

## Market Stability Workgroup

Date of Meeting: January 15, 2020  
 Meeting Time: 9:30 am  
 Meeting Location: United Way of Rhode Island  
 50 Valley St., Providence RI 02909

**Workgroup Members Present:** Co-Chair Marie Ganim, Co-Chair Lindsay Lang, Monica Auciello, Al Charbonneau, Ralph Coppola, Jim Delisle, Erin Donovan-Boyle, Shamus Durac, Dr. Peter Hollmann, Steven Larrabee, Joe Dorazio, Elizabeth McClaine, Melissa Travis, Larry Warner

### Minutes

**I. Meeting was called to order** at 9:36 am by Commissioner Ganim. Commissioner Ganim asked for any comments on the minutes, minutes were approved

- a. Commissioner Ganim reviewed the work group syllabus, guiding principles, and the agenda for the meeting. Commission Ganim stated that the employer survey will be going out shortly and after meeting seven there will be a 4-6 month hiatus to review the survey results. The workgroup will reconvene after the final report has been disseminated to discuss next steps.

## **II. Deep Dive on Target Policy Options**

- A. Deb Faulkner reviewed the policy options the group decided to include and exclude in the prior meeting. Policy options highlighted in green below were identified for a deeper dive.

Category	Policy Option
Products	1. Alternative plan design (e.g., limited networks, reduced benefits)
	2. Micro-group (<5) targeted products, administration
	3. Alternative provider payment methods
	4. Encourage SHOP enrollment with full choice
Rates and Incentives	5. Reinsurance for small group market
	6. Enhanced Small Group rate regulation
	7. Cost sharing subsidies
	8. Targeted employer incentives for coverage
Employer/consumer protections	9. Regulatory protections re: stop loss/self insurance
	10. Regulatory protections re: PEOs
	11. Regulate allowable employee eligibility restrictions
Market Structure	12. Merge markets (Ind/Small Group) potentially with HRA
	13. Merge markets (Small Group up to 100)
	14. Alternative structures using AHPs, HRAs*

At the prior meeting the workgroup indicated that more information on the option to merge markets (individual and small group and 1-50 and 51-200) was needed. Deb presented the following information:

- Merger would nearly double the size of the pool to merge in either direction
    - Individual (44,000); Small Group (52,000); 51-100 (32,000)
  - Carrier Perspective (Comments at prior meetings)
    - BCBS, United, Tufts noted that they currently rate using broader, more stable book of business –thereby reducing rate volatility and substantially limiting merger impact
  - Prior RI Study -2012 Wakely analysis (Actuarial assessment of Individual/Small Group merger)
    - Zero sum game (winners and losers)
    - Nominal impact on Small Group rates (+2/-1% depending on model)
  - Other Market Experience (Expert comments from Meeting 5)
    - Limited data available re: the states that expanded the small group size.
    - Anticipated concerns regarding disruption and jump in rates did not happen.
    - Regulators noted resulting shift to self-funded or PEOs –some healthier groups exited the market.
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- i. Ralph Coppola commented that the group has been looking at the concept of merging markets as a standalone option, but it may make more sense to look at it as a part of a holistic solution. In regard to the insurance and stability, the larger the rating group the better predictability, the current small group market at 52,000 lives is not a lot.
  - ii. Deb responded the volatility has been addressed in other ways in this pool.
  - iii. Ralph Coppola asked if we were to merge the market with the individual market how would that impact the reinsurance program in the individual market?
  - iv. Deb responded that the current program is federally approved program and would likely have to stay as is. That being said you could still merge the pools and have a reinsurance program but you would have to reevaluate the funding structure and approvals.
  - v. Melissa Travis asked if there is a report issued regarding merging markets that is recent.
  - vi. Deb responded that there was a study done back in 2012, that included an assessment of the implications of the merger.
  - vii. Melissa commented that the market has drastically changed since 2012 and the assessment may no longer be relevant.
  - viii. Deb responded that that assumption was correct and to do a new actuarial study of that magnitude would be expensive. Before investing in such a study it would have to be determined if this would be a value add, the results from the employer survey may provide some insight. Deb added that the initial study has been relatively on target with trends in the Small Group market over time.
  - ix. Monica Auciello added that BCBS analysis has also been consistent.
  - x. Marie Ganim asked Monica to clarify what has been consistent.

