

Mississippi Health Insurance Exchange Advisory Board

Final Recommendations

Employer Participation

Background

The Mississippi Health Insurance Exchange Advisory Board (“Advisory Board”) was formed in order to provide input and recommendations to the Mississippi Insurance Department (“MID”) on issues regarding the design, development, and implementation of the State health insurance exchange, known as “One, Mississippi.” MID divided the specific issues to be taken up by the Advisory Board into six (6) topic areas, one of which is Employer Participation. On that topic, Advisory Board members were tasked with making recommendations, based on discussions with their respective subcommittees, regarding participation in Mississippi’s Small Employer Exchange.

The Patient Protection and Affordable Care Act (“PPACA”) directs each state to provide for the establishment of both an individual exchange and a small employer exchange. The Small Employer Exchange is intended to assist employers in choosing Qualified Health Plans (“QHPs”) and facilitate enrollment of their employees into those health plans. The U.S. Department of Health and Human Services (“HHS”) has given states latitude in the design of their Small Employer Exchange. As such, states may establish rules for employer participation and how plans will be selected. For instance, a state may require that a minimum percentage of an employer’s benefit-eligible employees must enroll in the Exchange. A state may also decide whether to offer a defined contribution model in the Exchange. These types of questions were posed to the Advisory Board and their respective subcommittees, and their recommendations are summarized below.

Small Business Participation

Employer Participation Requirements

As mentioned above, a state may require that a certain percentage of an employer’s benefit-eligible employees must participate in the Small Employer Exchange in order for the employer to be able to enroll and participate. Most Subcommittees regarded minimum participation rates as an important safeguard against adverse selection. In addition, Subcommittee members also recognized that allowing minimum participation requirements in the traditional market and not the Exchange market would inherently disadvantage one market over the other. Members in a number of Subcommittees also acknowledged that a minimum participation requirement would likely exclude some employers who might otherwise choose to participate in the Small Employer Exchange and, as such, might constitute a barrier for some small employers. Taking all factors into consideration, Subcommittees that recommended a minimum participation requirement

generally recommended that the requirement threshold be consistent with the traditional market's current requirements. Other Subcommittees felt the risk of creating a barrier to participation for some small businesses was too great and, therefore, were not in favor of imposing any minimum participation requirement in the Small Employer Exchange.

Value of the Exchange for Small Businesses

One of the attractions of a Small Employer Exchange is the value it can provide to employers and employees. The greater value the Small Employer Exchange offers, the more interested employers will be in participating. The products, services, and enhancements that Subcommittees generally felt would add the most value to the Small Employer Exchange included the following:

- Multiple health plan options for employees
- Detailed guidance about small employer participation
- Simple processes and enrollment
- Processes that guide employees to set up a health savings account (“HSA”) when a high deductible plan has been chosen, and other similar tools
- Education for employees about health insurance options
- Tools and services that may relieve administrative burdens
 - Aggregated billing[†]
 - Employee assistance
 - Comprehensive comparison tool[†]
 - “Health Coach” concept
 - Calculation of small business tax credit[†]
 - Streamlined process for transitioning an individual from the Small Employer Exchange to the Individual Exchange, and vice versa

Additional Recommendations

Mississippi's current definition of a small business is one with 50 or fewer employees. Some Subcommittees discussed the possibility of expanding eligibility in the Small Employer Exchange to employers with 100 or fewer employees prior to 2016. The rationale for early expansion was generally that expanded eligibility would result in a greater number of participating employers and, as a result, health plan portability in a defined contribution model would also increase. However, as Subcommittees also understood the highly complex nature of establishing a Small Employer Exchange and the reality of the tight statutory timelines established by PPACA, it was generally recommended that for purposes of simplicity at startup, participation eligibility should remain at the current small business definition of 50 or fewer employees.

[†] Federal regulation requires the Exchange to provide these services.

