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# **Seal of Approval: Product Strategy Evolution and Current State**

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# Summary

***Today we will discuss the history and evolution of the Health Connector's product strategy, the current state of our product shelves and the key questions shaping the future strategic direction of our Seal of Approval (SOA) process.***

- At its core, the Health Connector is a marketplace where consumers can find, compare and purchase coverage from insurance carriers
  - To that end, the type, number and nature of the insurance products we offer are at the core of the Health Connector's mission
- The Health Connector's work in designing and selecting insurance products of good value and high quality was defined in Chapter 58 of the Acts of 2006 – the Seal of Approval (SOA) process
- Our increasingly stable technology platform, operations and consumer experience afford us a fresh opportunity to evaluate the future direction of the SOA process

# **History of Health Insurance Product Strategy**

# Product Strategy History

- The Health Connector's non-subsidized health insurance product strategy has evolved over time in response to customer, carrier and regulatory influences
- We have strived to develop a product portfolio that:
  - Balances choice and consumer simplicity
  - Keeps pace with regulatory and market trends
  - Attracts the consumers we were established to serve, and sustains our ability to support them
  - Works within the technical and operational capabilities of our systems and vendors
- The result has been a series of “phases” of product strategy, with associated changes in the number and nature of the health insurance plans we offer to consumers

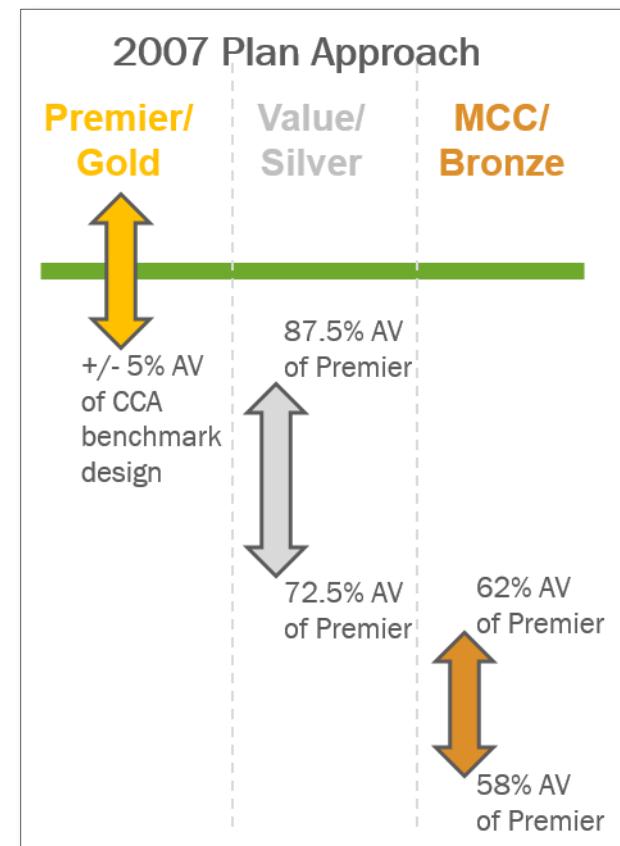


# Product Strategy 2007-2009: Origins



***The original Seal of Approval laid the foundation for the Health Connector's approach to designing and procuring health insurance products.***

- The first Seal of Approval in 2007 sought five different types of plans for sale to non-subsidized consumers – then called the Commonwealth Choice program – and launched 42 plans from six carriers
  - “Premier” plan with the richest benefits
  - “Value” plans (2) with mid-range benefits and higher cost sharing
  - “Minimum creditable coverage” option without prescription drug coverage
  - “Young Adult Plan” without prescription drug coverage (ages 19-26 only)
- While the Health Connector specified the tiers roughly based on actuarial value (AV), carriers created the specific plan designs, with much larger variation than allowed today
  - This initial phase also introduced the concept of grouping plans into metallic tiers (Gold, Silver, Platinum), a core feature of all future product strategies and, eventually, the Affordable Care Act (ACA)
- Concurrently, the state’s new individual mandate took effect – increasing the number of insured and setting minimum standards for adequate coverage (“Minimum Creditable Coverage”)



# Product Strategy 2010-2011: Standardization

2010-2011  
Standardization



**With the 2010 Seal of Approval, the Health Connector shifted its product shelf strategy to offer a limited set of standardized benefit designs on each metallic tier.**

- Standardization allowed consumers to make “apples-to-apples” comparisons across carriers, with the benefits of:
  - Directly helping consumers focus on the differences that mattered most to them – price and provider network – supporting their ability to pick the best one for them
  - Indirectly creating additional competition amongst carriers
- Focus groups conducted with both Commonwealth Choice members and non-members suggested that three benefit designs and five carriers per tier was an optimal combination of choice and simplicity
- In addition to standardizing benefits, the Health Connector also required that, at a minimum, plans be offered on the carrier’s broadest commercial network of providers

