The Small Business Health Options Program (SHOP)

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Background

SHOP in the Affordable Care Act

Current Notices of Proposed Rule Making (NPRMs)
• Flexibility
• Multiple issues raised for comment in the Preamble
• Input from stakeholders valued

This Small Plenary Session:
• Presents the SHOP as proposed in the NPRM
• Includes examples of how a SHOP could operate
• Provides a platform for discussion of policy and implementation choices

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Advantages of the SHOP over the Current Small Group Market

Advantages specific to the SHOP
- Option for employee choice of issuers and plans
- Option for employer defined contribution with one bill, one check administration
- Employer tax credits available to many employers

Advantages of Exchanges in general
- Transparent, competitive market with better information about benefits, price, quality, and satisfaction

Advantages resulting from market reforms
- Rating reforms in individual and small group markets
- Risk adjustment in small group market
- Limits on allowable Minimum Loss Ratio
- Increased risk pool from more Americans covered

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The SHOP Purchasing Experience: One Example of an Employee Choice Pathway

**Employer**
- Registers and chooses a cost-sharing level (or specific plans)
- Chooses a “reference plan” to determine contributions (or uses the metal level average)
- Defines employer contribution toward reference plan coverage for employee and for dependents

**Employee**
- Registers information about self (and any family members to be covered)
- Chooses a plan (and decides whether to enroll dependents) based on net price after employer contribution
The SHOP during the Employer’s Plan Year: Typical Implementation

Each month
- The SHOP provides a bill with details of employer and employee contribution
- Employee pays employee contribution through payroll deduction
- Employer sends total premium to the SHOP
- Exchange distributes payments to issuers

Premiums remain the same throughout the employer’s plan year
Customer service provided by a broker, the SHOP, or the issuer depending on SHOP policies
Changes to coverage during the year (adds/drops) made on SHOP site by employer
SHOP notifies employer of renewal process

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Implications for Exchange and SHOP Implementation

Major functions could be shared between the Exchange’s individual market role and the SHOP:

• Plan management functions
• Engines for displaying plan benefits, quality, and net premiums
• Interfaces to transmit standardized transactions to issuers

Certain individual Exchange functions are not needed by the SHOP:

• For example: individual eligibility determinations, premium tax credit calculations, Medicaid interfaces

The SHOP will need a financial system for billing, collections, and distribution of premiums to issuers

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Key Policy Issues – Market Definition

• Merge the individual and small group markets (single risk pool)?
• Expand the small group market to firms with up to 100 employees in 2014?
• Harmonize methods of determining the size of the group?
  – Federal definition of an employee and a group health plan
  – State methods of determining group size
• Expand the SHOP to include large group market products after 2016?
  – SHOP may offer large group products to employers with more than 100 employees
  – Choice of whether to expand the small group market to larger employers

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Key Policy Issues – Adverse Selection

Protection of the SHOP against adverse selection
- Single risk pool inside and outside the SHOP
- Qualified Health Plans priced the same inside and outside the SHOP
- Risk adjustment across all small group market products, inside and outside of the Exchange

Possible challenges
- Carrier participation
- Employee participation

Additional possible remedies
- State small group market laws
- Broker compensation similar inside and outside the SHOP
Key Policy Issues – SHOP Operations

• **Range of plan choices available to the employer**
  – Must offer employer the option of choosing a benefit level and offering all plans
  – May allow employer to offer single plan, several plans, or more than one benefit level
• **Employer contribution methods**
• **Distribution of premium costs across employees**
• **Roles and compensation of brokers, Navigators**
Key Policy Issues: SHOP QHP Selection and Approval

Issues
• Broad choice of health plans may enhance SHOP competitiveness
• Fewer choices and standardized designs may facilitate choice

A range of policy options
• Policies encouraging small group market issuers to offer in the SHOP
• Policies regarding selection of participating QHPs
  – Allow all QHP plan designs
  – Limit total number of plans to facilitate comparison and choice
  – Standardize small group market plan designs to facilitate comparison and choice
  – Pursue active purchasing
The SHOP will need a system for billing, collections, and accounting

- Closely linked to the SHOP enrollment system
- Able to:
  - Provide the employer with an itemized single monthly bill, potentially including amounts to be deducted from employee paychecks, and
  - Collect a single monthly payment from the employer
  - Deliver premium payments to issuers
  - Meet accounting and financial integrity standards
Brokers and Navigators

- Brokers currently handle most small group market business
  - Brokers often provide other products and services to small employers
- Brokers are the principal providers of customer service in the small group market
- Broker involvement in SHOP planning and advisory groups
  - Policy development
  - Operational decisions
  - Messaging to brokers and small employers
Communications and Outreach

Clear messages about the SHOP value proposition

• Employer choices
  – Employers will have innovative ways to offer coverage and contribute toward the premium
• Employee choices
  – The SHOP enables an option for employee choice of plans and issuers like the choices offered by large businesses or government, and provides the tools to make smart choices
• The SHOP provides access to small business tax credits

Active engagement with the business community and brokers

• CMS is conducting focus groups with small employers and brokers

Active engagement between CCIIO and States

• SHOP User Group is underway
• Please let us know what would be helpful guidance or technical assistance

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State of the States

Informal presentations by State members of the SHOP User Group

- Nora Leibowitz
  - Director of Development and Implementation, Oregon Health Insurance Exchange Corporation

- Shawn Raintree
  - Operations Manager, Colorado Health Insurance Exchange

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