

Operating Vermont's Exchange for Small Businesses

September 10, 2012



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Agenda

- Employer Interview Findings
- Employee Choice Models
- Transition Issues
- Small Business Administration

Employer Interview Findings (1)

- 50 in-depth interviews; May 2012; all with VT small employers (2-50 employees) offering health insurance
- Key Takeaways
 - Employers want to know how the exchange will impact cost as soon as possible
 - 63% view required use of exchange as either somewhat (28%) or very negative (35%) in large part because of the unknowns
 - 1/3 would drop ESI and have employees go direct based on knowledge today but 53% would do so if employees could get as good coverage and there is a financial benefit

Employer Interview Findings (2)

- Key Takeaways
 - For exchange to be successful, it must add more value than what brokers currently provide and show employers how it will add more value
 - 70% or more of employers use brokers
 - Most would continue to use brokers even within exchange
 - But...less than half would pay a broker directly
 - » 78% would not if cost = 4% of premium
 - » 57% would not if cost = 2% of premium
 - Exchange might consider subsidizing cost of brokers in first year

Employee Choice Models

1. Employer selects issuer, employees pick plans on different AV tiers.

	Health Plan A	Health Plan B
Platinum		
Gold		
Silver		
Bronze		

2. Employer picks tier, employees pick different plans.

	Health Plan A	Health Plan B
Platinum		
Gold		
Silver		
Bronze		

3. Employee picks any plan, any tier.

	Health Plan A	Health Plan B
Platinum		
Gold		
Silver		
Bronze		

4. Employer selects single plan.

	Health Plan A	Health Plan B
Platinum		
Gold		
Silver		
Bronze		

Model 1: Employer Selects Issuer, Employees Pick Plans on Different AV Tier

- Second most favored model by employers
 - 72% view model either *somewhat* (64%) or *very* (8%) favorably
- One carrier dimension simplifies customer service platform for employer
- One carrier mutes some consequences of adverse selection

Model 2: Employer Picks Tier, Employees Pick Different Plans

- Required model
- Theoretically encourages competition among carriers; little perceived value in 2 carrier market
- Least appealing model to Vermont employers
 - 28% view model either *somewhat* (26%) or *very* (2%) favorably
 - 72% view model *somewhat* (43%) or *very* (29%) unfavorably

Model 3: Employee Picks Any Plan, Any Tier

- Strongest employer interest in this model
 - 80% view model either *somewhat* (40%) or *very* (40%) favorably...first impression
 - 62% chose this model as their favorite...final impression after all 4 models reviewed
- Offers employees same full choice as individuals
 - Typically is favored by employees, too
 - Facilitates portability

Model 4: Employer Selects Single Plan

- Conventional model: little choice or change
- Of those employers (35%) who were most negative, 58% prefer this model
- Offering this model in addition to other employee-choice models, plus the federal tax credit (<25 ees), represents a meaningful *expansion of options* and cost-savings for small employers

The Choice Balance

- Too Much...
 - Overwhelms consumers; can lead to bad decisions
 - Medicare D, MA Health Connector experience
 - Adds to cost without increasing value
 - Complicates admin, exchange ops
- Too Little....
 - Are differences real & easily discernable?
 - Can employers/'ees transition to “similar” coverage?
 - Defeats goals of ACA to broaden choice

Transition Issues: Role of Broker

Typical Producer Services

Comparison shopping

- “Spread-sheeting” multiple carrier/plan options
- Benefits; cost-sharing; networks and premiums

Trusted Advisor

- Provide HR support (insurance rules and regulations; employment law)
- Works closely with owner on benefit strategies and goals

Enrollment

- Carrier underwriting regulations
- On site employee meetings; education
- “Scrub” applications; oversee enrollment process

Service and Advocacy

- Solves the “ugly claim problem”
- Eligibility issues
- Billing and payment issues
- Par providers, out of network charges, balance billing in-network

Transition Issues: Anniversary Dates

Estimated Small Group Enrollment in 2011 by Renewal Month

# Employers	# Employees	Renewal Month	% Employers	% Employees
8,388	30,752	Jan	77%	75%
366	1,405	Feb	3%	3%
378	1,384	Mar	3%	3%
162	462	April	1%	1%
171	622	May	2%	2%
155	721	Jun	1%	2%
204	716	July	2%	2%
148	557	Aug	1%	1%
212	1,231	Sept	2%	3%
140	569	Oct	1%	1%
166	755	Nov	2%	2%
346	1,691	Dec	3%	4%
10,836	40,865	Total	100%	100%

Small Business Exchange Administration

- Challenging or unique functional requirements
 - Vet and establish employer entity; then establish employee eligibility
 - Employer tax credit calculator
 - Input contribution and calculate employee costs
 - Premium billing for multiple carriers
 - Adds and deletes must be reported back to employer (as well as carrier)
 - Broker support

Strategies to Support Small Business

- Encourage/subsidize brokers
 - Funding requested in Level II Grant submission
- Experienced broker and employer team(s) a must in the Call Center
 - Dedicated unit
 - Multi-level Customer Service Reps
 - Higher level for brokers and employers
 - Specific broker and employer experience