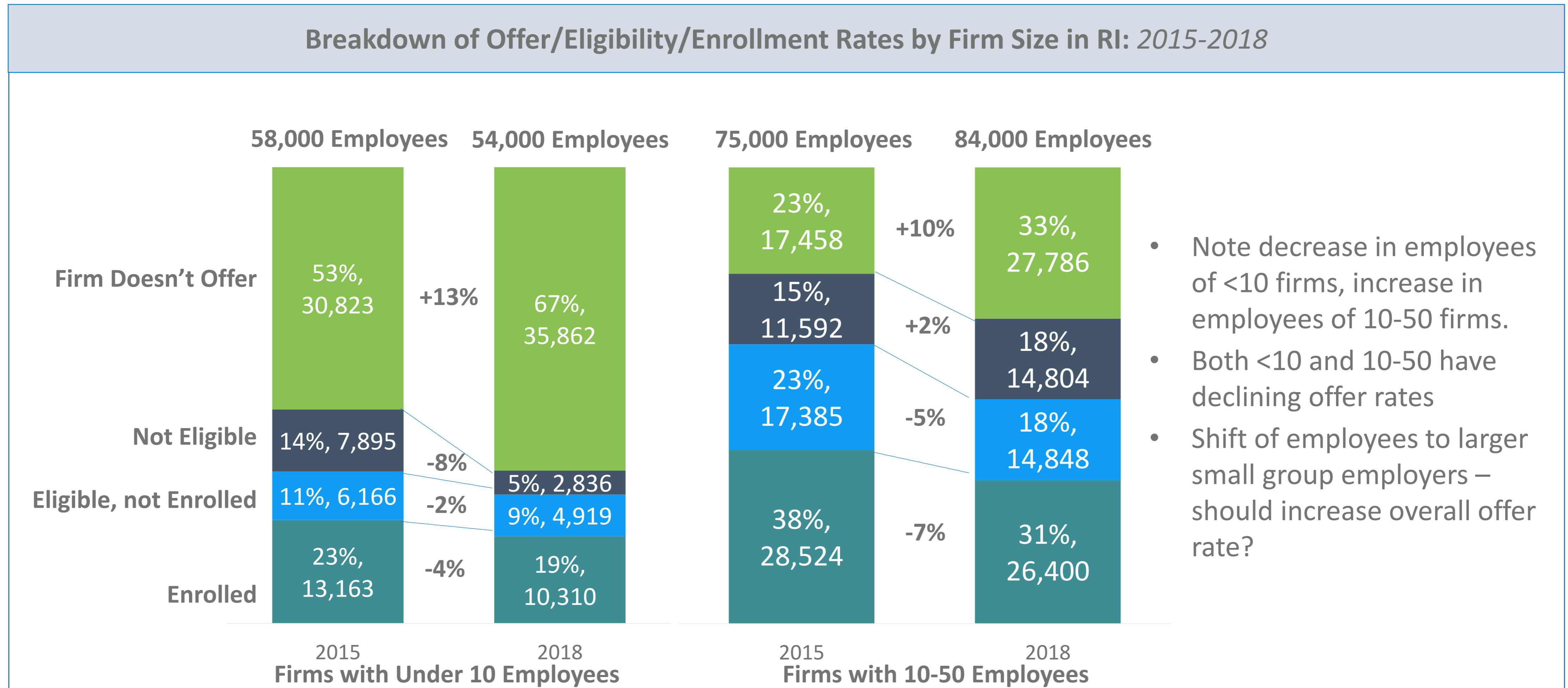
RI SMALL GROUP MARKET 2015-2018 –LARGE EMPLOYER BENCHMARK

In comparison, larger employer have seen a more substantive drop in eligibility rates.



