



The Health Connector & Small Businesses: Progress to Date & Upcoming Initiatives (VOTE)

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Agenda



- Background: Health Care Reform & Small Businesses
- The Health Connector's Role in the Small Group Market To-Date
- Opportunities and Strategies to Better Position the Health Connector in Supporting Massachusetts Small Businesses
- Massachusetts Small Business Brokers
- Proposed Broker Commission Schedule for Brokered Group Medical and Dental Plans (VOTE)



Background: Health Care Reform & Small Businesses

Health Care Reform & Small Businesses



- Making it easier for small businesses to provide coverage and making the cost of that coverage more affordable is a central focus of Massachusetts health care reform under Chapter 58
 - 76% of Massachusetts employers offer health insurance to their employees, compared with 70% pre-reform and 60% nationally throughout the same time period
 - Massachusetts has achieved meaningful success controlling cost increases in the small group market under Governor Patrick’s leadership
- The Health Connector is one of several tools available to help promote value and contain health care cost growth for Massachusetts small businesses
 - Our shopping model promotes easy access, competition and transparency
- The Affordable Care Act (ACA) presents even more opportunities for small businesses to provide comprehensive, affordable coverage, building on what we have accomplished to date

Health Care Reform & Small Businesses (cont'd)



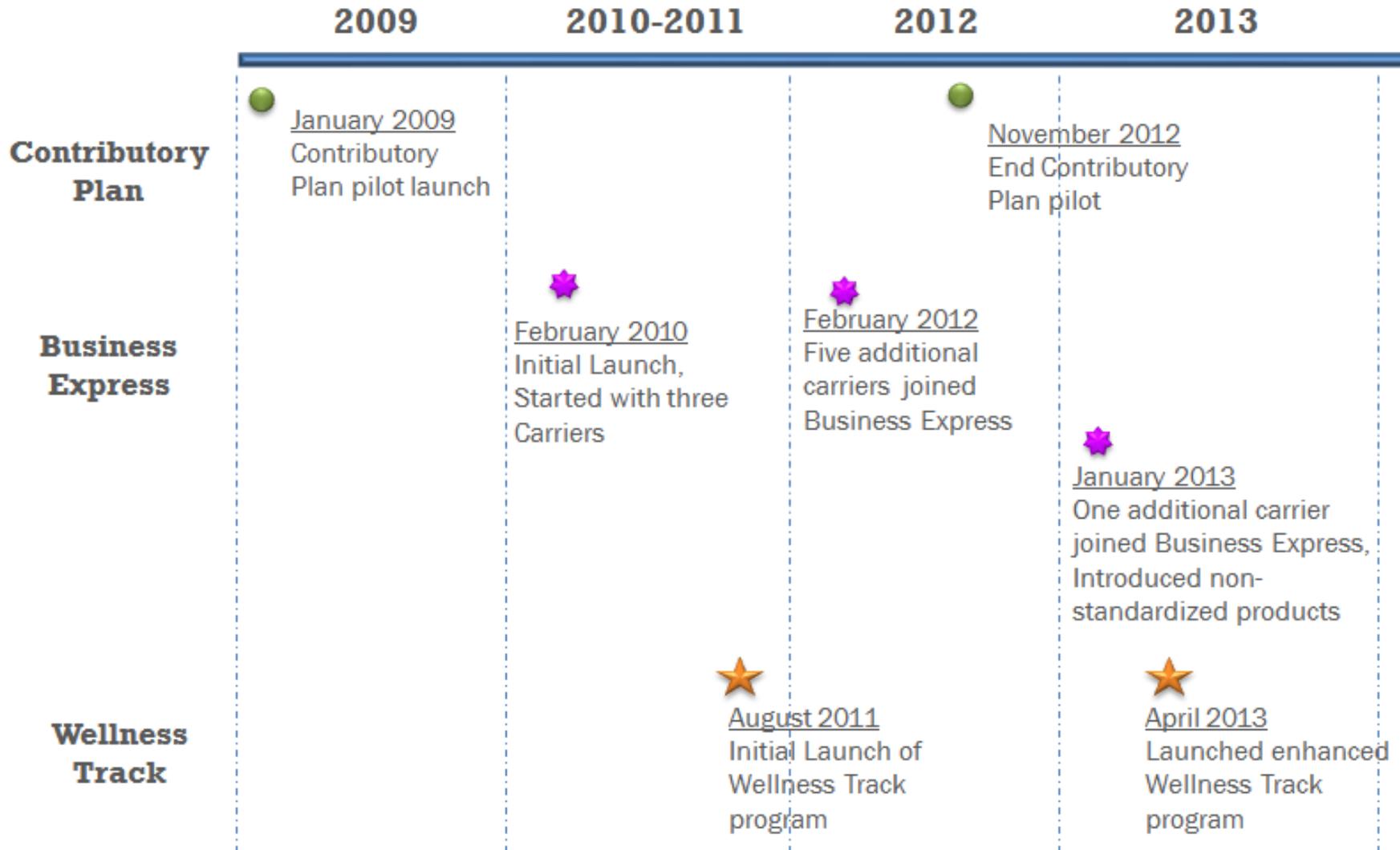
What does the ACA mean for Massachusetts small employers?

