



STRATEGIC MARKET DIRECTION SMALL EMPLOYER HEALTH OPTION PROGRAM- **UPDATE TO 4/15/15**

April 28, 2015

Small Employer Marketplace 2015 and Beyond

- Offering a small group Marketplace is required by federal law
- SHOP as a line of business has been subordinated by focus on the Individual line of business
- Colorado is a state of small businesses, with 85% of companies employing 10 employees or less
- Connect for Health Colorado is committed to the small group market and to the Brokers that represent them
- The need to move from solely an IT platform to an integrated business solution is driving a project to “white label” a different solution
- Current costs outweigh benefits and we desire to invest a portion of current spend in a “product” that leapfrogs C4HCO into a market leader

Small Employer Marketplace 2015 and Beyond

Top Value Proposition - The Power of Choice

- Enhanced, multi-plan, multi-carrier **CHOICE** empowers employees to elect health plans that better serve their medical and financial needs
- When given the option, many employees will elect plans that reduce their premiums and often their employer's premiums, as well
- 44 % of SHOP employers have chosen more than one Carrier and 68% have chosen more than one plan design
- “Choice” is not offered outside the Marketplace

Current Results of the Small Business Marketplace

SHOP Book of Business –Poised for Growth:

- October 2014: 304 employers and 2,519 covered lives; 8.5 lives/employer
- April 2015: 329 employers and 2,589 covered lives; 7.87 lives/employer
- Brokers responsible for 65% of employers and 79% of covered lives
- Average monthly premium/life – \$364 (Oct 14.) and \$354(Apr. 15)
- Current Retention rate = 79%, Target = 85% to drive sustainability
- New Business Run Rate (2015 YTD) = 17 groups/mo

Current Results of the Small Business Marketplace

Snapshot of State Based Marketplaces

- CT = 200 groups/2,000 lives
- RI = 350 groups/3,500 lives
- KY = 80 groups/768 lives
- WA = 77 groups/414 lives
- UT = 1,300 groups/ 12,880 lives
- CA = 2,311 groups/15,671 lives

All SBMS and FFM are under enrollment targets and developing sales and functionality improvement strategies

YTD Efforts to Improve Small Business Marketplace Functionality

SHOP 2.0 Features and Enhancements

- Many Usability Changes –
 - Significant improvements to navigation
 - Changes to overall look and feel to make it easier to determine how to take action
 - Critical action buttons (e.g., submit enrollment) easier to find
- Improved automation of employee change processing
- Integrated Quick Proposal System
- Dashboard for Brokers/employers to gauge where the group is for participation and costs
- Ability to use a Reference Plan for Contributions
- Ability to limit the plan choices available to employees within the Employer Choice categories
- Extra White Glove assistance for direct employers
- Training for Tier 3 Service Reps.
- Launch Broker Focus Group for Sm. Group Brokers

Management Assessment of Progress Over Opportunity

- The line of business is underperforming and at a critical juncture
- Despite fixes and an uptick in new cases, status quo is not an option
- Brokers who tried SHOP and left in 2014 have not returned
- Per the Broker force... “if it works, they will come in droves”
- 2016 poses great growth opportunity w/Transitional plans
- 2017 poses great growth opportunity w/Expanded market
- Not seizing these opportunities is a mistake
- Invoicing is still manual and will not support successful growth
- The required platform is: strong technology, small group expertise and market credibility as a successful partner-the trifecta

Small Employer Market – Opportunity and Potential

Colorado Fully Insured Small Group Market 2-50 =

- Size- 245,024 Coloradans covered in Sm. Group(fully Insured), DOI YE2013, total premiums = \$1.1bil
- As of 12/31/14, 114,968 Coloradans were still enrolled in Transition plans
- Per DOI, Transition plans expire in 2015 for both Individual and Sm. Group
- Per DOI, Positive Affirmation is required for Sm. Group Transition plans
- 60% of small groups in Colorado will renew in Nov/Dec.
- Avg. premium increase for Transition plans is estimated at +15%-making “choice” a perfect cost containment strategy
- 90% + are Broker represented

Small Employer Market – Opportunity and Potential

Colo. Small Group Market Expansion 51-100 =

- Currently conducting market opportunity valuation
- Carriers offering Early Renewal and 15 month policies as retention strategies
- As such, 2017 is a more likely period to gain significant Marketplace enrollments
- This market segment is used to: semi-self funded, HSA, composite rating, but will face more restrictive rating rules
- Carriers are lowering self funded thresholds to > 25 lives to retain accounts
- 14.3% of employers in this range are self-funded
- Additional slate of Brokers to recruit and gain credibility with 95% + are Broker represented