Commonwealth Choice: YAP Overview							
Tier	YAP High	YAP Low	YAP (High Deductible Health Plan)				
Annual deductible	\$250 per individual	\$2,000 per individual	\$3,050 per individual				
Annual Out-of-Pocket	\$5,000 per individual	\$5,000 per individual	\$5,950 per individual				
Primary Care Provider (PCP) office visit	\$25 copay	\$25 copay	annual deductible, then \$25 copay				
Diagnostic x-ray or laboratory test	annual deductible, then 20% co-insurance	annual deductible, then 20% co-insurance	annual deductible, then 20% co-insurance				
Outpatient surgery	annual deductible	annual deductible	annual deductible				

Commonwealth Choice: Tier Overview							
Tier	Gold	Silver High	Silver Medium	Silver Low	Bronze High	Bronze Medium	Bronze Low
Annual deductible (also called the “deductible”)	None	None	\$800 per individual \$1,600 per family	\$1,000 per individual \$2,000 per family	\$250 per individual \$500 per family	\$2,000 per individual \$4,000 per family	\$2,000 per individual \$4,000 per family
Annual Out-of-Pocket Maximum	None	\$2,000 per individual \$4,000 per family	\$2,000 per individual \$4,000 per family	\$2,000 per individual \$4,000 per family	\$5,000 per individual \$10,000 per family	\$5,000 per individual \$10,000 per family	\$5,000 per individual \$10,000 per family
Primary Care Provider (PCP) office visit	\$20 copay	\$25 copay	\$20 copay	\$20 copay	\$25 copay	\$30 copay	annual deductible, then \$25 copay
Diagnostic x-ray or laboratory test	\$25 copay	\$50 copay	annual deductible, then \$50 copay	annual deductible, then \$50 copay	annual deductible, then 35% co-insurance	annual deductible, then \$50 copay	annual deductible, then 20% co-insurance
Outpatient surgery	\$150 copay	\$500 copay	annual deductible, then \$500 copay	annual deductible, then \$500 copay	annual deductible, then 35% co-insurance	annual deductible, then \$500 copay	annual deductible, then 20% co-insurance
Hospitalization	\$150 copay	\$500 copay	annual deductible, then \$500 copay	annual deductible, then \$500 copay	annual deductible, then 35% co-insurance	annual deductible, then \$500 copay	annual deductible, then 20% co-insurance
Prescription drug deductible (also called the “Rx deductible”)	None	None	None	None	\$250 per individual \$500 per family (for Tiers 2 and 3, for Retail and Mail Order)	\$250 per individual \$500 per family (for Tiers 2 and 3, for Retail and Mail Order)	None (but the annual deductible does apply to prescription drugs)
Retail	Tier 1: \$15 copay	Tier 1: \$15 copay	Tier 1: \$15 copay	Tier 1: \$15 copay	Tier 1: \$15 copay	Tier 1: \$10 copay	Tier 1: annual deductible, then \$15 copay
	Tier 2: \$30 copay	Tier 2: 50% co-insurance	Tier 2: \$35 copay	Tier 2: \$30 copay	Tier 2: Rx deductible, then 50% co-insurance	Tier 2: \$20 copay	Tier 2: annual deductible, then 50% co-insurance
	Tier 3: \$90 copay	Tier 3: 50% co-insurance	Tier 3: \$60 copay	Tier 3: \$50 copay	Tier 3: Rx deductible, then 50% co-insurance	Tier 3: \$20 copay	Tier 3: annual deductible, then 50% co-insurance
Mail order	Tier 1: \$30 copay	Tier 1: \$30 copay	Tier 1: \$30 copay	Tier 1: \$30 copay	Tier 1: \$30 copay	Tier 1: \$20 copay	Tier 1: annual deductible, then \$30 copay
	Tier 2: \$60 copay	Tier 2: 50% co-insurance	Tier 2: \$70 copay	Tier 2: \$60 copay	Tier 2: Rx deductible, then 50% co-insurance	Tier 2: \$20 copay	Tier 2: annual deductible, then 50% co-insurance
	Tier 3: \$150 copay	Tier 3: 50% co-insurance	Tier 3: \$120 copay	Tier 3: \$150 copay	Tier 3: Rx deductible, then 50% co-insurance	Tier 3: \$20 copay	Tier 3: annual deductible, then 50% co-insurance
Emergency room	\$75 copay	\$100 copay	\$100 copay	annual deductible, then \$100 copay	\$150 copay	annual deductible, then \$150 copay	annual deductible, then \$100 copay
Other benefits	All carriers are fully-insured and cover all mandated state benefits. Coverage and cost-sharing for benefits other than those listed above may vary from one plan to another within a single tier.						

