Merging the Individual & Small Group Markets | Standardized Benefit Designs

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Background

- The Affordable Care Act (ACA) provides states with the option of merging their individual and small group health insurance markets.

- This would result in a single risk pool and a single index rate for the total combined claims costs for providing essential health benefits (EHBs) within that risk pool.

- Under direction of the Maryland General Assembly in the fall of 2011, the Maryland Health Benefit Exchange (MHBE) convened advisory committees and worked with several consultants to conduct studies to help the MHBE develop a number of initial policies required for the MHBE's establishment and operations. One of these policy considerations was whether the individual and small group markets should be merged.

Merging the Individual & Small Group Market

- Based on the work of the advisory committees, the MHBE Board of Trustees recommended against merging markets :
  - Maryland's small group market was twice as large as the individual market.
  - Concern that combining the risk pools would drive up the costs of the small group market.
  - Concern that rising costs would drive more small groups to self-insure.
  - Not all carriers participated in both markets.
- The Maryland Health Benefit Exchange Act of 2012 requires the MHBE to study and report on "whether to continue to maintain separate small group and individual markets or to merge the two markets."
- **December 1, 2016**, the report due date. Updated **January 31, 2018.**

Merging the Individual & Small Group Market

- From a market stabilization perspective:

"Merging the individual and small group markets allows for risk within either market to be distributed across a larger, single pool of members with the intent to foster rate stability for market members over time."

- Important considerations:
  - Market-wide impact – the claims experience of all enrollees in all health plans will be considered as a single risk pool
  - Rate impact – how will merging markets affect rates overall
  - Timing of rate adjustments – annual vs. quarterly
  - New market entrants, carrier retention and participation
  - Existing market stabilization programs – Federal Risk Adjustment and State Reinsurance
  - Essential health benefit variation
  - Existing state operations – rate and form review process (the Maryland Insurance Administration) and plan certification (MHBE).

Federal Requirements on Merged Markets

- The Affordable Care Act (ACA) provides states with the option of merging their individual and small group markets with certain requirements:
  - Carriers must consider all enrollees in the carrier's individual and small group plans to be members of a single risk pool and establish a single index rate.
  - Carriers must consider market-wide payments and charges under the risk adjustment and reinsurance programs.
  - **Carriers may only establish rates on an annual basis.**
  - **Carriers must offer coverage on a calendar year basis with policies ending on December 31.**
  - Employees of small businesses may enroll in any health benefit plan and are not limited to health benefit plans in the small group market.

Market Size

Market size Carrier Participation in Maryland's Individual and Small Group Markets, 2018.

Market	2015 Enrollment	2015 Percent	2016 Enrollment	2016 Percent	2017 Enrollment	2017 Percent	2018 Enrollment	2018 Percent
Individual	232,586	48%	263,140	52	243,420	49%	211,773	44%
Small Group	253,131	52%	246,814	48	256,967	51%	264,835	56%
Total Enrollment	485,717		509,954 (+ 24,237)	(+5 %)	500,387 (- 9,567)	(- 2%)	476,608 (- 23,779)	(- 5 %)

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Carrier Participation in Maryland's Individual and Small Group Markets, 2018.

Carrier	Individual Market	Small Group Market
Aetna Health Inc.		✓
Aetna Life Insurance Co.		✓
CareFirst BlueChoice Inc.	✓	✓
CareFirst of Maryland Inc.	✓	✓
Group Hospitalization and Medical Service Inc. (a CareFirst Co.)	✓	✓
Kaiser Foundation Health Plan of the Mid-Atlantic States Inc.	✓	✓
MAMSI Life and Health Insurance Co. (a UnitedHealthcare Co.)		✓
Optimum Choice (a UnitedHealthcare Co.)		✓
UnitedHealthcare Insurance Co.		✓
UnitedHealthcare of the Mid-Atlantic Inc.		✓

