

SHOP and the Small Group Market Policies

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS for MEDICARE & MEDICAID SERVICES
Center for Consumer Information and Insurance Oversight

Health Insurance Exchange System-Wide Meeting
May 21-23, 2012



Small Group Market Reforms

- Small group market serves employers with 1 to 100 employees in 2014.
 - **States have authority to keep it at 50 employees until 2016.**
 - Excludes sole proprietors
- Essential Health Benefits standardizes benefits
- Actuarial Value standardizes cost-sharing
- Insurers cannot discriminate against employees with pre-existing conditions or employer groups with higher health risks
- Insurers' rate hikes are reviewed and made transparent
- Insurers' profits and administrative costs are limited
- Risk is pooled across all groups in the insurer's small group market plans

Small Group Market Reforms Effective in 2014

- Employees may only be rated against these factors:
 - Age within limits (3:1)
 - Smoking Status within limits (1.5:1)
 - Location of business
- Cost-sharing limits protect employees against catastrophic costs and ensure cost-effective care:
 - No annual or lifetime limits on the dollar value of services
 - Out-of-pocket costs are limited to the limits on HSA-compatible plans

Introducing SHOP

The Small Business Health Options Program (SHOP) is a competitive private health insurance marketplace where small businesses and their employees will have access to **affordable coverage** and the same insurance choices as Members of Congress.

Benefits of SHOP for Employers

- Employers can offer employees **choice** of insurer and qualified health plan
- Employers can continue to use their brokers
- Online tools available to employers and their brokers will help employers **predict costs**
- Many small employers will qualify for **tax credits**
- Simple, online administration
 - Online Adds & Drops
 - Online Billing & Payment
 - Phone & Online Support

Benefits of SHOP for Employees

- **Employees have a choice of** plans that suit their individual needs
- Standardized plans and online tools help employers make **meaningful comparisons between health plans**
- Employees can **enroll online**
- Employees can manage their accounts online
- Other benefits due to small group market reforms

Developing a Successful SHOP

- **Promote robust competition**
 - Incentivizing key issuer participation
 - Minimizing barriers for QHPs to participate
 - Creating meaningful choices for consumers
- **Promote effective broker participation**
 - Ensuring they provide impartial information
 - Ensuring they're compensated appropriately
 - Emphasizing brokers as primary customer service contacts, as they are today

SHOP Level Playing Field

- **Parity with outside small group market**
 - Employee participation & contribution requirements
 - Broker incentives
 - Minimize additional SHOP-specific requirements
- **Addressing competition with privately-operated SHOPS**
- **Monitoring market for risk selection**
 - Single risk pool inside and outside SHOP and risk adjustment among issuers will help address risk selection

Protecting the Small Group Market From Adverse Selection

- **Self-funding with low-attachment point stop-loss**
 - States vary in their regulation of stop loss
 - May select “good risk” out of small group market
 - Circumvents ACA protections & undermines risk pool
 - NAIC updating model law
 - HHS Solicitation: <http://www.gpo.gov/fdsys/pkg/FR-2012-05-01/pdf/2012-10441.pdf>
- **Association Health Plans & Multi-Employer Welfare Arrangements**
 - Rate review “looks through” the association
 - HHS Guidance: http://cciio.cms.gov/resources/files/association_coverage_9_1_2011.pdf

Exchange Final Rule & SHOP Minimum Functions

- Exchanges must establish a SHOP for qualified employers to offer QHPs to their employees. A State may operate its SHOP separately from its Exchange.
- Eligibility: Employers with fewer than 100 employees may participate, although States may limit eligibility to employers with 50 or fewer employees for the first two years.
 - Employer must have an office within the service area of the SHOP.
 - Employer must attest to offering all full-time employees coverage through a SHOP.
 - Sole proprietors are considered individuals and will purchase through the Exchange, not through a SHOP.

Exchange Final Rule & SHOP Minimum Functions

- **Enrollment:** SHOP open enrollment begins October 1, 2013. Coverage begins no earlier than January 1, 2014.
 - Open enrollment occurs on a rolling basis when a qualified employer offers coverage to employees.
 - Plan years are the twelve consecutive months starting at the close of enrollment.
- **Premium payment:** The SHOP will deliver a single bill to the employer.
 - Employer payment will reflect both the premium contribution from the employer and the portion of the premium withheld from the employee paycheck.
 - Employers can track the proper amount to withhold from employees on their bill.
 - While shopping for plans, employees can see their premium cost for a plan net the employer contribution.

Exchange Final Rule & SHOP Minimum Functions

- **Plan selection:** Qualified employers determine their contribution towards employee coverage and choose which QHPs are offered to their employees through a method allowed by the SHOP:
 - The SHOP must allow a qualified employer to choose a level of coverage and offer all plans at that level, and
 - The SHOP may allow a qualified employer to offer a single plan, selected plans, or plans from multiple cost-sharing levels.
 - Employees then choose the plan that best meets their needs among the plans offered to them by their employer.
- **Participation rates:** A SHOP may authorize uniform group participation rates as long as such rates are based on the rate of employee participation in the SHOP and not on participation in any particular QHP or QHP issuer.

The Federally-facilitated SHOP

- Employee Choice is fundamental to SHOP
- Many SHOP policies will parallel those in the State's small group market outside the SHOP
 - Maximum employer size will mirror the State small group market, although the FF-SHOP will count employees using an FTE method.
 - Sole proprietors and their family members will be referred to the State's federally-facilitated Exchange
 - An employer can enroll at any time during the year.
 - An employer's rates remain the same throughout the plan year.
 - An issuer may change rates as often as quarterly for new business and renewals. New plans may be introduced during the year.

The Federally-facilitated SHOP

- Brokers will play a vital role in SHOP, as they do in the small group market today
 - Brokers will register to participate in the SHOP.
 - The SHOP will have a broker portal. The broker can use the portal during meetings with clients or download information for client meetings, entering data at a later time.
 - Brokers act as trusted counselors, providing service at the time of plan selection and enrollment and customer service throughout the plan year.
 - Issuer agreements will assure that brokers receive the same compensation for enrollments through the SHOP that they receive for enrollments outside the SHOP.