



Public Forum

THE SMALL EMPLOYER'S STRUGGLE TO OFFER HEALTH COVERAGE: A DISCUSSION OF RECENT TRENDS AND POLICY OPTIONS

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A business of Marsh McLennan

CONTENT

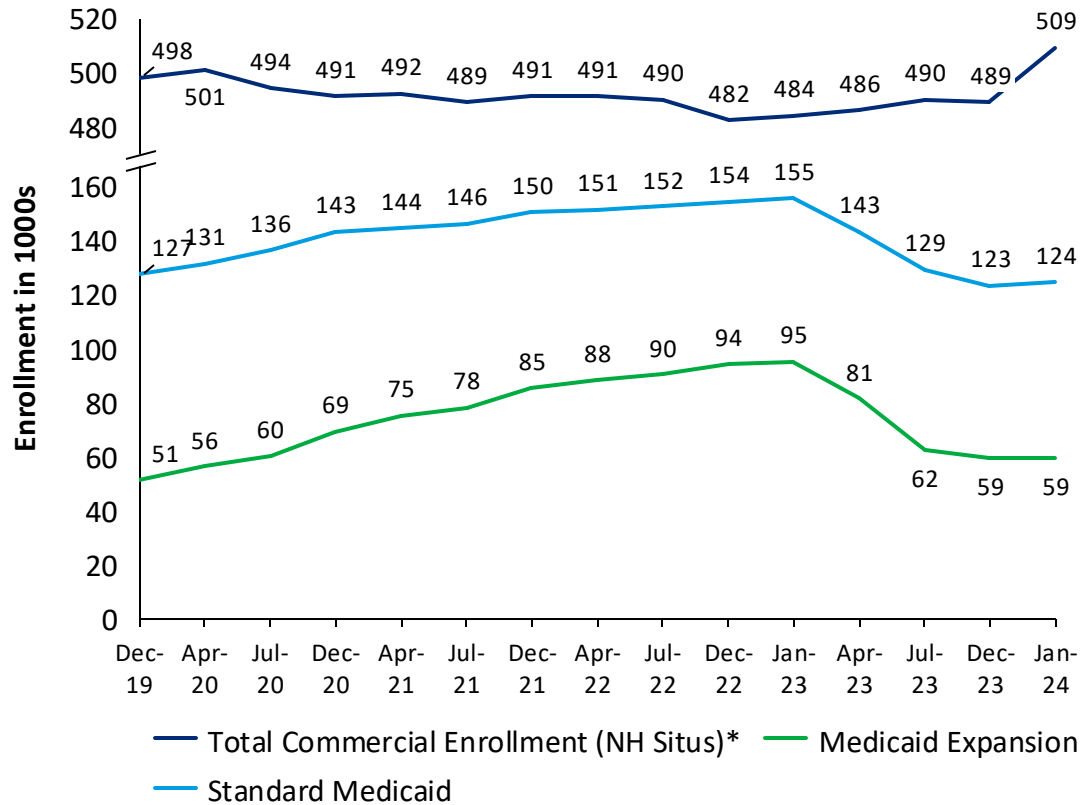
1. Membership Trends in the Commercial Health Insurance Markets in New Hampshire
2. Explored Policy Options for the Small Group Market
 - a. Merged Market Analysis
 - b. Reinsurance Program in the Small Group Market
 - c. ICHRA and QSEHRA

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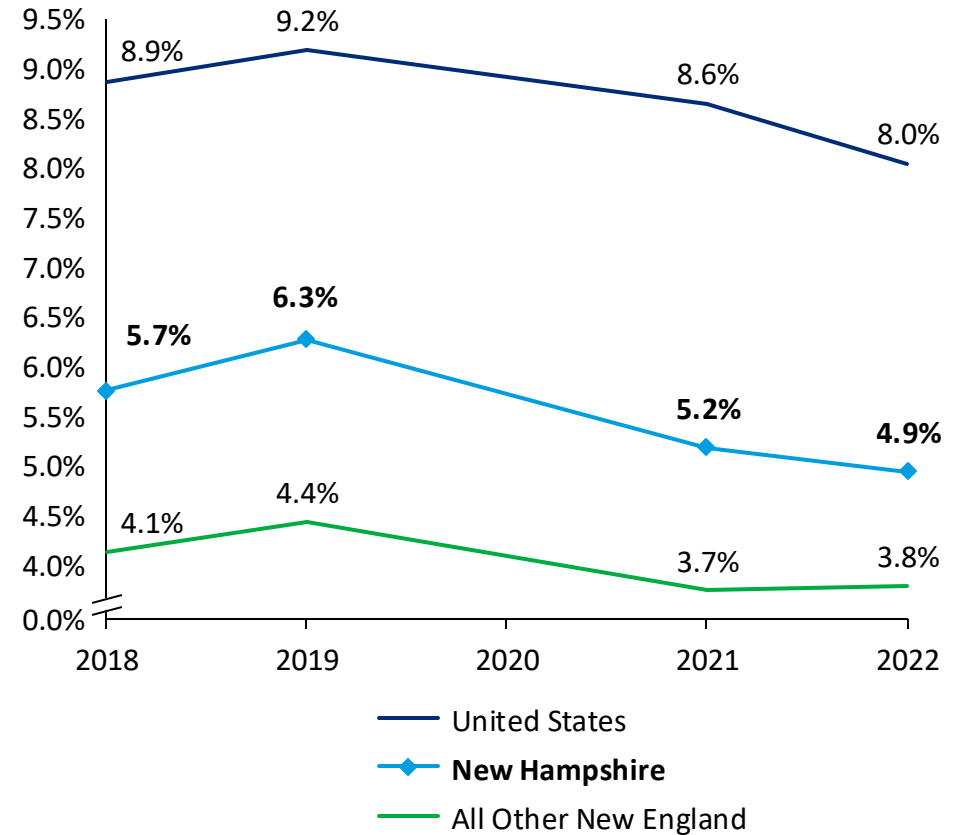
Membership Trends in the Commercial Health Insurance Markets in New Hampshire