Defined Contribution

In traditional employer-sponsored coverage, employers select an insurance plan (a “defined benefit”) to offer employees. If the employee elects to enroll in the plan, in general the employer pays most of the premium while the employee is responsible for the premium balance and any co-payments, co-insurance, and cost sharing. In contrast, under a defined contribution arrangement, employers contribute a fixed dollar amount (a “defined contribution”) to each employee to be applied toward the purchase of health care coverage. Through the Small Employer Exchange, the employee then shops for and enrolls in a health plan of his or her choice and uses the employer’s contribution as total or partial payment toward the insurance premiums. In the event the employee chooses a plan that qualifies for participation in an HSA, any remaining funds from the employer’s contribution may be deposited in the employee’s HSA and used for any applicable co-payments, co-insurance, and cost sharing.

As Subcommittees discussed this model, most viewed it favorably and generally supported allowing the model as an option in the Small Employer Exchange. Most Subcommittee members believed it would be an attractive option for Mississippi’s small employers. Many members agreed that the ability to predict and control costs would be a critical value-add for small employers who currently offer coverage to employees. In addition, many members felt defined contribution arrangements could be an attractive alternative for employers who don’t currently offer coverage but would be willing to contribute toward employee coverage.

Though the majority of Subcommittees agreed that establishing a defined contribution market would be a good idea for Mississippi, participants in a few of the Subcommittee also expressed concern that employees would likely select plans based solely on price and, in some cases, would be underinsured. Similarly, another Subcommittee expressed concern that “employee choice” rather than “employer choice” would lead to significant market disruption. Many members believe that “employer choice” should be offered in the Small Employer Exchange alongside “employee choice.”

The Subcommittees also generally agreed that the availability of premium aggregation, in conjunction with the availability of defined contribution arrangements, would provide significant value to families with multiple jobs. For purposes of discussion among the Subcommittees, premium aggregation was defined as the ability of the Small Employer Exchange to combine premium contributions from two or more employers toward the payment of one policy premium. For instance, one employee with two part-time jobs would be able to combine contributions from both employers in order to purchase coverage through the Small Employer Exchange. Likewise, spouses would be able to combine contributions from their respective employers and purchase one family plan through the Small Employer Exchange.

Minimum Contribution Requirement

If Mississippi elects to establish a defined contribution market, the State must also decide whether employers should be required to contribute a minimum dollar amount toward the purchase of employee health coverage in the Small Employer Exchange. The Subcommittees were largely mixed on the idea of setting a minimum amount for small employers who choose to contribute toward their employee's health coverage. Some Subcommittees believed a minimum contribution would be necessary in order to ensure employees had adequate access to affordable insurance coverage. However, other Subcommittees were concerned that such a requirement might be a deterrent to employers' participation in the Small Employer Exchange and, thereby, adversely impact employees. They expressed that if the minimum contribution were set too high, employers might be discouraged from participating, particularly those employers who might not be able to afford full employee coverage but would still view offering health insurance coverage as a valuable benefit to employees and, perhaps, a way to attract and retain quality employees. On the other hand, Subcommittee members also argued, if no minimum is set (or if it is set too low) employers could be tempted to contribute less than they would have spent under a defined benefit arrangement or to gradually decrease their contribution over time, thereby discouraging employee participation.

Additional Recommendations

Because the defined contribution model would be new to the Mississippi health insurance market, it was recommended that thorough and significant training on the subject be provided to health insurance brokers and agents, employers, and employees.

Appendix: Details from Subcommittee Recommendations

Educated Health Care Consumers Subcommittee

Value of the Exchange for Small Businesses

The greatest value in the Exchange will be increased availability of affordable insurance plans, as well as simple processes for small employers to enroll and manage employees' coverage.

Minimum Participation Rate Requirement

The Subcommittee supports a participation rate requirement, as long as it only applies to the employees who do not have other access to coverage (i.e., through a spouse's employment). In addition, proof of adequate coverage should be required before an employee is granted an exception.