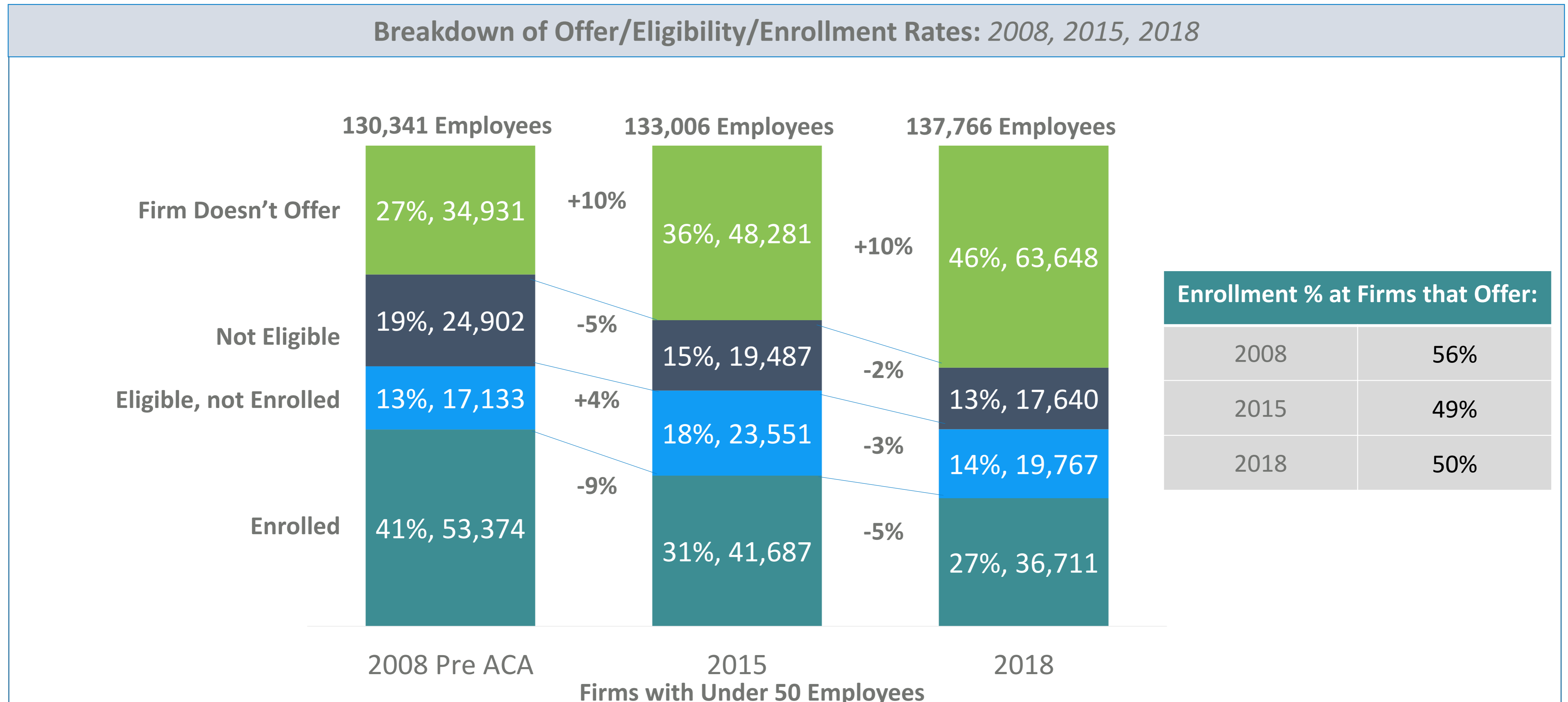
RI SMALL GROUP MARKET 2015-2018: *IMPACT OF MICROGROUPS*

The decline in employers offering insurance appears to be occurring in both the smallest employers as well as the larger small group employers.



