

# Florida Health Choices Small Group Pilot Project

## Proposed Business Rules

Draft (7/13/2011)

Topic	Requirements	Rationale
<b>Value Proposition</b>	<ul style="list-style-type: none"> <li>Convenient, easy to understand and purchase leading brand health plans available online. We take the hassle out of establishing <b>Section 125 Plans</b> and allow employers to offer benefits to their employees while saving on health care premiums, taxes and ancillary product premiums.</li> <li>For vendors, the marketplace will provide access to a distribution channel focused on the promotion of a competitive marketplace that provides convenient access to their products.</li> </ul>	<p><u>Note: All pilot elements will also consider operational readiness of the portal solution and third party administrator.</u></p>
<b>6 Month Pilot Objectives</b>	<ul style="list-style-type: none"> <li>Test the strength of the value proposition with Small Employers</li> <li>Test the scalability of the administrative platform</li> <li>Test the marketing plan and approach</li> <li>Learn and adapt the FHC marketplace following the pilot's conclusion</li> </ul>	<p><u>Establishes a specific review period. Pilot can continue during review period and thereafter.</u></p> <p><u>Note: Coverage issued during the pilot period would continue for the full plan year.</u></p> <p><u>Note: Evaluation approach and qualified team will be required for mini evaluation.</u></p>
<b>Products</b>	<ul style="list-style-type: none"> <li>Small Group Insurance Plans or HMO's</li> <li>Section 125 Products</li> </ul> <p><i>*Plan rates and forms will continue to be approved by OIR.</i></p>	<p>Vendors' existing risk bearing products are rated and approved by OIR on the basis of their current experience and underwriting guidelines. This process should continue for products offered through the marketplace to ensure vendor solvency and adequately safeguard consumers.</p> <p>Vendor products are designed with deep knowledge of the needs of Small Employers and their employees</p> <p>Speed to market</p>
<b>Model / Program Options</b>	<p><b><u>Operating Model</u></b></p> <p>Options for Small Group participation will be based upon an employer choice model. The employer will choose a single insurer <u>by line of coverage</u> and up to four plans offered by that vendor, or Section 125 products, to offer to their eligible</p>	<p>This model enables vendors to understand the offer and properly rate the group.</p> <p>Limiting employer choice to a single vendor <u>by line of coverage</u> will prevent adverse selection</p>

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employees. Employers will be able to select any 125 Plans offered in the marketplace, for their employees. Employers will have the option of utilizing the services of an agent/broker, if desired.

### **Program Options**

- Single Option: Employers will choose one insurer and one of the chosen insurer's plans, and/or other Section 125 eligible products.
- Dual Option: Employers will choose one insurer and two of the chosen insurer's plans, and/or other Section 125 eligible products.
- Triple Option: Employers will choose one insurer and three of the chosen insurer's plans, and /or other Section 125 eligible products.
- Four Plan Option: Employers will choose one insurance and four of the chosen insurer's plans, and/or other Section 125 eligible products.

and provide rating stability for both employers and employees. Additionally, employers will be able to avoid involvement in medical policy differences and administrative practice decisions that may impact their employees.

### **Eligibility**

#### **Group Size Requirements**

- Minimum group size will be 4 participating employees when the group also meets all other eligibility requirements.
- Eligible employees include those that have satisfied the eligibility waiting period established by the employer.
- Eligible employees are identified as any full-time employees actively engaged in the conduct of the business of a subscribing employer who work at least 25 hours per week at the employer's place of business. This includes a self-employed individual, a sole proprietor, a partner of a partnership, or an independent contractor if included as an employee under a health benefit plan of a small employer. For example, an individual whose income is reported by a 1099 and who works at least 25 hours each week should be included as an eligible employee. Part-time, temporary, or substitute employees are not considered eligible employees.

#### **Required Group Structure**

- Groups formed strictly for purposes of insurance are, by Florida Statute, not eligible for group insurance products (clubs, fraternal organizations, and consortia).
- A company must be actively conducting business in the State of Florida and show taxable income in one of the two previous calendar years
- Groups must use one carrier (vendor), to provide health coverage, exclusively
- Coverage cannot be offered only to a selected class of employees

#### **Group Size Requirement Rationale**

Very small or micro groups will attract adverse selection.

