

## New Mexico Health Insurance Exchange Work Group Minutes

<b>Work Group</b>	<b>Employer Participation</b>	<b>Date</b>	<b>12/11/2012</b>
<b>Facilitator</b>	Mike Wallace	<b>Time</b>	11:00 a.m. MT
<b>Location</b>	Conference Call / In-Person	<b>Scribe</b>	Cicero Group

**Agenda Item**
 **Discussion Item**
 **Conclusion**
 **Action Item**

Attendees			
	Name		Name
	Mike Wallace		Juliana Koob
	Milton Sanchez, HSD OHCR		Linda Wylie, CNP
	Kathryn Toone, Leavitt Partners		Anthony Yepa
	Jonni Pool, HSD OHCR		Stephanie Wright, <i>Cicero Group</i>
	Don Blackburn		

### Agenda Item 1: Introduction

**Name: Mike Wallace**

DISCUSSION ITEM 1      Welcome and Review of SHOP Exchange

Mr. Wallace introduced himself and welcomed the members. He asked Ms. Toone to give a brief review of the issues to be considered by the Employer Participation Work Group.

Ms. Toone explained the purpose of the Small Business, or SHOP Exchange, as a tool for small business owners to facilitate insuring their employees with appropriate products. She mentioned the advantages of larger pooling for more affordable premiums and the convenience and savings of defined contributions. She described an example of a defined contribution scenario, in which an employer contributes a flat, predefined monthly amount to employees, who then select their own plan from among Exchange products, and the resulting ease of budgeting.

Ms. Toone was asked if a self-employed person was considered a small business within the Exchange, and referred the question to Ms. Pool for the most recent New Mexico statute. There was some discussion on the definition, as under current New Mexico statute a small business is currently defined as 2-50, but the definition of small employer under the federal definition in the PPACA is 1-100 employees, which will become the mandatory state definition in 2016. As a result, self-employed individuals will access healthcare through the Individual Exchange until then.

A member asked for the impact of this policy on part-time employees. Ms. Toone explained that whether these employees are covered is dependent on employer policy. She explained that if they are not eligible for health insurance through their employer, these individuals are eligible for

coverage under the Individual Exchange, and possibly eligible for federal subsidies.

Mr. Wallace asked whether an employee with an option for coverage in the SHOP Exchange may opt for coverage instead under the Individual Exchange in order to take advantage of tax subsidies. Ms. Toone replied that, under federal guidelines, if an individual is offered affordable health insurance through an employer, that individual is ineligible for participation in the Individual Exchange. She also specified that no employer is mandated to offer any amount towards employee premiums. The purpose of the group was clarified as defining those aspects of the SHOP Exchange that will make it appealing to employers: more likely to attract a skilled workforce, healthier employees, less sick days, lower premiums, etc.

Mr. Wallace specified the purpose of these meetings as forming recommendations for the Advisory Task Force from the perspective of the employer. He reviewed the questions which the Work Group has been asked to consider.

The group was advised that the federal government will offer two plans to all state exchanges; and Ms. Toone explained that the specifics of these options are still being determined. Mr. Wallace then indicated an intention to have an underwriter address member questions on such topics as premium aggregation and defined contributions. He explained the purposes of the federal plans which may be included in state exchanges as not only increasing options, but also “keeping things honest,” and providing healthy marketplace competition. He mentioned that updated information will be sent to the group as it appears.

## Agenda Item 2: Small Business Participation

Name: Mike Wallace

### DISCUSSION ITEM 1

Should There Be Participation Requirements for Employers in the Exchange?

Mr. Wallace explained briefly the concept of adverse selection, in which only people with existing medical concerns tend to enter an insurance pool, driving up premiums. Insurance companies in the state currently have minimum participation requirements for small business policies that promote a mix of healthy and high-risk individuals in the insured pool, promoting both lower risk pools and lower premiums. He indicated a preference for postponing this discussion in more detail until an underwriter is present.

