

# New York Health Benefit Exchange

## Blueprint Summary for Section 6.0 SHOP October 26, 2012

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6.0	Small Business Health Options Program (SHOP)
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### 6.0 Small Business Health Options Program (SHOP)

There are over 400,000 small businesses in New York State. The economic engines of growth, these small businesses account for two-thirds of the jobs in the State. Based on Urban Institute Simulation models, New York has the opportunity to bring comprehensive affordable health insurance coverage to 450,000 employees of small businesses through the SHOP Exchange. To realize this goal, New York must design a SHOP Exchange that:

- Meets the requirements of the ACA as it pertains to SHOP establishment, operations and management in New York State (45 CFR (H));
- Encourages small businesses to purchase coverage for their employees;
- Minimizes disruption to the small group health insurance market while promoting innovation;
- Provides a first class user experience for employers, employees and brokers;
- Leverages the knowledge and expertise of current market players (brokers, providers, carriers, third party administrators, Chambers of Commerce) regarding the needs of New York State's SHOP Exchange through Regional Advisory Committees and specific outreach efforts;
- Ensures that whatever route an employer, employee or individual comes into the Exchange, they will be routed to the appropriate area/entity to facilitate obtaining health insurance coverage.

### 6.1 SHOP Compliance with 45 CFR 155 Subpart H

The Affordable Care Act directs each State that chooses to operate an Exchange to establish insurance options for small businesses through a Small Business Health Options Program (SHOP). The NYS Exchange will establish a SHOP that meets the requirements of 45 CFR subpart H.

New York has undertaken a multi- pronged effort to ensure the SHOP complies with federal regulatory requirements and at the same time also meets the diversified purchasing needs of small businesses throughout New York State.<sup>1</sup> New York is working with experts to determine the most effective, efficient manner of implementing a State specific SHOP Exchange, tapping into the well-established relationship of producers to the small group market in the State and taking advantage of research and implementation efforts in other states for SHOPS.

#### Building IT Systems for the SHOP Exchange

New York entered into a contract with CSC, its systems integrator, in June 2012. CSC will be responsible for the design, development, implementation and operation of the New York Health Benefit Exchange IT systems. CSC is using an agile SDLC. To date we have identified and developed an inventory of SHOP user stories (see artifact 6.1.2 EPICs for SHOP). The decision has been made to leverage the hCentive product for SHOP functionality, and there appears to be a significant match to required functionality between hCentive existing capabilities and that needed for New York's SHOP Exchange.

#### Designing the SHOP

The Exchange has also engaged KPMG to assist in analyzing SHOP design issues and in the development of business processes and requirements that comply with federal law and regulation. This effort includes a high- level review of state and federal laws and regulations related to the design and operation of the SHOP; information on SHOP related activities in other states, and advice on key SHOP business requirements and processes needed for development of New York's SHOP Concept of Operations. The scope of the work includes the following areas:

- **Producers**
  - Certification and Training Process
  - Account Setup
  - Compensation Approach
  - Account Maintenance
  - Managing Individual Client Accounts
  - Customer Support Referrals
  
- **Employers**
  - Contribution Options
  - Plan Selection
  - Registration and Verification
  - Premium Billing and Collection
  
- **Employees**
  - Account Setup
  - Plan Selection
  - Consumer Decision Support Tools
  - Customer Support

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<sup>1</sup> The role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges. Wakely Consulting Group. June 2012.

- **Issuers**
  - Premium and Billing Collection
  - Enrollment
  - Account Maintenance
  - Rate Review and Approval Frequency

A team charged with developing the policies and business requirements of the SHOP Exchange—including representatives from the Exchange, the DFS, KMPG and CSC—meets regularly and the work is expected to conclude in the last week of October.

