

Market Simulation Research Proposal for NYS' SHOP Exchange

Overview

Wakely proposes the following approach to understand the receptivity of small employers in New York to a SHOP exchange. Wakely will contract with RKM Research & Communications, with whom we have worked on SHOP market research in two other states, to do the employer interviews. We propose two distinct types of employer research: (1) simulation of purchasing dynamics for small employers who currently offer group coverage; and (2) survey research of small employers who do not currently offer group coverage. These will be in-depth interviews, using a structured, open-ended guide to direct the conversation. RKM will correlate responses with sub-segments of the small-employer market, such as number of employees, industry, richness of benefits currently offered, and region of the state.

If the target market is small employers offering group health benefits in 2014, most small-group purchasers will be renewing, as distinct from those newly offering coverage. Therefore, it is important to simulate the purchasing dynamics for small employers currently in the market; and their decision-making will be conditioned by comparing options (in and outside the SHOP exchange) to their existing coverage and premiums.

Wakely will develop employer-specific scenarios to simulate the purchasing dynamics for small employers renewing in 2014. After sharing the employer-specific renewal scenario with the employer, RKM will interview the employer on their level of interest in SHOP, which employee-choice models they prefer, and the value proposition they might see in the SHOP exchange. Compared with interviewing employers about employee choice in the abstract, this approach should yield a more realistic assessment of employer interest in SHOP and various employee-choice models.

For employers who have not purchased group coverage, the research will focus on their likelihood to do so, what might induce them to do so, and how appealing employee choice and tax credits available in SHOP might be. These interviews will necessarily pose questions which are more "abstract" to employers because we will be asking them to speculate about making a major employee benefits commitment for the first time, in an uncertain context over a year from now. Wakely will work with RKM to design this survey: it will test non-offering employers' awareness of the ACA, tax credits, employee choice, and SHOP; their interest in, and expectations of SHOP; and their likelihood of offering group insurance in 2014.

Wakely will also interview brokers for qualitative feedback, using the same employer-specific scenarios in their markets, and a less structured format than RKM will use with the employer s. We anticipate doing 2-3 broker interviews in each of four regional markets.

Renewal Simulation Research

Developing an employer-specific scenario for simulating renewals is challenging. It requires knowing for each employer's group insurance plan:

1. The actuarial value of its current benefits (including EHBs)
2. Its current premiums
3. Its renewal premiums in 2014, and
4. The prices and benefits for the QHPs in SHOP

Obtaining accurate, adequate information from employers on the first two items, in advance of the employer interview, would be very challenging; specifying the dollar variables in items 3 and 4 is also difficult to do. We have developed a way around these obstacles, as described below.

In order to simulate the required information for each employer interviewed, without chasing hundreds of employers/brokers for their specific group information, we propose to go to one source in each of four markets across NYS to obtain this information. With the help of the State, Wakely will solicit from a large brokerage firm in each market a description of the three most popular S-G products that cover most of the EHBs (to the extent they are defined), at different actuarial values, and the contact information for 5-10 accounts on each of those three plans. RKM anticipates needing about 60 employer contacts -- 20 from each of three upstate brokers -- and about 40 from one or two downstate brokers in order to schedule and complete some 30 interviews upstate and 20 downstate, for a total of 50 renewal simulation interviews. (We will need to test this assumption about recruiting employers for the renewal simulation, and may need more accounts from each broker.)

This approach to renewal simulation should be far more efficient than going directly to employers. It will require the assistance of the NYS exchange and/or DFS personnel to identify willing brokers, to generate plan descriptions that conform to Wakely's specifications, and to obtain contact information for 100 or so small employers that will be solicited for renewal simulation interviews. We will need to offer the broker an opportunity to conference into the interviews with his/her clients and/or to receive an executive summary of the key findings from his/her client interviews. Assuming that such information can be generated reasonably quickly, we will proceed as follows.

Wakely will categorize the S-G plans provided by the brokers by their closest actuarial value on the exchange (Bronze, Silver, etc); work with the brokers to craft sample QHPs for their markets at all AV levels for the SHOP exchange, to show to employers; develop three very different renewal premium scenarios to pose to employers – “assume that your premiums would decrease at renewal in 2014 (e.g. -10%), have a “normal” increase (e.g. 7%), or a very large increase (e.g. 23%)”; and price the QHPs in SHOP relative to the employer’s renewal rates (as percentages above or below the employer’s renewal rates).

RKM will solicit interviewees from the list supplied by brokers of small employers that have purchased the three popular plan designs. In the employer interviews, RKM will be able to show the employer which AV metal level most closely approximates his/her current plan design, core benefit design features and prices for the QHPs on the comparable AV level (relative to their renewal rates), core benefits and relative prices for QHPs on other AV levels in SHOP, and probe for interest in SHOP and various employee-choice models.

Wakely and RKM will test the scenarios and survey guide with 2-3 employers in a “test market” before fielding the renewal-simulation research. RKM will complete 10 employer interviews in each of three upstate markets and 20 interviews downstate, for a total of 50 interviews, and Wakely will do more open-ended qualitative interviews with brokers. We anticipate that each interview will require one hour, plus set-up time, recording results, analysis, etc.

Non-Offering Employers

RKM will also complete 50 interviews of employers across the state who do not now offer coverage. RKM will conduct this telephone interview with small employers who are associated with the Empire State Development Corporation and who have been identified by ESDC as not currently offering group coverage. RKM will ask ESDC for their universe of non-offering employers across the state, from which to recruit interviewees, in order to conduct 50 interviews. If RKM can tell these employers that the interviews are being conducted on behalf of the State, in conjunction with ESDC, this should enhance employer recruitment and reduce the time and cost of the research. To the extent that RKM has to go beyond the list of non-offering employers from ESDC to recruit such employers, this will raise the cost of qualifying employers for interviews.

Timing of Research

Wakely and RKM will develop the renewal simulation interview guide and mock QHPs in SHOP, for a test market, working with the designated broker for that market to design the mock SHOP offerings and line up employer interviews. (While the primary focus of interviews will be on choice, Wakely recommends including an additional 4-6 questions on other possible value propositions in the Exchange.) Developing a mock SHOP of QHPs offered by the dominant

carriers in the test market, and pricing those QHPs relative to renewal pricing for 20 employers should require about 3 weeks. It should take Wakely and RKM another 1-2 weeks to test and refine the interview guide.

After refinements are completed, Wakely will develop mock QHPs and pricing relative to renewal pricing for employers in the other three markets. This should require about three weeks, during which time RKM can complete the interviews in the test market and schedule the other interviews. It should take another three weeks for RKM to complete the employer interviews and for Wakely to complete the broker interviews. Tabulation and write-up should take another three weeks.

Simultaneously, RKM will conduct approximately 50 interviews of non-offering small employers. We plan to deliver a draft report to NYS approximately fourteen weeks after receipt of plan descriptions and employer contact information from the brokers and contacts for non-offering small employers.

Budget

Wakely:	Actuarial	= \$20,000
	Sr Consultant 120 hours x \$258/hour	= \$30,960
	Managing Director 100 hours x \$361/hour	= \$36,100
RKM:	*50 interviews of Uninsured	= \$36,400 (with ESDC employer list)
	Planning & Design of Simulation	= \$15,000
	Fielding 50 interviews/analysis/report	= <u>\$33,100</u>

TOTAL: \$ 171,560

*If RKM needs to purchase a sample of employers and screen for those who do not offer group health insurance, the cost of the 50 interviews will be \$46,800, so total budget would rise to \$181, 960.