- A level playing field compared to small businesses in neighboring states with the requirement of EHBs for all small group plans throughout the country
- New opportunities to save by supplementing the Health Connector's wellness rebate with up to a 50% tax credit
- Additional opportunities for small group employees, including non-benefits eligible employees, to obtain subsidized coverage through the Health Connector
- Changes in rating factors which reduce the premiums for some small businesses; others will see increases but can consider shopping to mitigate the impacts
- New tools and reasons to shop around through the Health Connector:
 - New plan designs and products, such as dental
 - Employee choice options, including bundled carrier offerings
 - An enhanced broker portal, to support the brokers that assist our Massachusetts small businesses



The Health Connector's Role in the Small Group Market To- Date

The Health Connector's Role To-Date



The Health Connector's Role To-Date (cont'd)



Employer – Don Picard, CEO of Common Voices in Cambridge, MA

“Being a member of the Health Connector has been easy. I can do everything online and there is a wide array of plans available to choose from.”

Broker – Matt Waugh, Waugh Insurance Agency, Easthampton, MA – Broker for Common Voices in Cambridge, MA

“I was fortunate to participate in the Health Connector's small group Contributory plan pilot program starting in 2009, and I have used Business Express with my clients in the years since then. The one-stop shopping experience and educational info from the Health Connector was indispensable in getting my agency active in the health insurance business. I am looking forward to keeping up with everything the Health Connector does in the months and years ahead.”

The Health Connector's Role To-Date (cont'd)

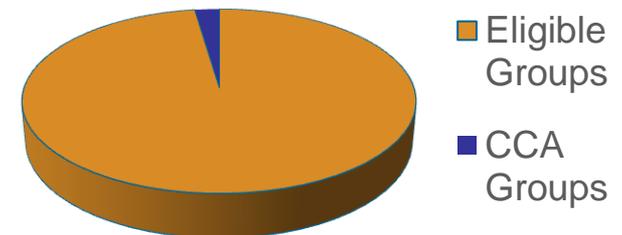


Despite our inroads to-date, the MA small group market presents unique challenges.

- A market that generally shops based on historic patterns (shops “what they know”)
 - Businesses tend to buy from carriers with whom they have experience or familiarity; if they do make changes, generally focused on plan design
- Needs differ from individuals, where the Health Connector has excelled to date
 - Different products and plan designs
 - Different servicing needs (e.g., Health Connector decision-support tools are focused at the non-group population; a group’s needs are much more complex and are often handled by brokers)
- Awareness of the Health Connector in the small business community historically lacking

Massachusetts Total Small Group Market	Health Connector Small Group Market (data as of 9/13)
83,292 Groups	1,972 BE Groups
290,350 Group Subscribers	2,881 BE Group Subscribers
611,349 Group Covered Lives (Subscribers + Dependents)	5,127 BE Group Covered Lives (Subscribers + Dependents)

Market Share by Groups



What does this all mean? We still have some work to do!