#### **Standard Underwriting Guideline Rationale**

It is imperative to minimize adverse selection in order for the marketplace to remain viable. Proven underwriting guidelines with existing safeguards such as minimum employee participation and employer contribution levels are needed to prevent issues related to adverse selection. Without these guidelines, the program becomes susceptible to adverse selection as purchasing decisions are made solely on the basis of prices that do not properly represent the true costs of providing coverage. As premium rates increase to cover costs incurred for these plans, fewer entities will purchase these options resulting in a "death spiral" effect in the marketplace.

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- Small Group Carriers that offer coverage must offer coverage to all of the small employer's eligible employees and their dependents
- Total group out-of-state enrollment must remain below 15 percent. 85% of the group members must live in Florida. The actual number of employees will be determined by multiplying the number eligible by 85% and rounding upward.
- Florida's Small Group law, 627.6699, F.S., applies to groups of 1 to 50 employees who have their principal place of business in Florida. All full-time, active employees who have satisfied the waiting period are considered when determining group size and subjectivity to this law. Any business that has employed an average of at least one (1) but not more than 50 eligible employees on business days during the preceding calendar year will be subject to 627.6699, F.S.
- Groups with Common Ownership / Controlled Groups where the total eligible employees for all groups commonly owned are 50 or less will still be rated as a small group. One or all of the groups may be enrolled with common ownership. A subset of the groups, i.e. 2 out of 3, may not be covered. If the number of eligible employees is 50 or less, but the number on payroll exceeds 50, then the group must comply with the MHPAE (Mental health Parity and Addiction Equity) and add a Mental Health Parity endorsement to their health plan.
- A group will continue to be treated as a small group until the number of employees reaches 55 eligible employees on any anniversary date, or the group size exceeds 50 eligible employees on two successive anniversary dates, or the carrier uses a pricing method other than Modified Community Rating (MCR).

### **Employer Contribution Requirements**

- The employer's contribution toward employee premiums must be at least 50 percent.

### **Employee Participation Requirements**

- At least 70 percent of eligible employees must participate in the health plans.
- Group participation may be calculated using the table provided below:

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<b>II. Recap of Employee Participation (include all employees from Common Ownership if Boxed checked Yes above)</b>			
1. TOTAL EMPLOYEES ON PAYROLL			⇒
2. TOTAL COBRA CONTINUANTS			⇒
3. TOTAL INELIGIBLE EMPLOYEES			Total of A + B + C ⇒
A. Total Part Time Employee(s)	⇒		
B. Total New Employee(s) (in Waiting Period)	⇒		
C. Other	⇒		
4. TOTAL ELIGIBLE EMPLOYEES (DETERMINES GROUP SIZE & PRODUCT)			1 + 2 Minus 3 ⇒
D. Total Employees with Other Group Coverage	⇒		
E. Other	⇒		
F. Total from Common Ownership Groups that are not Covered by BCBSFL	⇒		⇒
5. TOTAL ELIGIBLE FOR PARTICIPATION			4 Minus D minus E minus F ⇒
G. Total Refusals (eligible employees not taking the coverage or with individual coverage)	⇒		
6. TOTAL ENROLLED			5 Minus G ⇒
7. EMPLOYEE PARTICIPATION (100% 1-3, 70% 4-50, 75% 51+ is REQUIRED)			6 Divided by 5 ⇒

### **General Eligibility Periods**

- A new employee becomes eligible for coverage on the 1st of the month following the date of eligibility.
- The eligibility waiting period is 90 days unless the employer elects a waiting period that is less than 90 days at the time of initial enrollment.
- A group may not waive the waiting period for key employees, unless the waiting period is waived for all employees of that group.
- Small groups can have only one waiting period.
- For new groups purchasing through the marketplace, if both husband and wife are eligible employees of the business, each can enroll separately or they can purchase employee + spouse or family coverage. If they purchase employee + spouse or family coverage, the rates must be based on the age of the older spouse.
- For new groups purchasing through the marketplace, coverage is effective on the group's original enrollment date, provided the eligibility waiting period has been satisfied and application is made during the initial enrollment period.
- No special reworks specifically to change eligibility periods can be made