Multi-Year Enrollment Forecast – Small Group 4/28/15

Enrollment Type	30-Jun-15	30-Jun-16	% Inc 2016 v 2015	30-Jun-17	% Inc 2017 v 2016	30-Jun-18	% Inc 2018 v 2017
Small Groups	336	764	127%	1,226	60%	1,874	53%
Covered Lives	2,688	6,878	70%	12,256	78%	15,935	30%
Assumption Notes:							
NB- Standard 2-50		277		704		613	
NB- Standard 51-99		222		253		219	
Retention %	79%	85%		85%		85%	

Current Costs of the Small Business Marketplace

SHOP Costs	Monthly	Annual
hCentive		
Annual License (estimate)		\$200,000.00
Monthly Maintenance	\$25,000.00	\$300,000.00
Total hCentive	\$25,000.00	\$500,000.00
CGI Costs		
Aldera Annual License Fee		\$63,000.00
Back Office	\$120,000.00	\$1,440,000.00
Tier 2 Reps	\$12,000.00	\$144,000.00
Maintenance & Support	\$50,000.00	\$600,000.00
Carrier Coordination	\$3,750.00	\$45,000.00
Total CGI	\$185,750.00	\$2,292,000.00
Overhead SHOP C4HCO Team Salary/Benefits		\$210,500.00
Total SHOP Costs	\$210,750.00	\$3,002,500.00

Financial Improvement: Small Group Marketplace Revised Strategy

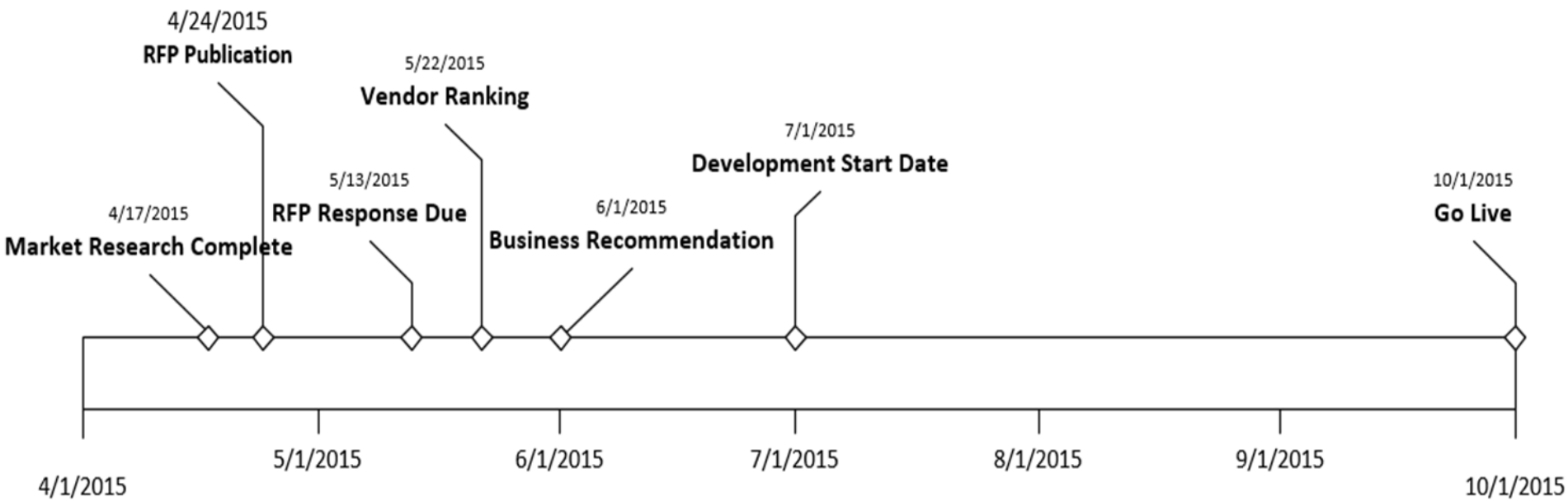
Incremental Revenue/Expense (000's)				
Year	2015 (@3.5%)	2016	2017	2018
Revenue	\$423	\$1,083	\$1,930	\$2,510
Expense	\$3,002	\$1,599	\$1,316	\$1,334
Margin	\$(2,579)	\$(516)	\$614	\$1,176

Proposed Direction-Small Group Marketplace

Small Group Project Team

- Vetting potential partners who meet the Trifecta criteria: successful system, expertise in Sm. Group and high credibility with employers/brokers
- Completed interviews with SBMS
- RFP was distributed 4/24/15
- Continued approval to vet a “white label” option obtained from CMS
- Gaining input and advice from Sm. Group Broker Focus Group, DOI, MGA partners

The Small Business Marketplace- Project Timeline



The Small Business Marketplace- Project Team Needs

- Confirmation of the opportunities for growth
- Support the imperative to select an integrated business solution
- Provide guidance on Board expectations, level of involvement in process to select and implement