- xi. Monica responded BCBS analysis of different merger options on the impact to the Small Group rates was consistent with the reports indicating that there would not be a significant benefit to merging markets.
- xii. Deb concluded the discussion stating that the topic of merging markets was something that would be kept on the table and could be looked at in consideration with other options.

## **B. POLICY OPTION I. PRODUCTS – ENCOURAGE SHOP ENROLLMENT WITH FULL CHOICE MODEL**

John Cucco the Director of Strategy for HSRI and Director of SHOP, presented the policy option to encourage SHOP enrollment model with the full choice model. John began by providing an overview of the SHOP program:

- What is HealthSource RI for Employers?
  - ACA's Small Business Health Options Program (SHOP)
  - A program of HealthSource RI, the state's health exchange, for small businesses to compare and buy insurance coverage
  - Offer health and dental coverage; can connect businesses with ancillary products (e.g., vision, pet)
  - Coverage is part of RI's small group market
- How does it work?
  - A business requests a quote and decides to enroll
  - The business themselves, their broker, or our Business Engagement Team fill out the online application, picking a reference plan and a contribution per employee
  - Employees select their plan to enroll in
  - HSRI for Employers sends a consolidated bill
  - After payment, HSRI for Employers transfers the enrollment information to carriers

Over time enrollment has decreased, however the number of the employers purchasing through the Exchange has increased. Currently there are over 6,000 covered lives through SHOP.

- Currently 824 covered employers, 3,606 employees; over 6,000 lives
- Over 11% of the RI Small Group market, growth each year
- 96% of employers, comprising 98% of lives, use the full choice model
- About 70% of employers and employees choose Platinum or Gold plans
- Employers contribute about 70% on average towards single employee coverage
- 16 medical plans from BCBSRI and NHPRI, 5 dental plans from BCBSRI and Delta Dental
- Among top performing state SHOP exchanges nationwide

For employers there are many benefits to purchasing coverage through HSRI:

- Full Choice model allows employers to set a contribution amount and employees can select from a range of plans across multiple carriers that meet their specific needs.

- Flexible customer service is available to help the business, broker, or employees as much or as little as needed—including on-site visits
  - There is a 2-year small business tax credit for businesses under 25 employees and \$50,000 average wage
  - Improved, smooth online service since 2019 system upgrade
- i. Commissioner Ganim asked if Rhode Island is the only state that does consolidated billing?
  - ii. John responded that no we are not, there was a requirement in the ACA that there be choice across carriers, and there was value in the exchange in doing consolidated billing to help meet the requirement.
  - iii. Shamus Durac asked if there is an understanding about what has driven an increase in market share of employers enrolling through SHOP?
  - iv. John responded that on the individual side that there is not incentive like the tax credit to enroll through HSRI, so it is more difficult to encourage businesses to purchase through HSRI. Most business is driven through word of mouth.
  - v. Ralph Coppola commented that there is a group called Health Right Rhode Island and going back pre-ACA that group spent a lot of time developing a MA Connector equivalent, the issue that group had was money and was unable to get the design off the ground. With the ACA the State of Rhode Island got a significant amount of money to develop an Exchange which included SHOP which allowed for the platform to be built. Massachusetts and Rhode Island have a tendency to volley back and forth on who is at the forefront of programming for their Exchange. The group should be looking at what successful states are doing and seeing what we can mimic or do better. On the Connector you can look at metal level or by carrier. With the Exchange on the SHOP program there is the ability to determine employer contribution at three different levels. RI needs to figure out how we can combine the best parts of each program.
  - vi. Melissa Travis added the biggest single challenge for the SHOP program is the lack of enthusiasm from the brokers and the carriers have been able to pick and choose what plans are offered on SHOP. From an economic standpoint, the biggest thing for a small employer is to be able to compete with other businesses. The ability to offer three different levels of contribution to coverage allows the employer to be competitive in recruiting quality staff through flexibility in creating different benefit packages. It additionally allows them to better predict their expenses over a given year. Employer education is key to increasing participation and it should also be required that all carriers to participate on the Exchange.
  - vii. John responded that choice of plans is most valuable and providing wide variety of plans across and within Carriers is important to HSRI. In an employee choice environment, it allows both the employer and the employee to select a plan that works for them.
  - viii. Lindsay Lang added that the customer service is a key component and the ability to offer as much or little support that the broker, employer or employee needs is a significant selling point.
  - ix. Erin Donovan-Boyle added that the perception of SHOP as a government program is one of the biggest challenges and changing perception is key. The two-year tax credit is something that should really be bolstered because it can make a big difference for the smaller employers.