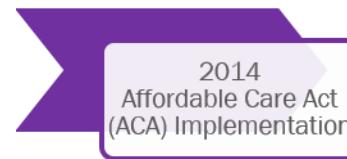
# Product Strategy 2012-2013: Flexibility



***For the 2012 and 2013 Seal of Approval, the Health Connector introduced flexibility to balance non- and small group market needs, streamline the shopping experience and encourage stability in light of the upcoming ACA transition.***

- The 2012 strategy sought to encourage robust carrier participation in the small business health insurance program, while balancing the need for consumer/small business choice with a streamlined shopping experience
  - Streamlined the product portfolio, removing one required standardized offering (Silver Medium) for new sales
  - Focused on providing stability with the first steps of transition to compliance with ACA requirements
- In 2013, we took a dual approach, maintaining existing standardized plans while also inviting carriers to propose additional, non-standardized plans and standardized designs on narrower networks beyond Silver and Bronze
  - Non-standardized plan options were expanded to address concerns that the standardized offerings did not keep pace with innovative market designs and to increase the Health Connector's traction in the small group market, where small businesses were thought to be looking for plans that helped them achieve lower premiums without sacrificing comprehensive coverage, such as plans with limited or tiered networks
  - The resulting 2013 product shelf added 22 new options, half of which were standardized plans offered on alternative networks, and half of which were non-standardized plans

# Product Strategy 2014: ACA Implementation



***Seal of Approval for 2014 focused on ACA implementation and compliance for both plan design and the certification process itself.***

- While the core concepts of the Seal of Approval were substantially compliant with the ACA, the Health Connector undertook a project to identify and implement numerous modifications to the product shelf to address the details of the new law
  - The ACA introduced significant new federal regulations to almost all aspects of the Health Connector's work, including material changes in our products, as well as new requirements on our carriers
  - The Health Connector's product strategy sought to seek balance between implementing new federal requirements and providing continuity and stability to carriers and consumers
- The most prominent change was transitioning the subsidized membership from Medicaid managed care plans, outside of the merged market, to enriched Silver tier Qualified Health Plans (QHPs)
  - By moving the large subsidized population onto the Silver tier, the Health Connector created a significant level of price competition on this tier – an indirect but material benefit to unsubsidized shoppers
- The 2014 plan year also saw the introduction of stand-alone Qualified Dental Plans (QDPs), a fully new product line, for both individuals and small businesses

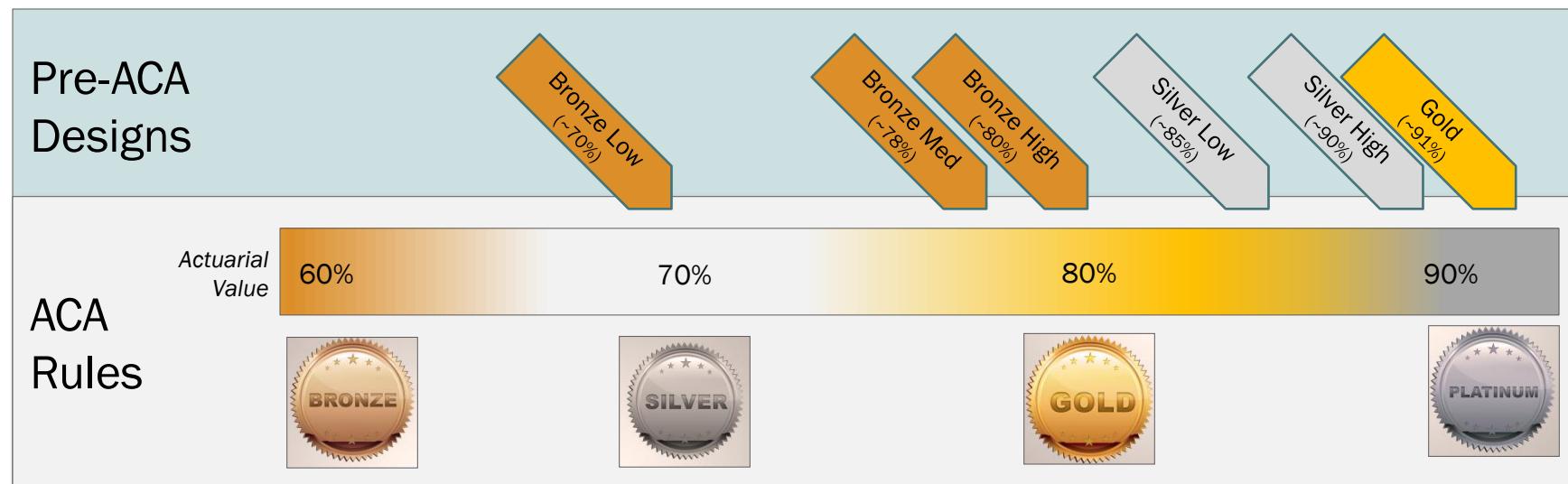
# Product Strategy 2014: ACA Implementation (cont'd)

2014  
Affordable Care Act  
(ACA) Implementation

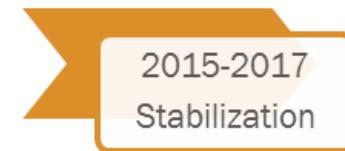


***While the ACA included the concept of metallic tiers, the mechanics were significantly changed.***

- Addition of a new Platinum tier, in addition to the existing Gold, Silver and Bronze tiers
- Creation of a nationally standardized actuarial value (AV) calculator and strictly limiting metallic tiers to an AV range of +/- 2% of federally defined target values
- As a result of these changes, the AVs of the Health Connector's pre-ACA plans tended to be far higher than the corresponding metallic tier levels set by the ACA; most pre-ACA Health Connector Bronze plans became Silver or Gold level under the new calculator



