

# Florida Health Choices Small Group Pilot Project

## Proposed Business Rules

Draft (7/22/2011)

### Introduction

Florida Health Choices proposes to phase in a program with significant input from the steering committees it has formed. An initial test period or pilot project would permit the corporation to:

- Test the strength of the value proposition with Small Employers
- Test a web-based, uniform, application for health coverage and other services
- Test the web-based portal and its usability
- Test the scalability of the administrative platform
- Test the agent interfaces and electronic verification of agent eligibility
- Test the vendor certification and on-boarding process
- Test the marketing plan and approach

It is recommended that the corporation establish a specific review period to evaluate the marketplace approach and its technology solutions and the test should be reviewed and evaluated for its effectiveness and acceptability.

To achieve a sufficiently measurable evaluation, a minimum six month duration is recommended but the pilot project may be extended during any review period. The pilot approach will allow the corporation, vendors, agents, employers and employees to learn from and adapt or revise the marketplace approach.

Although a pilot project may be limited in duration, coverage issued during any pilot period will continue for a full plan year.

All pilot elements will also consider operational readiness of the portal solution and the overall marketplace.

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>• Employers may offer more choice of health plans to eligible employees.</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>	

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<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>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 to ensure vendor solvency and adequately safeguard consumers.</p> <p>Speed to market</p>
<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>• Have 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>• Vendors may offer their entire portfolio of small group plans for a portion</li> <li>• Vendors that offer coverage must offer coverage to all of the small employer's eligible employees and their dependents</li> <li>• Must provide a minimum 90 days notice to the FHC to stop accepting new groups in the marketplace</li> <li>• Must provide coverage for a full plan year to each enrolled employer.</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>Eligibility</b>	<p><b><u>Group Size Requirements</u></b></p> <ul style="list-style-type: none"> <li>• Minimum group size will be 4 participating employees when the group also meets all other eligibility requirements.</li> <li>• Eligible employees include those that have satisfied the eligibility waiting period established by the employer.</li> <li>• Eligible employees are identified as employees actively engaged in the conduct of the business of an enrolled employer who work at least 25 hours per week.. 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.</li> <li>• Employees who have not satisfied the employer's chosen eligibility waiting period and those working less than 25 hours per week, temporary, or</li> </ul>	<p><b><u>Group Size Requirement Rationale</u></b></p> <p>Very small or micro groups may attract adverse selection and distort the results of the pilot project.</p> <p><b><u>Standard Underwriting Guideline Rationale</u></b></p> <p>It is important to minimize adverse selection in the marketplace.</p> <p>Common, lawful, underwriting practices can provide some assurance against adverse selection during the initial testing phase.</p>

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substitute employees are not considered eligible employees.

### **Required Group Structure**

- A company authorized to conduct business in the State of Florida and which shows evidence of business activity in the previous 24 months.
- Eighty-five percent of employees must live in the State of Florida.
- Coverage must be offered to all eligible employees who have satisfied the employer's waiting period.
- 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.
- Groups formed strictly for purposes of insurance are not eligible (clubs, fraternal organizations, and consortia).

### **Employer Contribution Requirements**

- The employer's contribution toward employee premiums must be at least 50 percent of the lowest price plan offered by the selected vendor.

### **Employee Participation Requirements**

- At least 70 percent of eligible employees must participate in the health plans offered by their employer.
- All active employees working 25 hours or more per week, who have also satisfied the waiting period, are considered when determining group size.
- Individuals excluded when calculating the participation requirement:
  - Employees with other group coverage
  - Employees with Medicaid, SCHIP or Medicare coverage

### **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 3 months unless the employer elects a waiting period that is 0, 1 or 2 months 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

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	<p>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.</p> <ul style="list-style-type: none"> <li>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.</li> <li>No special reworks specifically to change eligibility periods can be made without a letter from the group certifying the change with approval by Group Underwriting.</li> <li>After the initial enrollment of a new group, employees must apply for coverage within 60 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> A maximum 60 days period which begins on eligible employee's initial date of eligibility.</p> <p><b><u>Annual Open Enrollment Period</u></b> A maximum 60 day period, occurring no less than 60 days prior to the group anniversary date.</p> <p><b><u>Special Enrollment Period</u></b> A maximum 60 day 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>	
<b>Shopping Experience</b>	At the time of initial enrollment, the employer will select one vendor by line of coverage, and up to four plan options offered by the chosen vendor. Employees will shop and compare among the options recommended by their employer.	Provides a greater range of options for employees to choose from.
<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>Regulated by:</b> OIR</li> </ul>	
<b>Risk Adjustment Methodology</b>	None	During the initial test of the marketplace, risk bearing issues are considered adequately addressed through existing regulation by the

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		Florida Office of Insurance Regulation.
		Reliance on OIR and existing regulations avoid extra cost and complexity to the FHC in the administration of any risk adjustment methodology during the pilot project.
<b>Pilot Project Parameters</b>	<ul style="list-style-type: none"><li>• <b>Total Number of Employers:</b> No Limitation Recommended</li><li>• <b>Total Number of Employees:</b> No Limitation Recommended</li><li>• <b>Geography:</b> Statewide</li><li>• <b>Duration:</b> Minimum of six months</li></ul>	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.
<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 and approved by the FHC.</p>	Although the FHC has limited resources for marketing, it is important to test the strength of the value proposition and effectiveness of any marketing strategy during a pilot project.