#### Ensuring the SHOP Meets the Needs of Small Business

The Exchange, with the support of the Robert Wood Johnson Foundation (through the State Health Reform Network), has engaged Wakely Consulting, to enhance the State’s understanding of current small business insurance practices to facilitate design of a SHOP Exchange that adds value for New York’s small businesses. The project consists of two parts. First, working with the Empire State Development Corporation and select Chambers of Commerce throughout the State, the study will identify small businesses that currently do not offer coverage to their employees and ask them to participate in a structured interview. The primary purpose of these interviews is to gauge the likelihood that small employers, who do not currently offer group health benefits, will do so in 2014 through the SHOP. The questions will follow a progression from general awareness, to barriers and reasons for offering, to incentives to use SHOP were the employer to offer group health benefits.

Specific questions will focus on the following topics:

- Awareness of ACA and the NYS Exchange
- Understanding of how the small-group market will change in 2014
- If not now offering coverage, did they ever offer coverage? Why they dropped coverage
- Primary barriers to offering coverage today
- What business reason(s) would induce them to consider offering coverage?
- After describing key differences in small-group options for 2014, would they be any more willing to offer group coverage?
- After describing the SHOP Exchange and special small business tax credit available through the Exchange, would that be an attractive way to purchase group coverage?
- How/whether the owner’s household obtains health coverage now, and do they think that will change in 2014?

The second part of the Wakely project includes working with New York State Health Underwriters Association and selected brokers throughout the State to interview small businesses that currently offer insurance. The structure of this interview will be different than that described above for “non-offering” small employers. The research initiative will simulate a renewal situation in 2014 for small employers currently offering coverage, in order to assess how the Exchange can best serve them.

Information gathered from both sets of interviews will be confidential and only aggregate results will be made available to the State and to the public. The results of this effort are expected in December 2012. The results of these two projects will help to focus the State’s design efforts in implementing a SHOP Exchange in New York State, both efficiently and effectively.

## The Role of Agents and Brokers in the SHOP

Understanding and building upon the distribution channels currently in place for small businesses to purchase insurance is also key to the success of the SHOP Exchange. In New York State, agents and brokers (producers) play a vital role in facilitating the purchase of coverage in the small group health insurance market. Statewide, on average, eighty-eight percent of small group sales are assisted by producers. (see artifact 6.1.3 *The role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges*. Wakely Consulting Group. June 2012.) Producers are licensed and regulated by New York's Department of Financial Services (DFS) and held to rigorous licensure and continuing education standards. New York's producers have well developed relationships with employers, insurers, chambers of commerce and business associations. Additionally, an extensive network of general agents is in place to support producers and insurers in servicing employers. They are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 through New York Health Benefit Exchange. New York will invite producers to enter into agreements with the Exchange to enroll and service employers. As a condition of participation with the Exchange, the producers will be required to have an active producer's license and a certification that they have completed necessary educational requirements relating to SHOP. A full discussion of the role of producers can be found in Section 2.8.

## Small Group Size

In 2014, New York has decided to maintain the current definition of small group size: 50 or fewer employees. Self-insurance in the small group market is rare in New York. As we consider the implications of increasing small group size to 100, on or before 2016, and expanding the SHOP to large employers in subsequent years, the impacts of such actions on the insured market in New York will be considered, along with the incentives or disincentives this may create for employers to self-insure.

As part of its Simulation Model for the New York Health Benefit Exchange, the Urban Institute estimated the impact of increasing the small group size to 100 prior to 2016. (see Artifact 6.1.5, Urban Institute Report: *The Coverage and Cost Effects of Implementation of the Affordable Care Act in New York State*.) The simulation model indicates that group size definition has no significant impact on premiums in the Exchange or coverage differences in 2014. This analysis was vetted with stakeholders, including the Regional Advisory Committees described in section 2.1.

## Verification of Valid Businesses in the SHOP

Through an interface with the New York State Tax Department, the SHOP will verify that each employer seeking to purchase coverage through the SHOP is a valid business in the State. If this functionality is not established by October 1, 2013, the SHOP will develop an interim verification process, through which employers would upload documents through the Exchange portal.

