

Trends and Options for Small Business Health Plans

DENVER CHAMBER

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Discussion Topics

- 1 **Impact of the Affordable Care Act on the Small Group Market**
- 2 **How the Market has Responded**
- 3 **How Employers are Responding**

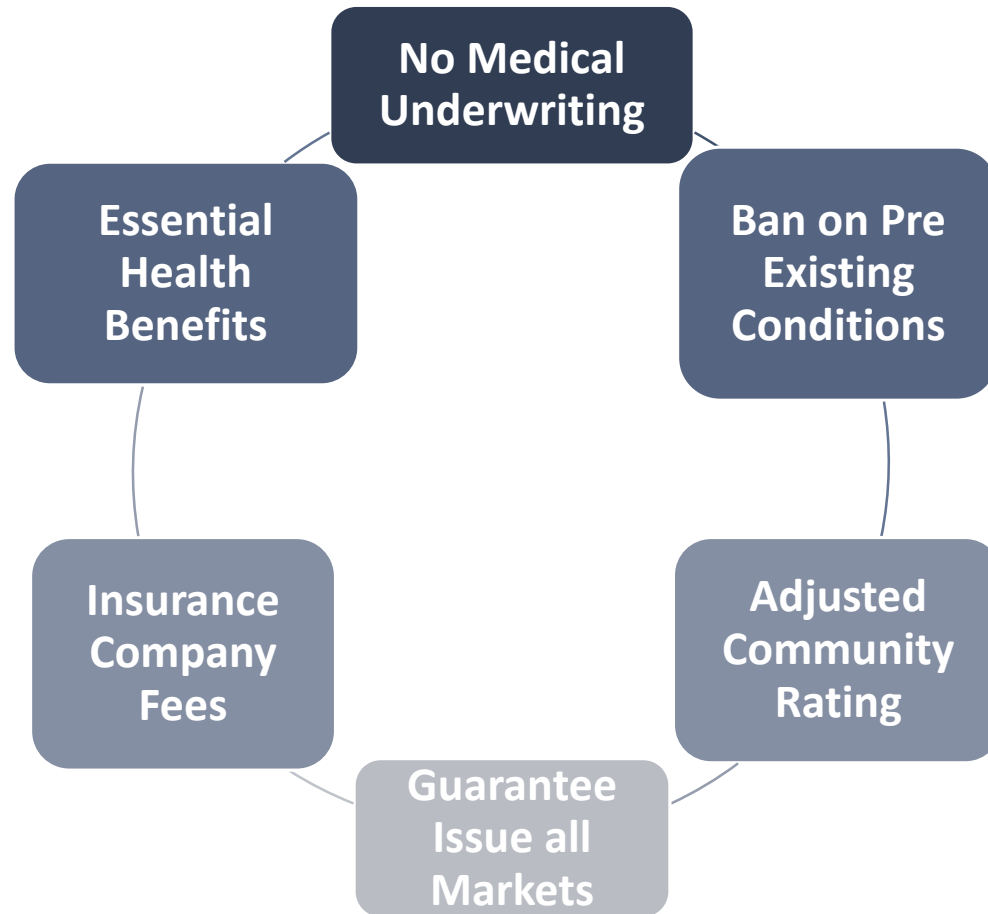
What is a Small Employer?

For Insurance Purpose a Small Employer is:

Employer with between 2-100 full-time equivalents. (FTE's)

*Employers who have over 50 FTE's are considered an Applicable Large Employer for the ACA mandate.

Primary focus of the ACA was not affordability but rather access and other insurance market reform.



ACA Fully Insured Rates Continue to Rise

- Higher claims cost and other factors have led to larger rate increases for some carriers in 2018
- Individual Market - 27% increase for 2018
- Small Group Market - an average of 7.5%; some carriers as high as 25%

Small Group Health Insurance

“Community/Age Rated” and “Non Underwritten Plans”

Increases For 2018

Preliminary Rate Filings July 14
Most rates will be approved

1/1/18 Small Group Rate Increases Colorado

	Average Requested Change*
Aetna Health Inc.	New Plans for 2018
Aetna Life Insurance Company	New Plans for 2018
Anthem (HMO Colorado) Pathway/Mountain	18.10%
Anthem (Rocky Mtn. Hospital & Medical Service Inc.) This is the PPO plan	12.90%
Humana Health Plan Inc.	8.20%
Humana Insurance Company	8.30%
Kaiser Foundation Health Plan of Colorado	3.20%
Kaiser Permanente Insurance Company	6.40%
Rocky Mountain Health Care Options, Inc. (PPO)	25.90%
Rocky Mountain HMO	-1.70%
UnitedHealthcare Insurance Company	3.80%
UnitedHealthcare of Colorado, Inc.	6.90%
Colorado Choice Health Plans (rural-Eastern Plains)	27.30%

Why?

