

# Value Proposition of the SHOP Exchange

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SHOP Exchange: Policy and Operations  
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**State Health Reform Assistance Network**  
Charting the Road to Coverage

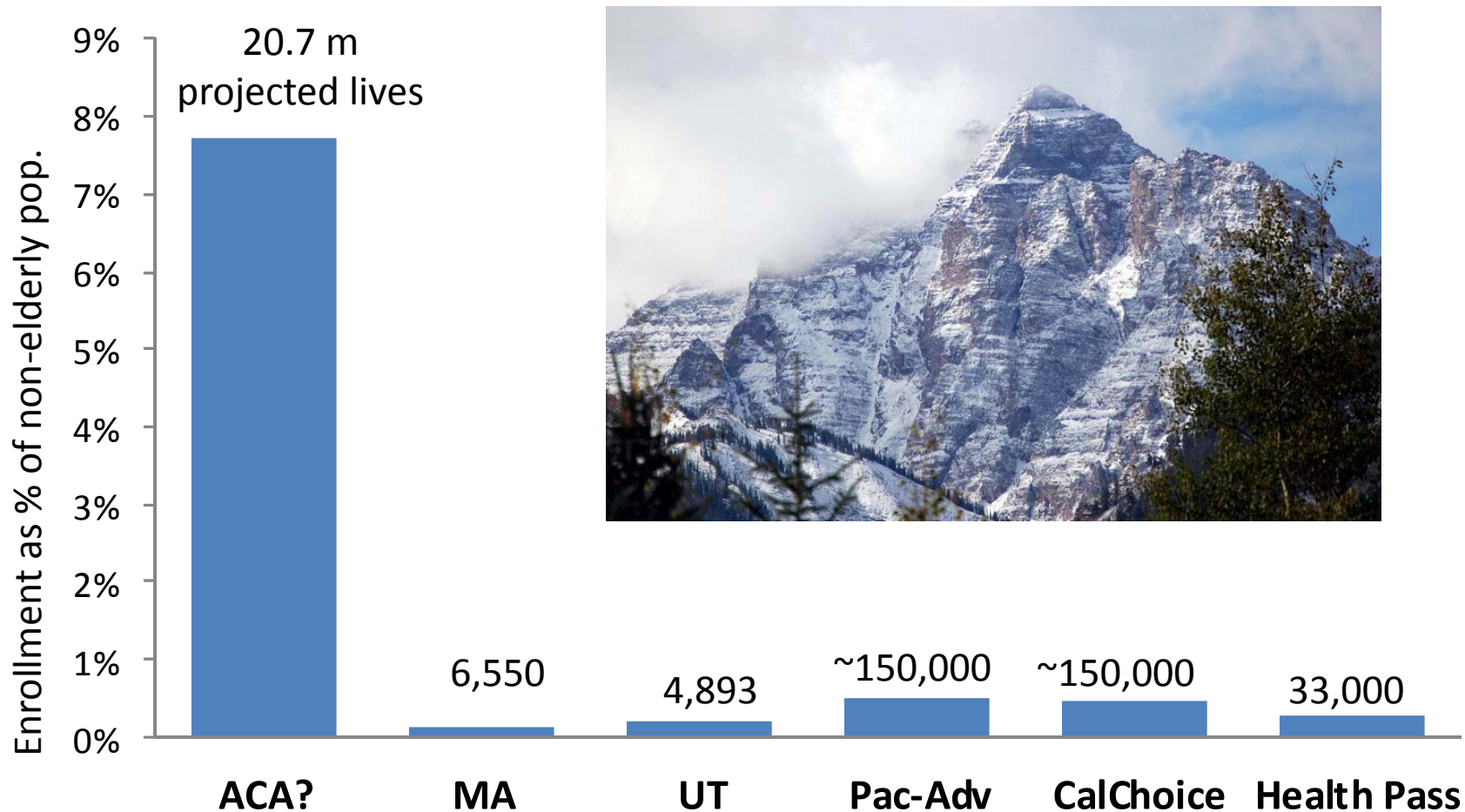


Robert Wood Johnson Foundation

# Value proposition

- Employers
- Employees
- Brokers
- Carriers

# High Expectations for SHOP



SHOP Exchange projection from Urban Institute, 12/2010. Enrollment numbers reflect covered lives. Non-elderly population estimates from US Census Bureau.