ENROLLMENT BY SEGMENT AND UNINSURED RATE TRENDS IN NEW HAMPSHIRE

Commercial and Medicaid Enrollment Dec 2019 to Jan 2024



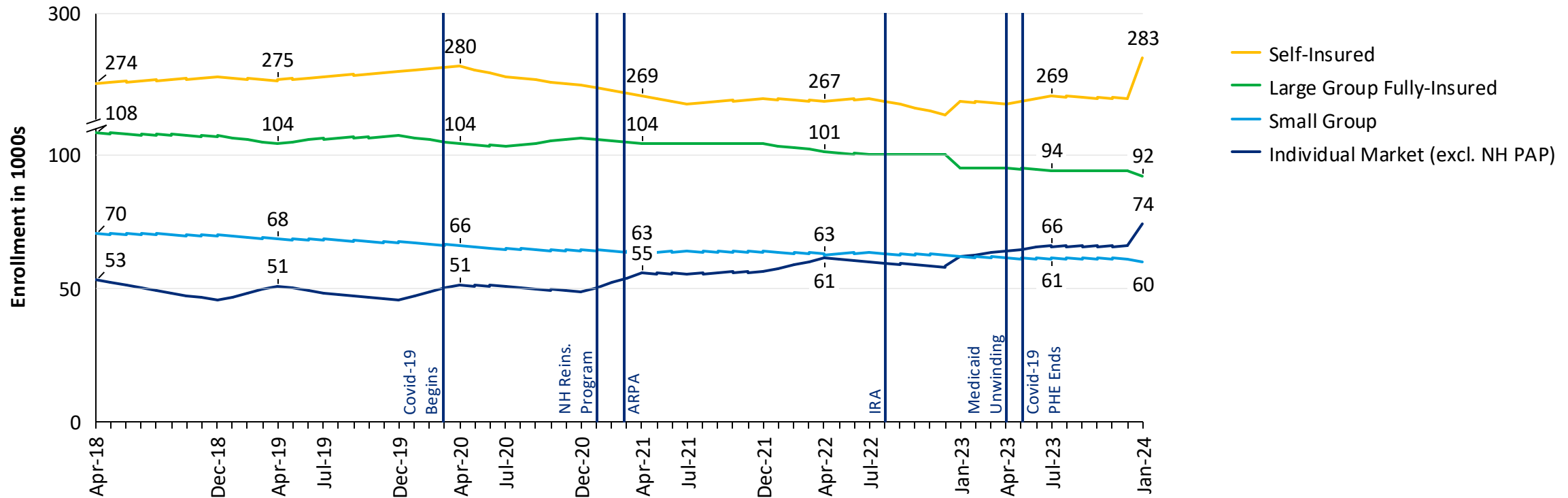
National and State Uninsured Rates 2018 - 2022



- From April 2020 to December 2022 overall Commercial enrollment in NH decreased, while total Medicaid enrollment increased steadily. This has reversed starting in January 2023 where Medicaid enrollment has decreased while Commercial enrollment has increased slightly, mostly due to growth in the Individual Market
- The uninsured rate in New Hampshire follows similar decreasing trend from 2019 to 2022 as nationwide. Compared to other New England states, New Hampshire's uninsured rate (4.9% in 2022) was slightly above the average of other New England states (3.8%) but lower than nationwide average (8.0%)

ENROLLMENT IN COMMERCIAL MARKET IN NEW HAMPSHIRE

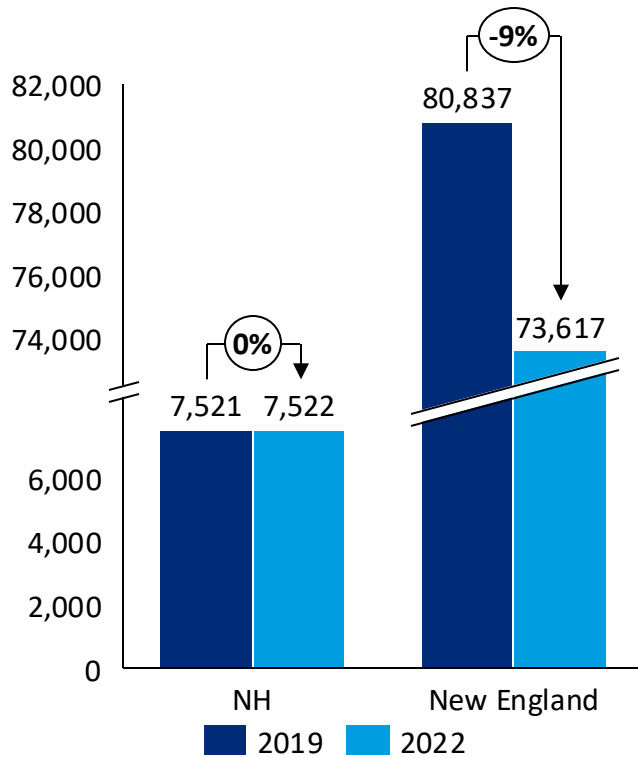
New Hampshire Enrollment Trends by Market Segment: April 2018 – January 2024



