

New Mexico Health Insurance Exchange Work Group Minutes

Work Group	Employer Participation	Date	1/15/2013
Facilitator	Mike Wallace	Time	11:00 a.m. MT
Location	Conference Call / In-Person	Scribe	Cicero Group

Agenda Item
 Discussion Item
 Conclusion
 Action Item

Attendees			
No.	Name	No.	Name
1.	Mike Wallace	8.	Sharon Huerta
2.	Kathryn Toone, <i>Leavitt Partners</i>	9.	Marlene Baca
3.	Jonni Pool, <i>HSD</i>	10.	Lori Monfiletto
4.	Don Blackburn	11.	Eric Miller, <i>Actuary, Lovelace Health</i>
5.	Linda Wylie	12.	Sharon Charlton, <i>BlueCross BlueShield</i>
6.	Jeff Dye	13.	Stephanie Wright, <i>Cicero Group</i>
7.	Nancy Sanchez		

Agenda Item 1: Introduction

Name: Mike Wallace

DISCUSSION ITEM 1 Welcome and Review of SHOP Exchange

Mr. Wallace welcomed the meeting and conducted a roll call. He introduced Mr. Miller, an actuary from Lovelace Health, and advised he would be addressing many of the group's questions. He reviewed the topics for discussion and proceeded with the agenda.

Agenda Item 2: Small Business Participation

Name: Mike Wallace

DISCUSSION ITEM 1 Should There Be Participation Requirements for Employers in the Exchange?

Mr. Wallace felt that minimum participation requirements should be established, and Mr. Miller agreed. It was noted that employees qualifying for subsidies (when the premium is above 9.5% of income) would be referred to the Individual Exchange, and would not be considered in this eligible employee number. Mr. Miller noted the advantage to carriers of this policy in reducing risk and thus costs, and stated the current standard as 75% for insurers requiring minimum participation.

DISCUSSION ITEM 2 What Can the Exchange Offer That Will Be Of Most Value to Small Businesses?

Mr. Wallace reviewed the group's consensus at the prior meeting regarding the benefits to small businesses in the SHOP Exchange:

1. Simplicity and convenience
2. Affordability

3. Education for both employees and employers

DISCUSSION ITEM 3

Should the Definition of Small Business be Increased from 2-50 to <100 Prior to 2016?

Mr. Wallace reviewed the state's current definition of "small business" as 2-50 employees, and the pending federal definition of 1-100 employees (not counting owner or owner's spouse) that will apply after 2016. He listed the pros and cons, as determined in the Work Group's prior discussion, of adopting the higher standard at Exchange implementation in 2014:

Advantages:

1. Larger risk pool
2. Tax penalties motivating higher enrollment
3. Increase in locations where Exchange plans can be purchased and a possible increase in the number of plans available for purchase
4. Increased plan portability

Disadvantages:

1. Additional complexity
2. More groups affected
3. Statutory change/possible legislative involvement

The group briefly discussed possible pending legislation in this regard, and acknowledged that if such a bill passes, their recommendation is not relevant. Mr. Wallace invited Mr. Miller to address the members regarding the potential early change in policy.

Mr. Wallace felt that any policy that creates additional complexity and/or risk would have an unfavorable effect on insurance carriers. He felt the amount of disruption that will take place with Exchange implementation will make the increased uncertainty of an early change undesirable. That said, he felt that an eventual change in this regard would be well-accepted by carriers, so long as the market is given time to adjust to changes at a reasonable pace.

Mr. Miller also believed that initial PPACA tax penalties will be an insignificant motivator for small businesses to participate in the Exchange. He said that many employers of up to 100 employees are currently designated as large employers for insurance purposes, and instituting the broader definition at Exchange implementation will mean they move from large to small employer status, which might be a disincentive to join.

Ms. Wylie pointed out what she saw as a misdirected focus, stressing profits over quality of coverage for the neediest individuals. She described the plight of long-term care workers who frequently work part-time without benefits, and the pending rise in patient load with the anticipated Medicaid expansion. Mr. Wallace responded that a Navigator would be able to help these employees locate the appropriate coverage within the Exchange.

