

Employer Participation Workgroup

Updated Primer Questions – 1/22/2013

A. Small Business Participation

1. Should there be participation requirements for employer groups in the exchange?

As the NM Division of Insurance is well equipped to analyze the insurance risk associated with this issue, it is recommended that the DOI remains responsible for calculating and providing employer participation requirements for the NM HIX.

2. What services can an exchange offer that would be of the most value to small businesses?

- Simplicity – Administration should be simplified for the employer
- Affordability – If it isn't more affordable, it will not be worth doing
- Education – If the exchange can help to educate employees, it will reduce the burden on small employers

3. Should the definition of small business be increased to 100 employees in 2014, or should the state wait until 2016 when federal law mandates it?

Advantages of going to 100 early:

- Larger Risk Pool for SHOP Exchange
- Additional plan portability (if going to/from a group with over 50 employees)

Disadvantages of going to 100 early:

- More groups will be affected by the untested system
- Greater uncertainty = greater risk and higher pricing to account for that risk
- Possible difficulties in passing legislation
- An employer in the "large group" market has greater leverage and more flexibility than an employer in a small group pool

4. How can adverse selection in the SHOP be minimized?

- Require small employers in the SHOP to select one insurance carrier from which employees will select their plans (will give the same insurer both the high and low utilizers, rather than possibly spitting them unevenly between carriers)

5. Should insurers be required to offer the same plans in both the Individual and SHOP Exchange?

Advantages of same plans requirement:

- Portability – Will allow a participant to always transfer a plan between the two exchanges, regardless of plan chosen

Disadvantages of same plans requirement:

- Limits insurer creativity
- Does not take into account effect of subsidies

Recommendation:

Require insurers to offer a certain number of plans that are identical in both the SHOP and the Individual Exchange. Beyond that number, allow insurers to design plans to fit the unique market demands of individuals and small businesses.

B. Defined Contribution

1. Would implementing a defined contribution model attract employers who currently do not offer insurance?

Yes. Defined contribution can offer budget and administration simplicity, increased choice and portability, and may give employees a larger stake in their own health.

2. If so, is there sufficient demand to achieve the critical mass necessary for plan portability?

Plan portability will exist regardless of demand. Specific plans may be more or less portable based upon level of demand.

3. Is there value in premium aggregation for small employers in the state?

Yes. The NM Exchange will need to determine the most efficient way of aggregating premium between the Exchange and the Insurance Carriers. However, it is paramount that Employers not be responsible for this function.

4. How should Actuarial Value and Plan Choice work with Defined Contribution?

In order to make certain that employees are able to select a plan that best fits their needs, it is recommended that every employer be required to offer plans from at least one other AV level in addition to the minimum Bronze AV level.