2014 and the New World of Health Insurance
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Recently, California Gov. Jerry Brown signed SB 1446, allowing small group employers with a health insurance plan that was in effect on Dec. 31, 2013, and still in effect as of the passage of the bill, to renew their current health plan, even if it does not meet certain requirements under the Affordable Care Act (ACA). This means that some small group employers now have the option of keeping their current 2013 non-ACA-compliant, non-grandfathered plans for one more year. The extended transitional period will give small employers more time to prepare to bear the costs associated with plans that fully comply with the ACA, and more time to consider their choices while moving into the new world of health insurance.

Introduction
In 2013 small business employers had many decisions to consider related to the implementation of the ACA. Should you buy coverage through a health insurance marketplace or purchase directly from an insurance carrier? Should you have early-renewed your 2013 plan rather than purchase a 2014 ACA-compliant plan? Does a plan offering a limited network make sense for your budget or should you be sticking to plans that allow access to a wide variety of providers? It could be that you made decisions in 2013 without having all the information you would have liked. This article will help guide you through some of your new options, providing the information you need to select the coverage that makes the most sense for your business, your budget, and your employees.

Weighing the Benefits: Old Plans vs. New Plans
In 2013, employers had to decide whether to keep their 2013 plan or shop for a 2014 plan that meets ACA standards, including additional consumer protections and benefits not required of old plans. Many employers who kept their older plans did so because they thought the premiums for new plans could be much more expensive. In fact, depending upon your workforce population, this might not actually be the case. Remember, even if you already renewed an older health plan for another year, it’s not too late to change your mind. Let’s compare the two:

Old Plans (Pre-2014)
Prior to 2014, insurers were required to establish standard employee risk rates for health plans. These rates could vary by age, family size and location. Old plans used a system of seven age bands, four family size categories, and nine geographic rating areas to determine a rate. However, insurers were then free to set an additional number of rating factors that could cause rates to vary from one insurer to another. For example, one insurer might decide that an older employee’s rate would be 4.5 percent higher than a young employee’s rate, while another insurer might determine that the older employee’s rate should be 3.5 percent higher. Insurers could similarly vary in the determination of the cost of family coverage with no regard to the number of dependents being covered or their ages. Finally, old plans were subject to a “risk adjustment factor” (RAF) in California, which allowed insurers to adjust standard employee risk rates for a specific employer by as much as 10 percent depending upon an analysis of employee health history and predicted utilization.
New Plans (2014 and Beyond)
Rate calculation for new, non-grandfathered plans, which are plans that were in place after the ACA was signed into law on March 23, 2010, takes into account only three criteria in a rate determination:
1) geographical rate area (expanded from nine areas to 19),
2) the employee’s residential zip code, and
3) a member-level rating.
“Member-level rating” is calculated using the age of each covered member of the family as of the plan’s effective date, including employees, spouses, domestic partners, up to three children under 21-years-old per family (additional children are covered at no extra cost), and all adult children ages 21 and 25, regardless of whether they live at home.

Choosing a Public vs. Private Marketplace
Educating yourself on the different options available to you as a small business owner is a great first step towards picking the right coverage. Let’s examine some of your choices:

California’s Public Marketplace: The Small Business Health Options Program (SHOP)
California’s health care marketplace, Covered California, has a specific program for small businesses called the Small Business Health Options Program, or SHOP, which offers plan options from the following issuers: Kaiser Permanente, Blue Shield, Health Net, Sharp, Western Health Advantage and Chinese Community. The SHOP consolidates the buying power of small businesses to offer more choices for affordable health care coverage. The SHOP hands the decision making ability to the employee, by giving them the choice to research, compare, purchase, and enroll in primary and ancillary coverage (such as dental and vision) within a fixed contribution tier-level of coverage selected by the employer. Employees can choose any plan from any health plan issuer offering coverage at the metal plan level selected by the employer. (The plans offered in the SHOP fall into four metal plan levels— Bronze, Silver, Gold and Platinum. Each metal plan level corresponds to an actuarial value, which is a measure of how much of the cost for covered services would be paid by the plan.) The SHOP also handles the administration of enrollment, plan administration and billing. Only one monthly payment directly to the SHOP is required from the employer regardless of which plans the covered employees select. Some small businesses with 24 or fewer full-time-equivalent (FTE) employees for the taxable year may also qualify for a small business tax credit of up to 50 percent. This credit is only available for coverage purchased through the SHOP.

The Private Exchange: CaliforniaChoice
Established in 1996, CaliforniaChoice is a small group private exchange that works similarly to the public marketplace, offering both primary and ancillary coverage options with HMO, PPO, and EPO designations. CaliforniaChoice’s private exchange offers plans from many of the same issuers as the SHOP, including Kaiser Permanente, Health Net, Sharp and Western Health Advantage. With CaliforniaChoice, you can also select plan offerings from Blue Cross and Aetna as well. A noteworthy difference between CaliforniaChoice and the SHOP plan selection offering is that CaliforniaChoice allows employers to pick plans from two contiguous tiers, for example bronze/ silver or silver/gold while through the SHOP the plan selection is limited to one tier only. Prescription benefits, voluntary vision, multi-choice dental coverage, term life insurance, chiropractic and acupuncture options are also available for purchase. In addition to insurance,
CaliforniaChoice provides support services such as free online human resources support, an employee discount program and payroll services. Similar to the SHOP, purchasing plans through CaliforniaChoice offers cost control, guaranteed rates, online administration, and single source billing to ease the administrative burden on employers.

Direct Purchase
Small businesses still have the option of purchasing a health plan directly from an insurance carrier, either through a broker or directly. This option offers more flexibility than SHOP or CaliforniaChoice when it comes to negotiating specific contribution levels and having the ability to offer multiple benefit level choices, because employees cannot choose from the provider networks of several carriers. However, it is important to look carefully at the providers an individual carrier offers to ensure the available providers make sense for your employees' needs. Keep in mind that going directly to the carrier means you will not qualify for some of the other benefits offered through the SHOP.

Lower Premiums through Limited Networks
Some insurance carriers are now offering limited network plans as a way to drive down costs for consumers. Under this model, the health plan offers employers a narrow network of providers and limits the number of facilities that employees can use to access care. Employers should understand that while the insurer offering a limited network plan may have a large number of providers and facilities available throughout their entire network, only a limited amount will be available for employee access. Employers will need to decide whether the lower premiums are worth the tradeoff of fewer access points for employees.

Ready, Set, Shop!
As a small business owner, there are many opportunities to take advantage of in this new health insurance environment. Seeking out a trusted broker to work closely with you throughout this process can be a great way to bring in an experienced perspective as you think through your options. You don’t have to wait for your current plan to expire to begin exploring alternatives. If you’re reading this article, you’re already taking steps to gather all the information you need to select the plan the makes the most sense for the health of your employees and your business.