

HBX Advisory Board Recommendations
Small Group Transitions to DC HBX

A Minority Report

February 28, 2013

Today, the Advisory Board has submitted a report with policy recommendations for permitting transition periods for requiring small groups to purchase health insurance through the HBX Marketplace Exchange. Defined terms used here are the same as those used in that report. The undersigned submit this minority report only with regard to the policy recommendation for new entrants.

At its February 25, 2013 meeting, the Advisory Board considered two separate motions concerning new entrants to the small group market; specifically, whether there should be a transition period before they are required to purchase coverage through the DC HBX. One of these motions -- to provide for a two year transition -- did not pass by a 5-4 vote. The other motion -- providing for no transition period -- passed by a 5-4 margin. In each vote, the undersigned voted with the minority. The undersigned wish to provide their rationale for their recommendation that the DC HBX permit a transition period for new entrants consistent with the transition periods available for current holders of small group insurance.

1. The above referenced motions were the first of a series of motions. They were followed by motions, which were approved by a majority of Advisory Board members, in favor of providing a two year transition period for current participants in the small group market.
2. In the last motion brought forward during the February 25 meeting, the Advisory Board considered whether the rules of the DC HBX should apply to plans offered outside the Exchange (as well as inside the Exchange), effective January 1, 2014. These include rules concerning marketing and network adequacy, among other things.
3. While considering questions around transition periods, some Board members raised concerns about the impact on new entrants and their employees should there be any material operational issues in the DC HBX Marketplace on or after October 1, 2013. Anyone familiar with IT implementations knows that service disruptions or bugs of varying degrees of severity are an inevitable feature of software development and determinations of operational readiness. The short timeframe between now and October 1 reduces the period of time for pre-release quality assurance and beta testing of the Marketplace's systems before they go "live". For at least some Advisory Board members, mitigating exposure to these operational risks is a reason in favor of a transition period for all small group market participants, not just for current participants in the market.

4. While considering the question of transition periods for new entrants, concerns were also raised that new entrants - being unfamiliar with the market - may select plans outside of the Marketplace Exchange that do not guarantee the same protections afforded employers inside the Exchange. However, the same concern can be said for current participants. In either case, the last recommendation of this Board – namely, to require DC HBX regulations to apply equally to plans offered inside and outside the Exchange – mitigates concerns that new entrants will be adversely impacted by having a choice between plans offered in or out of the Exchange during a transition period.

5. The undersigned also worry about unnecessary negative perceptions that may result from requiring one category of small group to purchase inside the Exchange and not another group. To ensure transparency, there has to be a common sense rationale for why a new entrant must purchase inside the Exchange from day one, but not an existing participant. The undersigned cannot think of one, and in any event wish to mitigate the potential chilling effect in sentiment directed towards the Exchange, if small groups are treated differently from one another for no apparent reason.

6. There is also a concern that if the Authority forces small employers, who are offering coverage for the first time, into the Exchange in year one, those small employers might opt out because of these time constraints, particularly if there are any operational issues with the Marketplace systems. The majority of Advisory Board members agreed that it is important that employers continue to offer, and pay for, insurance coverage for their employees. We think that giving employers more time to opt-in, and realize the great options that are available in the Exchange, will make new entrants even more willing to start group plans for their employees. This will then result in health insurance being even more affordable to more people.

For the reasons stated above, the undersigned recommend that the DC HBX Authority permit a two year transition period for new entrants on the same terms available for current participants in the small group market.

Thank you for your kind consideration.

Sincerely,

Stephen B. Jefferson

Karen Johnson

William MacCartee

Jill DeGraff Thorpe