



GROUP MARKET EXCHANGE (VOTE)

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Agenda

Group Market Exchange (GME)

1. Group Market Exchange Proposal
2. Selection Process and Recommendation
3. Project Approach
4. Board Vote

Group Market Exchange Proposal

Proposal Overview

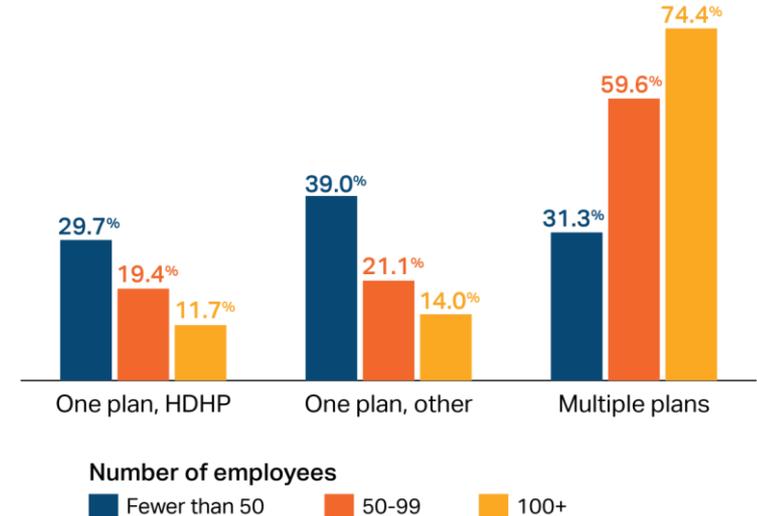


- Under Chapter 58 (c. 176Q, s. 3), the Health Connector is directed to sell plans to small groups, as well as eligible individuals
- Small business owners need a platform that enables them to offer more than one medical plan type to their employees with greater ease and simplicity
- Our current small business platform is expensive to operate, resulting in a \$3M per year loss to the Health Connector
- Implementing Employee Choice is federally required and may bring new value to the small group market
- Current carrier contracts include Employee Choice
- We have found another State-based Marketplace (SBM) with a stable, working, and affordable small group shopping platform and, as such, recommend that the Board authorize the Executive Director to enter into arrangements with the D.C. Health Benefits Exchange (DCHBX) for a group market platform and business services

Market Segment Parity Issue: Access to Choice

- Of the major market segments in the health care market (*i.e.*, non-group [subsidized or unsubsidized], Medicaid, Medicare, large group, and small group), small business employees are the least likely to have access to a choice of plans
- In a Health Policy Commission (HPC) survey of 188 predominately small and mid-sized employers, benefits managers were asked why they did not offer plan choices to their employees
 - Nearly a quarter of respondents said that it was too administratively complicated
 - 57% said that they had too few employees to offer multiple plans

Plan offerings by firm size in MA, 2014



Notes: Number of plans offered to employees by size of their company. The definition of multiple plans could include more than one plan type from a single carrier.

Source: HPC analysis of the Center for Health Information and Analysis' Massachusetts Employer Survey, 2015

Market Research on Employee Choice Model



Decision makers at small businesses in Massachusetts value the opportunity to provide choice and a range of options to employees.

	% Total Agree	
	Members	Non-Members
I'd like to give my employees more choice to select the health insurance program that meets their needs.	85%	73%
I would like to be able to offer my employees a wide range of health insurance plans instead of just one or two.	85%	65%
It would be great if I could offer my employees a set contribution that they could then put toward the insurance plan that best meets their needs. Whatever they pick, I pay the same toward their insurance.	73%	62%
My employees would think better of the company if we could offer a wide range of health insurance options.	68%	59%
It would be great if I was able to offer my employees a different plan than the health insurance plan that I purchase for myself or my family.	76%	55%

New Group Market Exchange Platform



A new Group Market Exchange platform will provide a distinct ‘value add’ to Massachusetts employers and their employees. In addition to the existing sole source option, the new Group Market Exchange will sell “choice” products.

