



# **Licensing Procedures Request for Information**

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# Background & Overview

- Chapter 58 of the Acts of 2006 defines a “Sub-connector” and its role in relation to the Health Connector, and further details the process by which the Board is authorized to license such entities
  - Definition: “‘Sub-connector’, a locally incorporated and governed organization, with demonstrated experience in the small business health insurance and benefit market and which has been authorized to function in conjunction with the board of the connector.”
  - Licensure: “...the board is authorized and empowered...to establish criteria, accept applications, and approve or reject licenses for certain sub-connectors which shall be authorized to offer health benefit plans offered by the connector. The board shall establish and maintain a procedure for coordination with said sub-connectors.”
  - Plan Availability: “Sub-connectors shall be authorized to offer all health benefit plans that the connector may offer....”



# Background & Overview (cont'd)

- The Health Connector has developed a straw man model for exercising its authority to license Sub-connectors as described in Chapter 58
- The straw man model allows small employers (and brokers who serve them) to shop through the Health Connector while remaining the customer of alternative distribution channels that offer a choice of health carriers. The model creates a second door for small employers to shop through the Health Connector, accessing its shopping experience, products and – for eligible small groups – Wellness Track and its accompanying premium rebate
- The model is designed to have appeal to small employers (and the brokers who serve them) who like aspects of their current experience for purchasing coverage but see added value in shopping through the Health Connector



# Background & Overview (cont'd)

- The goal is to implement the statutory description of “Sub-connectors” in a manner that advances key aspects of the Health Connector’s public mission
  - Make it even easier to access the Health Connector’s best-in-class comparison shopping experience, empowering small employers to find the coverage that best suits their needs
  - Encourage participation in evidence-based wellness initiatives
- The Health Connector is seeking feedback on this straw man model from market participants by issuing a Request for Information (RFI) to ascertain the best approach for moving forward with licensing Sub-connectors



# Health Connector Model: Current State

Today, small businesses can shop through Commonwealth Choice with “Back End and Customer Service” functions performed by the Health Connector through its Commonwealth Choice vendor, including premium billing, enrollment reconciliation and call center support



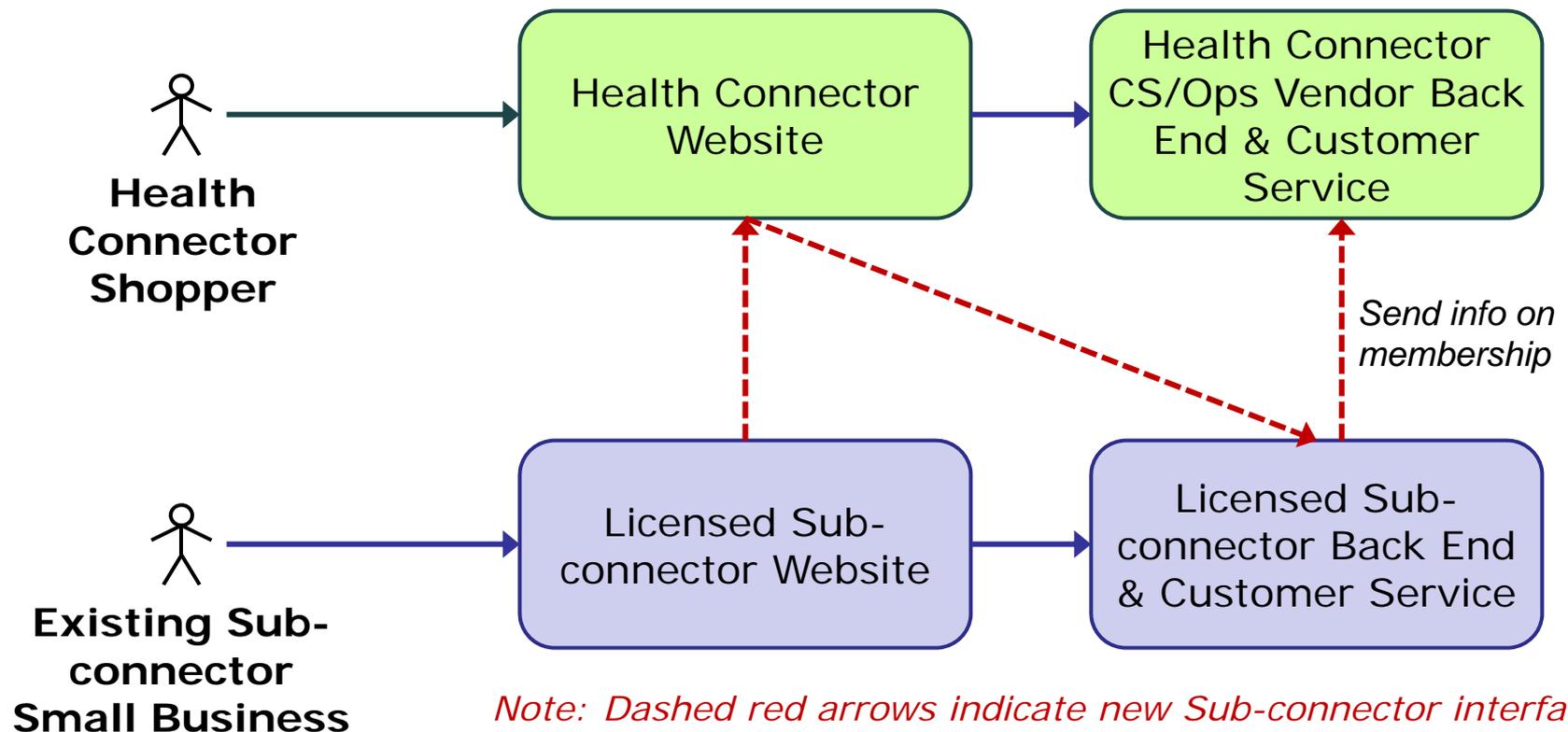
In the small group market, certain alternative channels also offer a choice of health coverage options to small employers, similarly providing “Back End and Customer Service” functions