**Opportunities and Strategies to
Better Position the Health
Connector in Supporting
Massachusetts Small
Businesses**

Opportunities and Strategies

- The ACA has provided the Health Connector with new opportunities to improve upon our existing small group program and better position us to deliver our value proposition to the small group market in Massachusetts

**Small Business
Tax Credits &
Wellness
Rebates**

**Product &
Employee
Choice**

**Enhanced IT
Functionality &
Operational
Capabilities**

**Outreach &
Education**

**Enhanced
Support for
Brokers**

Small Business Tax Credits & Wellness Rebates



- The Health Connector recently changed the eligibility for its Wellness Track program, making it more widely available to eligible employers
 - Changes include removal of limiting eligibility requirements, substantive changes to the requirements and wellness options, and the introduction of employee incentives
- Beginning in 2014, the Health Connector will be the only place for eligible employers to access the small business health care tax credit
 - Tax credit program has existed since 2010 and is up to 35% of the employer's contribution for eligible employers
 - Exclusive through Marketplaces in 2014, the tax credit increases – now up to 50% of the employer's contribution

Product & Employee Choice



- The ACA provided an opportunity to revamp our shelf and ask our carrier partners for a larger selection of popular, innovative products
 - Revisited metallic tiers; sought tiered networks; incorporated EHBs
- We held detailed sessions with carriers and brokers to gather information on the types of products small businesses buy and, through our SoA process, made the following changes/additions:
 - Non-standard plans which, coupled with standard plans, means that we have over 20 different plan design options offered through more than 100 new plans
 - Dental plans (beyond EHB-required plans) offered by 5 new carriers – includes 8 different plan design options offered through more than 20 new plans
- The ACA also requires that we develop an ACA-compliant employee choice model and based on discussions with market participants, including brokers and carriers, we are supplementing the core ACA model with an additional dual/triple option for businesses in 2014
 - In response to our 2014 SoA, we received 19 groupings of dual/triple options representing 23 different plans

Enhanced IT Functionality & Operational Capabilities



- Allows us to rebuild the shopping experience for small businesses in HIX, which will include a number of enhancements for groups:
 - Online account management functionality
 - Ability to upload detailed census information
 - Provider search and decision-support functionality for small groups (today only non-group)
- Also hired additional staff to provide special support to businesses and brokers beyond the call center

Outreach & Education

- We have enhanced our outreach and education efforts for small businesses in light of the ACA
 - Not only informs businesses about changes in laws and policies, but also about the Health Connector and how we can help as both a resource and a place for your employees – either as a group or as individuals – to find health insurance
- Efforts are broad and varied, but include:
 - Road shows with Associated Industries of Massachusetts (AIM), meetings with employer association leaders, presentations at chambers, sponsorship of business events, and one-on-one meetings with businesses and human resource teams to provide guidance on ACA changes
 - Partnership with consumer advocacy organizations to provide education on the ACA to small businesses in various ethnic communities
 - Detailed guide for Massachusetts businesses about changes for them under the ACA
 - Newsletters and email blasts to employer and broker listserv
 - Employer and broker advisory councils to guide us in our outreach efforts



Enhanced Support for Brokers

- Brokers play an important role in helping small businesses shop for health insurance
 - Many small businesses do not have human resource support, and look to brokers to provide it
 - Includes regulatory and policy compliance support (particularly important during times of major employer policy changes where the state or federal government needs support in communicating changes to employers)
 - Employee trainings on benefits as well as ‘customer service’ support for employees with questions about coverage for themselves and their dependents
 - Procuring additional policies beyond health insurance (e.g., dental, life, disability, property & casualty, etc.)
 - Estimated that the majority of businesses leverage brokers today to provide or supplement human resource support
- Given this role, it is important that we leverage the opportunity the ACA provides us to revisit our platform and service models as well as expand our outreach and education efforts to enhance our support to the broker community

