



Licensing Procedures Request for Information: Summary of Responses

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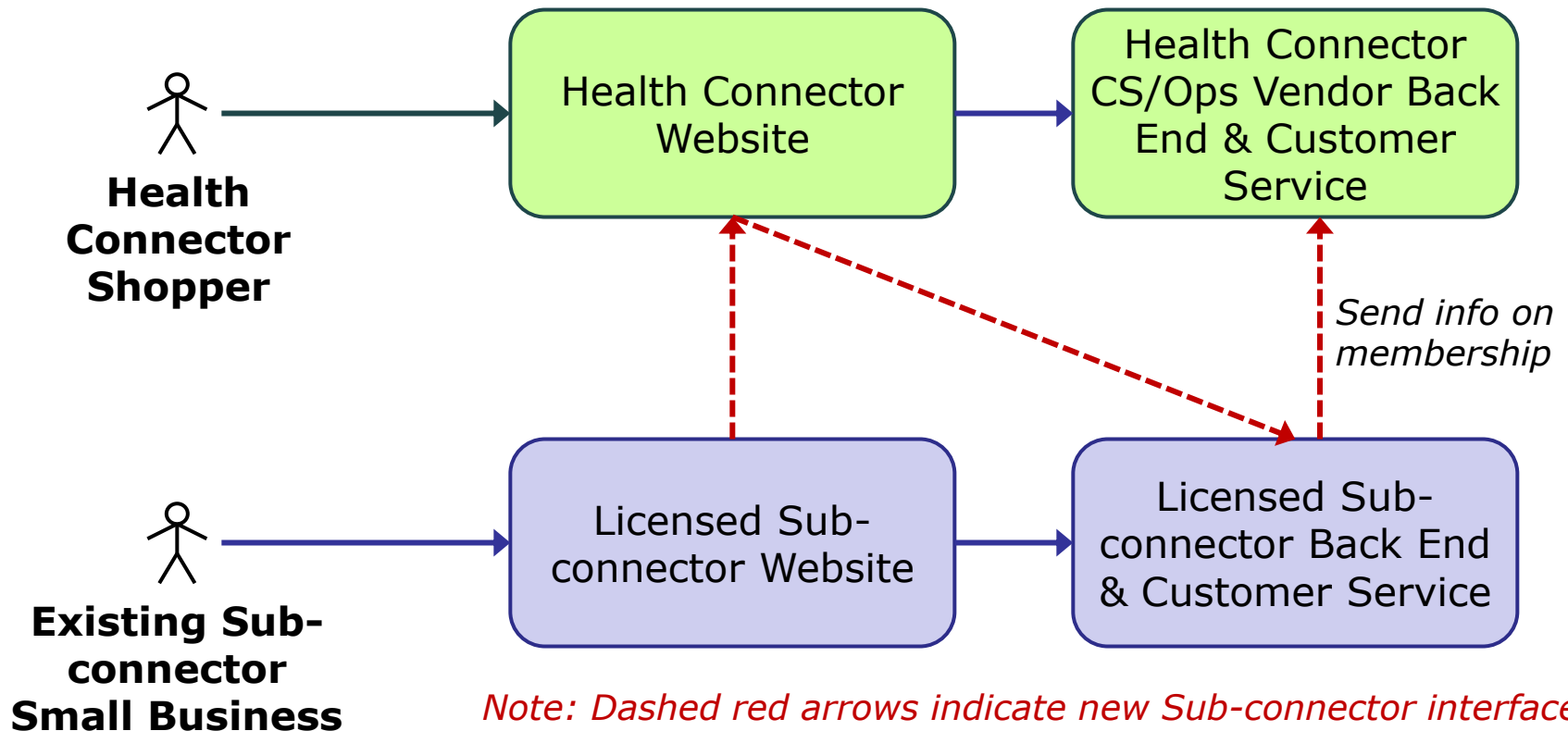
Background

- We previously discussed with the Board the concept of “Sub-connector” as defined in Chapter 58 of the Massachusetts law
 - As presented during the November 2012 Board meeting, the law defines a “Sub-connector” as a locally incorporated and governed entity with demonstrated experience in the small business health insurance and benefit market
 - The Health Connector Board is authorized and empowered to establish criteria, accept applications and approve or reject licenses for Sub-connectors
 - A licensed Sub-connector is authorized to offer all health benefit plans offered by the Health Connector



Sub-connector Straw Man Model

We developed a “straw man” model, which we presented to the Board in November, where small businesses can purchase from the Health Connector website through a Sub-connector, which provides back-end and customer service.





