



Health Connector for Business: Update and Strategic Goals

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Overview

At the Board's request, Health Connector staff seek to update the board on Health Connector for Business (HCB) status and goals, as context for Board counsel regarding going-forward plans and how best to serve the Massachusetts small business community. Today we will cover:

- Purpose of HCB
- Background
- Issues in small group market that HCB was designed to address
- Origins of the Health Connector's required presence in the small group market
- History of CCA and small group coverage/HCB
- Early Evidence of HCB Potential/Success
- Strategic Goals for HCB
- Proposed Measurements for Progress

Purpose of Health Connector for Business

The Health Connector seeks to maximize access and affordability for small employers in Massachusetts. To achieve those goals, across a range of dimensions, Health Connector for Business offers small employers in Massachusetts unprecedented flexibility, choice, and savings opportunities.

FULL CARRIER PARTICIPATION

Only place where small groups can access every single leading carrier in the marketplace

COMPETITIVE PREMIUMS

Small businesses save over 20 percent on average, before any rebates

WELLNESS REBATES

Employers may be eligible for a 15% rebate of their premium contributions if employees complete one of 30+ approved wellness activities



FLEXIBLE EMPLOYEE CHOICE

Employers can allow employees to shop for different plans that fit their needs, all while keeping employer costs constant

CERTIFIED ASSISTANCE

Over 250 certified brokers are available to help employers decide which plan options are best for their businesses

PEACE OF MIND

Employers can feel secure that all plans meet federal and state coverage requirements

Small Business Challenges

Despite being among the most generous and engaged business communities in the nation, small businesses in the Massachusetts insurance market have long reported unique challenges, such as high cost, lack of choice, and administrative burden, that can make offering coverage difficult.

- In 2018, only 65% of Massachusetts small employers offered health insurance to their employees compared to an offer rate of 99% for firms with 50 or more employees
- The number of employees obtaining coverage through their small employers is declining
- In 2017, employees obtaining coverage through their small employers declined by 3.6%, while in the same time period, employees obtaining coverage through the employer-based market overall increased by 2.7% and individuals obtaining coverage through the individual market increased by 10.6%
- Small group employees are continuing to decline as a share of the commercial market in Massachusetts
 - In 2017, small group employees as a share of the commercial market fell from 11.3% in 2015 to 10.2% in 2017

Small Business Challenges (cont'd.)

Cost has long been a major barrier for small employer groups in Massachusetts that want to offer health insurance to their employees, and a challenge to employers that already offer and want to continue to offer health insurance.