# Product Strategy 2015-2017: Stabilization

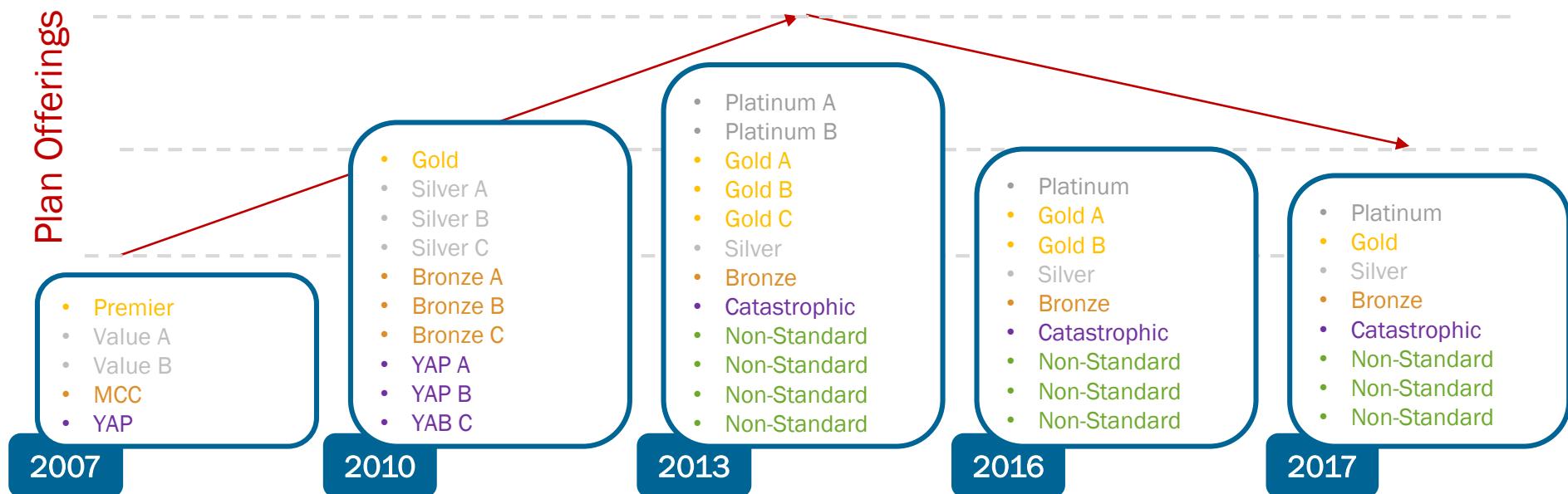


***With the implementation of the new Health Insurance Exchange (HIX) system, the Health Connector sought to make modest changes through the Seal of Approval to streamline the consumer experience and develop an approach to address population health needs.***

- Focus the number of plan options
  - Streamline the number of standardized plan designs to one per metallic tier
  - Cap the number of allowable alternative network and non-standardized plans to balance choice and access to innovative plan designs
  - Encourage carriers to “freeze” plans, permitting renewal but not new enrollment, to minimize consumer disruption when modifying plan offerings
- Support “apples-to-apples” shopping in the online experience
  - Standardize additional benefit categories
  - Standardize product naming
- Leverage the SOA process to influence the way products address targeted population health needs, including opioid use prevention and treatment and pediatric dental Essential Health Benefits (EHB) coverage

