

**New York Health Benefit Exchange
Implementation Review
Section 6.0 SHOP
August 13, 2013**

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6.0	Small Business Health Options Program (SHOP)
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6.0 Small Business Health Options Program (SHOP)

There are over 400,000 small businesses in New York State. As the economic engines of growth, small business accounts for two-thirds of the jobs in the State. Based on Urban Institute Simulation models, New York has the opportunity to bring comprehensive affordable health insurance coverage to 450,000 members of small businesses through the SHOP Exchange. To realize this goal, New York has created a SHOP Exchange that:

- Meets the requirements of the ACA as it pertains to SHOP establishment, operations and management in New York State (45 CFR (H));
- Encourages small businesses to purchase coverage for their employees;
- Minimizes disruption to the current small group health insurance market while promoting innovation;
- Provides a first class user experience for employers, employees and brokers;
- Has leveraged the knowledge and expertise of current market players (brokers, providers, carriers, third party administrators, Chambers of Commerce) regarding the needs of New York State's SHOP Exchange through Regional Advisory Committees and specific outreach efforts;
- Ensures however an employer, employee or individual comes into the Exchange, they will be routed appropriately to facilitate obtaining health insurance coverage.

6.1 SHOP Compliance with 45 CFR 155 Subpart H

The Affordable Care Act directs each State that chooses to operate an Exchange to establish insurance options for small businesses through a Small Business Health Options Program (SHOP). The NYS Exchange has established a SHOP that meets the requirements of 45 CFR subpart H.

New York has completed a multi-pronged effort to ensure the SHOP complies with federal regulatory requirements and at the same time also meets the diverse purchasing needs of small businesses throughout New York State.¹ New York has worked with experts to determine the most effective, efficient manner of implementing a State specific SHOP Exchange, tapping into the well-established relationship of producers to the small group market in the State and taking advantage of research and implementation efforts in other states for SHOPS.

Building IT Systems for the SHOP Exchange

New York entered into a contract with CSC, its systems integrator, in June 2012. CSC is responsible for the design, development, implementation and operation of the New York Health Benefit Exchange IT systems. CSC and Exchange staff identified and developed an inventory of SHOP user stories that served as the basis for initial system development. The Exchange leveraged the hCentive product for SHOP functionality. While there was a significant match to required functionality between hCentive existing capabilities and that needed for New York's SHOP Exchange additional functionality was developed to meet State and Federal requirements.

Designing the SHOP

The Exchange engaged KPMG to assist in analyzing SHOP design issues and in the development of business processes and requirements that comply with federal law and regulation. This effort includes a high-level review of state and federal laws and regulations related to the design and operation of the SHOP; information on SHOP related activities in other states, and advice on key SHOP business requirements and processes needed for development of New York's SHOP Concept of Operations. The scope of the work includes the following areas:

- **Producers**
 - Certification and Training Process
 - Account Setup
 - Compensation Approach
 - Account Maintenance
 - Managing Individual Client Accounts
 - Customer Support Referrals

- **Employers**
 - Contribution Options
 - Plan Selection
 - Registration and Verification
 - Premium Billing and Collection

- **Employees**
 - Account Setup
 - Plan Selection
 - Consumer Decision Support Tools
 - Customer Support

¹ The role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges. Wakely Consulting Group. June 2012.

- **Issuers**
- Premium and Billing Collection
- Enrollment
- Account Maintenance
- Rate Review and Approval Frequency

A team was charged with developing the policies and business requirements of the SHOP Exchange—including representatives from the Exchange, DFS, KPMG and CSC. Work was concluded in October 2012. The study presented a number of recommendations for the design, implementation and operation of the SHOP. The final KPMG reports are available on the Exchange website:

<http://www.healthbenefitexchange.ny.gov/news/policy-studies-released-shop-exchange-and-health-insurance-markets>

