



MEMORANDUM

TO: Members of the Board of the Maryland Health Benefit Exchange
Carolyn Quattrocki, Interim Executive Director
Jonathan Kromm, Deputy Director
FROM: Leni Preston, Chair (leni@mdchcr.org/301.351.9381) and Mary Lou Fox, Chair
Operations and Communications (marylou@mdchcr.org /301.537.8917)
RE: Proposed SHOP IT Solution
DATE: 3 June 2014

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The Maryland Women's Coalition for Health Care Reform (Coalition), Advocates for Children and Youth, Montgomery County Department of Health and Human Services, National Council on Alcohol and Drug Dependence - Maryland Chapter; and Progressive Cheverly are pleased to submit comments in response to the SHOP presentation made at the most recent MHBE Board meeting. These are based, in part, upon analyses we did in 2012 when the initial decision on the SHOP IT infrastructure was made. At that time, we submitted a response to the RFI (March 2012) and a memo to the Board (April 2012) signed by the Coalition and 12 other organizations. (see attached) The Board then adopted what we believed was an appropriate integrated and sustainable approach that addressed the interests of consumers and those of the smaller, independent brokers. The May 20, 2014 proposal to the Board would appear to negate many of those advantages.

The following addresses the issue from two perspectives: (1) whether Audacious Inquiry’s recommendation to proceed with a TPA Model should be adopted by the Board and, if so, whether it should be administered by a single or multi-TP structure; and (2) the need to include consumer/employee-focused provisions in the RFP, regardless of the IT solution selected.

Recommended Action Prior to Final SHOP Decision

Our initial concern relate to the validity of the Audacious Inquiry (AI) recommendation, as presented to the Board on May 20th. That presentation reflected what we believe was a **superficial analysis of the Maryland landscape and no analysis of alternatives being implemented elsewhere**. To the first point, only two of the six carriers selling in the SHOP were interviewed. In fact, it appeared from the presentation that AI was unaware of the actual number of carriers participating in Maryland’s SHOP. In addition, it was apparent that few if any employers were consulted. AI suggested in response to a question, that they had relied upon their own business experience, rather than reaching out to other small businesses in Maryland. In addition, no attempt seems to have been made to gain the perspective of Maryland's employees/consumers or small brokerage firms.

To our second point, it was apparent from the AI presentation (see slide 15) that there was no analyses of alternative models that might be both cost-effective and better serve the interests of Marylanders. These models include the Federally Facilitated SHOP and state-based solutions. Taken together with the lack of in-depth analysis of the Maryland market we believe there are real concerns about the validity of AI's recommendations.

While we appreciate the short timeframe for making a decision, it is critical that the right decision be made at the outset to build confidence among the public, small businesses and other stakeholders. **We urge the Board to reconsider its decision to go with a TPA-model.** While we understand that there is a value to building on current Maryland-based resources, we believe that the proposal overlooks a number of important considerations addressed in our earlier submissions. In summary they are:

- The original model established an integrated system that would work to the benefit of employers and employees/consumers. Those using the SHOP TO purchase insurance would have the same experience as those purchasing coverage in the individual market and disruptions for those moving between the two exchanges, as well as between Medicaid and QHPs, would be limited.
- For producers, particularly those who are independent or with smaller firms, the TPA Model increases the potential for an uneven playing field with less competition. So, rather than supporting the need to ensure a stable market place and promote competition, this proposal has the potential to do the opposite.

In reconsidering its decision, we strongly **recommend that the Board review SHOP solutions being implemented in other states.** The March 2014 Commonwealth Fund issue brief, "Implementing the Affordable Care Act: State Action to Establish SHOP Marketplaces" would be a good starting place. We also recommend that the Board specifically look at two options:

- **Join the Federally Facilitated SHOP** - this will be tested in 3-5 states in October and on-line by 15 November 2014 at the start of the second open enrollment period. It will include key features that we believe are critical for employers and employees/consumers including employee choice, online shopping for all plans, premium aggregation/billing for employers and online payment; as well as capabilities for client management and support.
- **Adopt a proven system** - the District of Columbia (D.C.) and several states have implemented systems that Maryland could adopt as it has done with the individual Exchange. As with Connecticut's individual exchange, D.C. has indicated the availability of its solution. It would entail implementation costs, but its statistics demonstrate a successful model and one that fully supports the goal of employee choice.