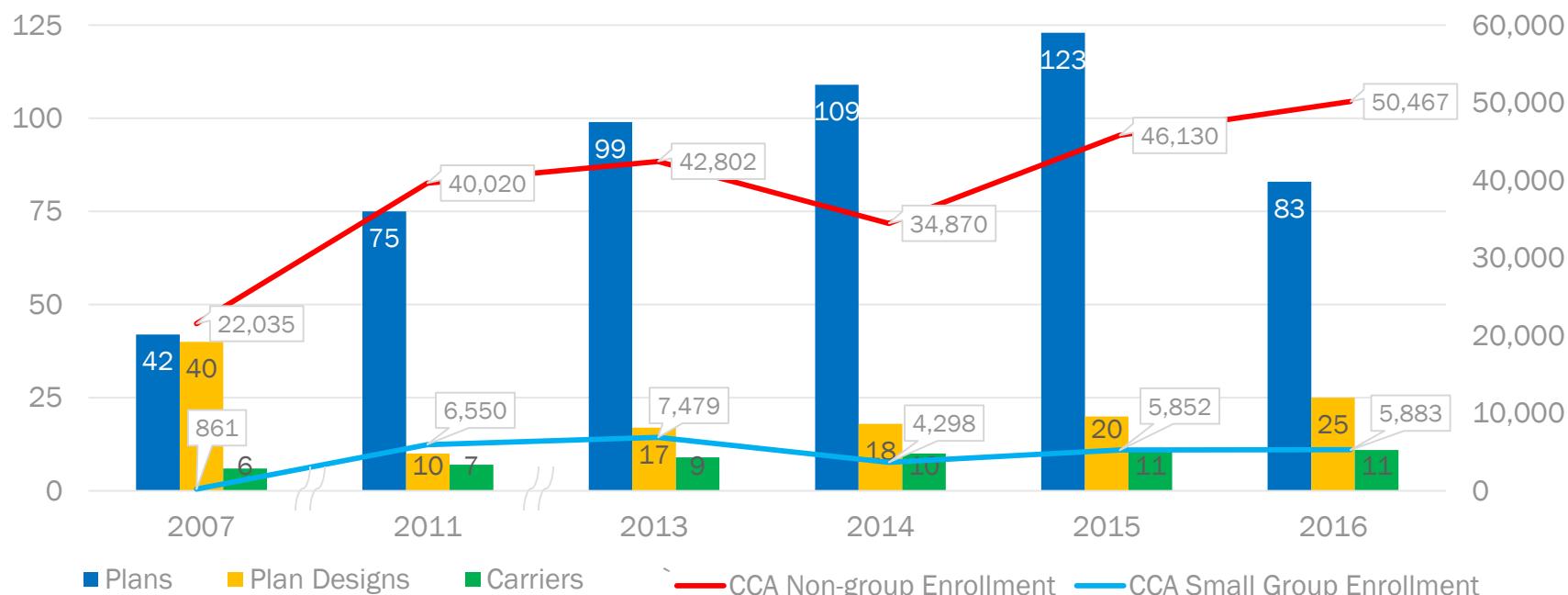
# Product Offering Evolution

*The evolution of the Health Connector's product offerings has been marked by experimentation, learning lessons from consumers and the market, and seeking to balance the entry of new carriers and the creation of new regulatory goalposts.*



# Product Strategy History

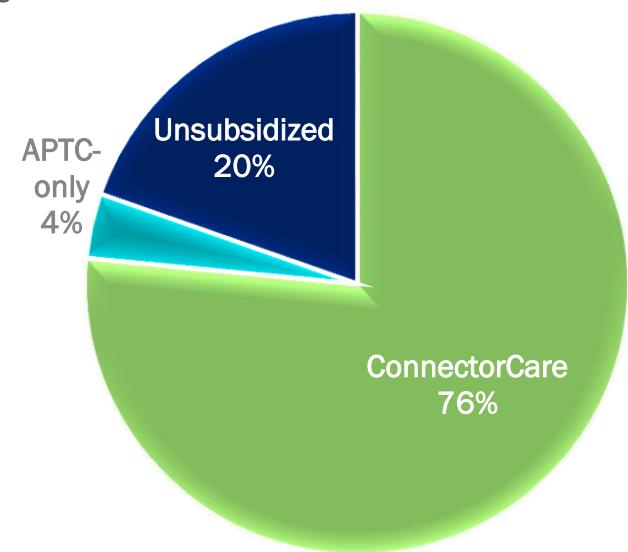
- The Health Connector's unsubsidized, APTC-only QHP and small group populations interact with our full product shelf – an enrolled population that has remained largely stable since 2011, despite shifts in the product portfolio
  - While the size of the individual market, and the Health Connector's share of it, has increased since 2014, much of that growth can be attributed to the conversion of the Commonwealth Care program (Medicaid MCO) into ConnectorCare (commercial Silver QHPs) – but these members do not see the full product portfolio



# ConnectorCare and the SOA

***While ConnectorCare members only see a subset of the product shelf, the size of this population and the benefits to Silver tier premiums resulting from competition for this product make the ConnectorCare program and our approach to the Silver tier, a key consideration in our overall product strategy.***

- ConnectorCare is an ACA-compliant program created to mimic the pre-ACA Commonwealth Care program, and is available to eligible individuals 0-300% of the Federal Poverty Level (FPL) exclusively through the Health Connector
- To create ConnectorCare products, Silver tier QHPs, to which federal tax credits (APTC) and cost sharing reductions are applied, are “wrapped” with additional state premium and cost sharing subsidies
- In the SOA, all carriers must submit a “ConnectorCare-compatible” Silver plan – their lowest cost plan on that tier – for consideration
  - The Health Connector selects a subset of these plans based on, among other factors, premium, network and overall value
  - Eligible customers can select from up to five ConnectorCare plans
  - Carrier competition to be a ConnectorCare plan, and to be the lowest cost option, drives price competition on Silver-tier plans available to APTC-only and unsubsidized customers on and off exchange