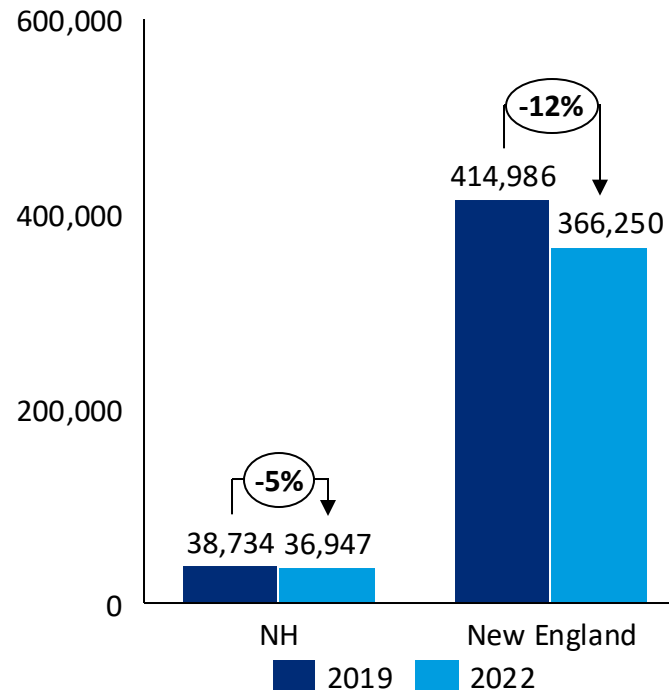
- Small Group Market membership has experienced a steady gradual decline at least as far back as early 2018 to beginning of 2024 while the Individual Market membership has experienced enrollment increase since introduction of ARPA tax credits and the NH state-based reinsurance program in 2021
- The Large Group Fully-Insured Market has demonstrated a gradual decline in membership over time while enrollment in the Self-Insured segment has remained fairly consistent with recent increase in enrollment since 2023

THE NUMBER OF FULLY INSURED SMALL GROUPS OFFERING HEALTH COVERAGE REMAINED STABLE IN NH FROM 2019 TO 2022; HOWEVER THE NUMBER OF SUBSCRIBERS AND MEMBERS DECLINED IN NH BUT AT LOWER RATES THAN IN NEW ENGLAND

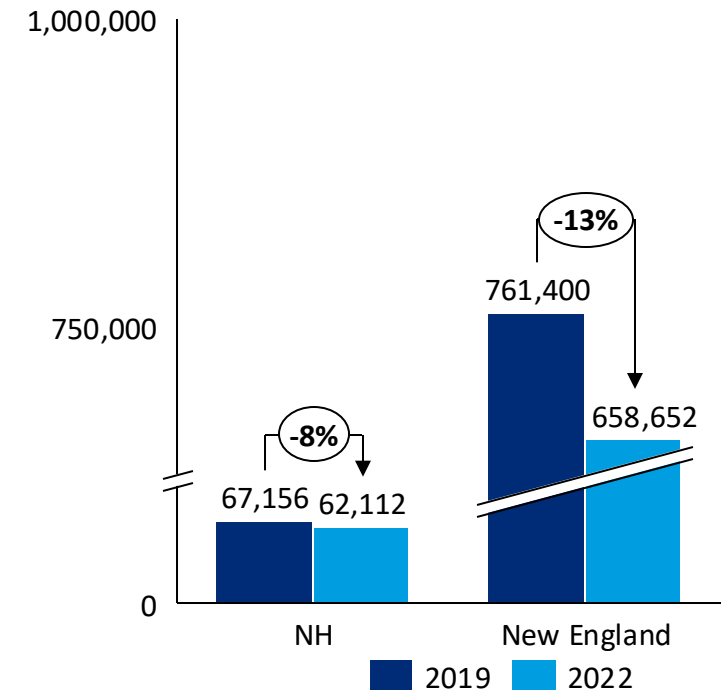
Number of Fully Insured Small Groups
New Hampshire vs New England
2019 vs 2022