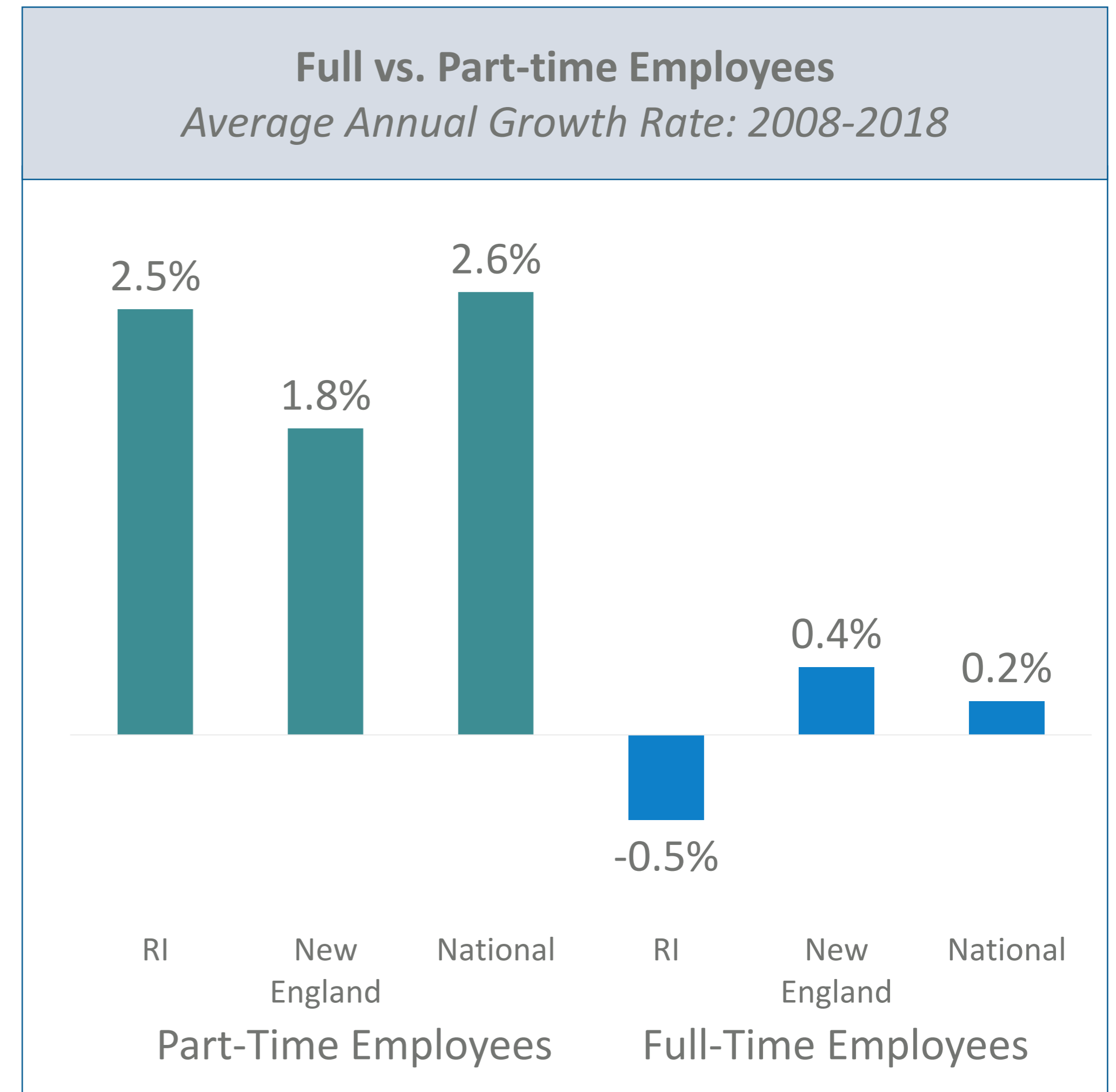
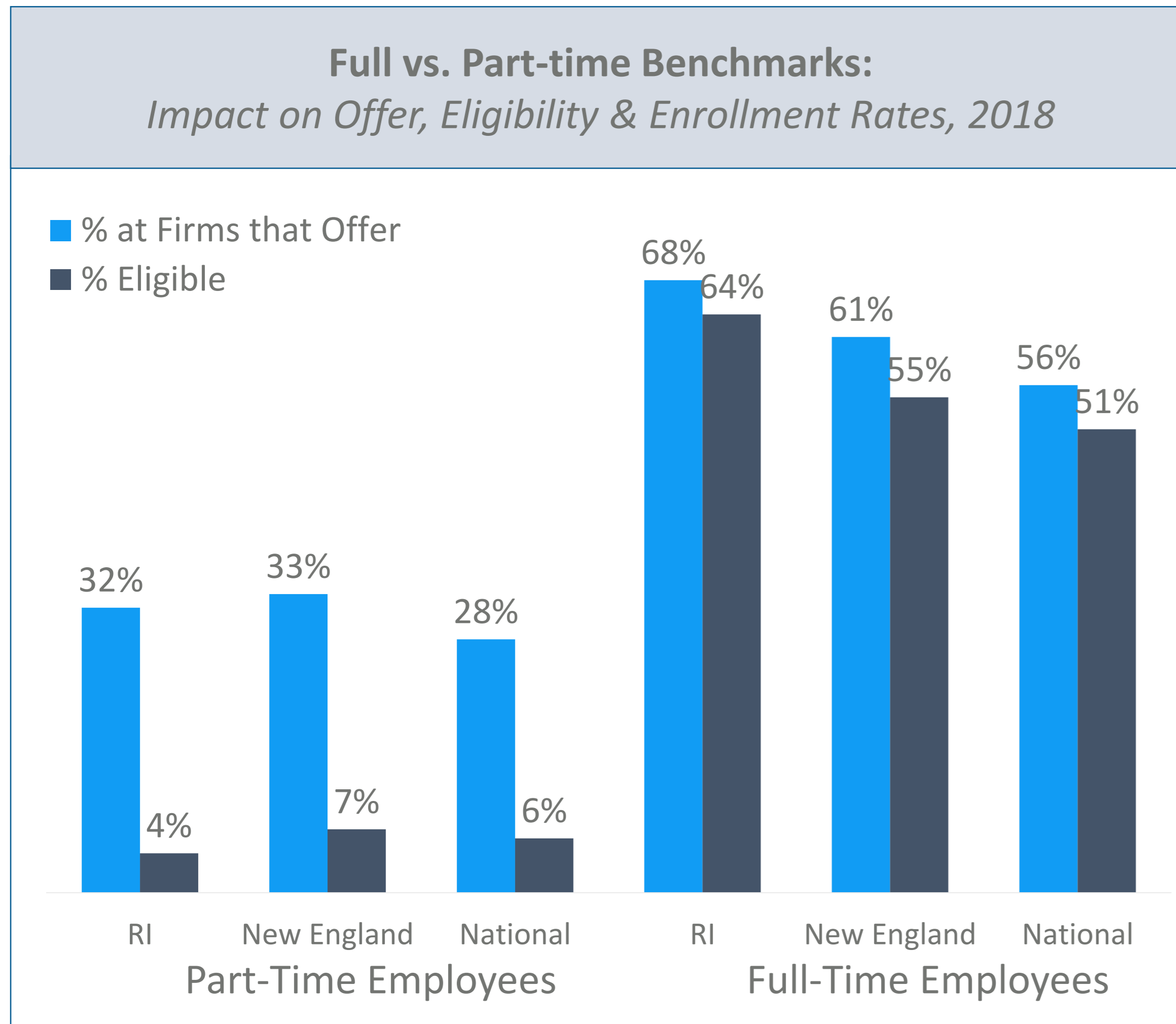
RI SMALL EMPLOYER MARKET 2015-2018 –PRE VS. POST ACA

The decrease in offer rate is a continuation of declines pre-ACA, however the percent of employees enrolled in insurance at firms that offer insurance has not declined as much as offer rates.