*Note: Enrollment data from Dell FMS on May 2, 2016*

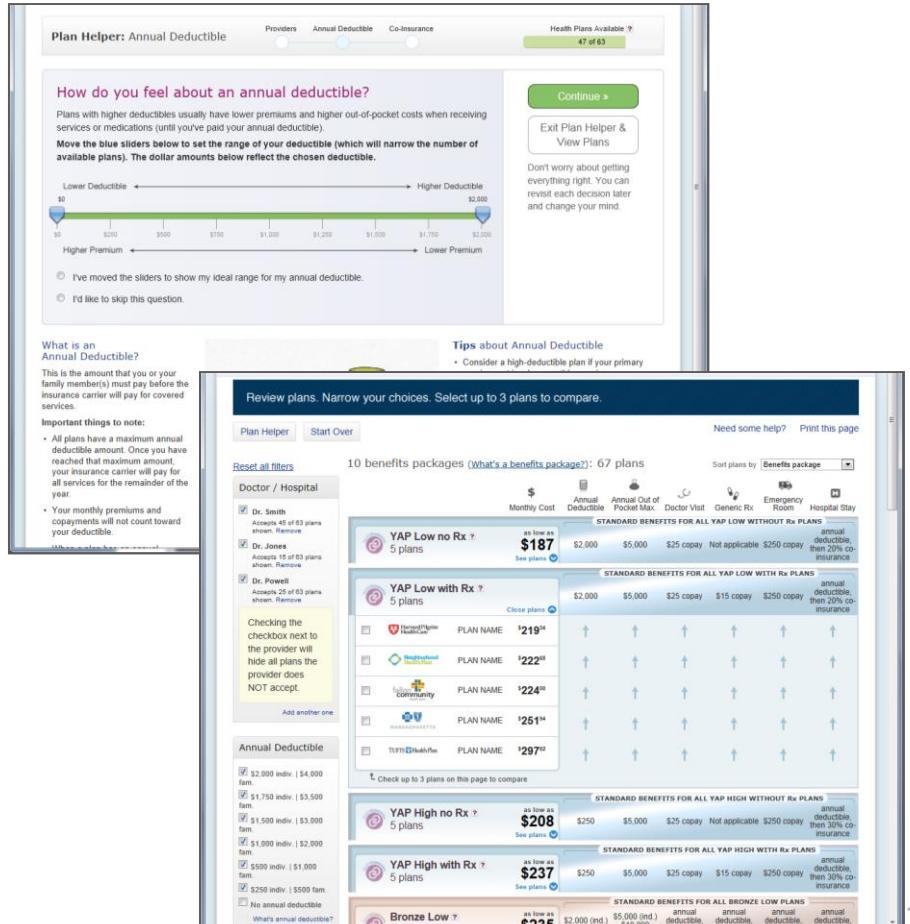
# **History of Health Insurance Shopping Approaches**

# Shopping and Decision Support

**Since the launch of online health plan shopping, the Health Connector has worked to develop decision support tools to help customers select the right plan for their needs.**

## Commonwealth Choice (Pre-ACA)

- Plan Helper Tool: A step-by-step process for shoppers to learn about and identify what plan features are most important to them
  - Provider Search
  - Deductible
  - Co-insurance
- Identification and grouping of standardized plan designs
- Filtering by provider, carrier, metallic tier and key design features



The screenshot shows two main sections of the Massachusetts Health Connector website:

- Plan Helper: Annual Deductible**: This section allows users to set a range for their deductible using sliders. It includes tips like "I've moved the sliders to show my ideal range for my annual deductible" and "I'd like to skip this question". A sidebar provides a tip: "Consider a high-deductible plan if your primary care provider is in-network."
- Review plans. Narrow your choices. Select up to 3 plans to compare.**: This section displays a grid of plan options. The top row shows "YAP Low no Rx" (5 plans) and "YAP Low with Rx" (5 plans). The bottom row shows "YAP High no Rx" (5 plans) and "YAP High with Rx" (5 plans). Each plan entry includes its name, monthly cost, and a summary of standard benefits. For example, the "YAP Low no Rx" plan starts at \$187 and includes benefits for monthly cost, annual deductible, annual out-of-pocket max, doctor visits, generic rx, emergency room, and hospital stay.

# Shopping and Decision Support (cont'd)



*The current online shopping experience includes tools that can support effective consumer plan selection, but more opportunities are available to expand the breadth and effectiveness of the support.*

- Currently available:
  - Basic filtering (and pre-filtering) by carrier, metallic tier and key design features
  - Provider search for hospitals and physicians (expanding to other provider types)
  - Plan naming to support identification of standardized designs
  - Informational videos and tool tips
- Potential examples for future implementation:
  - Total out-of-pocket cost estimator
  - Integrated plan quality and customer satisfaction scores
  - Formulary search
  - Decision support “wizard”
  - Advanced provider search or provider selection

The screenshot displays two main sections of the Massachusetts Health Connector website:

- Plan Search Results:** A sidebar on the left shows a search interface with filters for monthly premium, annual deductible, and annual out-of-pocket costs. It lists several plans with their details: BMC HealthNet Plan - Bronze A (HMO/BRONZE), MyDoc HMO Bronze Value Preferred Drug List (HMO/BRONZE), Direct Bronze with Coinsurance Preferred Drug List (HMO/BRONZE), and TUFTS Health Plan (various options). Each plan entry includes monthly premium, carrier details, plan details, annual deductibles, estimated out-of-pocket costs, and included benefits.
- Find a Health Plan:** The main content area features a search bar and a table of health plans. The table columns include: MONTHLY PREMIUM, CARRIER DETAILS, PLAN DETAILS, ANNUAL DEDUCTIBLES, EST. OUT-OF-POCKET COSTS, and INCLUDED BENEFITS. The table lists the same four plans as the search results, along with their individual and family rates. Below the table, there is a graphic for the "GOLD PLAN" showing two cartoon figures holding money bags with "80%" and "20%" written on them.

