

## DC HBX Employer & Employee Choice Working Group Review of Meeting #3 Held on 3/12/13

### Employee Choice Models

The working group re-visited employee choice models discussed previously. CMS had released regulations that pushed back to 2015 the requirement for State-based Exchanges to offer an employee choice model and preform premium aggregation. (<http://www.gpo.gov/fdsys/pkg/FR-2013-03-11/pdf/2013-04952.pdf>) As a result, exchanges have the option to implement choice models and premium aggregation in 2014, but will not be required to do so until 2015. In response to a question, staff indicated that the DC Exchange still plans to pursue functionality for choice models and premium aggregation for 2014, and the working group decided to recommend employee choice models to the Board for implementation in 2014.

Based on previous discussion, the working group focused on three employee choice models; (1) One-Issuer/Multi-Tier, (2) Multi-Issuer/One-Tier, and (3) One Plan.

#### *One-Issuer/Two-Tier*

There was unanimous support from the members of the working group for a version of the One-Issuer/Multi-Tier model in which employers may choose to offer QHPs from one issuer at only two contiguous AV metal levels. This model had received general support at the second meeting, including the choice of QHPs from one issuer at any AV level; the primary reason to reconsider and constrain the spread of AV tiers to just two levels is to reduce the impact of adverse selection on premiums. To reduce the impact of adverse selection on premiums, the working group decided that the metal tiers employers may offer their employees must be “contiguous”. The majority of members preferred two contiguous metal tiers. Some members preferred three contiguous metal tiers, but health plans indicated that a narrower spread in actuarial value than three metal levels is far more common in today’s DC market. Therefore, members were able to come to a unanimous decision that the working group’s recommendation would include a modified version of the One-Issuer/Multi-Tier model in which employers choose two contiguous metal tiers.

#### *Multi-Issuer/One-Tier*

The Multi-Issuer/One Tier employee choice model is required by the ACA. Members decided that although this model is not required until 2015, the working group’s recommendation should include it because there is no reason to not include this model for only one year, and the choice among delivery systems, narrow and broad networks, HMOs and PPOs, etc. from different issuers is an important element of market reform.

### One Plan

There was an overwhelming majority support that the working group’s recommendation should include the One Plan model, because this is the primary choice option in today’s market. One or more members expressed concern that the One Plan model gives employers the ability to limit employee choice and one intention of the ACA to expand employee’s choice in the small group market.

At the end of the meeting, in an effort to reach consensus clarify opposing viewpoints, the group took a “straw vote” on two different recommendations involving the three employee choice models discussed above.

**Recommendation 1:** Would you make a recommendation to the Board that the Exchange should offer employers the ability to choose any one of the three employee-choice models described above? or

**Recommendation 2:** Would you make a recommendation to the Board that the Exchange should offer employers the ability to choose only two of the employee-choice models described above – Multi-Issuer/One Tier and One-Issuer/Two-Tier? (Employers would not be able to offer the One-Plan model to their employees?)

Responses of the 14 members present are as follows:

	Yes	No	Abstain
Question 1 – all three models	11	1	2
Question 2 – two of the models, not One-Plan	6	8	0

### Minimum Contribution and Participation Rate

Members again discussed that in today’s DC market insurers generally require a minimum employer contribution of 50% and minimum employee participation rate of 75%. Members deliberated the pros and cons of minimum contribution and participation rate requirements. Below are the pros and cons discussed by members.

#### Pros for Minimum Contribution Requirement:

- By increasing participation of (healthy) employees, the employer contribution limits adverse selection and associated premium increases
- It provides a significant subsidy to employees, shielding them from the full cost of coverage
- Without a minimum level, employers could offer zero contribution, which is just a way around non-group coverage

**Cons for Minimum Contribution Requirement:**

- May dissuade some employers from participating in the Exchange because the minimum contribution would be too expensive

**Pros for Minimum Participation Rate Requirement:**

- Insurers face increased uncertainty i.e., upward pressure on premiums, with multi-issuer options, and retaining the existing minimum participation requirement at least cushions that uncertainty

**Cons for Minimum Participation Rate Requirement:**

- This is enforced after open enrollment, so can result in a group not qualifying and being left uncovered

Overall there seemed to be significant support for a minimum contribution and participation requirements, but members were confused by newly published guidance from CMS on waiving these minimum requirements during special enrollment periods. A consensus could not be reached and no vote was taken. Members were invited to submit their own statement regarding this issue, and it was noted that the pros and cons would be included in the report to the Board. (This issue will be addressed again during the two meetings added by the Chairs.)

## Premium Rate Development

Members began to discuss the complex subject of premium rate development, the pros and cons of composite billing vs. list billing, and their effects on employer contribution strategies. Composite billing is the norm in the DC market, but list billing can be more easily applied in SHOP. Insurer members of the working group seemed to prefer list billing, but doubts were expressed as to whether DC should move to list billing or could do so in time for 2014. Some members preferred composite billing and expressed their decision for recommended employee choice models may be affected by the group's decision on premium rate development.

The working group ended the meeting without addressing premium rate development. After the meeting, the Chairs decided to add two additional meetings to ensure that the working group fulfills its charge to consider recommendations on premium rate development and other open issues. To assist the group in understanding this complex topic, Wakely will develop briefing materials for premium rate development. The working group plans to review Wakely's paper and discuss potential premium rate development model options and determine if a recommendation can be made to the Board.