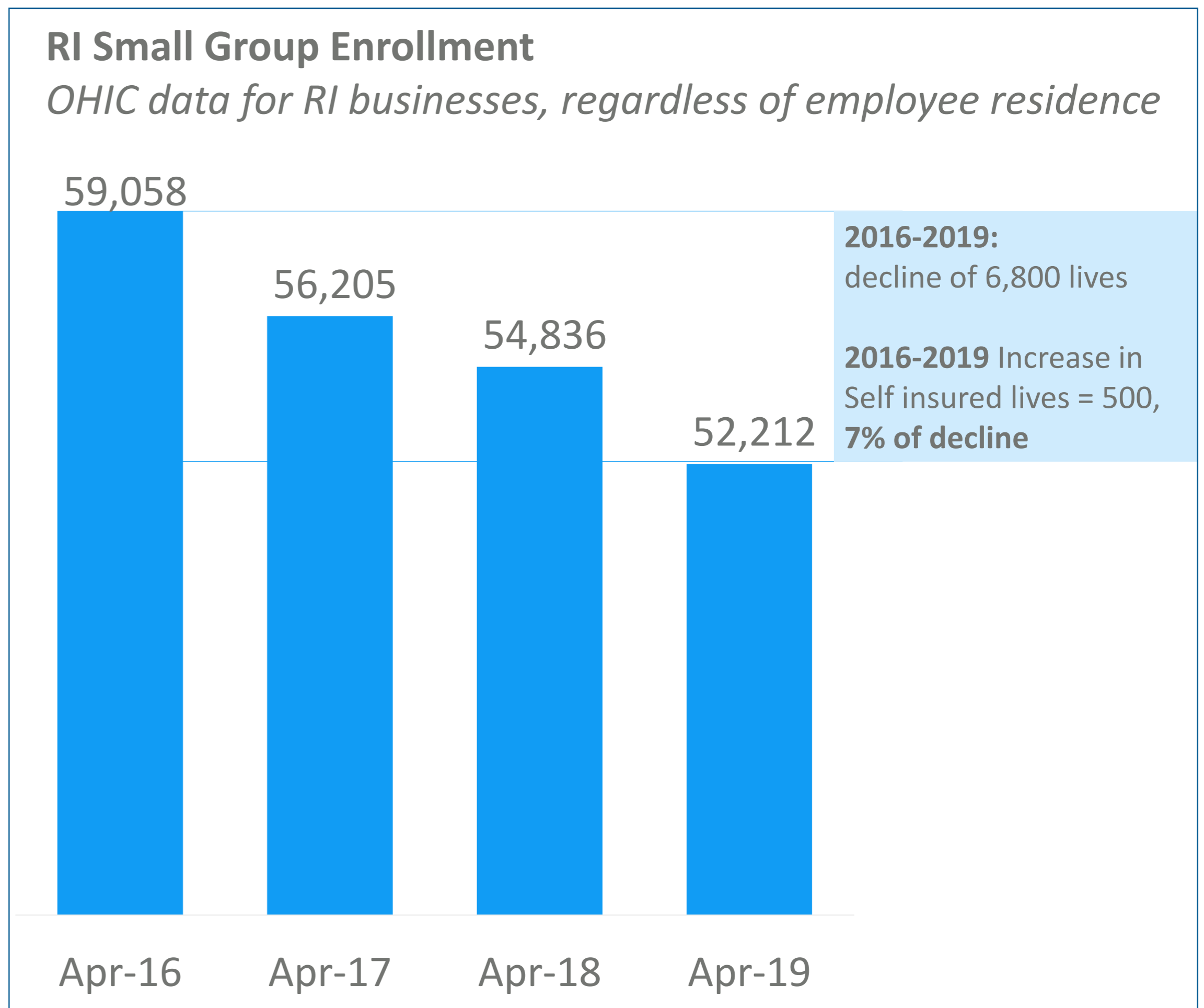
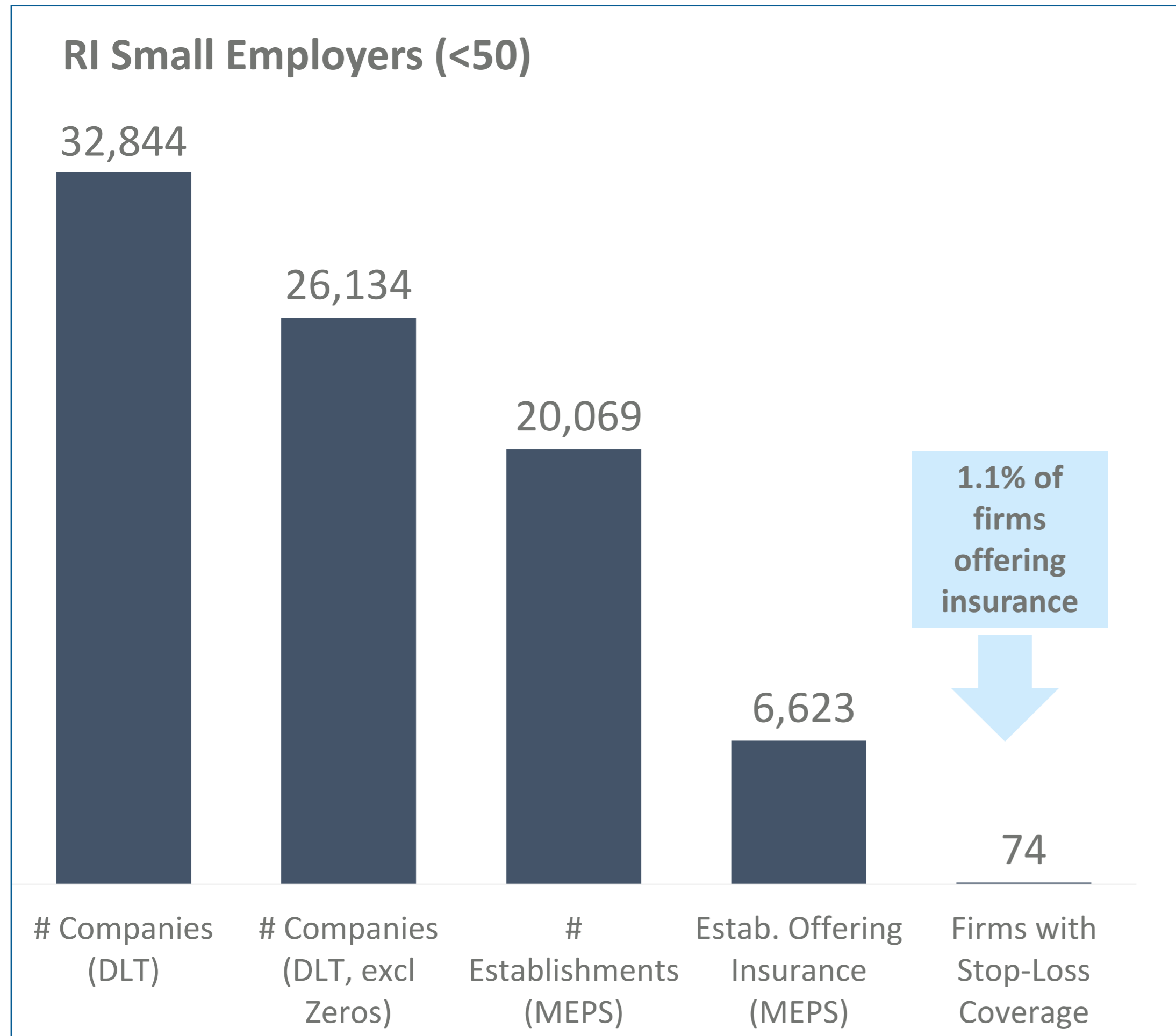