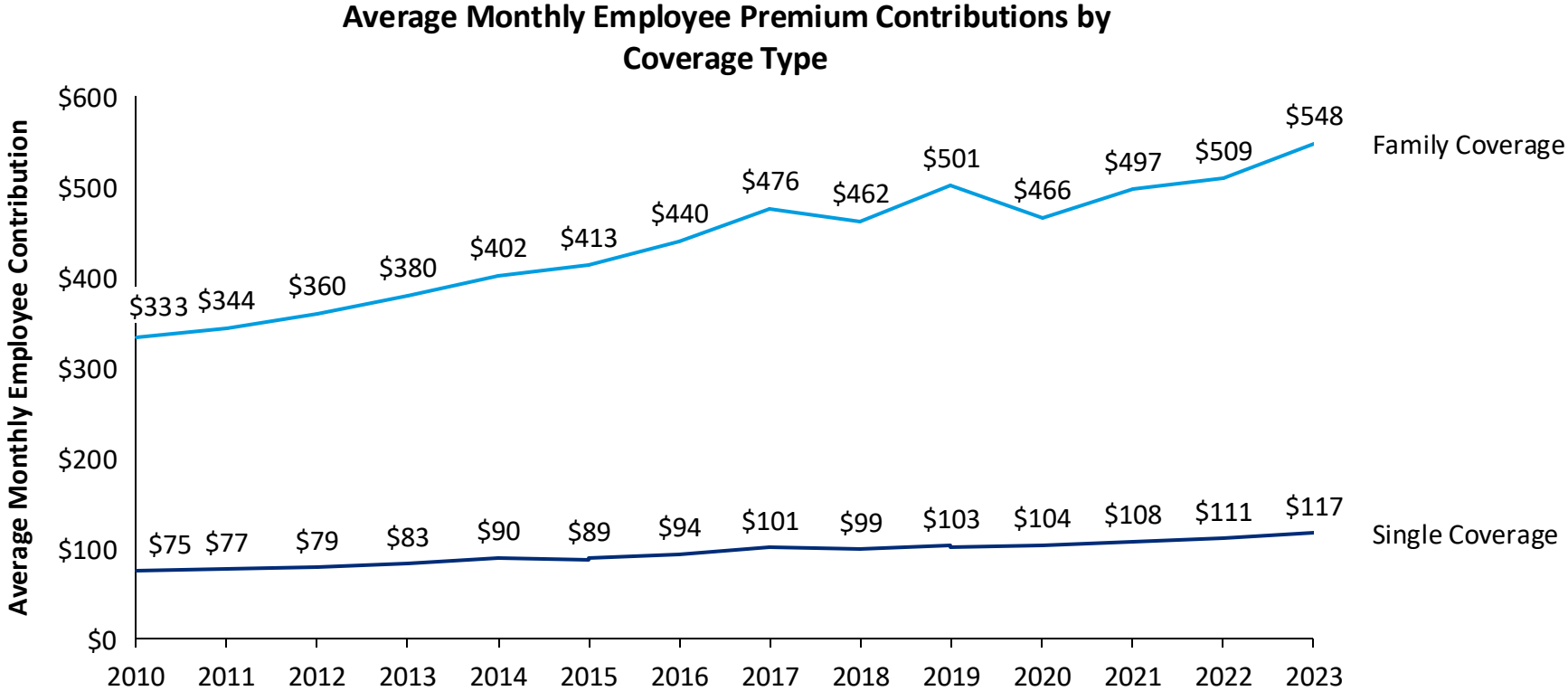
Number of Fully Insured Small Groups Subscribers
New Hampshire vs New England
2019 vs 2022



Number of Fully Insured Members
New Hampshire vs New England
2019 vs 2022



EMPLOYER TRENDS: NATIONWIDE EMPLOYEE CONTRIBUTIONS TOWARD PREMIUMS HAVE BEEN STEADILY INCREASING SINCE 2010 WITH FAMILY COVERAGE CONTRIBUTIONS RISING FASTER



- Nationwide employee contributions towards their premiums have been increasing at greater average annual rates for family coverage (3.9%) compared to single coverage (3.5%) for years 2010 - 2023, making the coverage for dependents more expensive over time
- As dependent coverage becomes less affordable, higher share of dependents covered by employer sponsored insurance would qualify for premium tax credits and potentially for cost-sharing reduction subsidies in the Individual ACA Market¹

¹ In 2024, a job-based health plan is considered "affordable" if your share of the monthly premium in the lowest-cost plan offered by the employer is less than 8.39% of your household income. <https://www.healthcare.gov/glossary/affordable-coverage/>
 Source: KFF Employer Health Benefits Survey (2023)

