



Washington Health Benefit Exchange

SHOP Options

Policy Committee

February 9, 2016

Beth Walter, Operations Director

Carole Holland, Chief Financial Officer

Molly Voris, Policy Director

SHOP Discussion

- SHOP Current Landscape
- Analysis of Options
- Proposed Recommendation
- Discussion Questions



Federal/State Requirements

- ACA requires Exchange to have statewide SHOP
- Open to businesses with up to 50 employees
- Premium taxes and assessments are the same as the individual Exchange
- Tax credit for small employers only available through the Exchange (when employer files taxes)
 - While we don't know numbers, our understanding is that it has not had a strong take-up rate



Market Landscape

- Current SHOP enrollment: 815
- Outside small group market: 162,190 (as of 12/31/15)
- Association health plan market (OIC estimates from 2013): 540,000
- Association health plan market has different rules, often making for a more attractive market for both carriers and enrollees
- Don't expect any statute or regulation changes in the near future ~~to change~~
- Rates in SHOP and outside market are generally the same



Carrier Participation

- One statewide option for 2016
- One carrier in two counties in southwest Washington
- Unlikely to see additional carriers for 2017
- Kaiser's acquisition of GroupHealth (assuming it moves forward) could lead to broader state participation ~~in see them participating 2018~~
- Interest from other carriers unknown



SHOP Employer Experience from Focus Groups

- Frustrated by manual workarounds, length of application time and technical challenges
- Exchange Advantages: tax credits; possibility of comparing carriers against each other
- Exchange Disadvantages: “time is money” and too much hands-on work; no single point of contact to talk to if issues come up
- Want to see SHOP improve and succeed
- Would like to see more educational health literacy tools to help employees use coverage effectively



Enrollment/Revenue from SHOP

- Current SHOP enrollment: 815
- Revenue from 2% premium tax and carrier assessment
- Revenue from SFY 2016: \$110,114
- Planned revenue for SFY 2017: \$157,223



SHOP Averages Across State Exchanges

- Average number of enrolled lives per state: **3,232**
- Average number of QHP carriers per state: **3.5**
- Average number of enrolled lives per participating carrier: **842**
- Range of enrolled lives per state: **212 to 15,000**



SHOP Options Being Considered

- Maintain current SHOP program
- Improve SHOP system functionality to make more user friendly – respond to customer feedback
- Contract with a TPA for financial/administrative processes (would maintain application in HPF)
- Use another state's platform
- Opt out of SHOP through a § 1332 waiver
 - *More than one option may be appropriate (e.g., short-term and long-term approach)*



Option 1: Maintain Current SHOP Program

Summary: Most feasible, least risk. Minimizes investment and allows time for SHOP enrollment to grow.

- Maintains current functionality of SHOP with no anticipated IT enhancements
- Requires employers to pay through paper check
- Includes ability to make ongoing required enrollment system updates

Pro

- Above the break-even point, provides revenue to the Exchange

Con

- Current system limitations result in manual intervention during employer experience, and the need for repeating enrollment system updates



Option 1: Maintain Current SHOP Program

State Fiscal Year 2017	Annual	Monthly Average
Expenditures:	\$252,299	\$21,025
• Expenditures charged directly to SHOP.		
Revenue:		
• Assessment of \$7.46 per member per month	\$123,090	\$10,258
• 2 percent premium tax	\$129,360	\$10,780
• Total revenue	\$252,450	\$21,038
Enrollment:		
• Enrollment required to achieve self sustaining revenue		1,375



Option 2: Improve SHOP Functionality

Summary: Requires financial investments and staff resources

Timeframe for implementation: Longer term – requires funding for system changes

- Maintains current functionality of SHOP and anticipates making improvements, such as:
 - Offering “employee + dependent children” coverage
 - Investment in marketing
 - Enrollment enhancements to improve customer experience

Pros

- Improved user experience, more options, and less manual effort for employers, which could potentially grow enrollment