# Potential Value Proposition for Employers

- Choice (of carriers, plans)
- Defined contribution (E'er "exit")
- Lower costs
  - Lower premiums
  - Special subsidies/benefits
- Administrative simplification

# Choice Sounds Good to Employers....

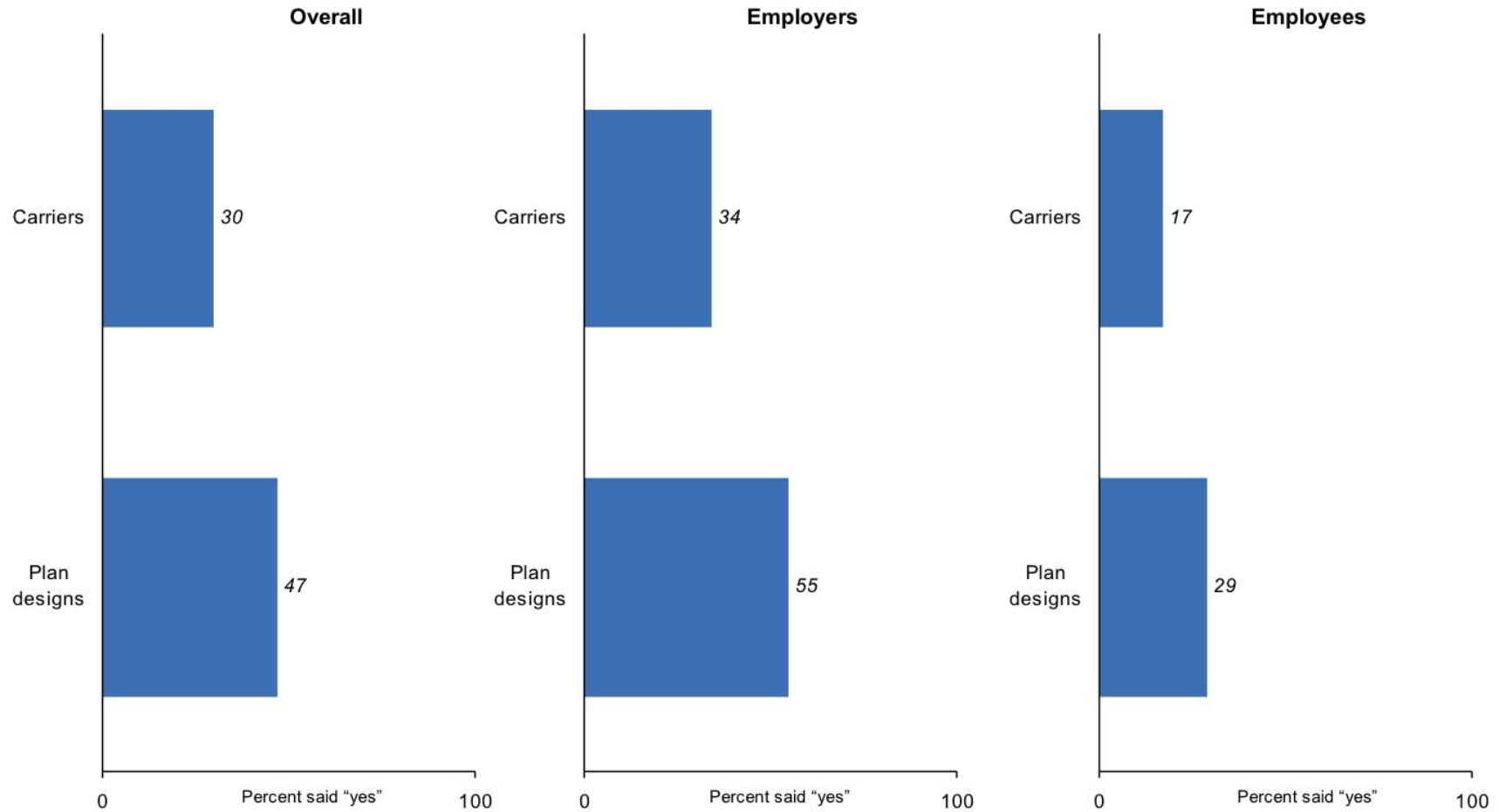
Particularly around having a choice of *carriers*

- “we need more carriers coming into the state for more choices and better rates”

And employees.....