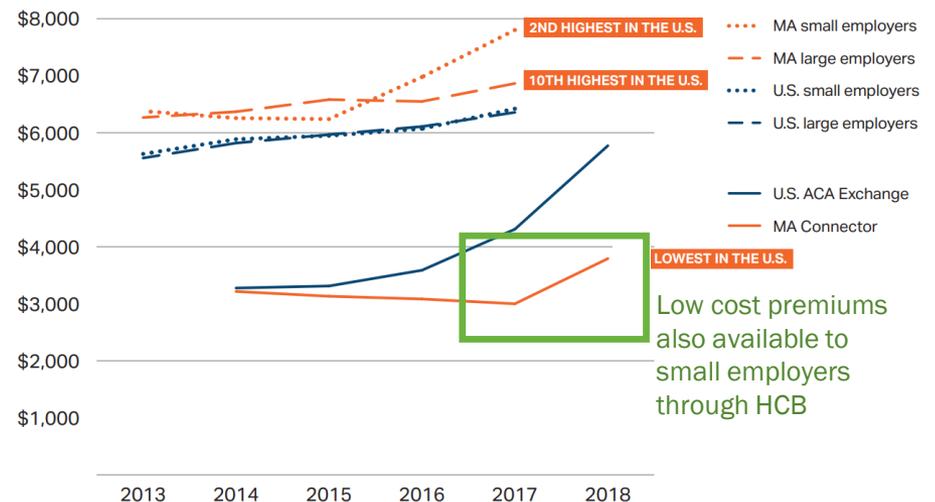
High Costs

- In 2018, nearly 40% of MA small employer groups cited high cost as the reason they did not offer coverage
- Small employer-sponsored insurance premiums in Massachusetts increased by 6.9% in 2017; these premiums are now the second highest in the U.S.
- In addition, small group premiums and cost-sharing rose more sharply than large groups in 2017
- In 2018, average annual deductibles were 29% higher for small firms in Massachusetts than for large firms (\$1,747 vs. \$1,355)

Limited Flexibility

- Small groups want to provide more choices to their employees
- Small groups face high administrative burden and have less time/resources to navigate the complexities of employer health coverage

Annual Average Premiums for Single Coverage in the Employer Market and Benchmark Premiums in the ACA Exchanges, MA and the U.S., 2013-2018



Legal Origins of Health Connector's Role in Small Group Market

Both Chapter 58 of the Acts of 2006 and the Affordable Care Act contemplate and require that the Exchange offer small group coverage in order to specifically address the challenges faced by small businesses in health care markets in Massachusetts and nationwide.

Chapter 58 of the Acts of 2006:

- The Health Connector was established in 2006 to provide health coverage to individuals and small businesses in Massachusetts that is sold in accordance with M.G.L. Chapter 176J
- The Health Connector was designed to sit at the cross-roads of the merged market, offering coverage to both market segments of the newly merged market
- Creation of the Health Connector to facilitate access to now-merged market coverage was directed by M.G.L. Chapter 176Q, section 2; added by section 101 of Chapter 58 of the Acts of 2006

Affordable Care Act:

- The Affordable Care Act (ACA) provides for the establishment of American Health Benefit Exchanges (“Exchanges”), like the Health Connector, and required such Exchanges to facilitate the purchase of health insurance by individuals and small employers
- Creation of federal requirement to offer small group coverage (along with nongroup coverage) was directed by 42 U.S. Code § 18031, added by ACA §1311(b)

Establishment of Health Connector for Business

Federal grant funds were used to implement an ACA-compliant SHOP based on federal and state law.

- In 2016, the Health Connector utilized \$4.8 million dollars in federal funds to implement an ACA-compliant platform that included “Employee Choice”
 - Employee choice was included in the ACA to address administrative burdens on employers
 - An additional \$0.3M in federal funds was utilized for outreach to potential new HCB business
- Effective January 1, 2018, the federal administration altered SHOP regulations by removing requirements for Exchanges to perform enrollment or billing functions and instead, allow small employers to enroll in QHPs directly with carriers