Sub-connector Straw Man Model (cont'd)

- The Sub-connector model allows us to collaborate with other distribution channels to expand access to the Health Connector's value proposition
 - More small employers and the brokers who serve them will be able to access the Health Connector's **QHP product shelf** and our transparent comparison **shopping experience**
- It also allows us to expand access to the **federal small business health care tax credit** (if permissible) and **Wellness Track rebates**
 - The federal tax credits assist small businesses with lower income workers in paying for health insurance, while Wellness Track rebates help bring wellness into the small employer workplace
- . . . All while leveraging **existing distribution relationships** between small businesses, brokers, intermediaries and carriers



RFI Process

- On November 16, 2012, the Health Connector issued a Request for Information (RFI) seeking feedback on the straw man model from potential Sub-connector applicants and market participants
- We received four formal responses, two from intermediaries and two from health insurance carriers
- The following goes into greater detail, by key topical areas, on the feedback that we received from those entities that offered formal responses to our RFI, as well as general feedback received through our conversations with the market
 - Sub-connector qualification requirements
 - QHP availability through Sub-connectors
 - Shopping approach
 - Back-end administration
 - Access to Wellness rebate and Small Business Tax Credit
 - Financial considerations
 - Potential market impact



RFI Response: Qualification Requirements

Proposed Approach

- Under Chapter 58, to be eligible for licensure as a Sub-connector, an entity must:
 - Be a locally (*i.e.*, Massachusetts) incorporated and governed organization
 - Have demonstrated experience in the small business health insurance and benefit market

RFI Feedback

- One carrier suggested that we modify this requirement to permit non-MA based entities to obtain licenses, allowing the best entities, regardless of location, to participate
- One intermediary recommended we pursue a “web-based broker” model including hosting of the shopping experience – an ACA concept – and similarly remove the MA-based entities requirement



RFI Response: Qualification Requirements (cont'd)

Health Connector Considerations

- We do not believe we have the authority to license entities to be Sub-connectors that are not based in Massachusetts, as this requirement is taken from state law
- There are key differences between the proposed Sub-connector model, that leverages the Health Connector's website, and the ACA-defined "web-broker" concept, which leverages a separate entity's website
 - Compared with our proposed model, applying the ACA web-broker concept may complicate the Sub-connector model and potentially limit the Health Connector's oversight of the shopping experience
 - Web-brokers have additional administrative requirements, including data retention, QHP information display and disclosure



RFI Response: QHP Availability

Proposed Approach

- Sub-connectors would be licensed to sell all QHPs available on the Health Connector's small-group shelf, but it would be the responsibility of a Sub-connector to have appropriate agreements in place with carriers in order to distribute those plans
- To provide adequate choice of QHPs to consumers, Sub-connectors would be required to have agreements in place with at least four carriers that sell through the Health Connector
- As a result, carriers would be precluded from being Sub-connectors

RFI Feedback

- One carrier recommended that the carrier-Sub-connector relationship be voluntary between the parties so that carriers were not required to participate with Sub-connectors
- One carrier alluded to the idea that carriers should be permitted to serve as Sub-connectors
- General market feedback raised some concerns about introducing new distribution channels



RFI Response: QHP Availability (cont'd)

Health Connector Considerations

- We agree with the recommendation that a carrier's participation with a Sub-connector should be voluntary
 - However, to provide adequate choice of QHPs to consumers, the Health Connector will require that Sub-connectors have an adequate number of carrier agreements in place (The Health Connector may reconsider the specific minimum threshold)
 - Carriers who choose not to participate with a Sub-connector will still be available "Connector-direct"
- We reviewed the proposal that carriers should be permitted to serve as Sub-connectors but our review of the ACA indicates that we, the Exchange, would not be able to license carriers to perform Sub-connector functions
 - Specifically, ACA § 1311(f)(3) limits Exchanges from contracting with health insurance carriers to carry out one or more responsibilities of the Exchange



RFI Response: Shopping Approach

Proposed Approach

- The approach blends the Health Connector's product and shopping experience with servicing by Sub-connectors and associated brokers
 - Sub-connector users will start on the Sub-connector website
 - Sub-connector users will have access to the Health Connector's online shopping
 - All QHPs on the Health Connector's shelf will be available for purchase
- Sub-connector sales would be limited to the "sole source" small group coverage model available through Business Express
 - Non-group sales and small group "employee choice" products would not be permitted through this channel

RFI Feedback

- One carrier recommended consistent interface approaches for simplicity
- Another carrier raised concerns regarding how to prevent Sub-connectors from "steering business to carriers with which they have contracts"
- One intermediary recommended expanding to non-group and Employee Choice, while also leveraging its own shopping platform vs. the Health Connector's shopping experience



RFI Response: Shopping Approach (cont'd)

Health Connector Considerations

- The Sub-connector model's technology approach will seek to utilize standardized and consistent interfaces where possible
- The design of the Sub-connector model is intended to allow small businesses to select the QHP that best meets their needs from the Health Connector's complete small group product shelf
 - To help address the steerage concern, the Health Connector's customer service vendor is expected to provide call center support during the online shopping process
 - As proposed, a Sub-connector will be required to maintain a minimum number of carriers under contract to provide adequate consumer choice and reduce the likelihood of steerage
- We do not believe that we are able to include non-group and/or Employee Choice products in the offering provided by Sub-connectors due to operational limitations against key required functions
 - Complex eligibility determination procedures associated with non-group offering
 - "Premium aggregation" associated with Employee Choice