# **Health Insurance Products: Current State and Context**

# Products in Context: Other Marketplaces



***Other state-based Marketplaces (SBMs) vary widely in their plan offerings, and policy and regulatory contexts, but monitoring and learning from peer SBMs can become an important component of building an informed product strategy.***

- Ten states, including Massachusetts, set guidelines or standards for carriers in terms of number and design of plan offerings
  - The remaining state-based and federally facilitated Marketplaces take a passive approach that allows any plan meeting baseline ACA requirements to appear on the Marketplace's shelf
  - Massachusetts is one of seven SBMs that offers standardized plans for 2016; the FFM expects to give carriers the option of standardized plans for 2017

SBMs with Standard Plans		SBMs without Standard Plans	
California	New York	Colorado	Maryland
Connecticut	Vermont	Hawaii	Minnesota
<b>Massachusetts</b>	Washington, D.C.	Idaho	Rhode Island
Oregon		Kentucky	Washington

Data as of Plan Year 2016. Source: Various on file, including SBM websites

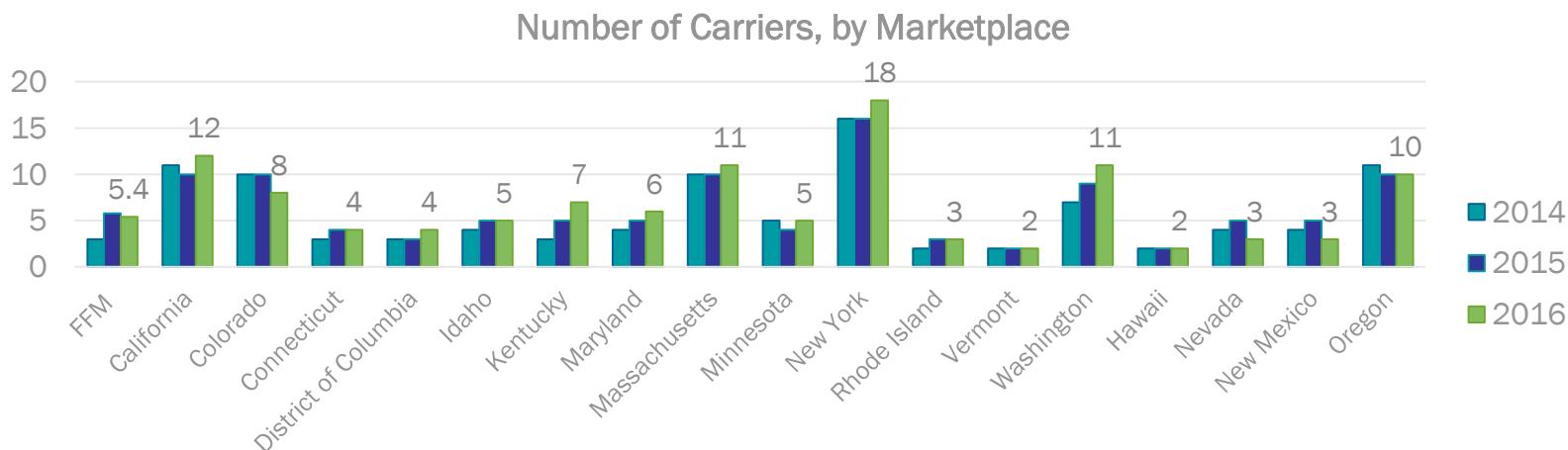
- Some states are developing approaches to address quality and cost concerns
  - Connecticut and Minnesota are seeking to promote value and cost containment efforts, while California is launching a multi-year quality and value-based certification contracting process

# Products in Context: Other Marketplaces (cont'd)



**Massachusetts, with 11 carriers in 2016, has more participating carriers than the national Marketplace average.**

- The Massachusetts carrier landscape has been impacted by the shift of Medicaid MCOs to the commercial space to serve the ConnectorCare population, the introduction of a co-op carrier, and carriers entering to access new membership
  - In addition, Massachusetts requires carriers with more than 5,000 covered lives in the merged market to submit plans to the Marketplace – to maximize competition on our shelf among large well-known issuers and smaller carriers, which helps to draw in new customers