FULL-TIME VS. PART-TIME BENCHMARKS

The increase in part time employees with lower eligibility rates is consistent across New England and nationally.



WHY DECLINING OFFER RATE: *IMPACT OF STOP LOSS*



Source: DLT, MEPS, OHIC. Stop loss data shows 74 firms with 1,160 subscribers, using ratio of 1.8 lives/subscriber, is approximately 2,000 lives in stop loss coverage.

DATA AND SOURCES

MEPS: Medical Expenditure Panel Survey – Insurance Component (MEPS-IC), an annual survey distributed by the Agency for Healthcare Research and Quality (AHRQ). The survey collects data from a nationally representative sample of employers in both the private sector and state/local government. Data shown here focuses on establishment-based data for employers with fewer than 50 employees.

<https://meps.ahrq.gov/mepsweb/>.

DLT: The Rhode Island Department of Labor and Training (DLT)

conducts a Current Employment Statistics (CES) survey yearly in which around 1,200 business participate. The survey gives estimates of non-farm employment benchmarks as well as average hours worked and earnings. <http://www.dlt.ri.gov/lmi/ces.htm>

OHIC: The Rhode Island Office of the Health Insurance Commissioner (OHIC)

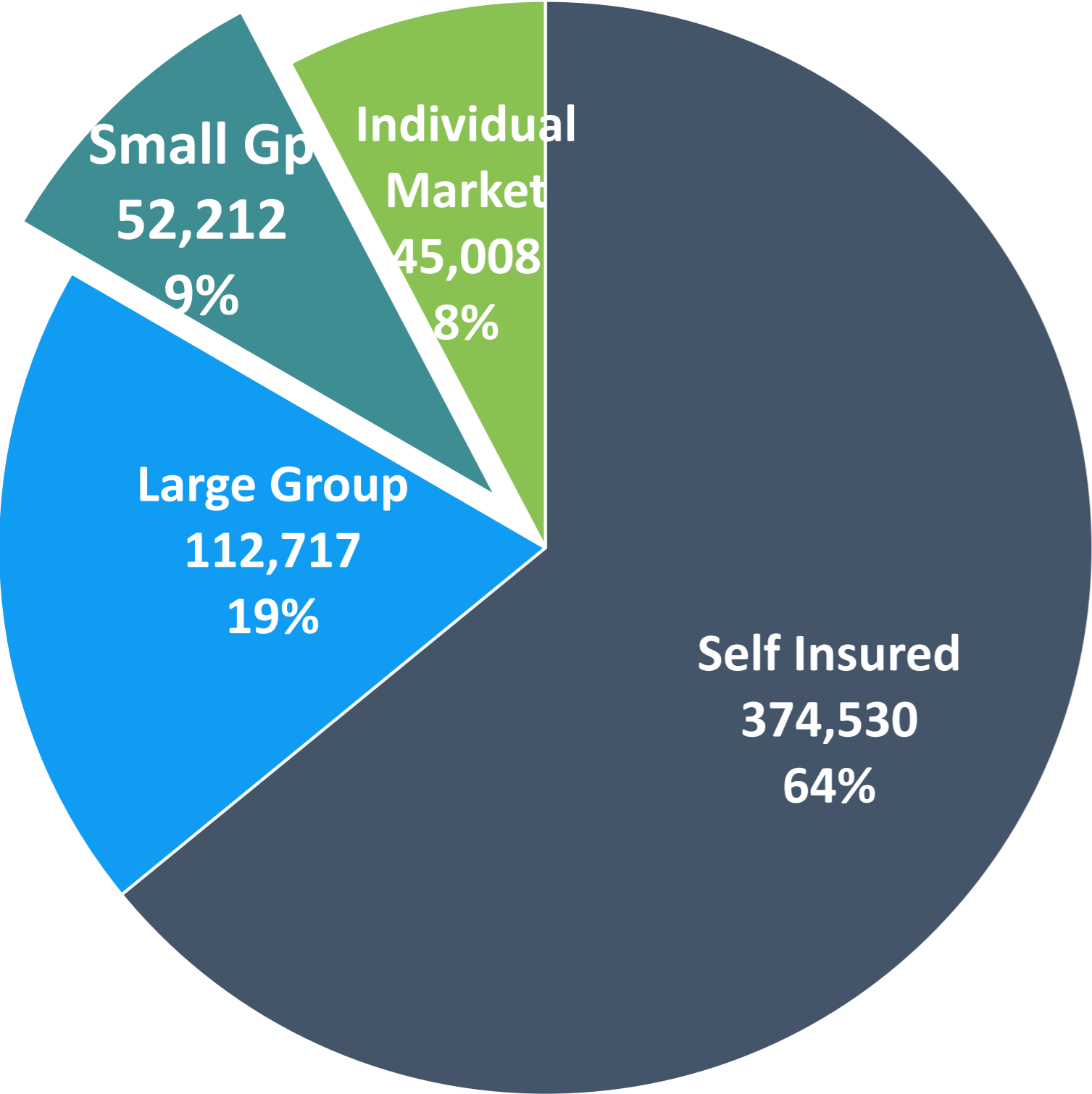
provides a count of small employer insured lives as reporter by insurance carrier.