DISCUSSION ITEM 4	How Can Adverse Selection in the SHOP Exchange Be Minimized?
<p>Mr. Wallace invited Mr. Miller to present a discussion on minimizing adverse selection within the Exchange. Mr. Miller described how limiting consumer choices tends to control and decrease carrier risk, assisting carriers in setting rates and ultimately controlling costs for the consumer. He led the members in an examination of the balance between controlling risk and cost, and providing maximum consumer choice while still encouraging the market.</p> <p>The Work Group discussed in detail the elements that create a healthy or adverse insurance environment, including actuarial values, metallic levels, demographics and cost. Mr. Miller explained that for carriers, current industry trends tend towards increased choices proportionate to the size of the covered group (e.g., one choice for 1-10 employees, two for groups of 11-25, etc.).</p> <p>Bronze level plans were discussed as catastrophic coverage, which meet minimum standards of coverage at the lowest premium cost. Mr. Miller informed participants that only the poorest and healthiest members of the population tend to choose this level of coverage. He felt that employers should not be allowed to offer only this level of coverage.</p> <p>Mr. Miller promoted the 75% minimum participation requirement and at least a silver level of coverage minimum, as steps to be promoted in reducing adverse selection. Mr. Wallace felt that this was a decision that should be left to the Division of Insurance (DOI). Ms. Sanchez pointed out that minimum participation requirements imply that many employers must offer the products of a single carrier to be compliant with the percentage of enrolled employees. Mr. Miller said that employee choice is not necessarily curtailed if employers wish to choose more than one carrier, but rates will rise correspondingly.</p> <p>Ms. Toone asked whether risk adjustment might be done on the backend among carriers to compensate for the rise in costs, and it was explained that only upfront adjustments are planned. Mr. Wallace described how risk adjustment is expected to play a part in lowering rates but not compensate entirely.</p>	
DISCUSSION ITEM 5	Should Insurers be Required to Offer the Same Plans in Both the SHOP and Individual Exchanges?
<p>In order to maximize plan portability, prior group consensus had leaned towards insurance carriers being required to offer identical plans in both the SHOP and Individual Exchanges. Mr. Wallace explained that this option will allow employees to move from job to job, or from the SHOP Exchange to the Individual, without interruptions in coverage.</p> <p>Mr. Miller, however, felt that identical pricing will not be a realistic option in this scenario, and that such a policy will curtail creativity by carriers to offer products appropriate for each market. He believes there will be resistance in the industry to such a policy.</p>	

Mr. Miller said that while some practices allowing ease of transition might be built into the system, there should be carrier leeway to offer products tailored and priced to meet the needs of each market setting. He used as an example the tax subsidy scenario, where an employee may choose to move to the Individual Exchange to take advantage of subsidies, but perhaps the plan sold in the SHOP Exchange may not qualify for these subsidies. He said that offering competitive products will sufficiently motivate carriers to create plans attractive to consumers.

Agenda Item 3: Defined Contribution

Name: Mike Wallace

DISCUSSION ITEM 1	Will Implementing a Defined Contribution Model Attract Employers Who Currently Do Not Offer Insurance?
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In previous discussions, the Work Group had felt that defined contributions will be a strong incentive for employers not currently offering insurance to join the Exchange. Advantages discussed are as follows:

1. Budgeting and administrative simplicity
2. Increased choice
3. Plan portability
4. Increased enrollment resulting in lowered risk

Mr. Wallace asked Mr. Miller to explain the actuarial opinion of defined contributions. Mr. Miller felt that from an underwriting perspective, the value of the policy depends upon the model the employer chooses. Should an employer choose to limit available plans (e.g., a variety of plans by a single carrier, then it does not adversely affect carrier risk). He said that when an employer offers reimbursement towards a specific metal level with the employee free to choose a higher metal level plan out-of-pocket, frequently the higher costs involved motivate consumers to be more motivated towards responsible health choices, also limiting risk.

Mr. Miller continued, saying that in general, the smaller the group, the more limited the choices should be, from a risk-management point of view. He discounted the theory, for the small business at least, that defined contributions will necessarily contribute to increased consumer choice.

DISCUSSION ITEM 2	Is There Sufficient Demand To Achieve Plan Portability?
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Mr. Wallace felt that this was an underwriting question for which the group did not have sufficient information. He deferred to Ms. Toone for the specifics. She described plan portability, and agreed that it was a difficult question. Mr. Miller said that in the case of two employers offering the same plans with the same carrier, it might be a realistic option.

DISCUSSION ITEM 3	Is There Value in Premium Aggregation for Small Employers in the State?
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Mr. Wallace conceded that premium aggregation would be an advantage to employers, but asked the group to consider whether premium aggregation should be done by carriers, employers or the Exchange. Ms. Toone clarified that premium aggregation, in the sense of billing aggregation, was an

option that was required of the Exchange.

Mr. Miller said that the ability to aggregate premiums was an option already offered by many carriers as well. He noted that carriers will also be billed by the Exchange for their premium aggregation services. He expressed dissatisfaction with the added costs, and said that paying both the Exchange to administer the benefit and doing it in-house for other parties (e.g., off-Exchange plans) would increase the administrative burden on carriers. Members ultimately determined that the Exchange should encourage whichever administrative option proves most cost-effective.

CONCLUSION:

Name: Mike Wallace

Mr. Wallace indicated that he would be forwarding copies of the minutes from this meeting to the group. He reminded members that the next 2 meetings would be devoted to the formation of official recommendations. He notified participants of the date of the next scheduled meeting on January 29th. He then thanked Mr. Miller for his assistance, and Mr. Miller invited the Work Group to contact him should they have any further questions.

Ms. Pool then reminded attendees to approve minutes from the prior meeting. Mr. Wallace solicited votes from members previously in attendance, and voting was unanimous in favor of approval. He thanked the group for their participation and dismissed the meeting.