Ensuring the SHOP Meets the Needs of Small Business

The Exchange, with the support of the Robert Wood Johnson Foundation (through the State Health Reform Assistance Network), engaged Wakely Consulting, to enhance the State’s understanding of current small business insurance practices to facilitate design of a SHOP Exchange that adds value for New York’s small businesses. Findings from a series of small employer interviews are summarized below. An document in a report is available on the Exchange’s website:

<http://www.healthbenefitexchange.ny.gov/news/policy-study-released-employer-health-insurance-preference-research>

Study findings for businesses that currently do not offer coverage:

- 74% of employers were not familiar with the Affordable Care Act
- 93% were also unfamiliar with the concept of the Exchange and 73% were not familiar with the tax credit availability
- Most employers (60%) who do not currently offer health insurance will not change their benefit offerings in 2014 with the introduction of the Exchange and the availability of the tax credit
- 40% stated they might consider going into the Exchange if they could receive the tax credit

Study findings for businesses that currently offer coverage:

- Majority of employers (76%) were not familiar with the Affordable Care Act
- Most employers who currently offer coverage remain committed to providing health insurance to their employees in the future
- Having greater choice (for both employer and employees) is a very attractive feature of the SHOP but does not guarantee participation in the SHOP. The Exchange will need to deliver easy to understand information and high level of customer support to attract and retain employer participation
- Most employers rated having a variety of plan choice design models as well as contribution options as the most valued features in the SHOP followed by a prospect of reduced administrative burden

- Cost of the health insurance premiums remains to be one of the most dominant concerns for employers. Slightly more than half of the employers would use the Exchange if the premiums increased 8-12% at renewal time in 2014. 52% was not planning to use the Exchange if the premiums decreased by 5% and 60% of employers would use the Exchange if the premiums increased by 23% or more in 2014.

These projects helped to focus the State's design efforts in implementing a SHOP Exchange in New York.

The Role of Agents and Brokers in the SHOP

Understanding and building upon the distribution channels currently in place for small businesses to purchase insurance is also key to the success of the SHOP Exchange. In New York State, agents and brokers (producers) play a vital role in facilitating the purchase of coverage in the small group health insurance market. Statewide, on average, eighty-eight percent of small group sales are assisted by producers. (*The Role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges*. Wakely Consulting Group. June 2012.) Producers are licensed and regulated by New York's Department of Financial Services (DFS) and held to rigorous licensure and continuing education standards. New York's producers have well developed relationships with employers, insurers, chambers of commerce and business associations. Additionally, an extensive network of general agents is in place to support producers and insurers in servicing employers. They are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 through New York Health Benefit Exchange. New York will invite producers to enter into agreements with the Exchange to enroll and service employers. As a condition of participation with the Exchange, the producers will be required to have an active producer's license and a certification that they have completed necessary educational requirements relating to SHOP. A full discussion of the role of producers can be found in Section 2.8.

Small Group Size

In 2014, New York has decided to maintain the current definition of small group size: 50 or fewer employees. Self-insurance in the small group market is not allowed in New York. As we consider the implications of increasing small group size to 100, on or before 2016, and expanding the SHOP to large employers in subsequent years, the impacts of such actions on the insured market in New York will be considered, along with the incentives or disincentives this may create for employers to self-insure.

As part of its Simulation Model for the New York Health Benefit Exchange, the Urban Institute estimated the impact of increasing the small group size to 100 prior to 2016. The simulation model indicates that group size definition has no significant impact on premiums in the Exchange or coverage differences in 2014. This analysis was vetted with stakeholders, including the Regional Advisory Committees described in section 2.1.

Verification of Valid Businesses in the SHOP

Through an interface with the New York State Tax Department, the SHOP will verify that each employer seeking to purchase coverage through the SHOP is a valid business in the State. If this functionality is not established by October 1, 2013, the SHOP will develop an interim verification process, through which employers would upload documents through the Exchange portal.

Notifications

QHPs are required by federal regulations CFR155, 156, and 157 to notify: 1) the employer of termination of coverage; 2) the employee of payment delinquency; and 3) the SHOP of termination of Coverage. The Exchange is anticipating that these requirements will be handled by Carriers (as required by federal regulation), although the Exchange may have an oversight role which is currently being explored.