### DISCUSSION ITEM 2

What Can the Exchange Offer That Will Be Of Most Value to Small Businesses?

Mr. Wallace asked participants for feedback regarding the Exchange services that are of most value to the small business owner. A member enquired as to whether the Essential Health Benefits (EHBs) will be divided among the major health carriers, and Mr. Wallace answered that every carrier in the Exchange must offer coverage for every benefit on the list. He explained that there is some flexibility, and within a plan, some services, such as vision and dental benefits, may be contracted to stand-alone carriers; but each item on the list below is a required area of coverage for all Qualified

Health Plans (QHPs).

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance abuse disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

Mr. Wallace explained that a benchmark plan is established by each state, meaning all QHPs must meet or exceed the benefits of this plan. He explained that another Work Group had recommended New Mexico's benchmark plan to the DOI, but DOI subsequently submitted a different plan under Lovelace, as the original plan from Presbyterian had been rejected due to the lack of autism coverage. While autism coverage was not included in the federal list of EHBs in the PPACA, it is a New Mexico state mandated benefit, and is therefore required coverage in New Mexico. He said that the Lovelace Classic Plan was chosen as the benchmark plan, and the state CHIP plan as the benchmark supplement for pediatric coverage.

Mr. Wallace summarized simplicity and affordability as two elements of the Exchange most likely to make it attractive to the small business owner. He described defined contribution, and the ability it lends the employer to easily budget healthcare costs, as a major factor in affordability. Ms. Koob mentioned that perhaps Navigators could assist with educating small business owners to advertise the advantages.

During the discussion, Mr. Wallace explained the metallic levels: bronze, silver, gold, and platinum; and the respective differences in actuarial values: 60%, 70%, 80% and 90% coverage. Ms. Toone pointed out that premiums also increase relative to the amount of coverage. She informed members that out-of-pocket maximums for all plan levels in 2013 is \$6,250 for an individual, and \$12,500 per family. She advised this amount may increase in 2014.

Ms. Wylie described simplicity and streamlined administration as advantages that must be emphasized to employers, and gave the example of Salud!, part of the New Mexico Medicaid program. She stressed the importance of including such entities, already active and successful in the state, in Exchange discussions. Ms. Cooper and Mr. Wallace reassured Ms. Wylie that discussions are active with all vested parties.

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DISCUSSION ITEM 3	Should the Definition of Small Business be Increased from <50 to <100 at 2014?
<p>The Work Group discussed the upcoming change in policy mandated by ACA, which will increase the definition of small businesses from 2-50 to &lt;100 in 2016 and the option of the state to adopt this standard earlier, in 2014. Mr. Wallace asked how, statutorily, the rule could be changed by the state. Mr. Sanchez responded that if the DOI did not have the authority to modify the rule administratively, it could be done legislatively. Mr. Wallace asked participants what they felt were the advantages/disadvantages of an earlier redefinition.</p> <p>Ms. Wylie felt that in general, companies with 50-100 employees are most likely already offering insurance to employees. She felt that for such employers, choosing to insure employees through the Exchange would hold little appeal. She felt that should employers of 50-100 employees choose to participate in the Exchange, however, the advantage of changing the policy earlier would be the larger number of enrollees that the redefinition would invite into the risk pool, likely resulting in lower risk and lower rates for all consumers. The effect of the tax penalties for noninsurance in 2014 was mentioned as another possible motive for joining the Exchange.</p> <p>Ms. Toone suggested one reason to avoid the earlier adoption of the policy is the uncertainty of the market during Exchange implementation, and the addition of another layer of complexity during a time of such adjustment. She also mentioned the possible complication of legislation, if required to change the definition, and the time that step would involve. In favor of making an early change, she mentioned the increased plan portability inherent in increasing the definition, as it allows employees to change jobs to larger companies without a change in insurance plan.</p> <p>There followed a discussion of the effect of the Exchange on insurance rates, and Mr. Wallace explained that rates will be reviewed on a federal level. He said that under federal review, rate hikes deemed unfair may be overruled in order to promote Exchange stability and affordability. The deadline for a financially self-sustaining Exchange is 2015.</p> <p>In the interest of stability, Mr. Wallace advocated as an employer for keeping the definition of small business intact until it is federally mandated to change. But he also indicated a desire to return to the topic at a later date and allow the Work Group members to discuss the topic with an actuary before making a recommendation.</p>	
DISCUSSION ITEM 4	How Does Premium Aggregation Interact With Coordination of Benefits?
<p>Mr. Wallace defined premium aggregation as a combined billing of multiple premiums. Ms. Wylie asked whether combined billing applied in the case of spouses separately employed and insured under their respective employers, and Mr. Wallace responded that it did.</p> <p>Mr. Wallace requested that this additional topic, the interaction of premium aggregation with coordination of benefits, be added to the agenda. He reiterated the scenario of employed spouses</p>	