Defined Contribution

The Subcommittee is in favor of a defined contribution plan. However, the Subcommittee noted concerns with the potential for cost-shifting from the employer to the employee.

Experience in Enrollment Subcommittee

Value of the Exchange for Small Businesses

The Subcommittee sees many benefits that the Exchange can offer to employers. Some of these include:

- A streamlined enrollment process
- Detailed accounting of each employees' individual/family coverage
- Premium aggregation
- Family tier coverage additions
- Small business tax credit assistance
- Enrollment assistance and detailed guidance supplied to employers regarding enrollment
- One point of contact for enrollment changes

Minimum Participation Rate Requirement

The Subcommittee believes that setting specific participation rate requirements could create a barrier to participation for some businesses. However, if there are no participation rate requirements, it could be a future issue for insurers participating in the Exchange as adverse selection would exist.

Defined Contribution

Ideally, a defined contribution model would result in increased plan portability for consumers. The Subcommittee has some concerns with a defined contribution model as it could shift unnecessary risk, responsibility, and cost from the employer to the employee. This could result in the consumer choosing inadequate coverage due to premium costs.

Additional Recommendations

The Subcommittee proposes the inclusion of wellness programs in initial Exchange recommendations. If the wellness programs provided such services as: biometrics screenings, exercise programs, credits for tobacco cessation, health checkup calendar reminders, etc., they may encourage employers to enroll, and would provide incentives for employees. However, there is a possibility of administrative costs being prohibitive.

Hard-to-Reach Populations Subcommittee

Value of the Exchange for Small Businesses

The Subcommittee believes the Exchange could provide many services and products that would offer value to small businesses and their employees. Some of these include:

- Simplifying and relieving employers' administrative processes and burdens
- Offering multiple health plan options for employees
- Aggregating the health plan billing
- Assisting employees with enrollment
- Providing a tax credit to some small businesses
- Providing a comparison tool to help employees choose between plans
- Creating a streamlined process for transition of individuals between the Small Employer Exchange and the Individual Exchange

Minimum Participation Rate Requirement

The Subcommittee recommends that MID evaluate carriers' participation rate requirements in the current commercial market, and use those rates as a guideline.

Defined Contribution

The Subcommittee noted that a defined contribution model is expected to attract employers who do not currently offer insurance. Without the inclusion of a defined contribution model in Mississippi's Exchange, there is little incentive for small groups to participate. In addition, premium aggregation would offer significant value to families and individuals with multiple jobs.

Minimum Employer Contribution

The Subcommittee understands that subjecting employers to a minimum contribution amount might discourage employer participation. However, Subcommittee members believe that low employer contributions may discourage employee participation due to prohibitive costs. In effect, it is important to balance these two costs to maximize participation.

Additional Recommendations

The Subcommittee recommends offering a variety of coverage options based on consumer demand. Minimum coverage plans, such as high deductible health plans, should also be included in the Exchange because they also offer value through covered preventive care. The Subcommittee recommends maintaining the small employer definition at 50 or fewer employees until 2016 to simplify the initial establishment of the Exchange.

Health Care Providers Subcommittee

Value of the Exchange for Small Businesses

Some of the services in the Exchange that can offer the most value to small businesses include:

- Mitigating administrative burdens
- Offering simple, easy to understand information
- Offering the concept of a “health coach”
- Providing monetary incentives for health management

Minimum Participation Rate Requirement

The Subcommittee recommends evaluating carriers’ current market requirements before a participation rate is decided upon.

Defined Contribution

The Subcommittee agrees that a defined contribution market would attract small employers who do not currently offer insurance, and that producers would play a critical role in educating employees and helping them understand how to enroll. The Subcommittee believes that it will initially be very difficult to achieve the critical mass necessary for plan portability, but that it will increase slowly over time as participation in the Exchange grows.

