

# The Small Business Health Options Program (SHOP)

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS for MEDICARE & MEDICAID SERVICES  
Center for Consumer Information and Insurance Oversight

State Exchange Grantee Meeting  
September 19-20, 2011

The material in this presentation should not be viewed as having any independent legal effect, or relied upon as an interpretation or modification of the related proposed rule or statute. Not all issues or exceptions are fully addressed.



# Background

## SHOP in the Affordable Care Act

### Current Notices of Proposed Rule Making (NPRMs)

- Flexibility
- Multiple issues raised for comment in the Preamble
- Input from stakeholders valued

### This Small Plenary Session:

- Presents the SHOP as proposed in the NPRM
- Includes examples of how a SHOP could operate
- Provides a platform for discussion of policy and implementation choices

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# Advantages of the SHOP over the Current Small Group Market

## Advantages specific to the SHOP

- Option for **employee choice** of issuers and plans
- Option for **employer defined contribution** with one bill, one check administration
- **Employer tax credits** available to many employers

## Advantages of Exchanges in general

- **Transparent, competitive market** with better information about benefits, price, quality, and satisfaction

## Advantages resulting from market reforms

- **Rating reforms** in individual and small group markets
- **Risk adjustment** in small group market
- **Limits on allowable Minimum Loss Ratio**
- **Increased risk pool from more Americans covered**

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# The SHOP Purchasing Experience: One Example of an Employee Choice Pathway

## Employer

- Registers and chooses a cost-sharing level (or specific plans)
- Chooses a “reference plan” to determine contributions (or uses the metal level average)
- Defines employer contribution toward reference plan coverage for employee and for dependents

## Employee

- Registers information about self (and any family members to be covered)
- Chooses a plan (and decides whether to enroll dependents) based on net price after employer contribution

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# The SHOP during the Employer's Plan Year: Typical Implementation

## Each month

- The SHOP provides a bill with details of employer and employee contribution
- Employee pays employee contribution through payroll deduction
- Employer sends total premium to the SHOP
- Exchange distributes payments to issuers

**Premiums remain the same** throughout the employer's plan year

**Customer service** provided by a broker, the SHOP, or the issuer depending on SHOP policies

**Changes to coverage during the year** (adds/drops) made on SHOP site by employer

**SHOP notifies employer of renewal process**

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# Implications for Exchange and SHOP Implementation

## **Major functions could be shared between the Exchange's individual market role and the SHOP:**

- Plan management functions
- Engines for displaying plan benefits, quality, and net premiums
- Interfaces to transmit standardized transactions to issuers

## **Certain individual Exchange functions are not needed by the SHOP:**

- For example: individual eligibility determinations, premium tax credit calculations, Medicaid interfaces

## **The SHOP will need a financial system for billing, collections, and distribution of premiums to issuers**

# Key Policy Issues – Market Definition

- **Merge the individual and small group markets (single risk pool)?**
- **Expand the small group market to firms with up to 100 employees in 2014?**
- **Harmonize methods of determining the size of the group?**
  - Federal definition of an employee and a group health plan
  - State methods of determining group size
- **Expand the SHOP to include large group market products after 2016?**
  - SHOP may offer large group products to employers with more than 100 employees
  - Choice of whether to expand the small group market to larger employers

# Key Policy Issues – Adverse Selection

## Protection of the SHOP against adverse selection

- Single risk pool inside and outside the SHOP
- Qualified Health Plans priced the same inside and outside the SHOP
- Risk adjustment across all small group market products, inside and outside of the Exchange

## Possible challenges

- Carrier participation
- Employee participation

## Additional possible remedies

- State small group market laws
- Broker compensation similar inside and outside the SHOP



# Key Policy Issues – SHOP Operations

- **Range of plan choices available to the employer**
  - Must offer employer the option of choosing a benefit level and offering all plans
  - May allow employer to offer single plan, several plans, or more than one benefit level
- **Employer contribution methods**
- **Distribution of premium costs across employees**
- **Roles and compensation of brokers, Navigators**

# Key Policy Issues: SHOP QHP Selection and Approval

## Issues

- Broad choice of health plans may enhance SHOP competitiveness
- Fewer choices and standardized designs may facilitate choice

## A range of policy options

- Policies encouraging small group market issuers to offer in the SHOP
- Policies regarding selection of participating QHPs
  - Allow all QHP plan designs
  - Limit total number of plans to facilitate comparison and choice
  - Standardize small group market plan designs to facilitate comparison and choice
  - Pursue active purchasing

# Financial Management – Robust Back Office

## The SHOP will need a system for billing, collections, and accounting

- Closely linked to the SHOP enrollment system
- Able to:
  - Provide the employer with an itemized single monthly bill, potentially including amounts to be deducted from employee paychecks, and
  - Collect a single monthly payment from the employer
  - Deliver premium payments to issuers
  - Meet accounting and financial integrity standards

# Brokers and Navigators

- Brokers currently handle most small group market business
  - Brokers often provide other products and services to small employers
- Brokers are the principal providers of customer service in the small group market
- Broker involvement in SHOP planning and advisory groups
  - Policy development
  - Operational decisions
  - Messaging to brokers and small employers

# Communications and Outreach

## Clear messages about the SHOP value proposition

- Employer choices
  - Employers will have innovative ways to offer coverage and contribute toward the premium
- Employee choices
  - The SHOP enables an option for employee choice of plans and issuers like the choices offered by large businesses or government, and provides the tools to make smart choices
- The SHOP provides access to small business tax credits

## Active engagement with the business community and brokers

- CMS is conducting focus groups with small employers and brokers

## Active engagement between CCIIO and States

- SHOP User Group is underway
- Please let us know what would be helpful guidance or technical assistance

# State of the States

## Informal presentations by State members of the SHOP User Group

- **Nora Leibowitz**
  - Director of Development and Implementation, Oregon Health Insurance Exchange Corporation
- **Shawn Raintree**
  - Operations Manager, Colorado Health Insurance Exchange