2A

**Merged Market Analysis in New Hampshire
Premium Rate Impact**

SEVERAL ITEMS WERE TAKEN INTO CONSIDERATION WHEN ESTIMATING THE IMPACT TO 2024 PREMIUM RATES UNDER A MERGED MARKET

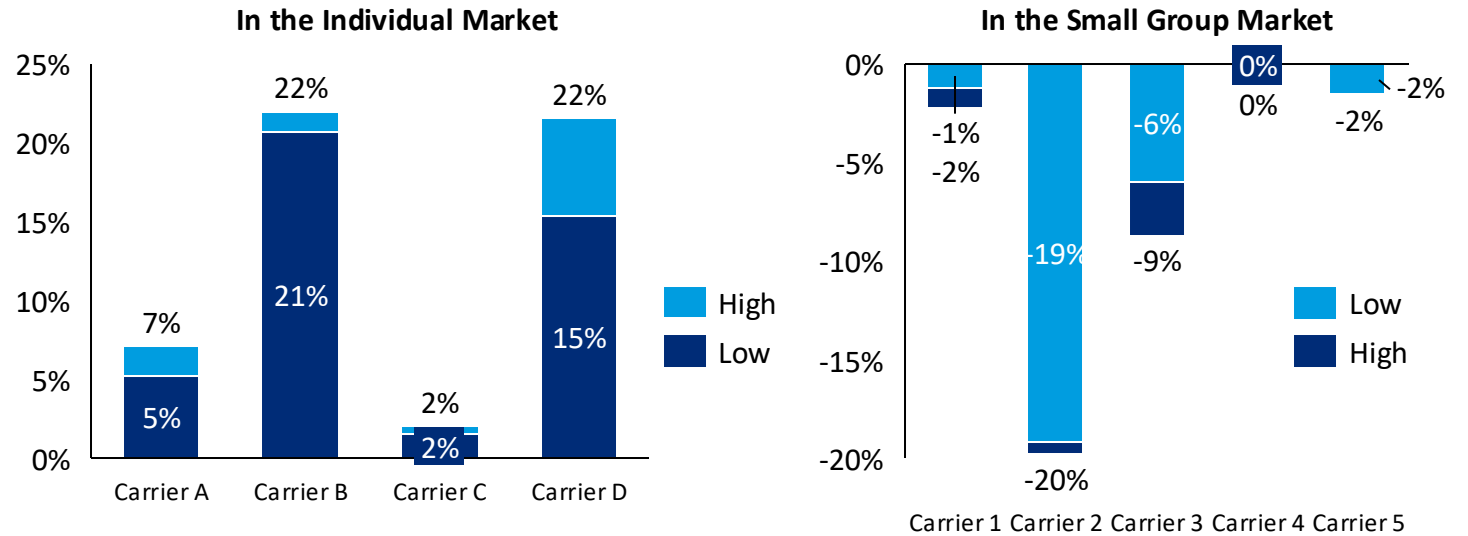
Rating Items for Consideration	Description
Claims and Provider Reimbursement	<ul style="list-style-type: none"> • Based on feedback from carriers, some plans in the Individual market have on average lower reimbursement rates to providers or/and narrower networks than in the Small Group market • We would expect that health plans have to realign the network offerings and/or provider reimbursement levels under Merged Market
Risk Adjustment	<ul style="list-style-type: none"> • Carriers with membership in both markets would blend their claims experience • The risk adjustment program would be combined across both the Individual and Small Group markets • In general, the Individual market has a higher average morbidity¹ than the Small Group market (1.10 in 2021-2022 and 1.03 in 2023)
State Reinsurance Program	<ul style="list-style-type: none"> • The reinsurance program would be combined across both markets • The cost of the reinsurance program to New Hampshire was targeted to remain the same as estimated for 2024 (~\$12.8M) under this initial scenario • The overall size of the program would need to shrink as pass-through funding amounts decrease
Exchange User Fees	<ul style="list-style-type: none"> • Exchange user fees would be spread across both a carrier's Individual and Small Group membership
Administrative Expenses	<ul style="list-style-type: none"> • The assumption is that carriers would blend their administrative expenses, taxes & fees, and profit/risk margin across membership in both markets • On average, administrative expenses on PMPM basis are currently higher in the Small Group market than in the Individual market

¹ Morbidity is estimated based on State Average Plan Liability Risk Score divided by State Allowable Rating Factor and State Average Actuarial Value from 2021-2023 Risk Adjustment reports and normalized to Small Group morbidity estimate

THE IMPACT OF THE MERGED MARKET ON GROSS PREMIUM RATES IS ESTIMATED AT +15% TO +17% FOR INDIVIDUAL AND -13% TO -11% FOR SMALL GROUP

Market	Estimated Impact to Gross Premium Rates
Individual	15% to 17%
Small Group	-13% to -11%
Total Merged	0% to 1%

Range of Estimated Impact to Gross Premium Rates by Carrier



- Variation by carrier depends on the mix of Individual and Small Group business
- The increase in gross premium rates to the Individual market would primarily be expected to unfavorably impact those enrollees who are not subsidized. About half of the Individual Market enrollees were not subsidized in 2023.
- The above premium rate impact estimates assume the following:
 - A 1332 waiver is filed, which combines the merger of the two markets with the implementation of a reinsurance program, in order to capture any pass-through savings
 - Other than those considerations identified (e.g., blending claims, blending administrative expenses), no additional changes to the pricing methodologies are assumed under merged market
 - For carriers with different provider reimbursement and different network offerings by market segment, it is assumed in the Merged Market scenario that the carrier would have provider reimbursement levels and network offerings equal to the average of the current Individual and Small Group market levels
 - No impact on enrollment or morbidity due to premium rate and network changes is assumed

Sources: OW Analysis, Carrier data information, 2022-2024 URRTs

THERE ARE SEVERAL ADDITIONAL ITEMS TO CONSIDER WHEN REVIEWING THE POTENTIAL IMPACT OF A MERGED MARKET, INCLUDING BUT NOT LIMITED TO THOSE LISTED BELOW