HCB History - Milestones

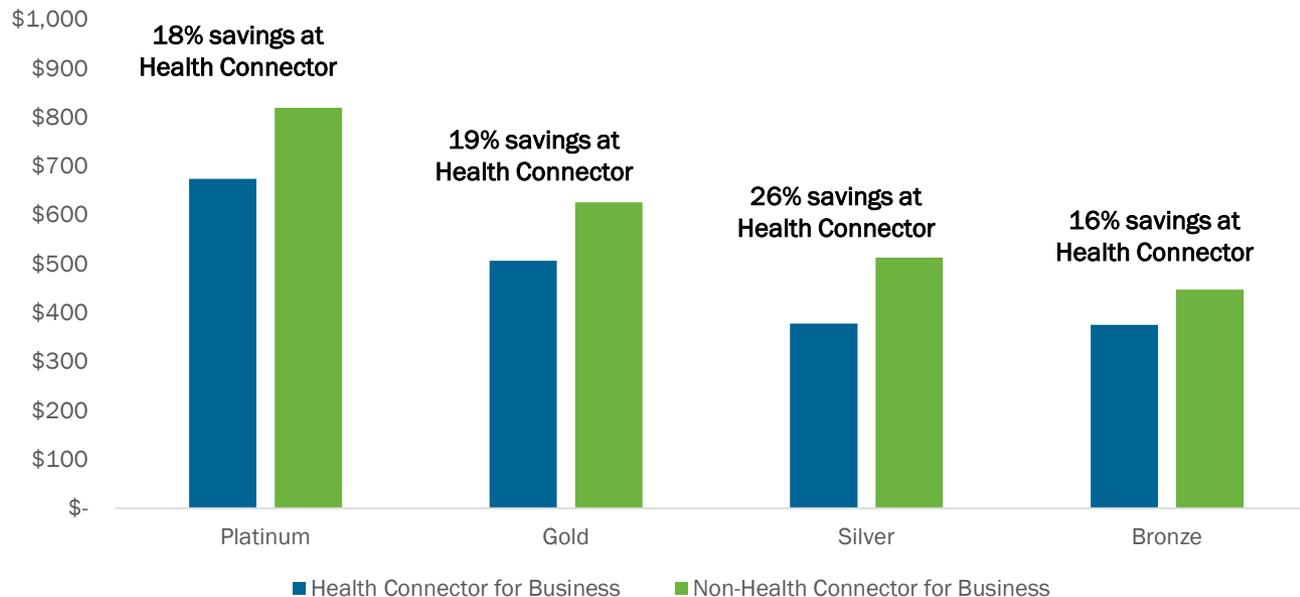
2014	2015	2016	2017	2018	2019	2020
	<ul style="list-style-type: none"> ★ November: First Procurement Issued ● Spring : First Procurement Cancelled 	<ul style="list-style-type: none"> ★ December: Second Procurement Issued ● Winter: Second Procurement Cancelled 	<ul style="list-style-type: none"> ★ August: State Partnership Procurement Issued 	<ul style="list-style-type: none"> ★ February: CCA Board Approves DCHBX Implementation ★ September: Soft Launch of HCB 	<ul style="list-style-type: none"> ★ January: Full Launch of HCB ● July: Full medical membership migration to HCB 	<ul style="list-style-type: none"> ● January Launched: <ol style="list-style-type: none"> 1. ConnectWell 2. UHC 3. H.S.A. Compatible Plans 4. PPOs 5. Dental ● April: Tufts Premier Returns to HCB

The Health Connector took several runs at standing up HCB in order to identify the most sustainable approach that also met the market need and could ensure the Health Connector met the policy goal of serving the small group market in a meaningful way.

Comparison Shopping Leading to \$9M Annually in Savings for Small Businesses and their Workers

Small businesses save over 20 percent on average by shopping through Health Connector for Business, before any rebates.