- “Who wouldn’t want more choices?””
- Like “being able to comparison shop”

# Do You Have Enough Choice of...?



*Among: IDI participants | compared by group*

# SHOP Could Offer Employees More Choice

**Employer picks tier, employee picks plan on tier**

	Health Plan A	Health Plan B	Health Plan C	Health Plan D
Platinum				
Gold				
Silver				
Bronze				

**Employer selects plans, employees picks from selected plans**

	Health Plan A	Health Plan B	Health Plan C	Health Plan D
Platinum				
Gold				
Silver				
Bronze				

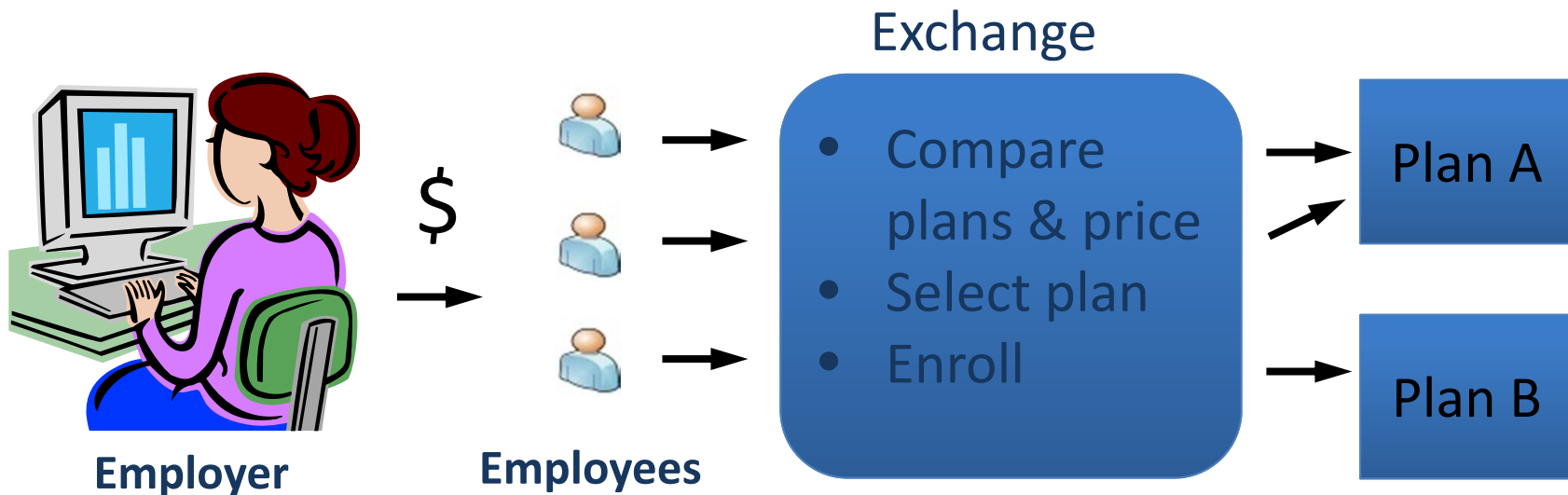
**Employee picks any plan, any tier**

	Health Plan A	Health Plan B	Health Plan C	Health Plan D
Platinum				
Gold				
Silver				
Bronze				

**Employer selects single plan**

	Health Plan A
Platinum	
Gold	
Silver	
Bronze	

# Defined Contribution: Taking the Employer Out of the Picture



## Issues:

Qualifies as ESI?

Qualifies for small business tax credits?

Qualifies for SHOP?