Cons

- No funding source for improvements



Option 2: Improve SHOP Functionality

	FY2017		FY2018	
	Annual	Monthly Avg	Annual	Monthly Avg
▪ Current direct costs for SHOP	\$252,299	\$21,025	\$252,299	\$21,025
▪ <u>Two system enhancements</u>	\$474,784	\$39,566		
▪ Total direct costs for Option 2	\$727,083	\$60,590	\$252,299	\$21,025
▪ Enrollment required to achieve self sustaining revenue		3,961		1,375



Option 3: Contract with TPA for Payment Processing

Summary: Requires significant upfront investment with ongoing enrollment-based fee and system maintenance costs

Timeframe for vendor implementation: 3 - 6 months

- SHOP applications and enrollment still processed through *Healthplanfinder*
- Payment collection and invoicing would be performed by a contracted third-party administrator

Pros

- Maintains Washington-based enrollment portal for employers, while offering an improved invoicing and payment process

Cons

- Potential customer confusion and delay when insurance functions are shared between Exchange, carrier, and TPA
- Manual workarounds still necessary for enrollment-related system issues



Option 3: Contract with TPA for Payment Processing

State Fiscal Year	SFY 2017		SFY 2018	
	Annual	Monthly Avg	Annual	Monthly Avg
Expenditures:				
• Expenditures charged directly to SHOP.	\$644,722	\$53,727	\$329,522	\$27,460
Revenue:				
• Assessment of \$7.46 PMPM	\$330,409	\$10,258	\$160,688	\$13,391
• 2 percent premium tax	\$314,394	\$10,780	\$168,874	\$14,073
• Total revenue	\$644,803	\$21,038	\$329,562	\$27,464
Enrollment:				
• Enrollment required to achieve self sustaining revenue		3,512		1,795



Option 4: Use Another State's SHOP Platform

Summary: Replaces Healthplanfinder SHOP IT platform and adopts a new SHOP enrollment portal, offering a range of services that could be performed in house or contracted out.

Timeframe for implementation: 6+ months

- Use another state's code and platform (implementation costs)
- Could partner with other states and share ongoing costs of system updates

Pros

- Improved and tested customer experience

Cons

- Transition to a new system for current customers, brokers, and carriers
- Reduced ability to tailor SHOP to Washington's needs and offer locally-based case management
- Inherit other state's system limitations



Cost: Unknown

Option 5: Opt Out of SHOP in Washington

Summary: Least politically feasible within the next year; eliminates all ongoing SHOP costs; longest time to implement

Timeframe for implementation: 1 – 2+ years

- Obtain a federal § 1332 waiver of the ACA requirement for states to have a SHOP Exchange

Pros

- Eliminates the internal, ongoing operating cost of SHOP

Cons

- Submission of § 1332 waiver application likely to require significant resources and have little chance of being approved within the next year
- Eliminates potential for Exchange revenue based on small group market

Cost: Unknown



Summary of Costs/Break Even Point

SHOP Options	Monthly Enrollment to Break Even	
	<u>FY2017</u>	<u>FY2018</u>
1. Maintain current SHOP program	1,375	1,375
2. Improve SHOP Functionality	3,961	1,375
3. Contract with Third Party Administrator (TPA) for Payment Processing	3,512	1,795
4. Use Another State's Platform		TBD
5. Opt-out of SHOP		TBD



Feedback from Advisory Committee

- Short-term and longer term approach seems reasonable
- Carrier participation remains an issue; need more plan choices; fundamental issue that will drive more enrollment
- Need to understand the marketplace and value of SHOP in the small group market
- Broker: easy to move customers between plans in individual Exchange, should do the same for SHOP
- Carrier: that's a reason why carriers don't participate because there isn't enough stability (don't want people moving in and out of plans)
- More marketing and work with brokers would also help



Staff Proposed Recommendation for Board Consideration

- **Maintain current SHOP program**
 - Minimizes risk and financial investment
 - Gives SHOP more time for enrollment growth
- **Reevaluate SHOP performance**
 - Revisit options for the SHOP program in 2017