Average Premiums for Small Groups On and Off Exchange

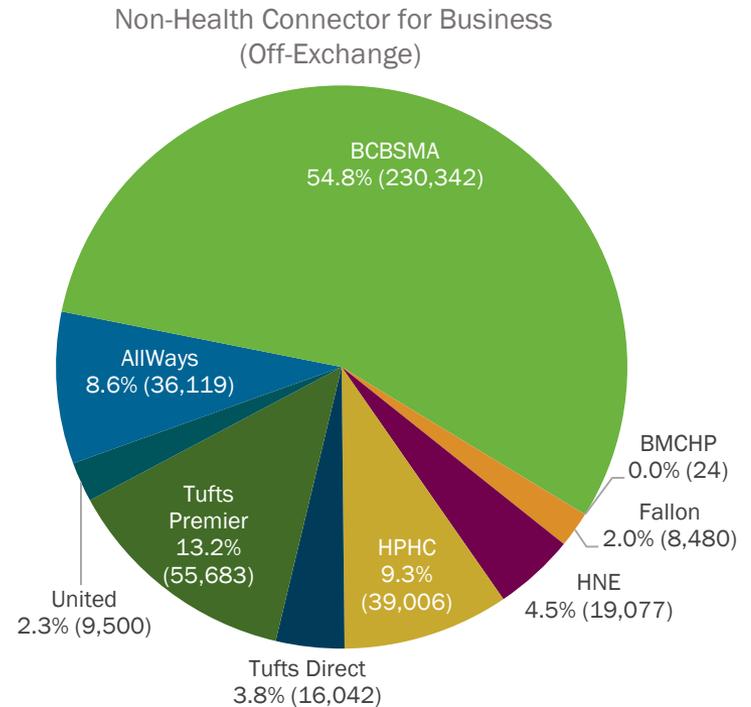
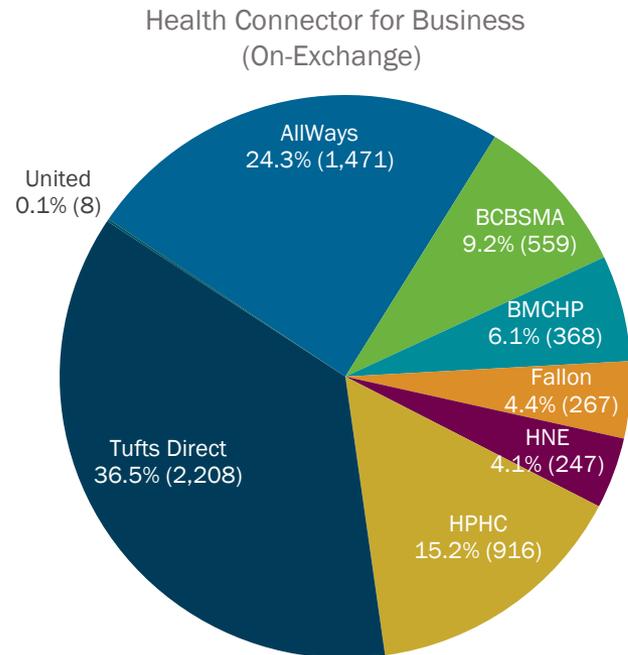


In aggregate, these competitive dynamics result in small employers and their employees in Massachusetts collectively **saving nearly \$9M per year on health insurance premiums** by shopping through the Health Connector for business compared to similar groups off-Exchange.

Small Group 2019 Plan Choices

On-Exchange small group enrollees' plan selections differ substantially from those chosen by off-Exchange shoppers.

2019 Small Group Enrollment On- and Off-Exchange



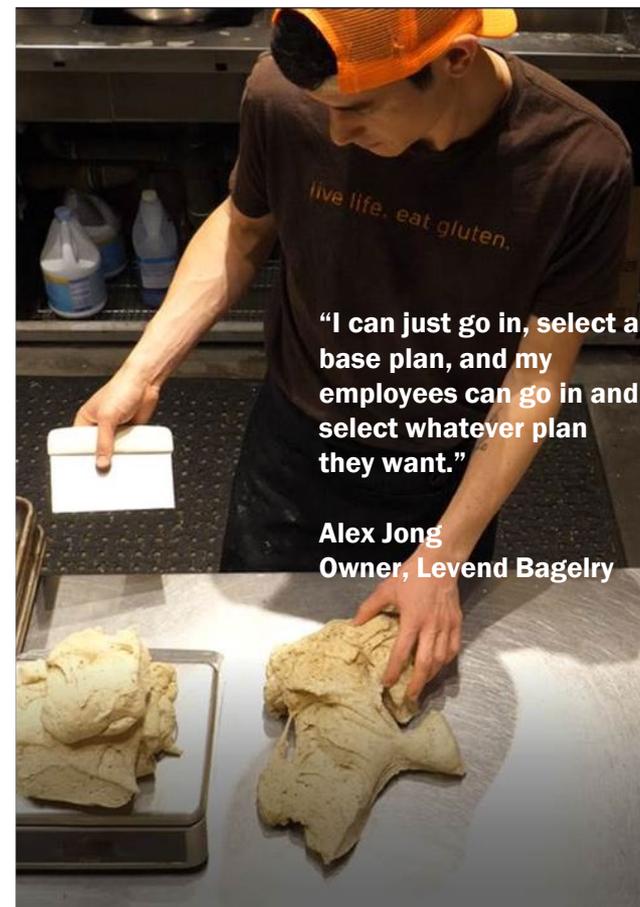
Note: HCB data does not include Tufts Premier for this time period, as it is from March 2019, prior to their onboarding in April 2019.