- x. Larry Warner asked how does the SHOP program in Rhode Island compare to the other states, are there incentives, are there ways to incentivize multiyear participation?
- xi. John responded that RI cannot compare to DC or VT because DC has federal employees on the Exchange and VT is a merged market. However, compared to other states we are at the top or close to the top of market share. CA and NY have higher enrollment but are significantly larger states, we are close to MA in enrollment. In regard to multi-year incentives, one thing to consider if there was a funding source for an additional tax credit at the state level that extends the two-year tax credit.
- xii. Al Charbonneau commented that people go to the individual market because of the take up of the subsidies and there are not those incentives on the small group side. When considering lack of take up on the SHOP what I see the lack of subsidies to help with affordability. The affordability issue must be addressed if we want to increase uptake in SHOP enrollment, if we are just moving an employer from off Exchange to on Exchange, how does it help with affordability for the employer or the employee?
- xiii. Ralph Coppola responded that there is a difference between addressing cost and value. Lowering cost is not the main goal of getting employers on the Exchange, but providing value to the employer. From the perspective of the employer who is busy running their business, having the customer service and ease of platform that comes with enrolling through SHOP is significant value because it is one less thing taking the employer away from focusing on the nature of their business.
- xiv. Monica Auciello commented that the question has to be asked how much is the employer willing to pay for support? BCBS estimates about an 8% increase in premium moving more plans to the SHOP. There is a significant issue with selection bias, selection option is driving about a 5% differential in rates. In SHOP when multiple plans are offered and the employee buys what they need. Sicker people choose richer plans and healthier choose less rich plans, selection bias is 3x higher in SHOP. If BCBS were required to offer all plans through SHOP, we would project an 8% increase to rates.
- xv. Commissioner Ganim recapped the discussion, highlighting that businesses like SHOP once exposed to it and more employer education is need. Additionally, the workgroup should look at what is successfully working in Massachusetts and is there opportunity to learn or improve on what they are doing.
- xvi. Liz McClain added that the fee for HSRI we decided as a state to keep it at 3.5% but it was lowered at the federal level. There may be an opportunity to lower that fee if administrative feeds are redistributed.

### **C. AFFORDABLE CARE ACT – HEALTH INSURANCE TAX**

Commissioner Ganim updated the group on the repeal of the ACA HIT tax and provided information on what other States have decided to do with the federal repeal. The ACA HIT tax was applied to premiums paid in the Individual and Group Markets in 2014-2016, 2018 and 2020 (suspended 2017 and 2019; Eliminated for 2021 and beyond) In RI, this federal HIT averaged a 2.2% added impact on commercial premiums (\$26M) for 2020.

Three states have passed laws to substitute a State-level HIT for the discontinued federal tax, as a source to fund their Individual Market reinsurance programs. Other states are considering other uses. RI has an existing 2% state premium tax (about national average %) on all types of insurance (fire, auto, etc.). There is potential for Rhode Island to use this as a policy tool to

create funding for something or allow the tax to lapse. Commissioner Ganim and Director Lang were asked to review and discuss options and then to make a recommendation to the Administration.