Appendix

SHOP

State Fiscal Year 2016 Revenue and Costs

State Fiscal Year 2016 Revenue (Actuals thru Dec 2015)					
Month	Enrollment (Emp + Dep)	Total Premiums	Assessment	2 Percent Premium Tax	Total Revenue
Jul 2015	519	\$222,516	\$2,175	\$4,450	\$6,625
Aug 2015	566	\$242,839	\$2,372	\$4,857	\$7,228
Sep 2015	568	\$252,174	\$2,380	\$5,043	\$7,423
Oct 2015	560	\$241,094	\$2,346	\$4,822	\$7,168
Nov 2015	612	\$260,627	\$2,564	\$5,213	\$7,777
Dec 2015	667	\$272,269	\$2,795	\$5,445	\$8,240
Jan 2016	680	\$266,560	\$5,073	\$5,331	\$10,404
Feb 2016	694	\$272,048	\$5,177	\$5,441	\$10,618
Mar 2016	708	\$277,536	\$5,282	\$5,551	\$10,832
Apr 2016	722	\$283,024	\$5,386	\$5,660	\$11,047
May 2016	736	\$288,512	\$5,491	\$5,770	\$11,261
Jun 2016	751	\$294,392	\$5,602	\$5,888	\$11,490
Total	7,783	\$3,173,591	\$46,642	\$63,472	\$110,114

SFY2016 SHOP Direct Costs (Actuals thru Dec 2015)		
Expenditure Title	Annual Cost	Monthly Cost
SHOP FTE Costs (Salaries and Benefits)	\$257,580	\$21,465
Bank Fees	\$10,026	\$835
Ongoing Enrollment System Updates	\$25,000	\$2,083
Broker Quoting Tool	\$31,000	\$2,583
Total SHOP Direct Costs	\$323,605	\$26,967



SHOP

State Fiscal Year 2017 Revenue and Costs

State Fiscal Year 2017 Revenue (Projected)					
Month	Enrollment (Emp + Dep)	Total Premiums	Assessment	2 Percent Premium Tax	Total Revenue
Jul 2016	766	\$300,272	\$5,714	\$6,005	\$11,720
Aug 2016	781	\$306,152	\$5,826	\$6,123	\$11,949
Sep 2016	797	\$312,424	\$5,946	\$6,248	\$12,194
Oct 2016	813	\$318,696	\$6,065	\$6,374	\$12,439
Nov 2016	829	\$324,968	\$6,184	\$6,499	\$12,684
Dec 2016	846	\$331,632	\$6,311	\$6,633	\$12,944
Jan 2017	863	\$338,296	\$6,438	\$6,766	\$13,204
Feb 2017	880	\$344,960	\$6,565	\$6,899	\$13,464
Mar 2017	898	\$352,016	\$6,699	\$7,040	\$13,739
Apr 2017	916	\$359,072	\$6,833	\$7,181	\$14,015
May 2017	934	\$366,128	\$6,968	\$7,323	\$14,290
Jun 2017	953	\$373,576	\$7,109	\$7,472	\$14,581
Total	10,276	\$4,028,192	\$76,659	\$80,564	\$157,223

SFY2017 SHOP Direct Costs (Projected)		
Expenditure Title	Annual Cost	Monthly Cost
SHOP FTE Costs (Salaries and Benefits)	\$161,274	\$13,439
Bank Fees	\$10,026	\$835
Ongoing Enrollment System Updates	\$50,000	\$4,167
Broker Quoting Tool	\$31,000	\$2,583
Total SHOP Direct Costs	\$252,299	\$21,025



Option 1: Maintain current SHOP program

- Enrollment and financial data reflect actuals through December 2015
- SHOP carrier assessment was \$4.19 PMPM for CY 2015 and \$7.46 PMPM for CY 2016 and CY 2017
- A 2% per month enrollment growth rate projected through SFY 2017
- Estimated average premiums at \$392 per month
- FTE costs only include salaries and benefits of HBE staff directly charged to SHOP
- Cost assumptions do not include indirect costs
- Grant-funded contractor and other IT costs have not been included