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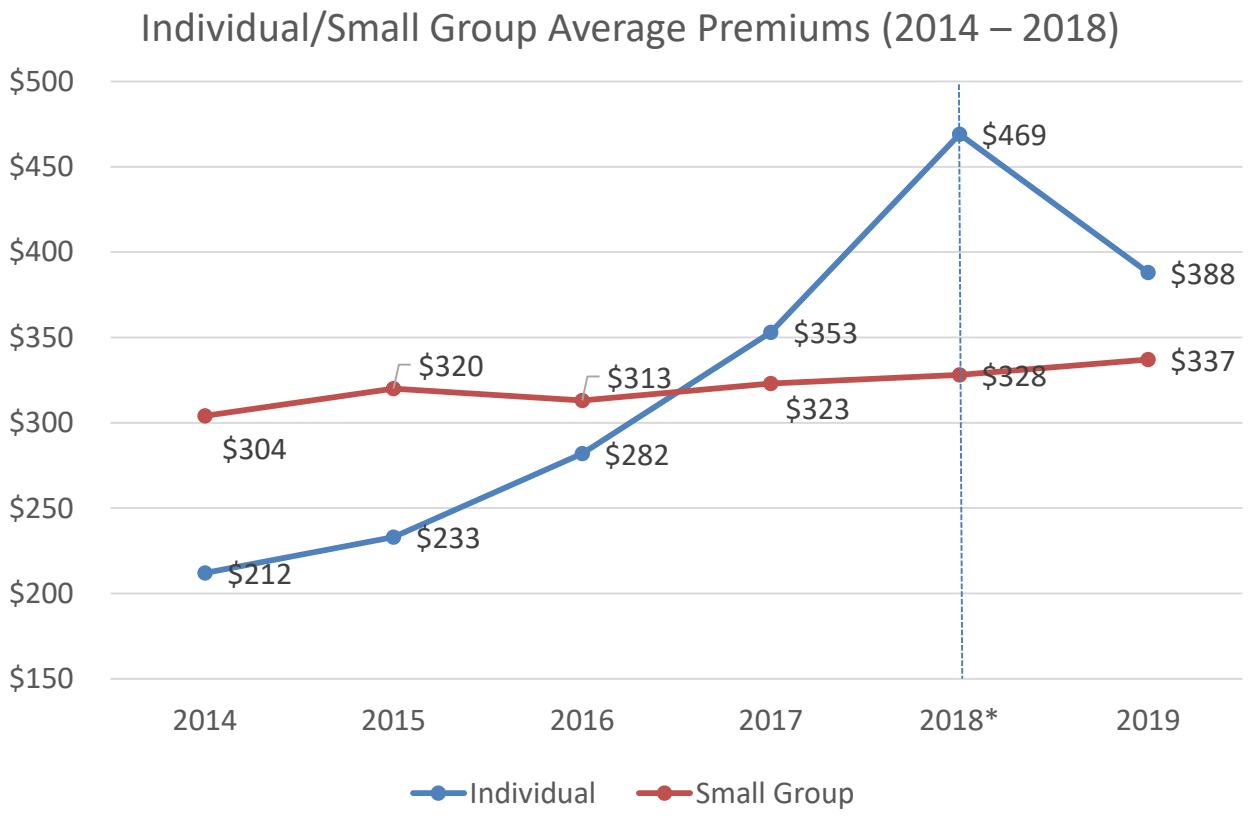
2014 – 2018 Average Premiums in Maryland's Individual and Small Group Markets
2019 Illustrative – 40 year-old male, non-smoker, Baltimore



*State Reinsurance Program Impact.

State Experience: Massachusetts

- **2006**, Massachusetts enacted legislation to merge its individual and small group markets.

- While small group rates increased by 2.6% after merger, Massachusetts currently has the lowest average individual market premiums ($385/month in 2018) and has low rate growth over time.

- Massachusetts' merged market does not meet the federal definition:
  - Small groups are not required to renew coverage on a calendar year basis.
  - Carriers may update their small group rates quarterly.
  - Small groups may use rating factors that differ from those identified in the ACA.

State Experience: Massachusetts

- Massachusetts was granted a transition period to meet ACA compliance by January 1, 2018.
- Massachusetts expressed concerns with conforming to the federal definition:
  - Transitioning to the ACA rating factors could increase premiums for small group enrollees as much as 30%.
  - Transitioning to a calendar year plan year could cause disruptions in coverage and additional cost sharing to more than half a million enrollees.
  - Transitioning to annual rating could increase premiums and leade to market volatility.
  - Changes could cause small employers to withdraw from the market.
- Massachusetts submitted a State Innovation Waiver to address these concerns on September 8, 2017. The application was determined incomplete on October 23, 2017.