## Notifications

QHPs are required by federal regulations CFR155, 156, and 157 to notify: 1) the employer of termination of coverage; 2) the employee of payment delinquency; and 3) the SHOP of termination of Coverage. The Exchange is anticipating that these requirements will be handled by Carriers (as required by federal regulation), although the Exchange may have an oversight role which is currently being explored.

The SHOP Exchange recognizes the benefits of Section 125 plans. In the first year of the Exchange, we plan to use the web portal as a vehicle to help educate employees about those benefits. In future years, consideration will be given to whether the SHOP should play a larger role in administering Section 125 plans.

## Sole Proprietors

Consistent with federal requirements, sole proprietors will purchase coverage through the Individual Exchange. There are nearly 1.1 million sole proprietors in the State of New York, of which 23% are uninsured and 14% are insured in the nongroup market (Artifact 6.1.6). Twenty-three percent of sole proprietors have income below 139 percent FPL and 34 percent of sole proprietors have incomes between 139-399% of FPL and would be income-eligible for Insurance Affordability Programs when available in 2014. Consequently, the Individual Exchange will enable these sole proprietors to access affordable, comprehensive health insurance.

The New York Health Benefit Exchange is awaiting federal guidance to determine the rules for sole proprietors purchasing coverage in the market outside the Exchange.

## Role of Private Exchanges

There are several successful private Exchanges operating in New York State, most notably HealthPass and Bright Choices of the Hudson Valley, which were described in Wakely's report on Third Party Assistors (artifact 6.1.3). We anticipate that these private exchanges will continue to operate alongside the New York Health Benefit Exchange. Representatives from these Exchanges are part of our Advisory Board and we will continue to work with them toward the goal of ensuring that small businesses have multiple informed sources to learn about the purchase of coverage for their employees.

### **6.1a Employer Level of Coverage**

The SHOP will have the capacity to allow a qualified employer to select a level of coverage as described in the Affordable Care Act 1302(d)(1), in which all QHPs within that level are made available to the qualified employees of the employer.

- 1) In addition, the NYS Exchange is considering a model in which the employer will select a specific plan, and an "employee choice" model, in which the employer would make a

defined contribution expressed as either a percentage or dollar contribution and the employees could select among qualified options.

All of these options are supported by hCentive functionality.

#### **6.1b QHP Rate Changes at a Uniform Time**

The SHOP Exchange is planning to implement quarterly rolling premium rates based on the start date of the employer group. This is the current practice for small groups in New York. Rates will be subject to a one year guarantee based on the date the employer group started coverage. Thus, employees added to a small group during the plan year will receive the same premium rates as other employees of that same employer.

#### **6.1c Only QHPs Offered are those that meet the Requirements for the States Small Group Market**

The NYS Exchange Plan management staff is working closely with the Department of Financial Services (DFS) to ensure that the SHOP Exchange offers employers only QHPs that meet the requirements for the State's small group market. The process for certifying plans for the SHOP market will be the same as for certifying plans for the individual market (although NYS does not intend to combine the individual and small group risk pools in 2014.) A complete description of Plan Management can be found in Section 4.0.

#### **6.1d Minimum Participation Rates**

New York State law requires non-HMO products to use a minimum participation rate of at least 50 percent in order to purchase insurance as a group. However, by state regulation, HMOs are not permitted to have a minimum participation rate. The Exchange, DFS and health plans are reviewing the state's current law and regulation to consider options that would ensure that the Exchange complies with federal requirements.

#### **6.1e Premium Calculator**

NYS Exchange SHOP will offer a premium calculator on the SHOP portal. The premium calculator will enable shoppers to calculate premium costs of selected QHPs after the employer contribution. While HHS is expected to provide model computer code for this functionality, hCentive already provides similar functionality for this requirement. This functionality may require further development as we proceed. A screen shot of the existing hCentive premium calculator is included in artifact 6.1.1.