Sole Proprietors

Consistent with federal requirements, sole proprietors will purchase coverage through the Individual Exchange. There are nearly 1.1 million sole proprietors in the State of New York, of which 23% are uninsured and 14% are insured in the nongroup market (Artifact 6.1.6). Twenty-three percent of sole proprietors have income below 139 percent FPL and 34 percent of sole proprietors have incomes between 139-399% of FPL and would be income-eligible for Insurance Affordability Programs when available in 2014. Consequently, the Individual Exchange will enable these sole proprietors to access affordable, comprehensive health insurance.

Role of Private Exchanges

There are several successful private Exchanges operating in New York State, most notably HealthPass and Liazon's Bright Choices, which were described in Wakely's report on Third Party Assistors (artifact 6.1.3). We anticipate that these private exchanges will continue to operate alongside the New York Health Benefit Exchange. It is expected that additional private exchanges will be launched by carriers and large broker agencies. Representatives from these Exchanges are part of our Advisory Board and we will continue to work with them toward the goal of ensuring that small businesses have multiple informed sources to learn about the purchase of coverage for their employees.

6.1a Employer Level of Coverage

The SHOP will have the capacity to allow a qualified employer to select a level of coverage as described in the Affordable Care Act 1302(d)(1), in which all QHPs within that level are made available to the qualified employees of the employer.

- 1) In addition, the NYS Exchange has adopted a model in which the employer can select a specific plan, and an “employee choice” model, in which the employer can make a defined contribution expressed as either a percentage or dollar contribution and the employees can then select among these employer selected qualified options.

6.1b QHP Rate Changes at a Uniform Time

The SHOP Exchange will implement quarterly rolling premium rates based on the start date of the employer group. This is the current practice for small groups in New York. Rates will be subject to a one year guarantee based on the date the employer group started coverage. Thus, employees added to a small group during the plan year will receive the same premium rates as other employees of that same employer.

6.1c Only QHPs Offered are those that meet the Requirements for the States Small Group Market

The NYS Exchange Plan management staff worked closely with the Department of Financial Services (DFS) to ensure that the SHOP Exchange offers employers only QHPs that meet the requirements for the State’s small group market. The process for certifying plans for the SHOP market is the same as for certifying plans for the individual market (although NYS does not intend to combine the individual and small group risk pools in 2014.) A complete description of Plan Management can be found in Section 4.0.

6.1d Minimum Participation Rates

New York will not require any minimum participation rates in the SHOP for small businesses.

6.1e Premium Calculator

NYS Exchange SHOP offers a premium calculator on the SHOP portal. The premium calculator will enable shoppers to calculate premium costs of selected QHPs, displaying employer contribution, employee contribution and the total plan cost. While HHS was expected to provide model computer code for this functionality, hCentive functionality was leveraged for this requirement. A screen shot of the updated premium calculator is included in artifact 6.1.9.

Support Documents

- Supporting documentation submitted with the October 2013 Blueprint is available here: <http://www.healthbenefitexchange.ny.gov./resource/blueprint-application>
- 6.1.2 Updated screens of SHOP premium calculator functionality

6.2 SHOP Premium Aggregation

New York will not collect employee premium contributions from employees directly. Qualified employers will be expected to perform payroll deductions or other mechanisms in order to pay employee premiums. The Exchange will provide a monthly report of enrollment by employer group to support accounting and reconciliation with collections and is considering whether reconciliation be performed by the carrier or if other options will be employed in this regard.

The Exchange will allow different options for employers to select their health plan contributions. Options include: 1) defined contribution with the employer's share based on a percentage of a plan's premiums; 2) a percentage of premiums plans premiums up to a total dollar value, or 3) purely defined dollar contribution.

