



Employer and Employee Choice Policy

July 23, 2012

Essential Question:

What, if any, restrictions should COHBE place on employers and employees in the SHOP?

- I. How, if at all, should COHBE limit the number of plans from which employers can choose?
- II. What, if any, percentage of employees should COHBE require of a small business to participate?
- III. How should COHBE regulate employers' contributions to their employees' health insurance premiums?

Goals/Objectives:

- Fulfill the mission outlined in SB-200 to provide access, affordability and choice to Coloradans
- Facilitate a smooth and efficient process for consumers to shop and enroll in Qualified Health Plans (QHPs)
- Level the playing field between the outside market and COHBE
- Maintain the competitive nature of the Exchange
- Support a stable risk pool
- Meet the Exchange implementation timeline

Below are state and federal laws that apply **to employee choice**:

Colorado	C.R.S 10-16-105(7.4)(a) The requirements for determining whether to provide coverage to a small employer shall be uniformly applied including minimum contribution and participation rates. Senate Bill 11-200 directs COHBE to “foster a competitive marketplace for insurance and shall not solicit bids or engage in the active purchasing of insurance.” ⁱ
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Federal	<p>45 CFR § 155.705(b)(2) outlines that employers must be allowed to let employees choose any plan in a metal tier.</p> <p>45 CFR § 155.705(b)(3) outlines that SHOPS may allow other employee choice arrangements</p> <p>The final Exchange Rule also holds that the SHOP must provide qualified employers with at least 30 days before the plan year ends in which they “may change its participation in the SHOP for the next plan year.”ⁱⁱ Employers may change the level of coverage they offer, the QHPs they offer, and/or the method by which they make available QHPs for employees.ⁱⁱⁱ</p>
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Background

A pair of important aspects of employer and employee choice are requirements around employer contributions and employee participation. Employer contributions help to subsidize coverage and encourage healthier people to enroll in health insurance by presenting a premium that may be closer to the value the employee places on the insurance.

Employee participation in the context of the Exchange refers to the number of employees who purchase coverage on the Exchange, not in a particular QHP. Employees, who have alternative coverage, say through a spouse’s employer, are excluded from the calculation. The purpose of a participation rate is to minimize adverse selection by ensuring that a large number of employees have coverage.

Considerations

Additional Information

The Colorado Association of Health Plans has provided additional information that carriers’ current estimates are roughly a 3% increase in costs due to adverse selection from offering two metal tiers. The report also offers some discussion around the adverse selection impacts of plans offering open systems with wide networks and few utilization restrictions vs. narrow networks and strong referral rules. This document is included as Appendix 1.

The SHOP Advisory Group renewed their support for option 4 and confirmed that option 5 was supported as well. The Health Plan Advisory Group renewed their support for option 4 and indicated that option 5 should not be offered on a 7 to 9 vote.

Recommendation

COHBE recommends offering employers 4 options:

1. The employer can choose a single QHP for all employees, (Passed on July 9)
2. The employer can choose a panel of Qualified Health Plans from a single carrier, representing an actuarial value range that is as extensive as the carrier offers outside of the Exchange,

3. The employer can offer employees any plan within a single metal tier, (Passed on July 9)
4. The employer can offer employees any plan that is offered in two adjacent metal tiers.

The Exchange will also allow employers to choose a subset of any of the options.

COHBE asks the board to consider:

5. The employer can offer employees a panel of plans from two carriers, limiting the selection to three consecutive metal tiers from those carriers.

COHBE recommends exploring the allowance of a defined contribution and creating a system for defined contributions unless disallowed by state and federal law. The Exchange will allow employers to set either a defined percent or a defined percent of a reference plan.

COHBE recommends setting a minimum contribution requirement in line with market conditions.

COHBE recommends setting a minimum participation requirement in line with market conditions.

ⁱ Colorado Revised Statute 10-22-104. <<http://www.lexisnexis.com/hottopics/Colorado/>>

ⁱⁱ 45 CFR 155.725(c)

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