- More blended rates for all employers in the “pool”
- ACA changes to rating methodology means that younger groups pay more than before (older groups pay less)
- Very limited ability for carriers to underwrite based on group characteristics such as health, Industry
- Many younger and healthier groups are leaving the small group pool for alternative types of coverage
- Many “micro groups” with between 2-3 employees are leaving the individual market and are coming back into the small group pool

New Federal Legislation for Age Bands - Another Reason to get out of Community Rated Space

Age	Current	New (2018)	Percentage change from 2017-2018
0-14	0.635	0.765	20%
15	0.635	0.833	31%
16	0.635	0.859	35%
17	0.635	0.885	39%
18	0.635	0.913	44%
19	0.635	0.941	48%
20	0.635	0.970	53%
21	1.000	1.000	0%
22	1.000	1.000	0%
23	1.000	1.000	0%
24	1.000	1.000	0%
25	1.004	1.004	0%
26	1.024	1.024	0%
27	1.048	1.048	0%
28	1.087	1.087	0%
29	1.119	1.119	0%
30	1.135	1.135	0%
31	1.159	1.159	0%
32	1.183	1.183	0%
33	1.198	1.198	0%

- **Children:** a single age band 0-14; one-year age bands age 15-20
- **Adults:** one-year age bands 21-63
- **Older Adults:** a single age band 64 and older

Community Rated Pools vs. Underwritten Pool



- Who is in the Pool?
- Trend in Pool?



Some employers leaving ***dirty*** pool in search of a ***clean*** one.

Which groups are remaining fully insured?

| Groups with an average employee age over 45-50

| Groups with high turnover

| Groups with an unhealthy population of employees

What are other employers doing?

Partially Self Funding/Level Funding

Joining a PEO
(Professional Employer Organization)

HRAs

Direct Primary Care

Level Funding

What is it?

- Employer assumes some risk for claims
- Purchase insurance that caps that risk

Advantages:

- Removes group from constraints of the ACA
- Lower fixed cost (lower cost for insurance portion)
- Employer retains a portion of the savings if claims are lower than expected (surplus)

Disadvantages:

- Underwritten (not all groups qualify)
- Some complexity/cash flow considerations
- May have a bad claims year/higher renewal
- Additional filing requirements
- Employer must pay ACA PCORI (Patient Centered Outcomes Research Institute) fee \$2.39 / covered member

Which Employers tend to utilize Level Funding?

- Younger groups
- Groups with a healthier population of employee
- Groups with between 5-100+ employees now eligible

PEO

What is it?

- Professional Employer Organization
- Provides outsource HR, Compliance, Payroll to employers
- Often offer large group benefit solutions to small employers

Advantages:

- Removes group from small group constraints of the ACA
- Assists employers with remaining compliant
- Often provides small employers access to large group benefits and rates
- No requirement to join the benefits program

Disadvantages:

- Employers must pay a monthly fee for services

Which Employers tend to utilize PEOs?

- Groups that would like to outsource certain services (Payroll, Compliance, HR Support)
- Younger groups/Groups with a healthier population of employee
- Groups with between 5-200 employees

Health Reimbursement Accounts (HRAs)

What is it?

- Using tax deductible HRAs to pay for individual health plans
- Employer allows employees to select an individual plan and then reimburse employees for the expenses
- Allowed with passage of 21st Century Cures Act

Advantages:

- Employer can allow each employee to select their own carrier and plan
- Employer may fund a portion of employee out of pocket expenses

Disadvantages:

- Individual premiums are now higher than group premiums (no cost savings)
- Individual plans generally utilize narrow, limited networks
- Requires plan documents and employee notices
- Employer contributions are capped at \$4950/year (\$10,000/ year for a family)
- Can be very difficult for employers to track and administer

Which Employers tend to utilize HRAs?

- Not much traction yet-relatively new

Direct Primary Care

What is it?

- Employer contracts with a DPC provider group as part of their provider network
- DPC doctors are paid a flat fee or a retainer to provide primary care for employees
- Employees are either required or encouraged to see DPC doctors

Advantages:

- Physicians are paid a flat fee to manage a members health and are not paid for each service provided
- Can lower utilization and overall cost to the employers plan

Disadvantages:

- May limit employee's choice of physicians (narrow network)
- May increase employers fixed plan costs with the hope that claims will be lower
- Can add a layer of complexity to the plan for employer and employees

Which Employers tend to utilize HRAs?

- Not a new concept but just gaining traction
- Larger self-insured employers

THANK YOU