From the AI presentation it would appear that the MHBE's decision is primarily driven by the fiscal challenges it is currently facing. We would hope that, in making a decision on the SHOP, the Board will adopt a model that is in the best interests of employers, brokers and, most importantly employees/consumers, rather than one that appears to be based on financial considerations alone. They expect and deserve an opportunity to make informed decisions among multiple choices in a manner that is fully transparent, as do those in the individual market.

For too long Maryland has suffered from the lack of integration within its health IT systems. Requiring consumers to submit and resubmit the same information in multiple venues is not

only inefficient, it affects access to needed services/care.. The ACA provided the means to create a "no wrong door" across both health and social services that would have been a positive driver towards the goal of health equity. That opportunity has been postponed due to the Board's "stumble" with the initial IT systems' decisions.

Now, it has an opportunity to, at least, create an integrated system for the small group market that would benefit all stakeholders as well as the employees/consumers. And, it would create a platform for the merging of the two markets in the future, which is considered the optimal outcome. Again, we hope that the Board will seize this opportunity to do the "right thing" and advance real reform.

However, should the Board make a determination to move forward with the TPA-model, we would first recommend that it adopt the multi-market participant (multi-TPA approach). Within that structure there must be rules to encourage other companies to participate over time. We believe that competition can be an effective force to drive down costs and provide consumers with better options in the future. We would also recommend that the TPA-model be seen as an interim solution and that within a reasonable period of time the MHBE would develop a system that integrates the SHOP with the individual exchange.

Recommendations regarding Maryland's SHOP Request for Proposal (RFP)

Regardless of the IT solution selected, it is critical that the Board adopt key "consumer-friendly" SHOP components. National experts have highlighted the following functions as particularly important. They include: (1) anonymous browsing of plan options; (2) small business tax credit calculator; (3) full time equivalent (FTE) employee calculator; and (4) portal for agents and brokers to manage small business accounts. Based upon the Commonwealth brief it would appear that Maryland has developed just one of the four.

In addition to ensuring that these are integrated with the final solution, the signatories also strongly recommend that the issues identified below be addressed and/or incorporated into the SHOP RFP and any contractual agreements.

- The system must meet CMS certification requirements. A key requirement is a **state of the art interface, standardized across both the SHOP and the individual exchange, that supports the consumers need to make well-informed decisions**. The existing TPA systems are designed for employers and brokers not for consumers. They may not include the required sorting and priority options designed for individual consumers. If a TPA Model is selected, we urge that the RFP **require that any SHOP system have a user interface that has all the same sorting, preference and priority options found on the individual exchange**. We recommend that this also be a requirement for continuing certification.
- Create an **even playing field** that ensures that no private entity has a competitive edge by gaining a contract with the Exchange for the SHOP administration and/or IT. Any market participant should be able to offer a MHBE certified SHOP if it has the required system. On an ongoing basis, any entity should be able to apply to the MHBE exchange to be certified as a SHOP exchange provider. If selected, a TPA-directed SHOP must be designed to fully and equitably leverage the resources of all of the producers in the Maryland market. Under a TPA Model, the selected TPA cannot be allowed to receive advance notice for market innovations or marketing strategies that would give it/them an advantage over others in the producer community.