# Health Connector Model: Sub-connector Straw Man

Through the Sub-connector straw man model, links would be created between alternative distribution channels and the Health Connector to allow more small businesses to access QHPs and Wellness Track through the Health Connector





# Sub-connector Straw Man Model

## Qualification Requirements

- Under Chapter 58, to be eligible for licensure as a Sub-connector, an entity must:
  - Be a locally (*i.e.*, Massachusetts) incorporated and governed organization
  - Have demonstrated experience in the small business health insurance and benefit market
- The Health Connector Board has the authority to approve multiple entities as licensed Sub-connectors so long as each one meets licensing requirements



# Sub-connector Straw Man Model (cont'd)

## QHP Availability

- Sub-connectors would be licensed to sell all QHPs available on the Health Connector's small-group shelf, but it would be the responsibility of a Sub-connector to have appropriate agreements in place with carriers to have the ability to distribute those plans
  - Chapter 58 states that "Sub-connectors shall be authorized to offer all health benefit plans that the connector may offer" but not all distribution channels have agreements in place with all QHP issuers (carriers) to distribute their products
- To provide adequate choice of QHPs to consumers, Sub-connectors will be required to have agreements in place with a substantial number of carriers (at least four) that sell through the Health Connector
  - As a result, carriers would be precluded from being Sub-connectors



# Sub-connector Straw Man Model (cont'd)

## Shopping Approach

- The approach blends the Health Connector's shopping experience and products with sales support and servicing from Sub-connectors and associated brokers
  - Sub-connector users will start on the Sub-connector website
  - Sub-connector users will have access to the Health Connector's best-in-class online shopping experience, including:
    - Comparison shopping with enhanced decision support and filtering
    - Educational content
    - All QHPs available on the Health Connector's shelf available for purchase
- Sub-connector sales would be limited to the "sole source" small group coverage model available through the Health Connector's Business Express program
  - Non-group sales and small group "employee choice" products would not be permitted through this channel



# Sub-connector Straw Man Model (cont'd)

## Back-End Administration

- For small employers that are enrolled through a Sub-connector, the Sub-connector will be responsible for administrative activities, including eligibility, enrollment, account management, customer service, and premium billing
- Sub-connectors would send periodic reports to the Health Connector regarding the enrollment status of small businesses that purchased through the Sub-connector model
- The Health Connector would work with Sub-connectors to send out renewal letters and other relevant notices to small businesses that purchased QHPs through the Sub-connector model



# Sub-connector Straw Man Model (cont'd)

## Wellness and Small Business Tax Credits

- The Health Connector would make its Wellness Track program and rebate available to all eligible small employers who shop and purchase coverage through the Health Connector using this Sub-connector straw man model
  - The Health Connector's Wellness Track program can bring substantial benefits for small businesses and their employees, including a healthier, more productive workforce
  - Opening access to Wellness Track to all eligible small employers who shop and purchase coverage through the Health Connector using this Sub-connector straw man model would help the Health Connector deliver on its mission related to wellness – to expand the prevalence of wellness programs among small businesses
- If permitted by the federal government, small business tax credits (only available through Exchanges) may be available for small businesses that meet federal eligibility criteria and who shop and purchase coverage through the Health Connector using this Sub-connector straw man model
  - Allows more small businesses in the state to access potential savings



# Sub-connector Straw Man Model (cont'd)

## Financial Considerations

- The straw man model does not add significant ongoing costs to either the Health Connector or Sub-connectors
  - Sub-connectors would not be charged any sort of ongoing user fee or per sale fee for the use of the Health Connector shopping website
  - Health Connector would not compensate Sub-connectors
  - The Health Connector and Sub-connectors would, however, be responsible for their respective start-up costs related to creating data linkages
- Existing financial arrangements between Sub-connectors and carriers, brokers and small businesses could continue
  - Sub-connectors may have certain financial agreements in place with carriers and brokers and non-premium related financial arrangements (*e.g.*, administrative or membership fees) with small businesses
- QHPs offered through Sub-connectors must be priced the same as QHPs offered directly through the Health Connector



# Sub-connector Straw Man Model (cont'd)

## Potential Market Impact

- The Sub-connector straw man model seeks to provide value to a broad set of market participants through the opening of new sales channels
- Small Employers:
  - Provide access to the Health Connector's comparison shopping experience, products and wellness tools and incentives, while maintaining current distribution channels and service
- Alternative Distribution Channels, Brokers and Carriers:
  - Develop new mechanisms for participation and partnership with the Health Connector, while maintaining existing business arrangements
- Health Connector:
  - Advance public mission of expanding the reach of the transparent online shopping experience, organized marketplace and wellness programs to a broader segment of small employers



# Licensure Approach and Timeline

- Chapter 58 empowers the Health Connector Board of Directors to define the Sub-connector licensure process, criteria and timeline
- Three-part Sub-connector licensure approach:
  1. Initial Conditional Licensure: Entity eligible to participate as a Sub-connector under Chapter 58
  2. Carrier/Plan Availability: Demonstrate ability to sell QHP plans
  3. IT Readiness and Testing: Demonstrate completion and testing of IT components and interfaces
- In advance of issuing licensure procedures in 2013, Health Connector staff is seeking input on the straw man model to obtain feedback on our approach
  - **November 16:** Health Connector releases Request for Information (RFI)
  - **January 4:** RFI Responses due to the Health Connector
  - **Early 2013:** Health Connector refines Sub-connector approach and release final licensure criteria