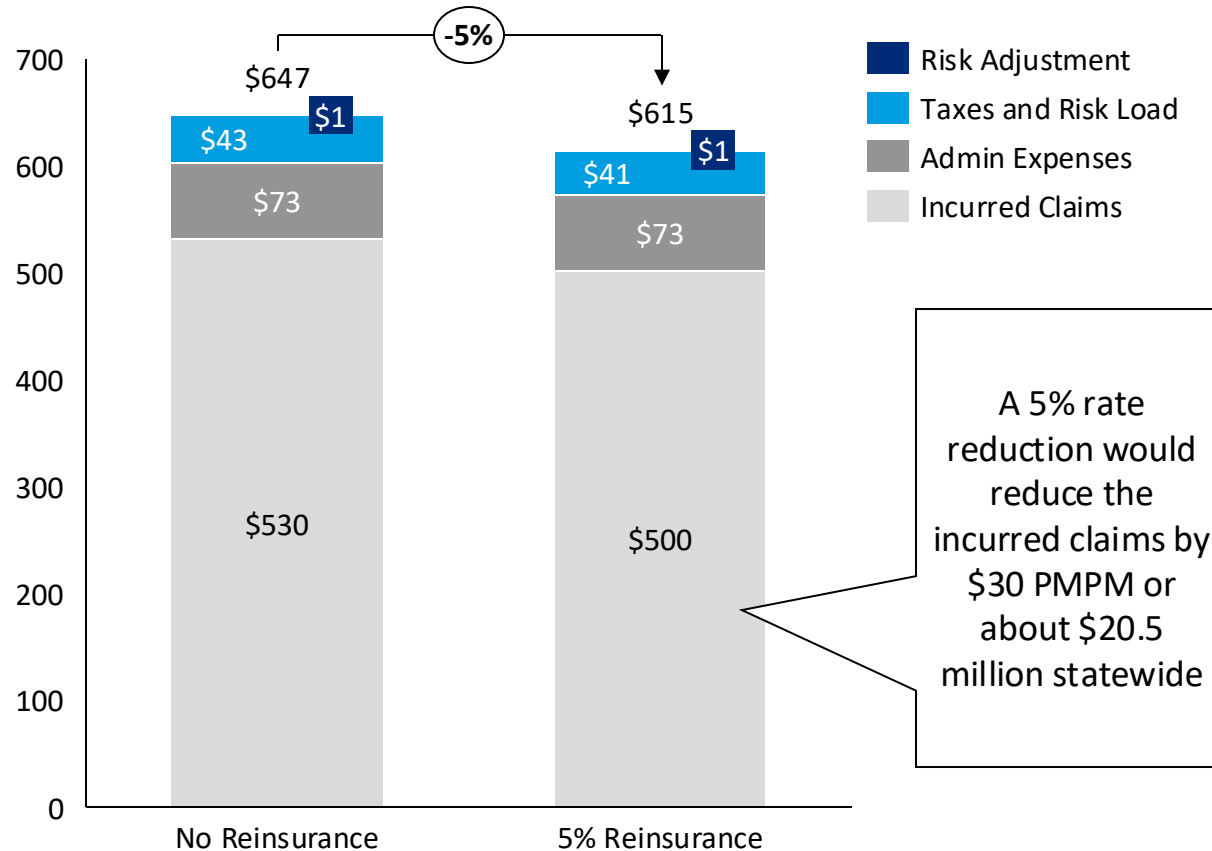
- **Enrollment** – What is the expected net impact of the estimated rate changes on enrollment in the Individual and Small Group markets?
- **Morbidity of Single Risk Pool** - If a material change in enrollment is expected, what is the impact of any enrollment changes on the average morbidity of the single risk pool?
- **Carrier Participation** – Are there any carriers who would consider exiting the market if the Individual and Small Group markets were merged and they were required to offer coverage to both markets?
- **Perception of Impact to Individual Premium Rates** – Although majority of the Individual market enrollees would be expected to be somewhat insulated from any unfavorable impacts to premium rates of merging the markets, the communicated average rate increase in the first year of the merger would likely be very large (e.g., one year of trend plus the stated impact from the prior slide)
- **Stability of Single Risk Pool** – To the extent the Individual and Small Group markets are merged, does the increased membership improve the potential stability of the ACA single risk pool in future years (e.g., increased predictability due to larger pool size)?
- **Additional Uncertainty of How Carriers would Design Plans and Networks in a Merged Market** - For carriers with different provider reimbursement and different network offerings by market segment, there is uncertainty of what their provider contracting and network strategy would be in a merged market scenario.

2B

Cost of Reinsurance Program in Small Group Market

COST OF A REINSURANCE PROGRAM IN SMALL GROUP MARKET IN NEW HAMPSHIRE

Estimated 2024 Premium PMPM Impact of 5% Reinsurance Program in the Small Group Market New Hampshire



- Based on 2024 URRT data for Small Group market in New Hampshire we estimated that a 5% premium rate reduction would require a reduction in incurred claims of \$30 PMPM
- Based on projected enrollment of approximately 56.7K covered lives the cost of the reinsurance program would be \$20.5 million in 2024 (excluding any costs to administer program)
- A reinsurance program with 10% rate reduction would cost \$41.0 million
- The analysis assumes that risk adjustment, taxes, and risk load would be reduced under the reinsurance scenario as variable expenses, however administrative expenses would remain unchanged as mostly a fixed expense
- We have not assumed changes in enrollment or average morbidity of the Small Group risk pool under the Reinsurance scenario
- Impact of the program could compensate certain health plans less or more than the market wide average
- The program sponsor would not be eligible for any federal pass-through funding as there are no federal premium tax credits in the Small Group market
- As alternative, the state could implement a direct premium subsidy.¹ This may be less risky to the state compared to a reinsurance program and allow the state to direct the funds in a different manner, however the administrative burden may be higher

¹ See Maine's Small Business Health Insurance Premium Relief Program: <https://www.maine.gov/jobsplan/program/small-business-health-insurance-premium-relief-program>