RFI Response: Back-end Administration

Proposed Approach

- For groups that are enrolled through a Sub-connector, the Sub-connector will be responsible for administrative activities, including: eligibility, enrollment, account management, customer service and premium billing
- Sub-connectors are required to send periodic reports to the Health Connector regarding the enrollment status of small businesses that purchased QHPs through the Sub-connector
- The Health Connector would work with Sub-connectors to send out renewal letters and other relevant notices to small businesses that purchased QHPs through the Sub-connector model

RFI Feedback

- One intermediary recommended that licensees should have full life-cycle small group capabilities
- It also indicated that it has the infrastructure necessary to launch by 2014, but raised questions about how renewals would work

Health Connector Considerations

- Further details on operational capabilities, including the renewals process, will be developed as part of the licensure criteria



RFI Response: Wellness and Small Business Tax Credit

Proposed Approach

- The Health Connector would make its Wellness Track program and rebate available to all eligible small employers who shop and purchase coverage through the Health Connector via the Sub-connector model
- If permitted by the federal government, Small Business Tax Credits (only available through Exchanges starting 2014) may be available to eligible small businesses and who shop and purchase coverage through the Health Connector using this Sub-connector model

RFI Feedback

- Respondents offered no specific feedback on the access to Wellness or the Small Business Tax Credit
- General market feedback has been positive on the idea of additional access to wellness rebates and tax credits, if permissible by the IRS

Health Connector Considerations

- The Sub-connector model will incorporate access to the Wellness Track program and, for eligible small businesses, the associated rebate
- The Health Connector will continue to explore the permissibility of the federal small business tax credit for Sub-connector customers



RFI Response: Financial Considerations

Proposed Approach

- Sub-connectors would not be charged any ongoing user or per sale fees for the use of the Health Connector shopping website
- Health Connector would not compensate Sub-connectors, but the Health Connector and Sub-connectors would be responsible for their respective start-up costs
- Existing financial arrangements between Sub-connectors and carriers, brokers and small businesses could continue
- QHPs offered through Sub-connectors must be priced the same as QHPs offered directly through the Health Connector

RFI Feedback

- One carrier raised concerns about this approach adding costs (implementation, in particular) to the system, along with concerns over how the Health Connector will "recoup" its implementation and administrative costs
- One intermediary raised a question about potential premium/price discrepancies for sale of carriers that do not offer intermediary discounts



RFI Response: Financial Considerations (cont'd)

Health Connector Considerations

- We believe that the appropriate financial arrangements with Sub-connectors are a function of the model's design and operational details. As part of the licensure development process, the Health Connector will take into consideration the potential suitability of an administrative fee
- The ACA requires that premium rates for a given QHP must be consistent across all channels in the market and, through the licensure standards, the Health Connector intends to incorporate appropriate oversight mechanisms to ensure premium rate parity between Sub-connectors and "Connector-direct"



RFI Response: Timing and Market Impact

RFI Feedback

- General market feedback for the Health Connector to consider pushing out the implementation timeline to allow market participants sufficient time to build necessary infrastructure
 - One carrier, in particular, raised concerns over added operational burdens concurrent with ACA-driven changes; it also questioned whether there is a market need for this approach
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Health Connector Considerations

- We believe that the Sub-connector straw man model offers value to a broad set of market participants:
 - Broaden small employers' access to the Health Connector's QHPs, comparison shopping experience and wellness tools/incentives
 - Develop new mechanisms for brokers, intermediaries and carriers to partner with the Health Connector
- Based on market feedback, we believe that careful consideration of the implementation timeline is appropriate



Considerations of Market Feedback

- The RFI response suggests that the market largely understands the concept of the Sub-connector straw man model, including the value of broadening the impact of the Health Connector through expanded access to its products, shopping experience and financial subsidies/incentives
- There is also positive feedback from entities that are interested and potentially qualified to serve the Sub-connector role, with the indication that they are willing to invest in the necessary capabilities
- At the same time, the market still has outstanding questions around the degree of value-added of the model, in part because some of the implementation/operational details have yet to be thoroughly developed and explained
- There also appears to be a focus on identifying the right timeline to ensure that the market can achieve adequate readiness and that the effort is appropriately coordinated with the broader ACA transition



Considerations of Market Feedback (cont'd)

- In light of the market feedback and consistent with the vision of Chapter 58, we propose that we take the next step towards developing licensing requirements for Sub-connectors
 - Continue to collect market inputs during the process
 - Further flush out program details in consultation with market participants and the Health Connector Board
- We recommend an implementation timeline that will allow an adequate window for the Health Connector and market participants to achieve operational readiness
 - Develop and stabilize required infrastructure
 - Coordinate Sub-connector model development with other ACA transition projects, both inside the Health Connector and in the broader marketplace



Proposed Next Steps & Timeline

- The Health Connector staff recommends proceeding with the Sub-connector licensing development and publishing licensing criteria during Spring – Summer 2013, with the goal of Sub-Connector go live in late 2014