Enhanced Support for Brokers (cont'd)



- Supporting brokers in their knowledge of the ACA and their ability to service small groups through the Health Connector is a key component of ensuring broad access to the value we offer small businesses
- To that end, we are working on a number of new or improved ways to support Massachusetts brokers generally, and brokers that use the Health Connector more specifically
 - Offering broker trainings on the ACA throughout the Commonwealth at no charge and with the availability of continuing education credits
 - Revisiting our broker shopping channel to enhance our platform for brokers
 - Redesign based on in-depth interviews and detailed design sessions with brokers
 - Will enhance brokers' ability to use our website to manage their clients and their plans
 - Revisiting our commission schedule to include new products and generally better align with the market



**Proposed Broker Commission
Schedule for Brokered Group
Medical and Dental Plans**

Broker Commissions in the Massachusetts Market



- Broker commissions in the Massachusetts market are generally paid by carriers or intermediaries to individual brokers for small groups of all sizes
- Carriers set commission schedules by group size, and typically include bonus programs for new business or business retention
- Commissions are built into the base rate of premiums for small groups, and are thus spread across the entire merged market, regardless of whether the small group uses a broker or intermediary to obtain their coverage

Proposed Broker Commission Schedule



- Maintaining a competitive broker commission schedule is an important part of our strategy to collaborate with brokers and facilitate small businesses' access to Health Connector offerings
- To inform any proposal related to a revised broker commission schedule, we researched the existing market to help us better align ourselves among market participants, resulting in several key findings:
 - Many medical carriers use intermediaries in the “micro” (generally groups of 1-9) space vs. selling “direct” to these employers; carriers typically sell direct to employers in the 10+ market
 - The Health Connector’s current commission schedule is comparable to intermediaries in the “micro” market, but materially lower than the carrier direct market for larger (10+) groups
 - Dental commissions do not appear to differentiate between micro groups and larger groups
 - Both the Per Subscriber Per Month (PSPM) commission model and the percent of premium commission model are prevalent in the market, for both medical and dental

Proposed Broker Commission Schedule (cont'd)



Market research on small group medical commissions offered key insight as we revisited our own structure.

Channel	Small Group 1-5	Small Group 6-9	Small Group 10+
Intermediaries (samples; may be variation across carriers)	\$10 PSPM	\$10 PSPM	Add-on PSPM at different group size cohorts
Carriers (samples; not all pay commissions)	\$16 PSPM Intermediary-only (i.e., some carriers do not sell direct)	\$25 PSPM, \$23 PSPM, \$26 PSPM Sliding scale % of Premium (4%-1%) 3% Premium	\$25 PSPM Sliding scale % of Premium (4%-1%) 3% Premium
Health Connector	\$10 PSPM	2.5% Premium	2.5% Premium

Proposed Broker Commission Schedule (cont'd)



- Based on our research into the market, we are proposing a revised commission schedule that:
 - Moves away from the percent-of-premium model to a PSPM model
 - Supports cost-containment efforts
 - Removes the potential for premium-related conflict; empowering brokers to make the best decisions for their clients
 - Supports new shopping models, such as employee choice, required by the ACA
 - Better aligns with the broader market, particularly the 10+ market
 - Pays market-competitive commissions on group dental coverage
- Specifically, we propose:
 - Expanding the \$10 PSPM from groups of 1-5 to groups of 1-9
 - Moving away from a 2.5% of premium for the rest of the small group population (10+) to a \$23 PSPM instead
 - Adding a \$6 PSPM for all small group dental products, regardless of size

Vote



The Health Connector requests that the Board approve the revised broker commission schedule for group sales beginning January 1, 2014 as outlined during today's presentation.