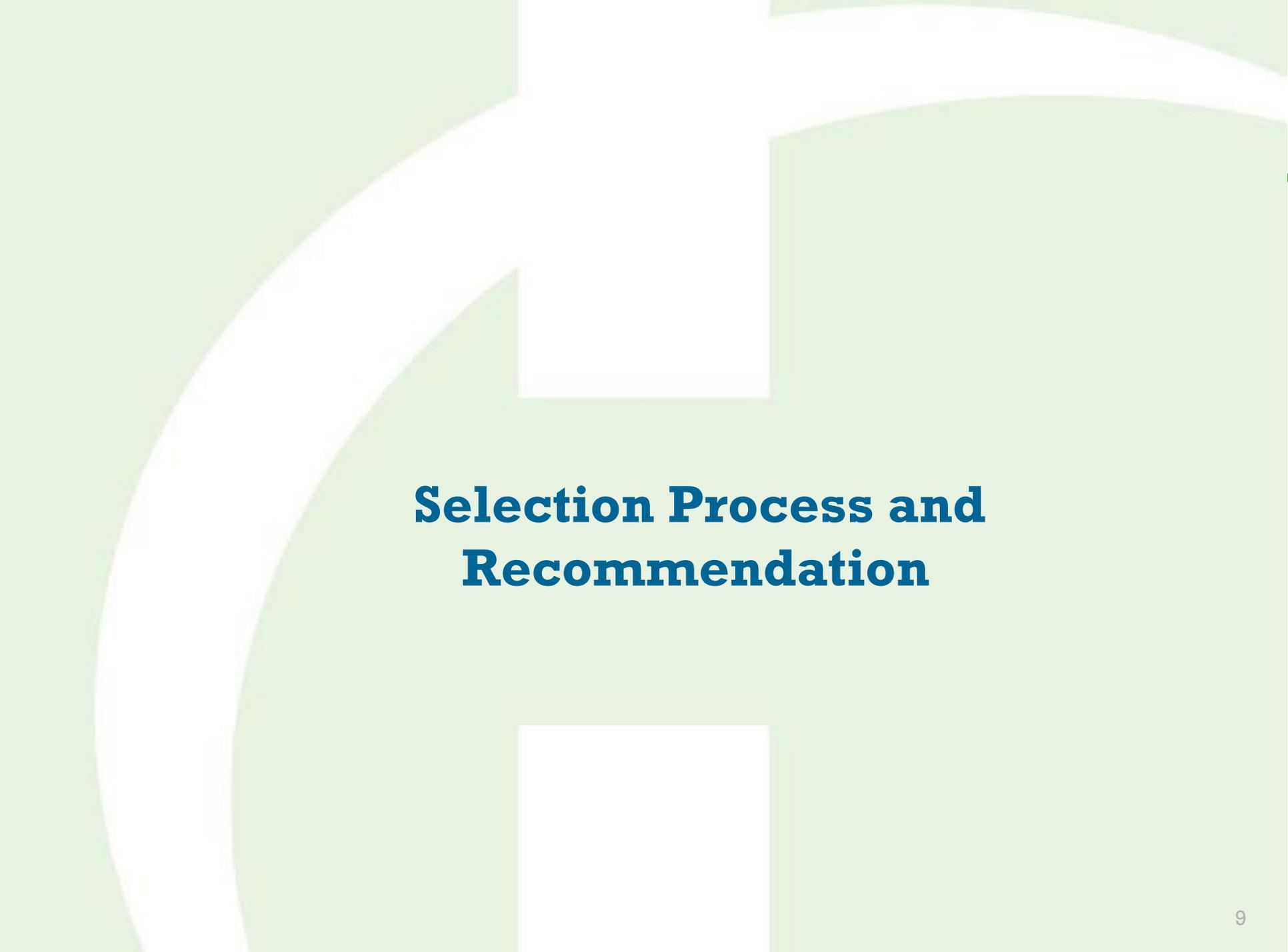
- New “choice” products will:
 - Allow employees to select from a wide variety of plans to meet their individual needs (our research with non-group members show that 59% compare three to five health plans when selecting a plan)
 - Allows employers to determine their own costs year-over-year with greater predictability by selecting a single reference contribution level for all employee choices
 - Enables employers to select the extent of choice and number of plans available to their employees
 - Enhances competitive dynamics between carriers in the group market by promoting the 'brand breaking' shopping behavior exhibited by individual Exchange shoppers
- On the Group Market Exchange, shoppers can find plans with comparable benefit richness to the average small group plan, but with options that can cost ~30% less
- The Group Market Exchange will offer small employers choice and flexibility, something that only larger employers in Massachusetts have been able to enjoy until now
- Curated choice is a principal objective of the Exchange model – one we have delivered on our non-group platform. We now seek to provide this material benefit to employees of Massachusetts small businesses

Group Market Sizing and Targeting



In recent years, the number of covered lives in the overall Massachusetts small group market has dropped, with the shift dominated by declines for the smallest-sized small employers - those with fewer than 25 employees.