State Experience: Vermont

- Vermont merged its individual and small group markets in 2014.
- Vermont attributes:
  - Plans and rates are identical for individuals and small businesses.
  - Has only two carriers offering coverage in the merged market.
  - Small size, enrolled population approximately 75,000.
  - Small employers enroll with carriers directly.
- Vermont's merged market does not meet the federal requirements because the state never created an online portal for small business to purchase insurance. Federal government granted states flexibility to transition to direct enrollment by 2017.

State Experience: Washington, D.C.

- Washington, D.C. merged its individual and small group markets in 2014.
- Washington, D.C. was approved to use a “hybrid” approach instead of adopting a merger meeting full compliance with the ACA:
  - Carriers must use a single risk pool for the individual and small group claims in the development of the index rate.
  - All other aspects of rate development are separate.
  - Carriers are allowed to make quarterly rate adjustments.
  - Carriers may offer different plans in the individual and small group markets.

Merged Market Considerations

- Rate impact of a merged market – new modeling would need to be done considering Reinsurance and Risk Adjustment
  - Maryland's small group (SG) and individual market (INM) are about the same size
  - The premium variance between SG and INM has been narrowed due to reinsurance
- Small Group quarterly rate adjustment elimination
- Carrier participation – mandated to participate in both
- Essential Health Benefits uniformity
- Plan year – impact on producers, issuers, employers, consumers
- Rate Review period impact
- Risk Adjustment (RA) impact
  - RA payment transfers are calculated by comparing to the average premium in the state
  - A new average premium would be calculated based on INM and SG experience
  - Could also change plans average risk scored which could affect RA payments owed or received

Conclusion

- Policy Options and Considerations:

1. Maintain separate individual and small group markets.
2. Merge the individual and small group markets in compliance with all of the ACA requirements.
3. Merge some aspects of the individual and small groups, but not in full compliance with ACA requirements, through pursuing a 1332 waiver from the federal government.
4. Defer a policy decision at this time and revisit the issuer when further data are available, and the individual market is more stable.

MARYLAND HEALTH BENEFIT EXCHANGE

Standardized Benefit Designs

Merging the Individual & Small Group Market

- Standardized Benefit Designs:

"Standardized benefit designs, are health benefit plans with benefits and cost sharing set by a non-carrier entity in the marketplace with the intent of assisting consumers compare plans "apples-to-apples" across the carriers that offer them. In concert with other policies, these plans can help protect consumers from increasing out-of-pocket costs, create incentives for consumers to seek care at lower cost facilities, and address pressing population health issues."

- There is a range of standardization:
  - Standardization of carrier form contracts
  - Standardization of cost-sharing for all benefits
  - Standardization of cost-sharing for selected of benefits

- States vary in policy approach to standardized benefit designs.

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- Seven state-based marketplaces offer standardized plans

States with standardized plans for each metal level.

	Platinum	Gold	Silver	Bronze
FFM (pre-2016)	N/A	1	1+3 Variants	1
Vermont	1	1	1 with HSA, 1 without HSA	1 with HSA, 1 without HSA
Oregon	N/A	1	1	1
New York	1	1	1	1 with HSA, 1 without HSA
Massachusetts	1	1	1	2
Washington DC	1	1	1	1 with HSA, 1 without HSA
Connecticut	1	1	1	1 with HSA, 1 without HSA
California (Copay & Coinsurance Plans)	2	2	2	2

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- Standardized Benefit Designs: Required vs. Optional
  - Seven out of nine marketplaces that offer a standardized plan also require that participating issuers offer at least one standard plan.
  - Non-standard plan offering requirements vary from marketplace to marketplace.
  - General Policy (excluding California and Vermont): Issuers are required to offer the standard plans and also allow for issuers to offer a limited set of non-standard plans.

- Standard Benefit Designs: Individual and Small Group Market
  - Only California has created standard plans in its SHOP Marketplace. Issuers must offer the standard plans but may offer alternative benefit designs if approved by the Marketplace.