Pursuant to 45 CFR 155.705 New York State will provide premium aggregation using data elements from the Group Enrollment record to build an invoice file while coordinating with Financial Management to set up the invoice in People Soft System for qualified small employers purchasing insurance through the SHOP Exchange. This system will be the key component in creating billing data files, collecting premium payments from the employer group and transmitting ACH payments to the Issuers.

The Financial Management area will perform the following functions related to premium payment administration:

- Provide each qualified employer with a bill on a monthly basis that identifies the employer contribution, the employee contribution, and the total amount that is due to the QHP issuers from the qualified employer;
- Collect from each employer the total amount due and make payments to QHP issuers
- Maintain books, records, documents, and other evidence of accounting procedures and practices of the premium aggregation program for each benefit year for at least 10 years.

Once an employer group has been established in the SHOP portal, a data file containing the billing data will be transmitted to Financial Management on the first day of the month prior to the coverage month. This data will include the plan the employee selected, the employee name, the employee ID number, the contract type (single, family, etc.), the plan type (platinum, gold, silver or bronze), the coverage date, employer contribution, employee contribution and the total dollar amount. For employers whose employees participate in more than one QHP, the billing will provide a detailed breakdown of the aggregated amount due to each participating plan. The invoice will have a coupon attached to be included with payments made to the Exchange. A sample invoice is attached.

After review by the finance department, this data file is then transmitted to a business outsourcing center (BSOC) where it is converted to an invoice format. BSOC submits the file containing the invoices to a pre- print quality check to ensure the format conforms to standards developed by the NYHBE and the number of records reconciles to the invoice file sent by Financial Management. BSOC utilizes an application to edit employer invoice address data against a USPS file for address verification. If a change of address is identified, these invoices will have an address correction notice included with the invoice to

the employer. This letter advises the employer to call customer service or go into the SHOP portal to correct the address. The invoices are now ready for mailing if the employer group has opted for that option. The Exchange also gives the employer group an option to receive their monthly premium bill electronically.

If an Employer Group has changes within the group, changes can be made between the 2nd day of the month and the 15th day of the month prior to coverage. Any changes made after the 15th day of the month would reflect on the following month's invoice. If such changes should occur between these dates, the financial system will adjust the initial invoice and produce on the 16th day of the month a rebill reflecting the changes made at this time. This rebill will follow the same process as mentioned above for mailing.

Payments are due by the first day of the coverage month. If payment is not received by the due date, a file is generated by Financial Management (the beginning of the dunning process) and sent to Customer Service Support for an auto dialer call to the Employer Group reminding them that payment is due. If payment has still not been received by the 15th day of the coverage month, another file is generated by Financial Management and a reminder letter file is generated and forwarded to BSOC for mailing. If any broker is attached to any of these groups, the broker will receive an email that the group has not made payment as of this date. If payment has not been received by the last day of the coverage month, another file is generated by the Financial Management department and final termination letter file is then sent to BSOC for mailing. SHOP is then notified by the Financial Management (via file) that this employer has been terminated for non- payment of premium. SHOP sends notice of termination to employees notifying them that their employer was terminated for non- payment of premium.

The payments made by the Employer Groups will automatically generate an Accounts Payable transaction to initiate payments to the Issuers via an ACH payment transaction. The Exchange will generate ACH payments to the Issuers on the 1st, 15th and last day of the coverage month based on payments received by Financial Management

6.3 Electronically Reporting Results of Eligibility Assessments and Determinations for SHOP

The NYS SHOP will electronically report results of eligibility assessments and determinations for SHOP including employer participation and employee enrollment through the 834. Upon effectuation, copies of the 834 will be forwarded to HHS as requested. Monthly reconciliations will also be performed utilizing 834 transactions. Summary files listing all employees enrolled for each SHOP employer will be transmitted to each Carrier as appropriate. Carriers will review for accuracy and transmit back the results of the reconciliation. As the system of record, the SHOP Exchange will work with the carriers to rectify any discrepancies found. Additional reporting requirements will be met through the universe of reports stipulated by HHS