#### **Support Documents – see attachments 6.1.1, 6.1.2, 6.1.3, 6.1.4, 6.1.5, 6.16**

- 6.1.1 Screen shots of hCentive shopping function
- 6.1.2 Draft list of Epics developed for SHOP
- 6.1.3 Wakely Report - The Role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges. Wakely Consulting Group. June 2012.

- 6.1.4 Market Simulation Research for New York SHOP Exchange
- 6.1.5 Urban Institute Report: The Coverage and Cost Effects of Implementation of the Affordable Care Act in New York State. March 2012
- 6.1.6 SHADAC Report, NY Self-Employed Coverage Income 2012

## **6.2 SHOP Premium Aggregation**

The business requirements for SHOP billing and account management are currently being reviewed, with consideration being given to outsourcing this functionality. Barring the release of future federal guidance to the contrary, New York will likely use similar practices for billing, arrears management and termination that are currently utilized in the small group market today.

New York does not envision collecting employee premium contributions from employees directly. It is likely that qualified employers will be expected to perform payroll deductions or other mechanisms in order to pay employee premiums. The Exchange will provide a monthly report of enrollment by employer group to support accounting and reconciliation with collections and is considering whether reconciliation be performed by the carrier or if other options will be employed in this regard.

The Exchange is currently evaluating several potential scenarios to govern employer contributions. Options under consideration include: 1) defined contribution with the employer's share based on a percentage of a reference plan's premiums; 2) a percentage of premiums for all plans offered by the employer; and 3) purely defined dollar contribution.

Pursuant to 45 CFR 155.705 New York State will provide premium aggregation to qualified small employers purchasing insurance through the SHOP Exchange. The SHOP will perform the following functions related to premium payment administration:

- (i) Provide each qualified employer with a bill on a monthly basis that identifies the employer contribution, the employee contribution, and the total amount that is due to the QHP issuers from the qualified employer;
- (ii) Collect from each employer the total amount due and make payments to QHP issuers in the SHOP for all enrollees; and
- (iii) Maintain books, records, documents, and other evidence of accounting procedures and practices of the premium aggregation program for each benefit year for at least 10 years.

### **6.2a System Billing**

Systems for billing employers, receiving employer and employee premium contributions, and making aggregated premium payments to issuers are currently being considered. Artifact 6.2.2, *Work Plans for Financial Management and Oversight, Monitoring & Reporting*, discuss system

billing and premium aggregation in further detail. Factors playing into this decision include operational support for payments and collection processes, matching and reconciling employer payments and payments to issuers, maintaining a general ledger and ongoing reporting support, and determining the ultimate self-supportability of the Exchange. SHOP is currently examining three options: retaining all financial transaction management within the Exchange, procuring the services of a third party billing agent, or using third parties for all basic financial management functions. This issue is currently under review, with results expected by year-end. An example of the third party billing financial flow is included as Artifact 6.2.1.

The SHOP Exchange will produce a single monthly bill for an employer that identifies employer contribution, employee contribution, and total amount due to the Exchange. For employers whose employees participate in more than one QHP, list billing will provide a detailed breakdown of the aggregated amount due to each participating plan, with a breakout of employee/employer contribution due to each plan.

### **6.2b Premium processing**

Process for managing non-payment or late premiums; including how and when notices are sent to employees are part of the SHOP functionality under current consideration. Efforts are underway to determine how the Exchange will manage these required functions.

#### **Support Documents – see attachments 6.2.1**

- 6.2.1 Draft Financial Flows – Third Party Receivables
- 6.2.2 Work Plans for Financial Management and Oversight, Monitoring and Reporting, KPMG October 2012.

### **6.3 Electronically Reporting Results of Eligibility Assessments and Determinations for SHOP**

The NYS SHOP will electronically report results of eligibility assessments and determinations for SHOP including employer participation and employee enrollment information for tax administration purposes in a form and manner specified by HHS. It is our understanding that HHS will then report this information to the IRS. The system will also have functionality to report employer premium contribution amounts to all relevant State and federal agencies.