Source: CHIA Enrollment Trends August 2019 Databook. Data from March 2019. <http://www.chiamass.gov/enrollment-in-health-insurance/>.

Excludes carriers with negligible enrollment.

Employer and Broker Feedback

- 46% percent of new businesses reported that they previously did not offer coverage before signing up with the Health Connector
- Brokers report Choice Models and ConnectWell as the main reasons why they choose the HCB platform over other sales channels for their clients
- 88% percent of employers are extremely to somewhat likely to recommend the platform to other small businesses



Survey results from CCA conducted broker and employer surveys during 2018 and 2019.

HCB Strategic Goals

- **Improve affordability and savings opportunities for small employers offering health coverage in Massachusetts**
 - Make offering coverage a more affordable option for small businesses – either those offering for the first time, or those newly pursuing coverage offers through HCB
 - Continue to ensure that the stability of the diverse and competitive health insurance market of Massachusetts is available to all small employers, regardless of size
- **Increase and retain HCB enrollment among groups that have not offered coverage previously or are at risk of dropping coverage**
 - Expand partnerships with trusted business organizations and Chambers of Commerce to raise awareness of HCB among small employers not offering coverage
 - Evaluate ways to diminish any ‘government feel’ of Health Connector for Business to the extent it can help draw new opportunities to partner with outside employer associations
 - Highlight existing wellness subsidy as a tool to help employers find affordable coverage and identify opportunities to make it maximally easy for employers entering the group market for the first time to use and obtain savings

HCB Strategic Goals

- **Continue to make it easier and simpler for small groups to shop from full Massachusetts carrier market without barriers to entry**
 - Provide more robust plan options – especially PPOs
 - Continue to require/ensure that all carriers (and licenses) are available on HCB
 - Implement enhanced tools and support for employers
 - Anonymous browse – November 2019
 - Employer payment portal – Spring 2020
 - Improve aspects of shopping experience for employers and brokers – expected Spring Summer 2021

- **Grow awareness and utilization of “choice model” shopping options that expand choice and flexibility for both employers and employees**
 - Devote enhanced resources to HCB marketing budget starting in FY20 that will highlight the unique value and flexibility/savings benefits of the choice models offered by Health Connector for Business.
 - Establish new ways to educate brokers, employers, and employees about choice models.