<http://www.ohic.ri.gov/indexB.php>

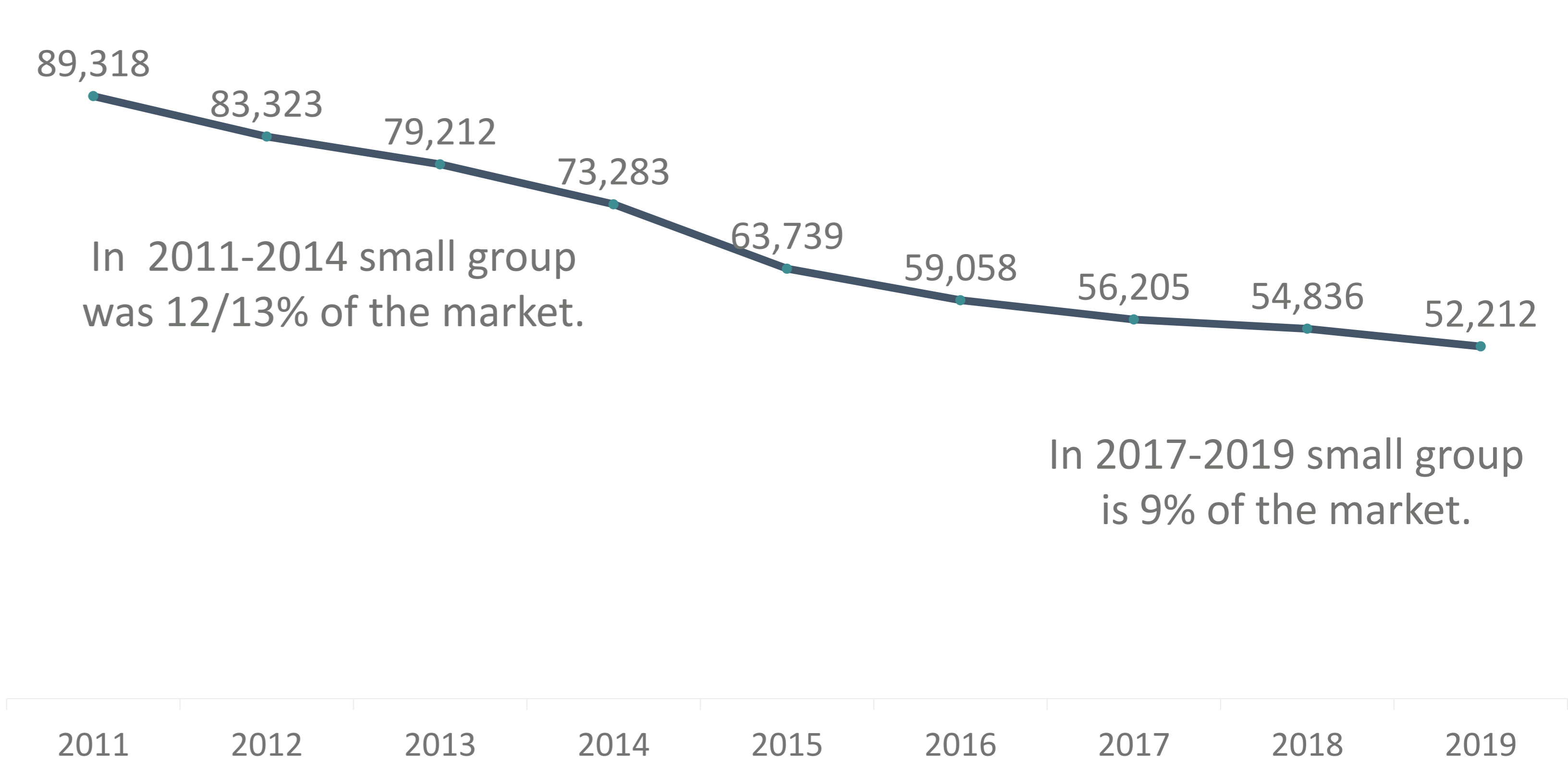
OUR CHALLENGE: SMALL GROUP MARKET

KEEPING PEOPLE IN THE POOL

RI Private Insurance Market
2019



RI Small Group Enrollment
2011-2019

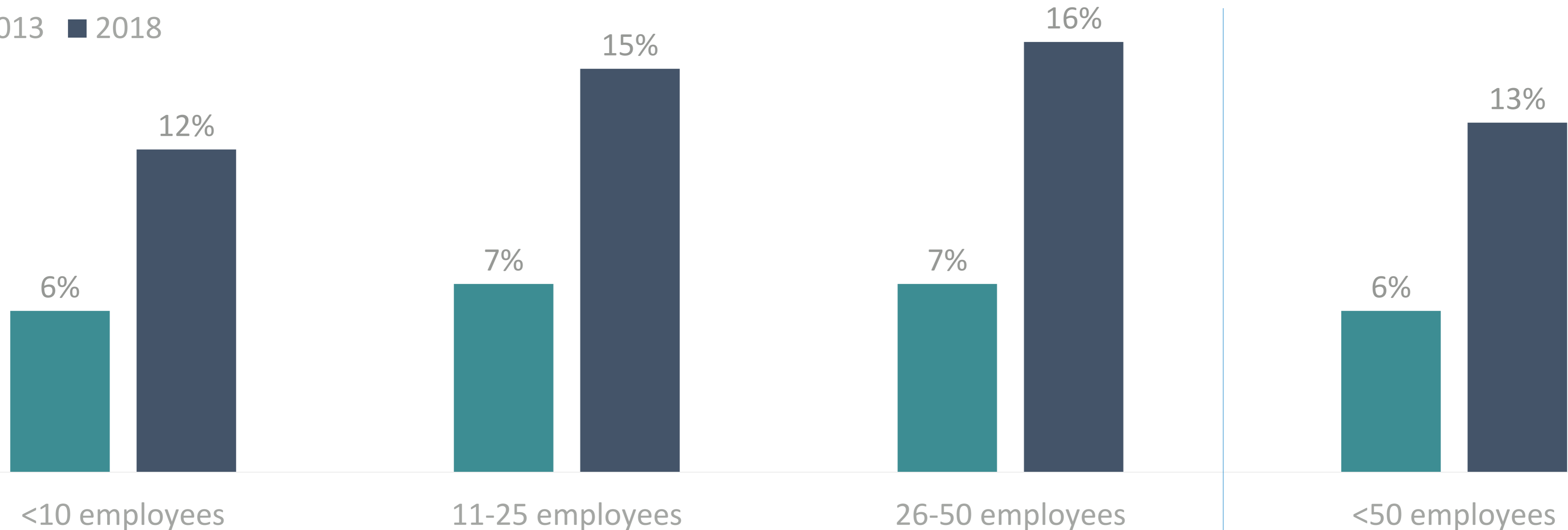


Source: OHIC All Carriers Enrollment Report, As of April 2019, RI Business, regardless of employee residence

GROWTH OF MEDICAID ENROLLMENT: 2013-2018

Percent of Small Business Employees Enrolled in Medicaid by Size of Employer:
2013 (pre ACA Medicaid Expansion), 2018 (post ACA Medicaid Expansion)