Health Insurance Agents and Brokers Subcommittee

Value of the Exchange for Small Businesses

Some of the services in the Exchange that can offer the most value to small businesses include:

- Providing an accurate and simple aggregated invoicing process

- Providing a streamlined process to transition an individual from the Small Employer Exchange to the Individual Exchange, and vice versa
- Providing assistance for employers to easily drop COBRA and move to the Exchange

Minimum Participation Rate Requirement

The Subcommittee recommends a minimum participation rate but also notes that under the federal individual mandate all individuals must carry health insurance.

Defined Contribution

The Subcommittee looked favorably on the defined contribution model. Not only would it incentivize employers to participate in the Exchange, but also alleviate some of the employers' administrative burdens. However, the Subcommittee encourages the Exchange to implement the defined contribution model slowly in order to ensure that the proper processes, policies, and resources are in place to make the defined contribution model a success.

The Subcommittee suggested three possible ways to offer a defined contribution plan:

- The employer offers a 'high,' 'medium,' and 'low' health plan for the employee to select
- The employer selects a specific carrier, and offers a defined contribution, and the employee then selects any health plan through that specific carrier (the Subcommittee was more inclined to recommend this option over the others)
- The employer offers a defined contribution, and the employee then selects any health plan from any carrier of their choice (this option is discouraged by the Subcommittee)

Additional Recommendations

The Subcommittee recommends a minimum contribution requirement from employers. In order for the Small Employer Exchange to be successful, members felt that an employer must be willing to make a contribution that is significant enough to offer valuable coverage for their employees.

Health Insurance Issuers Subcommittee

Minimum Participation Rate Requirement

The Subcommittee recommends that the carriers determine participation requirements for their plans.

Defined Contribution

The Subcommittee believes that a defined contribution model would be an attractive option to small employers. Members recommended that the option of "employer choice" should also be preserved in the Small Employer Exchange.

Large Employers Subcommittee

Value of the Exchange for Small Businesses

Some of the services in the Exchange that can offer the most value to small businesses include:

- Providing opportunities for small businesses to more easily offer health coverage
- Minimizing health care costs
- Focusing on consumer accountability
- Aggregating premiums and billing
- Providing a variety of health plan options for employees
- Simplifying the process of obtaining health insurance

Minimum Participation Rate Requirement

The Subcommittee recommends aligning the minimum group participation rate requirement with existing rules in the market (i.e. use the rate currently required by carriers).

Defined Contribution

The Subcommittee is in support of a defined contribution model. Members believe it will not only attract small employers to the Exchange, but will also provide small employers a more affordable alternative to providing health insurance for employees.

Public Health Experts Subcommittee

Minimum Participation Rate Requirement

The Subcommittee felt there should be a minimum participation requirement for employers.

Defined Contribution

The Subcommittee believes there is significant value in a defined contribution model and premium aggregation in the Exchange, particularly for families. Subcommittee members believed there would be sufficient demand to achieve the critical mass necessary for plan portability.

Small Businesses & Self-Employed Individuals Subcommittee

Value of the Exchange for Small Businesses

Some of the services in the Exchange that can offer the most value to small businesses include:

- Alleviating administrative burdens with simple enrollment and reporting processes
- Aggregating the billing statement each month

- Aggregating premiums for individuals and families
- Providing strong customer support for employees
- Ensuring the Small Employer Exchange has an entity to administer the payment processing and claims

Minimum Participation Rate Requirement

The Subcommittee does not recommend requiring a minimum participation rate for entrance into the Exchange. Subcommittee members want to ensure that everyone who wants to participate in the Exchange has an opportunity to do so.

Defined Contribution

The Subcommittee is in favor of a defined contribution model, and believes there is significant value in premium aggregation for individuals with multiple jobs and families.

State Government Agencies and Divisions Subcommittee

Minimum Participation Rate Requirement

The Subcommittee does not recommend a minimum participation rate requirement. Such a requirement may create a participation barrier for some small businesses.

Defined Contribution

The Subcommittee is in favor of a defined contribution model. Regarding premium aggregation, the Subcommittee believes that both billing aggregation (used by employers) and premium aggregation (for employees) would be of significant value.