



# SMALL GROUP MARKETPLACE OPTIONS

FINANCE & OPERATIONS COMMITTEE MEETING

JUNE 26, 2017

# SHOP Marketplace – Current State

## **At the federal level, the SHOP Marketplace is in a dynamic state:**

- CMS Press Release Issued May 17, 2017
  - FFM or SBMs remain the sole Marketplaces where Small Businesses can obtain tax credits.
  - Additional guidance from CMS anticipated around state flexibility and availability of tax credit.
- For OE5, the Small Business Marketplace may look different, but our commitment toward fulfilling our mission is unchanged.
  - We believe the Small Business tax credits will continue driving small employers through our Marketplace.
  - To varying degrees, all state-based marketplaces are having dialogue around enhancements to the small business marketplace.
- A number of vendors have created platforms to address issues with early-stage SHOP platforms
  - We believe we can simplify the quote, shopping and enrollment experience while lowering the administrative cost burden to carrier partners and improving the customer experience.
  - Along with the FFM and most other SBMs, we must trim our costs associated with the maintenance of the SHOP platform while still supporting the small group marketplace.

# SHOP Marketplace – Current State

## **At the local level, we are experiencing cost and customer experience issues:**

- The average monthly cost for running the SHOP back office since January 2017 has been around \$125,000 (includes accounting and call center staff, and trouble ticket processing) against an average monthly revenue of approximately \$39,000.
  - Even if the current growth rate is maintained in the SHOP Marketplace, there is no foreseen break-even point.
- Customers are having difficulty with account maintenance issues such as waiting too long to enroll new hires or COBRA, which causes more cost for Connect for Health Colorado in manual workarounds.
- The technology is not aligned with policies such as not allowing the enrollment of a business group of one. Fixing the platform is costly.

# Why Pursue a New Small Business Marketplace Model?

## Market forces driving Connect for Health Colorado's Small Business Marketplace:

- Employers are **NOT** dropping coverage in favor of letting employees go to the individual marketplace
  - The percentage of employer sponsored coverage fell only slightly: 2011 – 51.1% to 2015 – 50.9%
  - Data from the 2015 Colorado Health Access Survey, Colorado Health Institute
- Colorado's low unemployment rate means that benefits are important in the **recruitment and retention of employees**
- It is anticipated that Small Business **premiums will continue to be below Individual premiums**, which makes the SHOP Marketplace more attractive.
- It is anticipated that tax credits will be available to only Connect for Health's Marketplace, which helps lower a business' premium liability.

# Option 1 – Status Quo

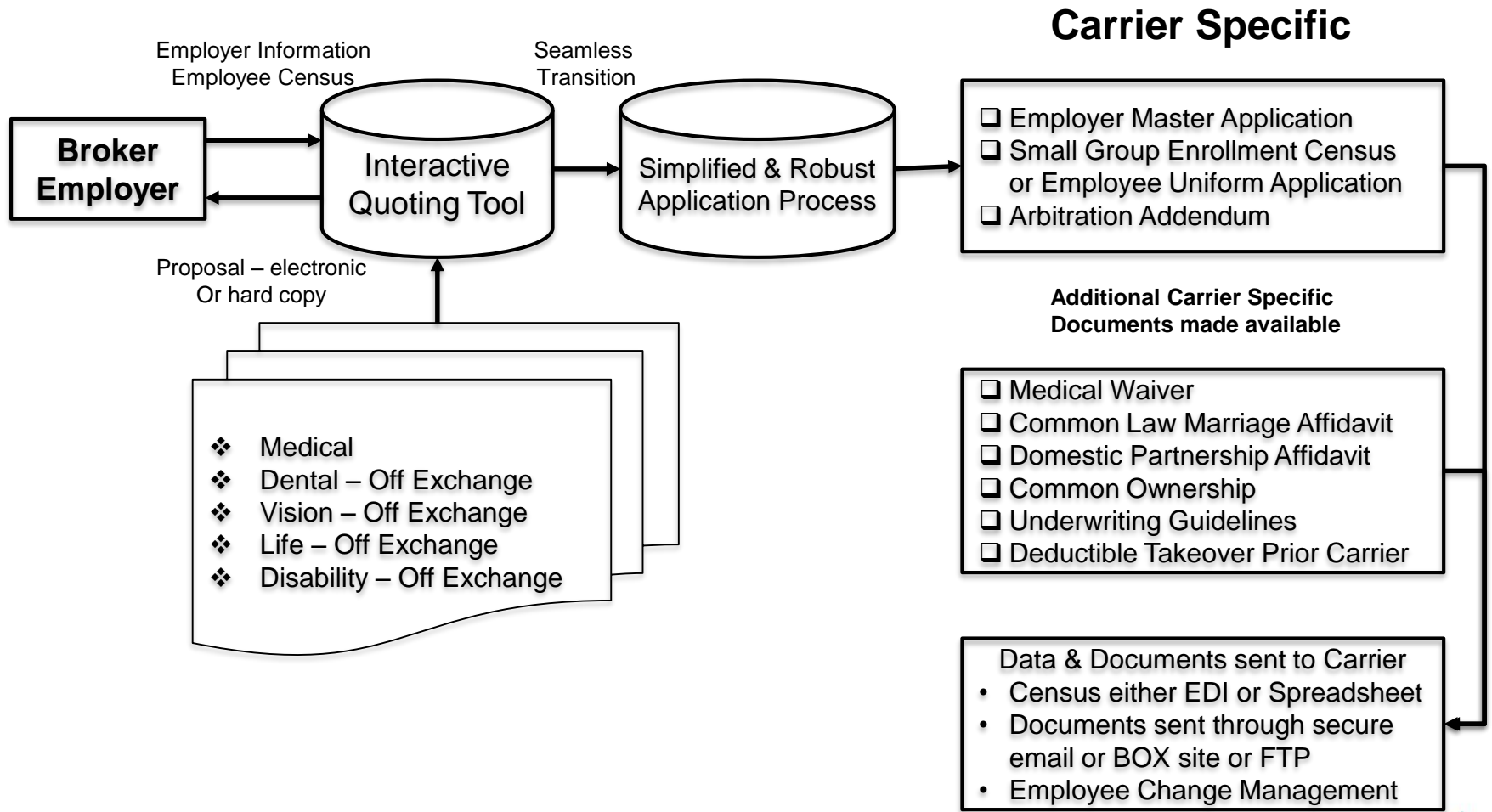
**If we continue with the current SHOP platform and back office operations, we anticipate that:**