- Standard Benefit Designs: Plan Offering Rules
  - Connecticut and Oregon: No more than four plans per metal level offered.
  - Massachusetts: Three non-standard plans per issuer.
  - New York: Limitation standard, up to three non-standard plans offered at a minimum of two metal levels. Except when offering of standard plans that include 3 PCP before deductible, these do not count toward the number of non-standard products offered

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- Standardized Benefit Designs: Other
  - California's marketplace developed two sets of standard plans – one set with copay and the other coinsurance.
  - Massachusetts allows issuers to submit multiple standard plans with network variations (Broadest vs. Other Network). Massachusetts only standardized 21 benefits with the remainder to be variable.
  - Connecticut requires the silver standard plans offering to be the lowest cost offering for any silver plan offered by each issuer. Resulting in the SLCSP to be a standard plans.

2017 Standardized Benefit Design Work Group

Under 2018 Plan Certification Standards, MHBE was authorized by the Board of Trustees to assemble a work group to develop a set of recommendations on a standardized benefit design. The table below lists work group members and details their representative organizations.

Member	Organization	Status
Alvin Helfenbein	Helfenbein Insurance	Active
Pia Sterling	Kaiser Permanente	Active
Chris Keen	Keen Insurance	Active
Elizabeth Sammis	Consumer Health First	Active
John Fleig	UnitedHealthcare	Inactive (as of June 2017)
Kathryn Hoffman*	MIA	Active
Kimberly Cammarata	HEAU	Active
Matthew Celentano	MD Healthcare for All	Active (as of August 2017)
Robert Metz	CareFirst	Active
Robyn Elliot	Public Policy Partners	Active

**Served as SME and liaison from the Maryland Insurance Administration. Non-voting member.*

2017 Standardized Benefit Design Work Group

SBD-WG members met eight times from the initial meeting on March 30, 2017 to their final meeting on November 9, 2017.

Individuals Present	3/30/2017	4/27/2017	6/15/2017	6/29/2017	7/27/2017	8/24/2017	10/26/2017	11/9/2017
Alvin Helfenbein	√	√		√	√	√	√	√
Chris Keen	√		√	√		√		√
Elizabeth Sammis	√	√	√	√	√	√	√	√
Kimberly Cammarata	√	√	√		√	√	√	√
Pia Sterling	√	√	√	√	√	√	√	√
Robert Metz	√	√	√	√	√	√	√	√
Robyn Elliott				√	√	√	√	√
Kathryn Hoffman			√	√	√	√	√	√
Matthew Celentano	not yet a participating work group member					√		√
John Fleig	√	√	no longer a participating work group member					

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- Standardized Benefit Design Workgroup: Philosophy

1. Unless an HDHP, the standard plans should offer first-dollar coverage of services before the deductible.
2. The standard plans should incentivize consumers to seek care at lower cost facilities and providers.
3. The standard plans should reduce the cost of care for children to the extent actuarially possible.
4. Generally the standard plans should be designed such that there is an easily understandable cost-sharing structure across all services – to the extent possible.
5. The standard plans should utilize co-pays instead of coinsurance as the cost-sharing structure to the extent possible.
6. Issuers will also offer other non-standard plans

2017 Standardized Benefit Design Work Group

MARYLAND HEALTHBENEFIT EXCHANGE

Policy	Recommendation	Vote Record	Date of Vote
Marketplace Scope	Plan should not be standardized on the SHOP Marketplace. Plans should be standardized on the Individual (IVL) Marketplace.	SHOP – Consensus IVL – 5 yeas, 3 nays	04/27/2017 11/9/2017
Metal Level Inclusion	Plans should be standardized at bronze, silver, and gold metal levels.	Consensus	11/9/2017
Existing plan Rules	Existing plan Rules should not be amended.	Consensus	06/15/2017
Included Benefits	The coverage categories in the Summary of Benefits and Coverage should be the standardized categories.	Consensus	06/29/2017
Excluded Benefits	Non-standard benefits may be offered if such benefits have a de minimus impact on EHB% of Premium	Consensus	08/24/2017
Extent of Cost-Sharing Standardization	Only in-network cost-sharing should be standardized	Consensus	07/27/2017
New-Market Entrants	The MHBE Board has existing waiver authority to support new market entrants. KP opposes usage to waive standard plan requirements.	Consensus	11/9/2017

Questions?

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