# Lower Costs

- Lower premiums
  - New, narrow-network health plans?
  - Scale economies in distribution functions
- Special small business tax credits
  - Rapid phase-out with increased size/wage
  - Net incremental benefit of 30-35% of employer's premium contribution, with full small-employer tax credit, less employer's tax deductions

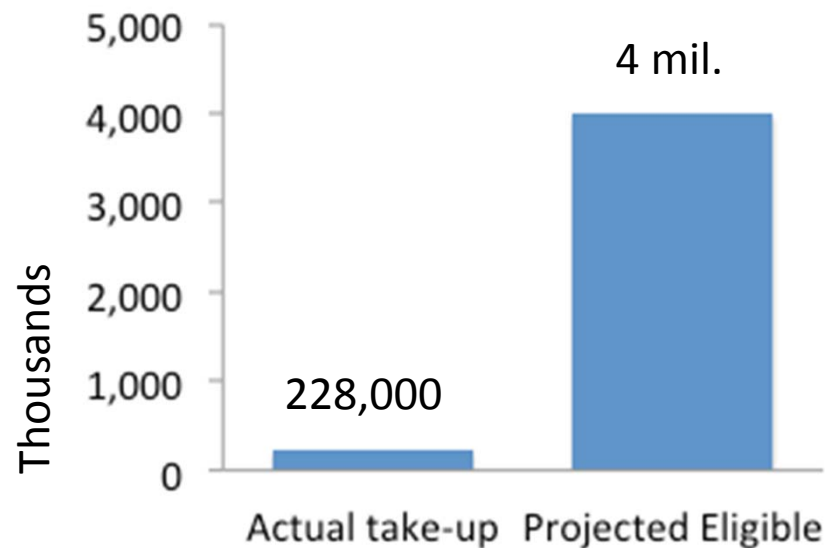
# Rapid Phase-out of Small Business Tax Credit

Firm Size	Up to \$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
Up to 10	50% <b>Net~30%</b>	40%	30%	20%	10%	0%
11	47%	37%	27%	<b>17%</b>	7%	0%
12	43%	33%	23%	13%	3%	0%
13	40%	30%	20%	10%	0%	0%
14	37%	27%	<b>17%</b>	7%	0%	0%
15	33%	23%	13%	3%	0%	0%
16	30%	20%	10%	0%	0%	0%
17	27%	<b>17%</b>	7%	0%	0%	0%
18	23%	13%	3%	0%	0%	0%
19	20%	10%	0%	0%	0%	0%
20	<b>17%</b>	7%	0%	0%	0%	0%
21	13%	3%	0%	0%	0%	0%
22	10%	0%	0%	0%	0%	0%
23	7%	0%	0%	0%	0%	0%
24	3%	0%	0%	0%	0%	0%
25	0%	0%	0%	0%	0%	0%

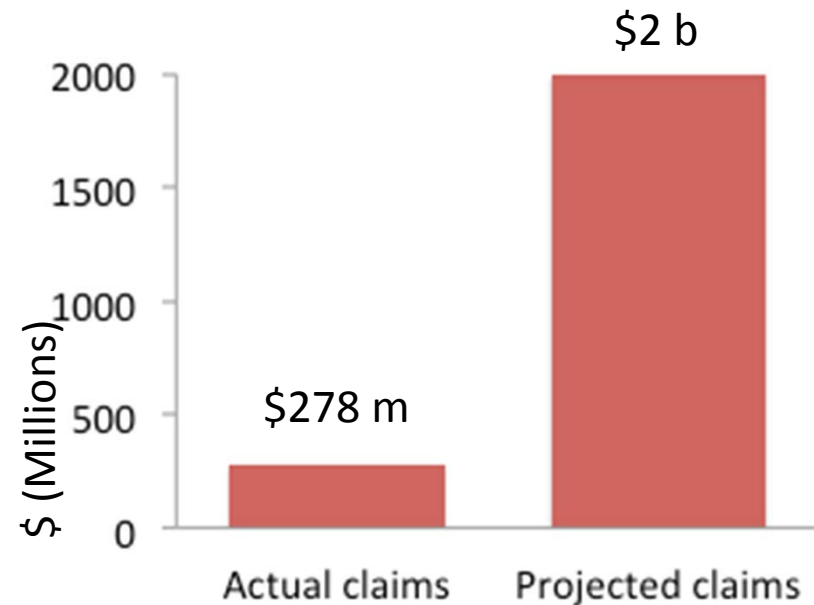
Source: CRS Analysis, 4/2010

# Appeal of Small Business Tax Credit has been Limited

Enrollment:

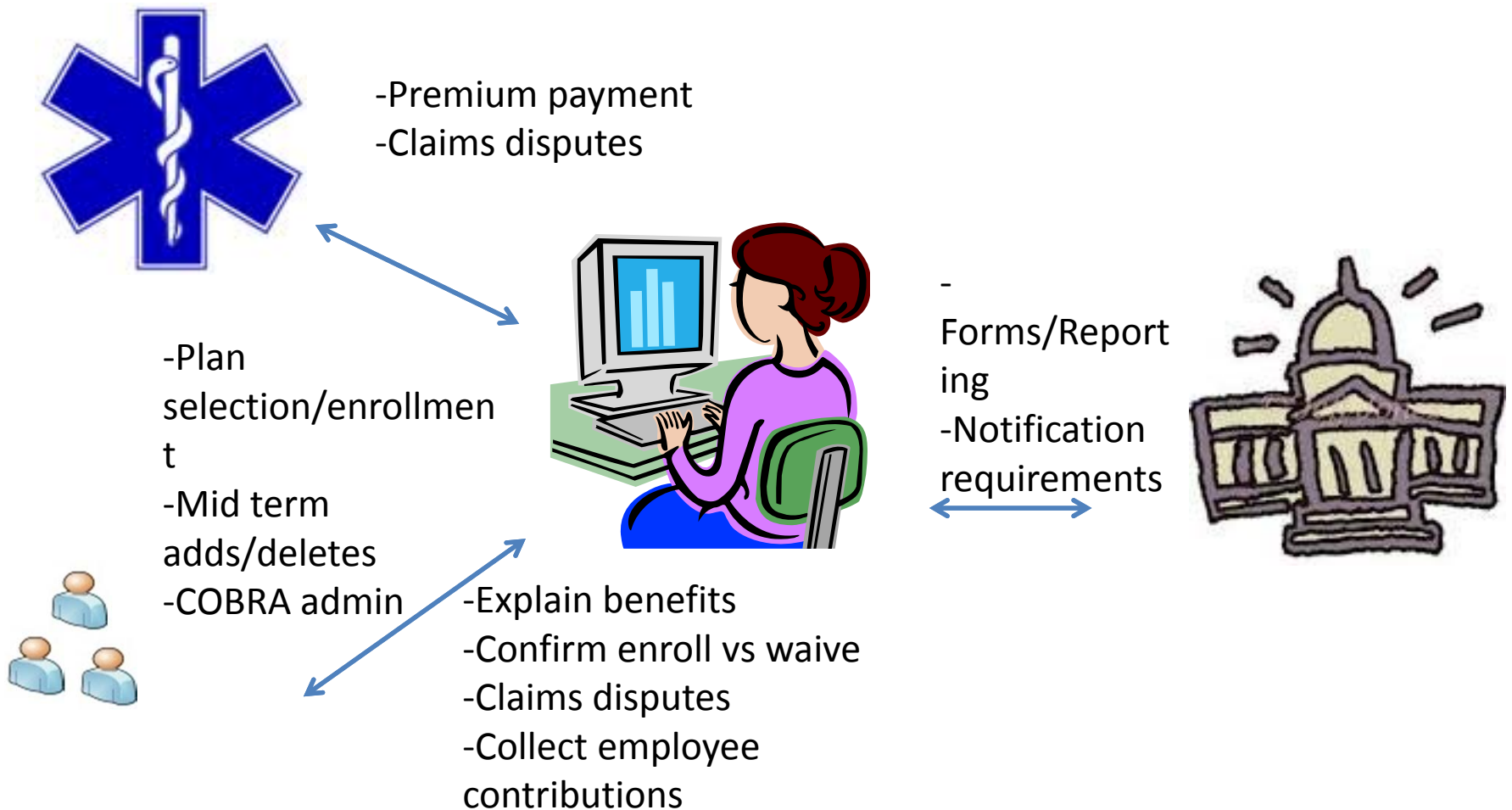


Dollars claimed:



Source: Actual 2010 take-up from Treasury IG report (9/2011),  
Projected cost based on CBO analysis; projected eligible based on Families USA report.

# Administrative Simplification



# Potential Value Proposition for Employees

- Choice of networks/carriers/plan design
- Lower premiums
- Claims assistance/customer service

# Value Proposition for Others

- Brokers: New offerings (i.e., defined contribution, employee choice) creates more work, new roles, more product choice
- “New” carriers:
  - Employee choice expands market for low-cost, narrow-network health plans
  - Exchange offers scale economies for new administrative functions