- MHBE must maintain a **single database of all SHOP-enrolled individuals**, with unique identifiers, along with all relevant enrollment data. This is necessary to facilitate the "no wrong door" approach. It will also support the goal of continuity of care and reduce any disruptions for those employees who may move between Medicaid, the individual market and SHOP.
- The **collection of accurate, comprehensive and verifiable data across both the individual and SHOP exchanges** is critical. Any SHOP IT system must be required to collect the same data and required to allow and facilitate transfer of data across systems;
- A SHOP system must be required to **collect and display the same quality measures on consumer satisfaction, performance, accuracy and timeliness** as that collected through the Maryland Health Connections site;
- A **quality rating for the SHOP-certified partners** (TPAs or others) should be required to allow employers to make informed decisions based upon specific performance metrics.
- The **SHOP must incorporate the same branding as Maryland Health Connection**. In addition, an **aggressive marketing campaign coordinated with that for the individual exchange** must be required and approved by MHBE;
- **SHOP budget submissions** must clearly identify "ownership" by the SHOP-certified partners. They must be designed to minimize the costs to MHBE for call center personnel, maintenance, system enhancements and upgrades, staff training, and interaction with Navigators, employers, and consumers. The total cost to MHBE of outsourcing its SHOP IT and operations should be clearly identified and transparent.
- **Transparency in decision-making** is critical to building employer, employee and producer confidence in the SHOP and for ensuring that all policies and/or actions meet the needs of consumers. Therefore, there must be a process, established through the RFP and contracting process, to support this goal.
- A **Fixed Employer "Defined Contribution" Amount** should be an option for employers. A national survey found that 56% of small employers prefer "offering workers a choice of plans, with the employer paying a fixed amount, and the employee paying any extra cost for choosing a more expensive plan."¹ At least ten of the seventeen states developing their own SHOP marketplaces selected this option,² which allows employers to provide a fixed contribution towards coverage regardless of the plan the employee selects. The original Maryland SHOP IT design included a version of this option, however it allowed the fixed contribution to change after the employees enrolled. The Exchange Implementation Advisory Committee (EIAC) members repeatedly raised

¹ J.R. Gabel, H. Whitmore, J. Pickering, et.al., "Small Employer Perspectives on the Affordable Care Act's Premiums, SHOP Exchanges, and Self-Insurance", *Health Affairs*, Nov. 2013 32 (11): 2033-39.

² S.J. Dash, K.W. Lucia, A. Thomas, "Implementing the Affordable Care Act: State Action to Establish SHOP Marketplaces", The Commonwealth Fund, March 2014.
http://www.commonwealthfund.org/~media/files/publications/issue-brief/2014/mar/1735_dash_implementing_aca_state_action_shop_marketplaces_rb.pdf

concerns about this and urged the MHBE to permit a fixed employer contribution. We strongly urge that this option be included in the final design.

- The **"Employee Choice" model should be implemented at the outset** to increase portability and allow family members with different employers the option of choosing the same plan. This option is supported by consumers as well as brokers as evidenced by the experience of the DC SHOP, where 70% of employers offered employee choice. In addition, the Small Business Majority polling³ found that over 60% of small businesses wanted to offer this option. "CMS has indicated that employee choice will be available in the FF SHOP in 2015. "Employee Choice" becomes a mandatory option in 2016. There is no reason not to give this option to Maryland residents in 2015.

The signatories to this memo recognize the myriad of challenges faced by the MHBE and the commitment of the Board and staff to ensure smoother operations in the future. We also appreciate the conscious effort made in the past to ensure that the perspective of Maryland's consumers is appropriately incorporated into policy decisions. We believe that this approach was reflected in the MHBE original decision to fully integrate the SHOP with the individual Exchange. We would hope that in making its final determination on the SHOP, that the MHBE ensure it has fully analyzed all options. Consideration must be given, as we suggested in 2012, to the sustainability of the MHBE and the future of a transforming health insurance marketplace. A decision driven by short-term circumstances, such as the choice of the TPA model may not, in the long-term, prove the wisest decision. In the final analysis, the needs of employers, employees/consumers, and the viability of the entire producer community must remain paramount.

³ Small Business Majority Report <http://www.smallbusinessmajority.org/small-business-research/healthcare/small-business-opinions-on-exchanges.php>