



# New York Health Benefit Exchange Role of Third Party Assistors

Stakeholder Presentation

March 14, 2012

# Agenda

- Overview of Third Party Assistors in the Small Group Market
  - Producers (brokers and agents)
  - General Agents
  - Chambers of Commerce/Business Associations
  - Private Exchanges
- Considerations for Incorporating and Compensating Third Party Assistors into the NYS Exchange

# Individual and Small Group Markets

- Study focused on Small Group Market (currently defined as firms with 50 or fewer employees)
  - About 1.59 million lives
  - 88% is brokered
- NY's Individual (or non-group) private pay market is miniscule
  - Less than 33,000 lives
  - Virtually none is brokered

# NY's Producer Community

- About 164,800 licensed “accident and health” brokers and agents (includes individuals, corporations, partnerships and LLCs)
  - Agents
  - Brokers
  - Producers

# Producer Licensing

- Licensing required to accept a commission
- Licensing:
  - Pre-licensing education (and exam)
  - State exam
  - Detailed application and payment of fee
  - Fulfill 15 credits of Continuing Education each two year licensing period

# Producer Licensing Exam

- Covers 10 sections:
  - **Insurance Regulation (8%)**
    - Licensing/state regulations/federal regulations
  - **General Insurance (7%)**
    - Risk/types of insurers/agency/contracts
  - **Accident and Health Insurance basics (15%)**
    - Perils/losses/classes/limited policies/common exclusions/licensee responsibilities/replacement considerations

# Producer Licensing Exam (continued)

- **Individual Health Insurance Policy General Provisions (10%)**
  - Required provisions/other provisions/general provisions
- **Disability Income and Related Insurance (10%)**
  - Qualifications/individual/business/group
- **Medical plans (13%)**
  - Plan concepts/types of plans/cost containment/ NY mandated benefits & offers/HIPAA/Affordable Care Act
- **Long-term Care Insurance (10%)**
  - Benefits/NY regulations and required provisions

# Producer Licensing Exam (continued)

- **Group Health and Blanket Insurance (12%)**
  - Types of eligible groups/group regulations/types of funding and admin/marketing considerations/underwriting criteria/eligibility/loss of eligibility/small group plans
- **Government Health Insurance Plans (10%)**
  - Worker's Comp/SS Disability/NY State Disability Law/Medicaid/Medicare/Healthy NY/FSA/HAS
- **Private Insurance for Senior Citizens and Special Needs Individuals (5%)**
  - Medicare supplements/other Medicare options



# Small Group Market

- Strong regional variations
  - At a minimum, need to look at downstate and upstate regions separately
  - General Agencies (GAs) have significant influence in downstate; not so upstate
  - % of brokered business higher in downstate NY
- Downstate NY:
  - Oxford, Empire, Health Net (now Oxford/United) and MVP

# Small Group Market (continued)

- Upstate NY:
  - Syracuse: Excellus
  - Utica/Watertown: Excellus, GHI (Emblem) and MVP
  - Rochester: Excellus and MVP
  - Albany: Capital District Physician Health Plan (CDPHP), HealthNow NY and MVP
  - Buffalo: Independent Health Plan and HealthNow NY

# Typical Producer Services

## Comparison shopping

- “Spread-sheeting” multiple carrier/plan options
- Benefits; cost-sharing; networks and premiums

## Trusted Advisor

- Provide HR support (insurance rules and regulations; employment law)
- Works closely with owner on benefit strategies and goals

## Enrollment

- Carrier underwriting regulations
- On site employee meetings; education
- “Scrub” applications; oversee enrollment process

## Service and Advocacy

- Solves the “ugly claim problem”
- Eligibility issues
- Billing and payment issues
- Par providers, out of network charges, balance billing in-network

# General Agents (GA)

- Contracted intermediary between carriers and producers
- “Single point of contact”
- Why?
  - More cost efficient for carrier to work with a GA managing 200 producers and 1,000 small groups then to directly support 1,200 producers and clients
  - GAs provide producers with tools and service support to grow their business

# General Agents (GA) - continued

- Who pays for them?
  - Carrier generally does; producer's commission not impacted in most instances

# Typical GA Services

1. Rate quoting; sales proposal development and presentation support
2. Dedicated sales and service support to producer; might include: Account Executive; Account Manager; Service & Enrollment Specialist
3. Product expertise
4. New client or renewing group enrollment support: GA might track:
  - ✓ Broker of Record letter
  - ✓ Collection of first month's premium
  - ✓ Completed master (or employer) application
  - ✓ "Scrubbed" employee applications
  - ✓ Correct and complete waiver of coverage forms
  - ✓ All required tax documentation
  - ✓ Goal: Timely, accurate "clean case" submission to carrier