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	<p>without a letter from the group certifying the change with approval by Group Underwriting.</p> <ul style="list-style-type: none"> <li>After the initial enrollment of a new group, employees must apply for coverage within <u>60</u> days of satisfying their eligibility period or within 30 days of COBRA qualifying events or the Special Enrollment Period.</li> </ul>	
<b>Enrollment Periods</b>	<p><b><u>Initial Enrollment Period</u></b> Begins on the eligible employee or eligible dependent's initial date of eligibility and does not exceed <u>60</u> days.</p> <p><b><u>Annual Open Enrollment Period</u></b> A <u>maximum 60 day</u> period, occurring no less than 30 days prior to the group anniversary date.</p> <p><b><u>Special Enrollment Period</u></b> A <u>maximum 60 day</u> period immediately following a special event (birth of a child, placement for adoption or marriage). During this time, an eligible employee or eligible dependent may apply for coverage.</p>	<p>Insurers are required by FS 627.6699 to offer these periods, at a minimum. To ensure ease of bringing products to market, the marketplace should not require vendors to offer enrollment periods above and beyond what the statute requires. The decision to offer extended enrollment periods and other "extras" should be left to the vendor.</p>
<b>Shopping Experience</b>	<p>The program option chosen by the employer will determine the shopping experience.</p> <p><b><u>Single Option Experience</u></b> Employees will choose whether to enroll in the plan offered by the employer.</p> <p><b><u>Dual Option Experience</u></b> Employees will choose whether to enroll in any of the two plans offered by the employer.</p> <p><b><u>Triple Option Experience</u></b> Employees will choose whether to enroll in any of the three plans offered by the employer.</p> <p><b><u>Four Plan Option Experience</u></b> Employees will choose whether to enroll in any of the four plans offered by the employer.</p>	
<b>Other Suggested Elements</b>	<ul style="list-style-type: none"> <li><b>Contract Holder:</b> Group Sponsored</li> <li><b>Contract Year:</b> Plan Year</li> <li><b>Rating Method:</b> Modified Community Rating</li> <li><b>Medical Underwriting:</b> -10% to +15%</li> <li><b>Continuation:</b> COBRA</li> <li><b>Rate Approval:</b> OIR</li> </ul>	

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<ul style="list-style-type: none"> <li>• <b>Form Approval:</b> OIR</li> </ul>		
<b>Vendor Participation Rules</b>	<p><b><u>Vendors</u></b></p> <ul style="list-style-type: none"> <li>• Will not be limited in number</li> <li>• May enter the marketplace at any time</li> <li>• May terminate contracts at any time, with 90 day notice. Maintain complete discretion over which, and how many, of their small group products are sold through the marketplace</li> <li>• May determine the commission structure for agents/brokers</li> <li>• <u>Vendors may offer their entire portfolio of small group plans for a portion</u></li> </ul>	<p>Vendor flexibility will ensure that the products offered meet the needs of the customers that purchase through the FHC, rates are appropriate for the underlying risk, and the market operates in the best interest of the public. Additionally, such flexibility will ensure that more vendors are willing to participate, thereby increasing marketplace viability.</p>
<b>Risk Adjustment</b>	None	<p>The Statutory language is permissive. Risk bearing issues are currently adequately addressed in the, Small Group market through existing regulation by the Florida Office of Insurance Regulation and industry underwriting guidelines for these segments.</p> <p>This also reduces cost and complexity to the FHC Administration and uncertainty to both vendors and their customers.</p>
<b>Pilot Project Parameters</b>	<ul style="list-style-type: none"> <li>• <b>Total Number of Employers:</b> Unlimited</li> <li>• <b>Total Number of Employees:</b> Unlimited</li> <li>• <b>Geography:</b> Statewide</li> <li>• <b>Duration:</b> TBD</li> </ul>	<p>To adequately test the pilot, limits should not be placed on the number of employers or employees able to participate in the marketplace. Additionally, limits should not be placed on the geography.</p>
<b>Marketing</b>	<p>The FHC administration will develop and test a marketing plan designed to attract their target segment and the strength of their value proposition.</p> <p>Vendors offering products in the marketplace will have the ability to co-market and promote as desired by the FHC.</p>	<p>FHC has resources for marketing. It is important that they test the strength of the value proposition and effectiveness of their strategy and tactics with the target market during the pilot.</p>