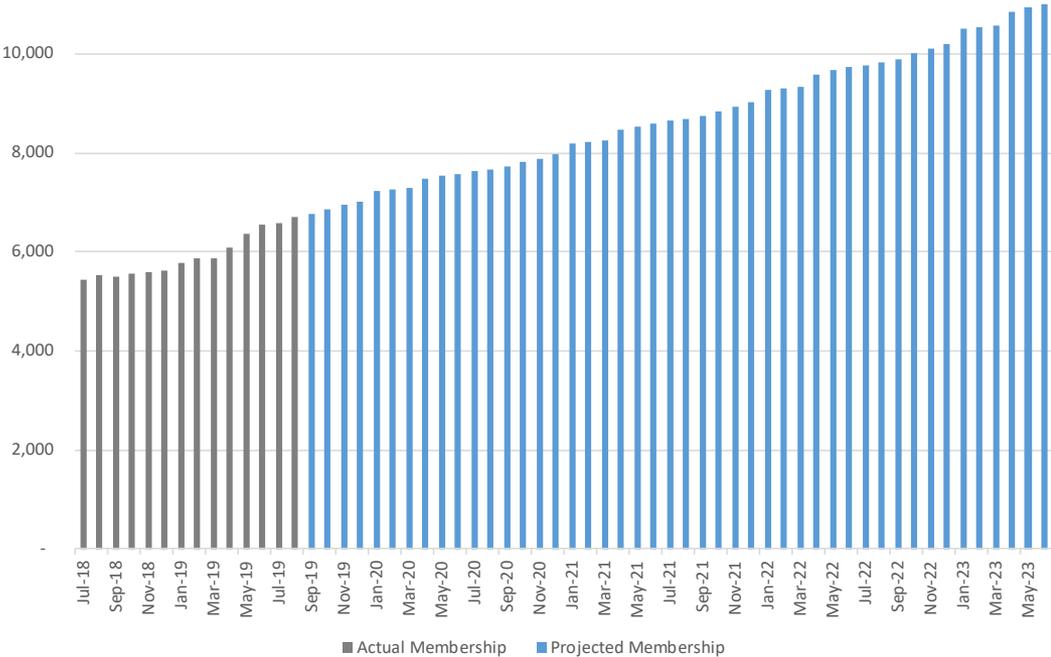
- **Validate the financial sustainability and value-add of Health Connector for Business on an ongoing basis**

Growth Forecast through Fiscal Year 2023

The Health Connector seeks to steadily increase HCB membership each year.

- Small business members are currently at an all-time high, at 6,694
- New sales in 2019 have exceeded prior year sales adding 1,618
- FY20 operating costs are \$3.9M, with an additional \$0.6M budgeted for system customizations
 - While HCB is currently operating at a loss this program is saving employers and employees nearly \$9M annually in health insurance premiums

Actual and Projected Small Group Medical Membership



Key Assumptions:
 FY20 reflects 16% growth relative to FY19 year end; Subsequent years reflect 13% year-over-year growth

*Note: Member counts reflect medical membership only

Proposed Methods to Measure Progress

- Continuous review of key enrollment metrics to monitor and track direction and magnitude of overall enrollment - inclusive of:
 - Internal growth
 - New sales
 - Group retention
 - Product and carrier selection
 - Brokered versus direct business
- Implement Customer Satisfaction Score (CSAT) with our contact center to assess and track customer service among small businesses (and their employees) over time
- Continue to deploy, analyze, and report on stakeholder surveys
 - Monthly online surveys to new, prospect, and terminated groups
 - Annual in-depth survey with broker user group
- Continuous analysis of and publicization of savings occurring via HCB purchasing channel
- Development of further collaborations/partnerships with employer associations
- Continuous monitoring of state-based data on employer awareness of HCB (e.g., CHIA's employer survey)

Additional Steps to Increase Growth and Maximize Public Benefit of HCB

- Explore opportunities to improve reach and impact of HCB marketing and outreach
- Continue to work on strengthening ties with employer associations and Chambers of Commerce, increasing visibility and trust among employers
- Enhance research and data to support best practices for reaching and enrolling new small groups into coverage via marketing and outreach (e.g., survey research, focus groups)
- With sister agencies and stakeholders, promote and pursue policies that maximize stability and affordability and competition in the merged market generally
- Other Board suggestions and counsel

Why a Successful HCB Matters

- The Commonwealth benefits from a healthy and robust group insurance market, and HCB can help draw new groups into the merged market – enhancing its stability and connecting the employees of small businesses to strong coverage.
- Adding more residents to group coverage rather than publicly financed coverage is advantageous to the public.
- Stronger competition between carriers as Exchange population grows (on both nongroup and small group sides of the house) benefits all consumers
- HCB can help small groups avoid “gray market” options with attractive price points but negative market/member impact
- Potential overall savings to small employers in the Commonwealth, assuming more groups shopped similarly to new groups that have joined HCB
- Extension and broadening of the Health Connector and Massachusetts health reform’s value proposition when most Exchanges are playing defense