# Typical GA Services

5. Enrollment process – varies by GA and carrier
  - ✓ Collect paper; data enter into GA files; transmit to carrier
  - ✓ Collect paper and enter directly into carrier enrollment system
6. Carrier library or documentation center
  - ✓ One stop shopping for information on *all* carriers
7. Training
  - ✓ A to Z...carrier products to federal and state insurance laws
  - ✓ Continuing Education (CE) requirements
8. Access to HR support services and applications
9. Carrier and industry news
  - ✓ Routine (weekly round-up)
  - ✓ Time sensitive alerts

# Typical GA Services

10. Ancillary insurance lines and products
  - ✓ HAS and HRA set up and admin
  - ✓ COBRA
  - ✓ Section 125 Plans
  - ✓ Dental, life, vision, property & casualty insurance, voluntary benefits
  - ✓ Payroll vendors; third party administrators
11. Advocacy for producer and producer's client



# Chambers of Commerce & Associations

- Key distributor in small group market
- Strategically located throughout NY in both urban centers and rural areas
- Trusted advocate
- Market niche: micro-employers (fewer than 10 employees)

# Distribution of Businesses in NYS

- By employer size and number of firms:

Employees	1-9	10-49	50-99	100-999	1,000+	All
Firms	398,312	96,318	12,832	10,615	555	518,632

- 1.5m sole props not included above

# HealthPass NY

- Private non-profit exchange featuring an employee-choice model
- Available in 5 boroughs of NYC and select counties in Long Island and mid-Hudson region
- Originally conceived in late nineties through a public-private collaboration
  - One of less than a dozen private exchanges in the country when ACA signed
- Today serves 3,500 small businesses and 30,000 members

# HealthPass NY (continued)

- Relevant Features:
  - Employee choice of plans (including across carriers)
  - Web-driven model
  - Common enrollment form for all carriers
  - Consolidated premium bill for employer
  - Utilizes a producer-driven distribution model: *“You need the producers”*
    - 100% of sales are attributed to producers
    - 800 producers (150 producers write 70% of the business)
    - Supports GA model that is prevalent in downstate NY
    - Commission structure mirrors compensation schedule of carriers (HealthPass pays producers and GAs directly)

# Bright Choices Exchange

- Private exchange (Liazon Corporation)
- Markets both to chambers and to small employer groups directly
- 4 part solution:
  - ✓ Defined contribution (fixed dollar)
  - ✓ Offer employees a range of products (basics and less typical) ....within one carrier
  - ✓ Decision support tools
  - ✓ Full service (reduces employer - and producer - burden)

# Bright Choices Exchange (continued)

- Use of producers over time reflects an evolved approach
  - 4 years ago: 99% of sales were direct and 1% were broker-driven
  - Today: 10% are broker-driven
  - By end of 2012: 40% expected to be broker-driven
- Compensation is about half of what carriers pay
  - Many typical producer services are done by the exchange
  - Producer is a “relationship broker” in this model

# Changes Likely Impacting Third-party Assistors

- Plans' strategic initiatives in 2012/2013
- Impacts of ACA on plan options, competition and premiums in different regions in 2014
- Exchanges will assume certain administrative functions that brokers typically handle (?)
- Others?

# Options for Incorporating Third-party Assisters in the SHOP Exchange

- Producers
  - Explain and promote SHOP & employee choice
  - Install and service group medical benefits
  - Provide a broad range of HR services for small employers
- General agents, business associations and chambers of commerce, private exchanges
  - Perform outsourced SHOP functions
  - Refer employers to producers



# Producers Play Critical Role for Small Employers

- Market penetration ~ 88%
- Contribution, benefits strategy
- Plan shopping, esp. under employee-choice
- HR support
- Ancillary insurance lines & benefits
- Service & advocacy

# Considerations in Structuring Producer Relationships for SHOP

- Training/certification of producers for SHOP?
- Who pays producers?
  - Exchange
  - Health plans
- How much?
  - Same as carriers
  - Re-calculated for difference in functions
- Sell SHOP and Individual Exchange?
- Sell in and outside the exchange?
- Need to be appointed by all issuers of QHPs?

# Consider Outsourcing SHOP Functions That Are Highly Specialized

- Producer support & management
- Employer/employee qualification
- Premium billing, collection & enrollment
- Customer service
- Ancillary benefits lines/products
- Supplementary HR services for small employers

# Caveats in Outsourcing Some SHOP Functions

- Integration with the rest of exchange e.g.:
  - Website & customer service entry
  - Information management & reporting
  - Financial management
- Economies of scale
- Accountability & consistency of processes, if not outsourced to a single vendor

# Questions?