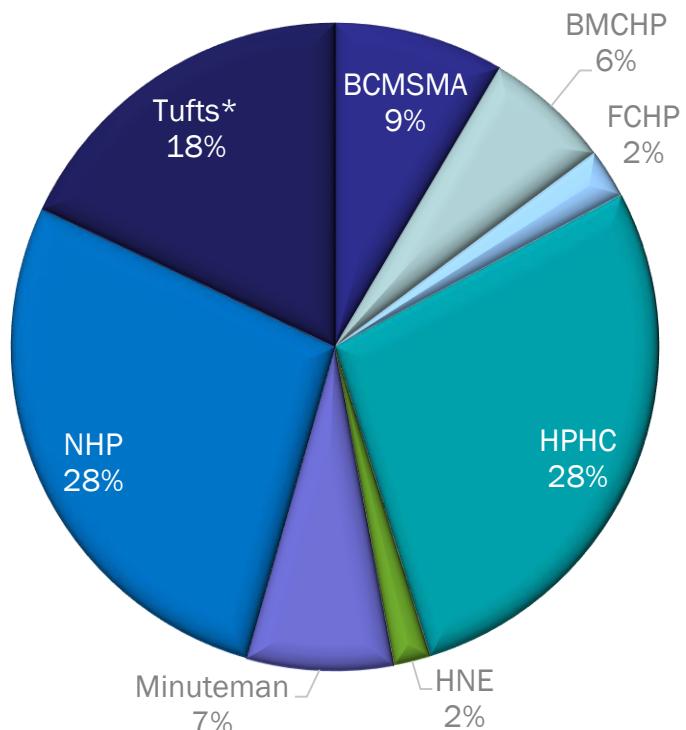


# Products in Context: Massachusetts' Market

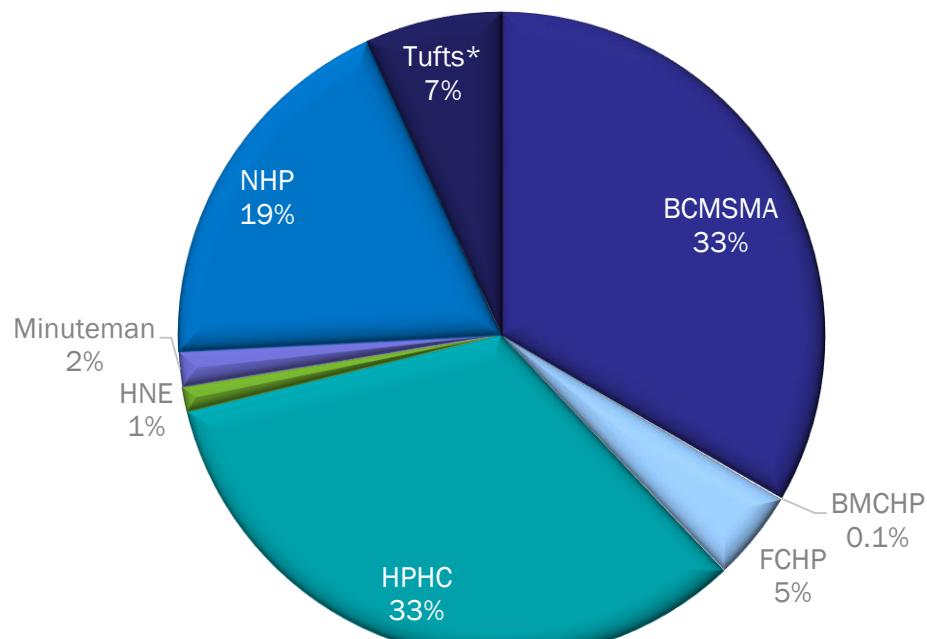


*The health insurance carriers selected by the Health Connector's non-group, non-ConnectorCare enrollees differ significantly from individuals who purchase outside of the exchange.*

Non-group On Exchange Enrollment



Non-group Off Exchange Enrollment



Source: CHIA Enrollment Trends February 2016 Databook. Data from September 2015. <http://www.chiamass.gov/enrollment-in-health-insurance/>. Enrollment totals for On Exchange Non-Group enrollment do not include ConnectorCare enrollment. Excludes carriers with negligible enrollment.

\*Tufts data includes both Tufts Health Plan – Premier and Tufts Health Plan – Direct enrollment.



## **Seal of Approval – Looking Ahead**

# Looking Ahead: SOA Strategy and Process



***As the Health Connector continues to come into a period of enhanced stability and its scale within the non-group market continues to grow, we have the opportunity to revisit and refresh our directional strategy and goals, as needed.***

- Today is the start of these conversations with the Board of Directors to help craft the next chapter of SOA (Plan Year 2018 and beyond)
- Initiatives underway to support an informed approach to this area of thinking include:
  - 1332 exploration process (still ongoing) yielded feedback from stakeholders and sister agencies
  - Planning for long-horizon decision support and transparency improvements
  - Planning for enhanced research capacity (ability to better understand needs of our enrollees using All Payer Claims Database (APCD) data and/or engagement with outside research entities)
- We expect to return to the Board periodically to share additional analysis and considerations as we continue to evaluate the opportunities we may wish to pursue through the SOA