- The Center for Health Information and Analysis (CHIA) enrollment data reveals that, between 2013 and 2016, the number of small group covered lives from employers decreased
 - 1-25 employees: Declined by 16% or ~62,000 individuals
 - 26-50 employees: Declined by 7% or ~9,000 individuals
- Health Connector staff believe that the choice model is most likely to attract the smallest of employers – especially "microgroups" with fewer than five employees
 - These groups may be less likely to work with a broker or intermediary, less likely to have established HR/benefits strategies, and may be at risk of dropping coverage
- The Health Connector expects to serve at least 4% of the individuals employed by the small employers who shed coverage between 2013 and 2016
 - Resulting enrollment growth of 2,500 net new group members by 2019



Selection Process and Recommendation

Previous Procurement Results



Prior to this procurement the Health Connector engaged in two separate procurements for a group market platform which had to be cancelled given a lack of viable candidates.

- In each of the first two procurements the Health Connector received bids from commercial vendors, including the incumbent vendor, in the small group insurance space
- In all three procurements the Health Connector sought a vendor able to meet the three goals of the Group Market Exchange platform:
 - Technically capable
 - Operationally proficient
 - Financially sustainable
- None of the responses to the two prior procurements, which included the current vendor both times, met these three critical criteria

State Partnership Group Market Exchange Concept



In mid-2016, the Health Connector developed an alternative concept for a new Group Market Exchange – partnership with an existing SBM interested in sharing or providing technology and operational services.

This approach sought to identify another SBM with an end-to-end service solution (technology platform, customer service, business operations) that met the following key criteria:

Affordability	Functionality
“Turn-key” Operations	Timely Availability

- Solutions that would make sense, given the economics of group market operations and administration, are those where
 - Costs are shared with another SBM (e.g., shared vendor contracting or infrastructure)
 - Technology is open source to reduce ongoing licensing fees or costs
 - There is limited reliance on proprietary software which enables long-term flexibility

Selection Process Overview

The goal of a partnership with another state led to a selection process that solicited from other SBMs information about their resources and capabilities.

- To this end, the Health Connector developed an approach that sought to understand the capabilities of the SBMs, their applicability to the Massachusetts market, and their value to consumers and the Health Connector
 - States were also asked to provide a live demonstration of the online system, to participate in a Question and Answer session and to offer a site visit of the SBM's facilities
- The review was undertaken by a Procurement Management Team (PMT) of senior staff from the Operations, IT and Policy/Program teams, supported by the Legal and Finance teams
- The Health Connector received complete responses from two SBMs
- Overall, the quality of the responses was exceptional – demonstrating deep expertise of other SBMs in the technical, operational and policy topics related to the small group market

Implementation Approach

The DCHBX platform includes all required capabilities for a Group Market Exchange, including online tools, multiple product offerings, back-end systems and staffing.

- DCHBX is the biggest Small Business Health Options Program (SHOP) market in the nation with more than 3,700 small employers and 60,000 employees with 90% of these managed by a broker
- The Health Connector expects to use the majority of existing DCHBX systems and processes without modification – saving costs in implementation and ongoing operations
- The features and functionality are designed to meet the needs of Employers, Brokers and Employees with an emphasis on ease of use, swift system response time and development of enhancements based on user feedback
 - In 2016, the DCHBX platform was awarded the International City on the Cloud by Amazon Web and earned top position for SBM platforms as ranked by Clear Choices
- In order to support the existing Massachusetts small group market, DCHBX will be making modifications to the platform:
 - Incorporating select current Massachusetts-based rating factors
 - Offer sole source model using composite rating
 - Work with carriers to define Electronic Data Interchange (EDI) requirements

Financial Sustainability



Ongoing GME costs are estimated to be 50% less than the current platform and we are projecting to break even in the second year of operations based on current membership projections.