- We will continue to fund the maintenance of the system without sufficient revenue to cover costs
- We will not be able to fund system enhancements
- Our customers will continue to have a questionable and potentially deteriorating customer service experience
- The lack of choice in carriers and geographic coverage area may negatively affect enrollments
- The carriers may have to bear a higher cost of administration
- There will remain a general uncertainty in the health insurance marketplace

# Option 2 – Identify a More Advantageous Model

- General concept:
  - Connect for Health Colorado can provide new functionality for shopping and quoting, employer application/account set-up, and employee enrollment.
  - Enrollment data will be transferred to carriers.
  - Carrier will retain responsibility for account administration, including billing and account reconciliation.
- Ability to add full suite of ancillary products such as Dental, Vision, Life, Disability, GAP insurance and Critical Illness and Accident insurance
- Assumption:
  - CMS guidance allows C4HCO to remain the only throughput by which a small employer can gain a tax credit.

# What Could a New Small Group Marketplace Model Look Like?



# A New SGM Model – Advantages for Carrier Participation

## **The proposed platform could provide:**

- Ongoing access to the small group market
- Support for small groups in obtaining any qualified tax credits
- An intuitive, interactive quote experience
- A simplified enrollment process - -
  - Carriers would receive the employer application and employee application
  - Equivalent administrative processes for on-Exchange vs off-Exchange products
  - Single-carrier choice of plans at launch; phase-in of multi-carrier options
- Potential for a reduced carrier administrative fee (e.g., a marketing or finder's fee in return for driving business to carriers) or commission-paid



# A New SGM Model – Contingencies

**If one or both of the following occur, other options would need to be pursued:**

- CMS issues guidance that levels the playing field with tax credits, by either eliminating it from on-exchange, or adding it to off-exchange; or
- No carriers file to participate in the SHOP Marketplace for OE5.

# Option 3 – Provide Steerage Elsewhere

**Depending on several factors, Connect for Health may simply elect to direct small business customers elsewhere:**

- Potential customers would be directed through C4HCO's web portal to a carrier, managing general agent, broker, or other entity.
- We may or may not facilitate the obtainment of any applicable tax credits by a small group employer.
- Although there is no revenue opportunity, there would be no cost to us.
- This is a similar model to the Idaho SBM and possibly others.

# Option 4 – Create a Private Exchange

- Same model as Option 2, but is beneficial if
  - CMS eliminates tax credit entirely, or provides credit to everyone off exchange, or
  - no carriers participate on exchange
- Discussions are underway with all small group carriers in Colorado to determine interest
- This option would require that PBC be fully established and functional
- A private exchange would accommodate groups losing eligibility for tax credit.

# SHOP BPO Cost Reduction

**Regardless of which option Connect for Health Colorado pursues as a replacement for the small group marketplace, we are evaluating steps for immediate cost reductions in the SHOP Back Office:**

- Eliminating or reducing the volume of data base change requests used to facilitate defect fixes and account administration
- Reducing or eliminating the use of hCentive to support the SHOP Marketplace
- Reducing or eliminating the SHOP Back Office functionality in the Service Center
  - Namely, account administration and billing functions performed by C4HCO staff or transitioned to Carriers
  - SHOP service calls would be routed to general call center

# Next Steps

- Begin opportunity for the public to understand the various options and provide comment
- Continue discovery and due diligence in researching available products/vendors
- Await guidance from CMS on tax credit and state flexibility for SHOP
- Determine carrier interest for Options 2 & 4 as well as what carriers are looking for in PY2018 for a public exchange
- Develop ROIs for different vendor combinations and other options
- Explore ways to reduce back office costs associated with the maintenance of SHOP over the short and long term