Commissioner Ganim reviewed the following options:

- Let the federal tax reduction accrue as a reduction in premiums for 2021 (Individual and Groups);
  - Identify a policy option for Small Groups that needs funding, and design a state HIT to effectuate that;
  - Develop a policy option that will reduce costs for all insured lives that a state HIT could fund (more work needed to develop)
- i. Liz McClaine commented that due to current tax law, NHP Is exempt from paying the tax and there is concern that if this was kept in place that they would be required to pay the tax.
  - ii. Commissioner Ganim responded that the plan would be to keep the current structure in place.
  - iii. Monica Auciello commented that BCBS has not had the chance to dive into this but there is concern that this tax would disproportionately impact BCBS as the primary payer.
  - iv. Commissioner Ganim responded that these were all valid points, and for this discussion the focus should be on the small group market line.
  - v. Monica Auciello said there should be some actuarial analysis on the impact of keeping or eliminating the tax.
  - vi. Ralph Coppola commented that if there was a way to leverage these tax dollars to lower rates, then it is something that should be considered.

#### **D. POLICY OPTION II: REINSURANCE FOR SMALL GROUP MARKET**

Deb Faulkner presented on the next policy option, to create a reinsurance program for the Small Group market. She commented that there are ways to lower premiums but there is a cost to implement a reinsurance program. The goal of any reinsurance program is to save at least 5% of premium and to do this Rhode Island would need approximately \$17 million and for a 10% decrease in a premium it would require \$34 million. This could be funded through the small group only, funded through a tax on the entire market, a tax on the fully insured and self-insured, or a tax on the small group stop loss only. A broad-based reinsurance program would have some impact on premium at a cost somewhere between \$17-34 million and could be funded by the HIT tax.

- i. Erin Donovan-Boyle asked if a reinsurance program would actually decrease the cost or would it just temporarily stave it off?
- ii. Deb responded that it would likely offset the rate increases for a given year.
- iii. Ralph Coppola commented it would mitigate some of the volatility.
- iv. Deb responded correct, the opportunity is probably greater for the smaller carriers that worry about bad risk selection because this would offset some of the volatility.
- v. Ralph commented that theoretically even if a few larger claims hit a larger carrier, the reinsurance program would also mitigate those claims.

- vi. Deb responded yes it would, but for the smaller carriers they would not have to worry about that one big claim that would impact them more than a larger carrier.
- vii. Erin Donovan-Boyle asked if this would this be done on an annual basis or is a onetime market correction?
- viii. Deb responded that it is both, there is an initial drop in premium and then lower rate increases going forward.
- ix. Ralph Coppola added that this would also mitigate the issue for carries of having a bad experience in previous years and will not result in rate increase due to that bad year. And with a reinsurance program the ability to be more predictable with rating because of less volatility.

#### **E. POLICY OPTION II: TARGETED EMPLOYER INCENTIVES**

Can we be more targeted in our approach to create incentives in wage quartiles, industries or employer size. These incentives could be focused on those that need the most help in regards to affordability. If the targeted incentives are focused on capturing a smaller subset of the small employer group, the cost decreases significantly. This would be an alternative to a broader reinsurance program.

- i. Monica Auciello commented that there is some type of qualification process in which the employer/employee would get some type of incentive if they qualify. How would the money flow, would it be collected as a tax and then paid back out to the employer based on enrollment?
- ii. Those administrative details are something that would have to be worked out and thought through.
- iii. Liz McClaine commented that with this approach it would be necessary to be careful about who is being targeted, specifically if part time workers would fall into this category and they would not necessarily be eligible. There needs to be a little bit more information on who and how certain groups would be targeted.
- iv. Erin Donovan-Boyle added that transient and seasonal workers should also be considered.
- v. Shamus Durac commented that this seems like the most direct way to address the issue, this could address both the value and cost challenge.
  - i. Deb commented that incentives could be developed that would target the type of employee instead of the employer. The group would have to think through who specifically they would want to target.
  - ii. Monica Auciello added that this could be a really interesting topic to explore but the ability to implement an incentive or reinsurance program for next year is low. My recommendation would be to allow for the rate reduction for 2020 and 2021 from the repeal of the tax credit and 2021 and then consider bringing it back in once the program has been identified and the logistics flushed out.

#### **III. Public Comment**

Commissioner Ganim asked for any public comment, there was none.

#### **IV. Adjourn**

Commissioner Ganim adjourned the meeting at 11:03am.