Option 2: Improve SHOP Functionality

- Continue as is but add two RFCs
- RFC 1371 Employee + Child ONLY coverage (no spouse) coverage options expanded – this is offered outside the exchange, if an employer offers coverage to a spouse they will no longer be eligible for a tax credit on the individual coverage
 - \$200,000 Deloitte System update
 - Additional 15% of system update for TSA of \$30,000
 - \$5,544 UAT 72 hours at \$77 per hour.
- RFC to be scheduled (Employee Disenrollment Enhancement) - Up to the last day of the month, the employer should be able to select whether they want the employee's coverage to end on the last day of the current month, or the last day of the next month.
 - \$200,000 Deloitte System update
 - Additional 15% of system update for TSA of \$30,000
 - Minimum \$9,240 UAT 120 hours at \$77 per hour
- These two RFCs would require an additional 2,586 enrollees per month for a monthly revenue of \$39,566 or \$474,784 for revenue to match expenditures



Option 3: Contract with a TPA for Payment Processing

- SHOP would maintain the current enrollment application with Deloitte
- SHOP would hand off all financial transactions to a third party administrator
- Costs include:
 - \$80,000 One-time vendor implementation costs
 - \$10,000 per month for TPA operating costs until enrollment revenue exceeds that base amount and then \$2.25 PMPM.
 - \$225,000 for HBE to transition financial management to TPA
 - Two HBE FTEs continue at \$13,439 per month
 - \$17,248 for non-financial enrollment system updates
 - 35% of \$50,000 enrollment system updates from option 1 continue
 - \$31,000 for broker quoting tool
 - Continued bank fees of \$850 per month



Option 4: Use Another State's Platform

(Compared to Pizza-as-a-Service)

AAS – As a Service
 ASP – Application Service Provider
 BPO – Business Process Outsourcing
 TPA – Third-Party Administrator

	Pizza Option	Made at Home	Take & Bake	Pizza Delivered	Eat-Out
Pizza vs. SHOP Experience		Pizza, just the way you want it	Pizza base, add your toppings & finishing touches	Pizza set menu, must fit inside a box	Pizza set menu, Carrier influenced
		SHOP on premises model	SHOP-AAS: Vendor/ASP model	SHOP-AAS: Vendor/BPO model	SHOP-AAS: Vendor/TPA model
Customers	Employers/Employees	HBE Manages relationship	HBE Manages relationship	HBE Manages relationship	Vendor Manages relationship
	Brokers	HBE Manages relationship	HBE Manages relationship	HBE Manages relationship	Vendor Manages relationship
	Carriers	HBE Manages Carriers	HBE Manages Carriers	HBE Manages Carriers	Vendor Manages Carriers
Business Operations	Marketing & Outreach	HBE runs campaigns	HBE runs campaigns	HBE runs campaigns	Carriers run campaigns
	Call Center	HBE handles inquiries	HBE handles inquiries	Vendor handles inquiries	Vendor handles inquiries
	Customer Service	HBE handles disputes/appeals	HBE handles disputes/appeals	Vendor handles disputes/appeals	Vendor handles disputes/appeals
	Policy	HBE oversees policy	HBE oversees policy	Vendor follows regulations	Vendor follows regulations
Tech Operations	Software Upgrades	HBE manages changes	Vendor manages changes	Vendor restricts changes	Vendor makes no changes
	Software Maintenance	HBE manages fixes	Vendor manages fixes	Vendor manages fixes	Vendor manages fixes
	Software Operations	HBE runs the software	Vendor runs the software	Vendor runs the software	Vendor runs the software
	Software Hosting	HBE hosts the software	Vendor hosts the software	Vendor hosts the software	Vendor hosts the software

Highest Cost ← → Lowest
 Most Independence ← → Least





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