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carrying two separate health insurance policies with an aggregated premium, and said the group will return to the topic with an actuary present.

DISCUSSION ITEM 5

How Can Adverse Selection in the SHOP Exchange Be Minimized?

Mr. Wallace introduced the concept of minimizing adverse selection within the Exchange, but again opted to pursue this question in detail with an actuary.

**Agenda Item 2: Defined Contribution**

**Name: Mike Wallace**

DISCUSSION ITEM 1

What Does a System of Defined Contributions Offer Employers?

Mr. Wallace introduced the next topic on the agenda as defined contributions. He felt the group had become sufficiently familiar with the definition and advantages of defined contributions earlier in the discussion.

DISCUSSION ITEM 2

Is There Sufficient Demand To Achieve Plan Portability?

Upon questioning, Mr. Sanchez indicated that according to Leavitt Partner’s estimates, 8,000-9,000 employees of small businesses are expected to enter the SHOP Exchange in the first year, about 18% -20% of the total number in the state. Ms. Wylie asked for the total number of small business employees in the state, and Mr. Sanchez responded that, based on that percentage, perhaps 45,000 employees. Ms. Wylie wondered whether actuarially this number was sufficient to achieve plan portability.

Mr. Sanchez also indicated that about 80,000 residents were expected to seek insurance in the Individual Exchange. Mr. Wallace added that the distinction between an individual plan and a small group plan lies primarily in the source of the payment: if any portion of the premium is paid by the employer, that plan is considered part of the SHOP Exchange. Ms. Wylie added that this was per federal statute.

A group discussion followed involving plan portability, including the question of whether the same plans will be offered on the SHOP and Individual Exchanges. Mr. Sanchez said that was up to the Exchange to determine. Members felt that offering the same policies in both Exchanges would be a crucial contributor to plan portability. Mr. Sanchez informed them that this was under discussion but not yet decided.

- Mr. Wallace determined to make mutual inclusion of identical plans in both the SHOP and Individual Exchanges a formal recommendation to the Exchange Advisory Board.

DISCUSSION ITEM 3

Will Implementing a Defined Contribution Model Attract Employers Who Currently Do Not Offer Insurance?

Work Group members were in agreement that a defined contribution plan would be attractive to employers by offering simplicity, increased choice, and portability to benefits packages. Mr. Wallace enquired of members whether any perceived a downside to the policy, and one suggested that



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employers who currently make no contributions towards premium payments would not find an incentive here.

Mr. Wallace asked the opinion of participants as to whether a defined contribution is viewed by employees as more or less valuable than a percentage of premium contribution. He acknowledged that this likely depends on whether the dollar amounts involved are higher or lower.

### CONCLUSION:

**Name: Mike Wallace**

The next meeting for the Work Group was set for January 15<sup>th</sup>, in a conference room across the parking lot from Pollon Plaza. Mr. Wallace indicated he would distribute the minutes from this meeting and relevant notes to the members prior to the meeting. He thanked participants and adjourned the meeting.