- The Health Connector was awarded \$5.5M in federal establishment grant funds to be utilized for federally-compliant implementation costs
 - Implementation costs associated with sole source or other Commonwealth-specific requirements required by the market and for maximum carrier participation will be funded by non-federal funds, estimated at ~\$200k

Fiscal Year	Scope	Estimated Cost	Estimated Revenue	Net Position
2017	Implementation – Employee Choice (federally funded)	\$4.1	N/A	N/A
	Implementation – Sole Source (state funded)	\$0.2	N/A	N/A
2018	Ongoing Technology and Business Operations*	\$2.1	\$1.8	(\$0.4)
2019	Ongoing Technology and Business Operations*	\$1.6	\$1.6	\$0
2020	Ongoing Technology and Business Operations*	\$1.7	\$1.7	\$0

Assumptions:

- Cost estimates reflect DCHBX expenses only and are based on time and materials or are cost-allocated by membership
- Cost and revenue based on current membership assumptions
- Does not yet include ongoing costs for sole source

Carrier Engagement

Carrier participation is key to providing small businesses with an array of product offerings. Carrier testing and system development is needed to successfully launch the new platform.

- The Health Connector is prepared to support carrier implementation in the following ways:
 - Continue composite rating for sole source business
 - Evaluate current EDI requirements and enrollment processes
- Hosting an initial carrier kick-off meeting which will be inclusive of all carriers
- Conducting individual carrier onboarding meetings with cross-functional business teams, including staff from the Health Connector and DCHBX, on a bi-weekly or weekly basis throughout the implementation

Broker Engagement

In the past, the Health Connector did not adequately engage and incorporate feedback from the broker community when developing the small business platform.

- The launch of the new platform requires broker engagement, feedback, guidance to be successful. It is designed to enhance the broker relationships, not compete. The broker engagement strategy will include, but is not limited to the following:
 - Deliver brokers an already tested and well received platform that was created with input from D.C. brokers
 - New platform provides participating brokers alternative product offerings not available off-Exchange
 - Establish broker working groups to provide input on DCHBX platform and tools
 - Robust communication plan including weekly meetings, email blast, and newsletters
 - Provide broker trainings on the platform functionality
 - Working towards a fair partner commission structure
 - Enhanced customer service model understands the important role brokers play in the Commonwealth
 - For example, customer service representatives will actively help non-brokered small businesses find a broker

Project Approach

Project Summary

The proposed project with DCHBX includes several factors to ensure a successful implementation and acceptance within the existing MA small group market.

- An intuitive on-line user experience for brokers, employers and employees allowing self-service for enrollment and qualifying events
- Support for a full range of employer contribution options, including sole source and employee choice
- Support of the full range of health and dental insurance products
- Proven business and technological experience in the small group space, enhanced by DCHBX serving as the only source of all small group enrollment in the District
- A platform that can be expanded to accommodate additional business needs of the Commonwealth's employers, such as a wider range of ancillary products
- Inclusion of existing decision support features and commitment to work with DCHBX on additional plan selection features to support future growth
- Setting up working groups with carriers, brokers and employers for implementation

Proposed Timeline

By leveraging the existing capabilities of the DCHBX solution, the Health Connector has developed an implementation timeline that aligns with major market milestones.

- We are making plans to support January 1 sales, beginning on November 15, for both sole source and Employee Choice model
 - Additionally we are working toward a pilot of sole source and renewals of existing groups for October 1, beginning August 15
- Carrier availability and ability to work with the new platform are key to both initiatives
 - We will begin immediately working with carriers to ensure readiness

VOTE

Agreement Terms

The agreement, known as a memorandum of understanding (MOU), between the Health Connector and D.C. has the following terms:

- The initial term is three years, with the option to renew for two additional years
- Either party may terminate on 90 days' written notice in case of loss of funding, change in applicable law, or other contingencies
- Financial terms as reflected in the previous slide, with upfront implementation costs and ongoing sharing of operational costs
- Services will include facilitating shopping, customer service, and related services
- DCHBX's code is open source and is therefore available without a license which would allow the Health Connector to continue using the code at no cost after the end of the agreement

VOTE



Health Connector staff recommends that the Board authorize the Executive Director to enter into agreement with District of Columbia Health Benefit Exchange Authority for the implementation and ongoing operations of a new Group Market Exchange Platform, as set forth in this presentation.