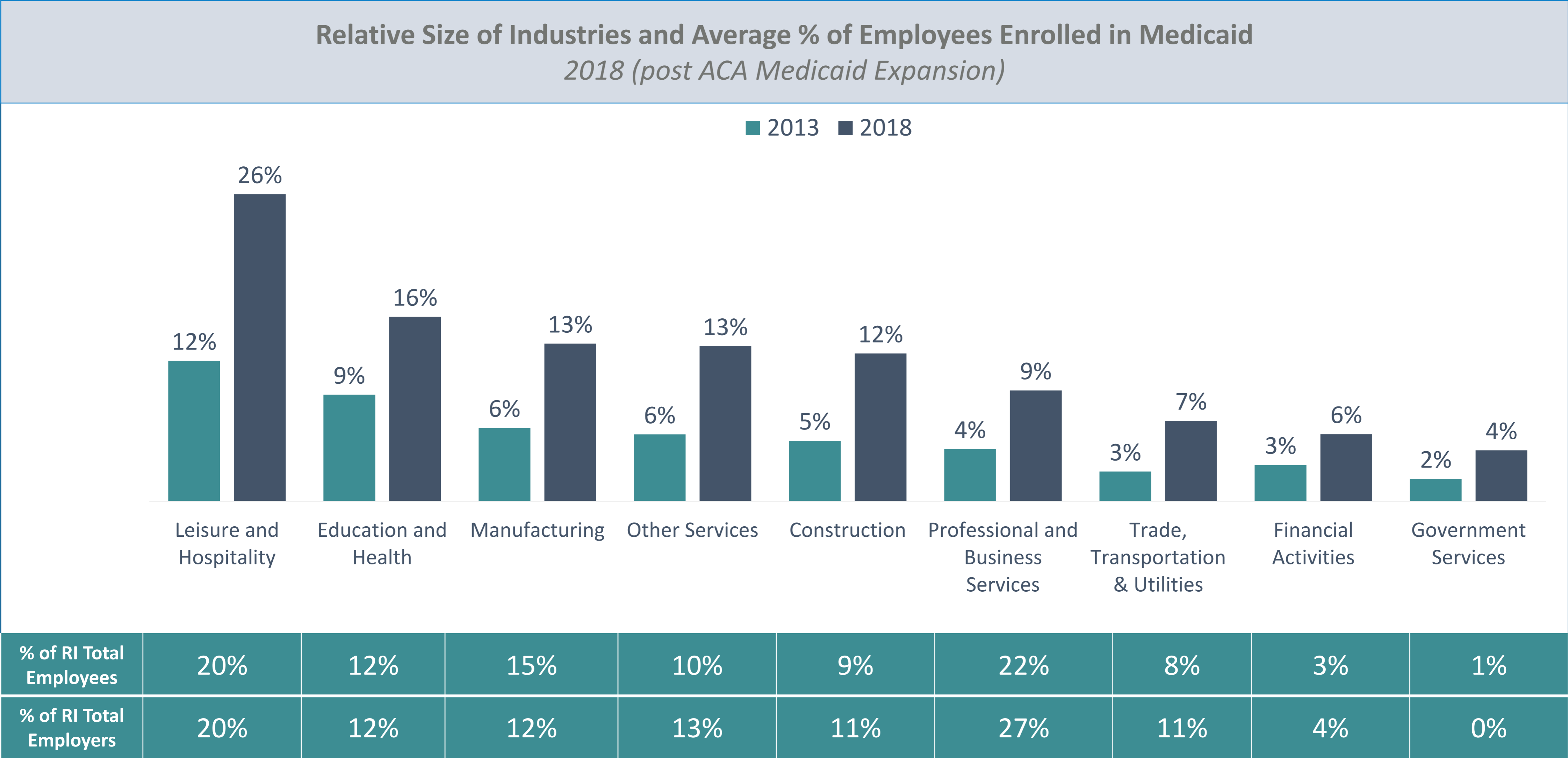
■ 2013 ■ 2018



Sources: Dept of Labor and Training data, matched to EOHHS Ecosystem Medicaid enrollment data.

Note: Alternate data source: 2018 RI Health Insurance Survey (HIS) indicates 21% of employees who work at firms with <50 employees are covered by Medicaid. HIS is self-reported data from a sample of RI households. Data shown above is from DLT database of employers matched to Medicaid enrollment records.

RI MEDICAID ENROLLMENT BY INDUSTRY: 2013-2018



Sources: Dept of Labor and Training data, matched to EOHHS Ecosystem Medicaid enrollment data.

INDUSTRY BENCHMARKS – MEDICAID ENROLLMENT

Industry	% of RI Market	Total % Growth in Employment (2009-2018)	% Employees Enrolled in Medicaid (2018)
Education and Health	21%	7% (Medium)	16% (High)
Trade, Transportation, and Utilities	16%	6% (Medium)	7% (Medium)
Professional and Business	14%	30% (High)	9% (Medium)
Leisure and Hospitality	12%	20% (High)	26% (High)
Government	12%	-2% (Low)	4% (Low)
Manufacturing	8%	-3% (Low)	13% (High)
Financial Activities	7%	9% (Medium)	6% (Low)
Other Services	6%	-6% (Low)	13% (High)
Construction	4%	12% (Medium)	12% (High)

Sources: % of Market and % employment growth from DLT data, Employees enrolled in Medicaid from matching of Dept of Labor and Training data and EOHHS Ecosystem Medicaid enrollment data.