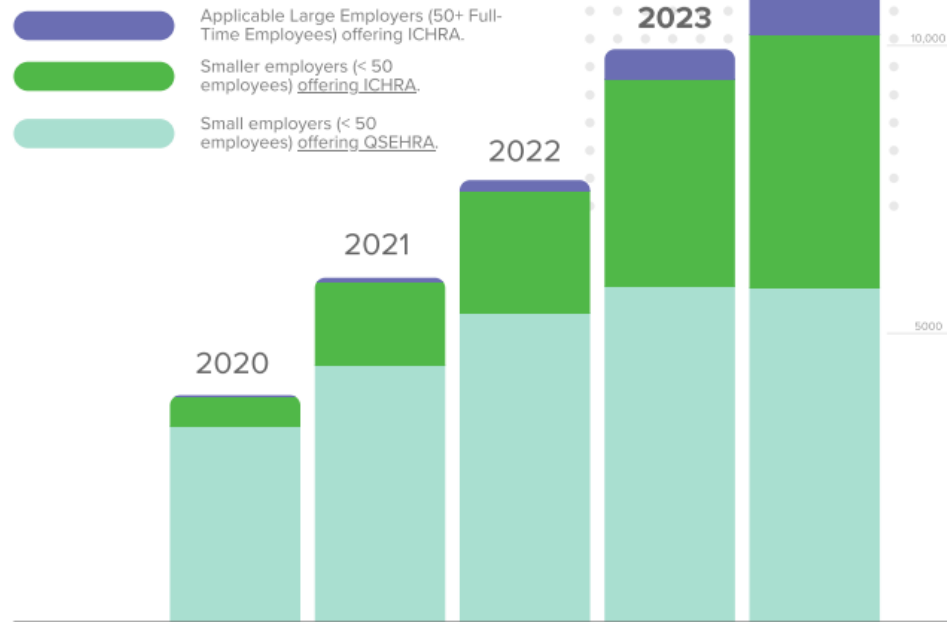
Source: OW Analysis based on 2024 URRT data for Small Group market in the New Hampshire with projected Incurred Claims, Risk Adjustment, Administrative Expenses, Risk Load and Risk Adjustment; Incurred Claims metrics from the 2024 URRT were adjusted to account for missing risk adjustment estimates in certain filing

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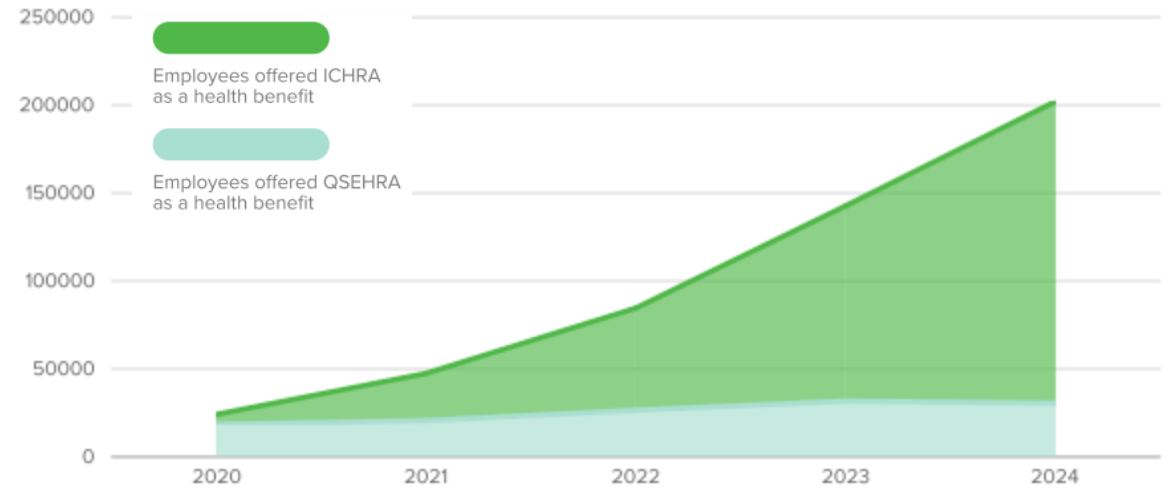
**ICHRA VS QSEHRA – ALTERNATIVE HEALTH
COVERAGES OPTIONS FOR SMALL EMPLOYERS**

EMPLOYER TRENDS: ICHRAS HAVE HIGHER GROWTH RATES COMPARED TO QSEHRAS

Growth in the Number of US Employers Offering ICHRA/QSEHRA 2020 to 2024



Growth in the Number of US Employees Offered ICHRA/QSEHRA



- Large Employers adopting ICHRAs have more recently expanded coverage options to more employees based on industry survey
- QSEHRA adaptation among small employers (with less than 50 full time employees) increased through 2023 but has remained flat in 2024
- Among small employers, the number of employers offering ICHRAs has grown steadily since 2020. The number of small employers offering ICHRAs is almost equal to the number of employers offering QHERAs in 2024.
- As shown in the second chart, about 200 thousand employees are estimated to have access to ICHRA/QSEHRA nationwide in 2024, with the majority of those employees having access to ICHRAs

Sources: [2024 HRA Council Data Report: Growth Trends for ICHRA & QSEHRA Volume 3](#)

HEALTH PLANS STRATEGY AND ADAPTATION

As Individual Exchange enrollment grows – 2024 enrollment nationwide reached a record high 21.3M – some health plans are viewing ICHRAs as a way to disrupt the market and gain members, especially as traditional fully insured group coverage continues to decline among smaller firms:

- Centene, the leading carrier in the Individual Exchange nationwide, predicts ICHRA growth could disrupt up to 45% of the group market and announced ICHRA/Defined Contribution as a long-term opportunity for the Exchange
- Oscar Health has announced plans to expand ACA coverage through ICHRAs. They plan to develop partnerships with ICHRA platforms targeting different segments including small employers, mid-size employers, and larger employers with higher utilization and costs
- Other health plans consider ICHRAs a niche market compared to traditional comprehensive coverage
- Some states are also incentivizing small employers to offer ICHRAs: Indiana HB1004 allows \$400 tax credit in first year of transitioning from group coverage to ICHRA

Sources: <https://www.hioscar.com/blog/oscar-health-2024-investor-day>
https://filecache.investorroom.com/mr5ir_centene/440/CNC_Investor_Day_Dec_2023_Presentation.pdf
www.oliverwyman.com/our-expertise/perspectives/health/2024/jan/emerging-health-reimbursement-accounts-may-disrupt-insurers.html
[ICHRA in Indiana: 2024 Guide | Take Command \(takecommandhealth.com\)](https://www.takecommand.com/ichra-in-indiana-2024-guide/)
<https://aishealth.mmitnetwork.com/blogs/health-plan-weekly/ichras-poised-for-major-growth-or-overhyped-niche-market>

CONSIDERATIONS FOR STATE

- 1. Better education and awareness of available options for Small Employers who may be considering dropping coverage (e.g., in addition to Fully Insured Coverage, other options include Self-Funded, ICHRAs, QSEHRAs) would help with enhancing decision about offering or expanding health coverage**
 - a. Administrative cost and need for education might be high in initial years with ICHRAs but should be easier to administer over time specifically with support of ICHRA platforms and dedicated third party services
 - b. Enhance understanding of the affordability rules for premium tax credits considerations

- 2. State-specific details will inform how successful and popular ICHRAs are as an alternative to group coverage**
 - a. Dynamics of premium rates between Individual and Small Group market can indicate how impactful switching to ICHRA will be and must be balanced with assumed employee disruption
 - b. Plan design differences between the Individual (e.g., HMO, no access to broader network of providers) and Small Group product portfolios are critical

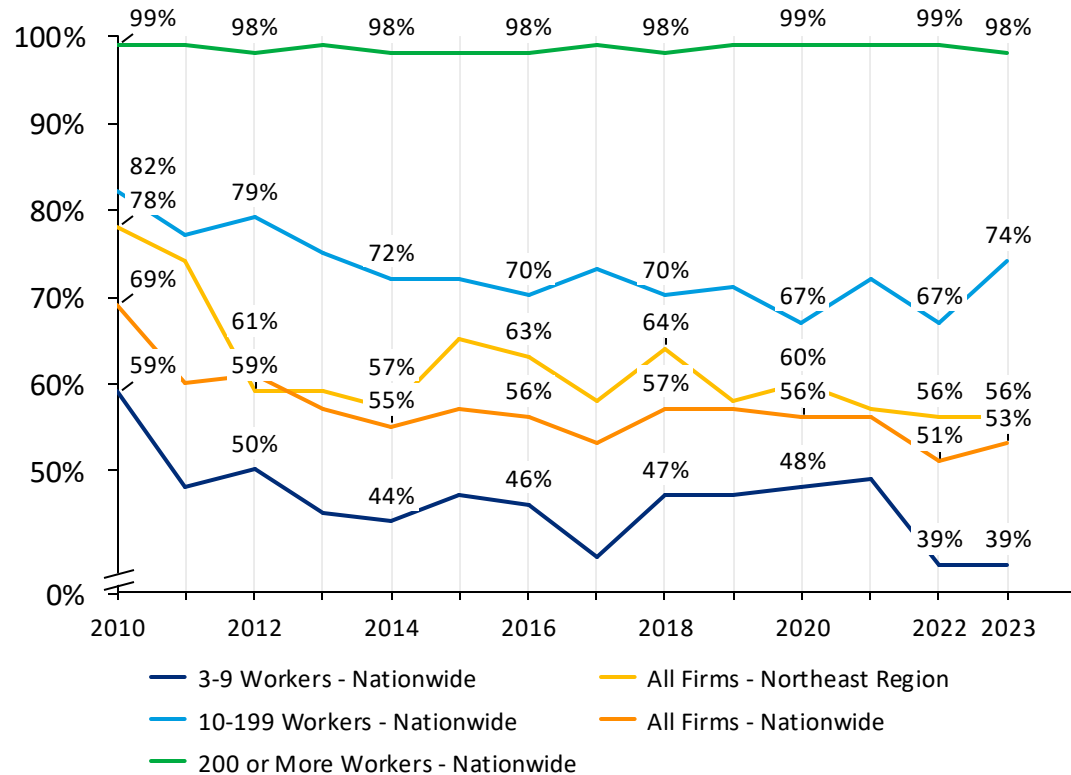
- 3. Tax incentives for Small Employers (e.g., such as in Indiana)**
 - a. ICHRA tax incentives can incentivize groups that would otherwise drop or not offer ESI coverage to take a stake in employee's health
 - b. Might target groups with higher risk and lead to adverse selection in the Individual market
 - c. Might not necessarily help with a goal of decreasing the number of Uninsured or increasing the offer rate among Small Employers (e.g., if only employers who currently offered ESI choose to implement ICHRAs)

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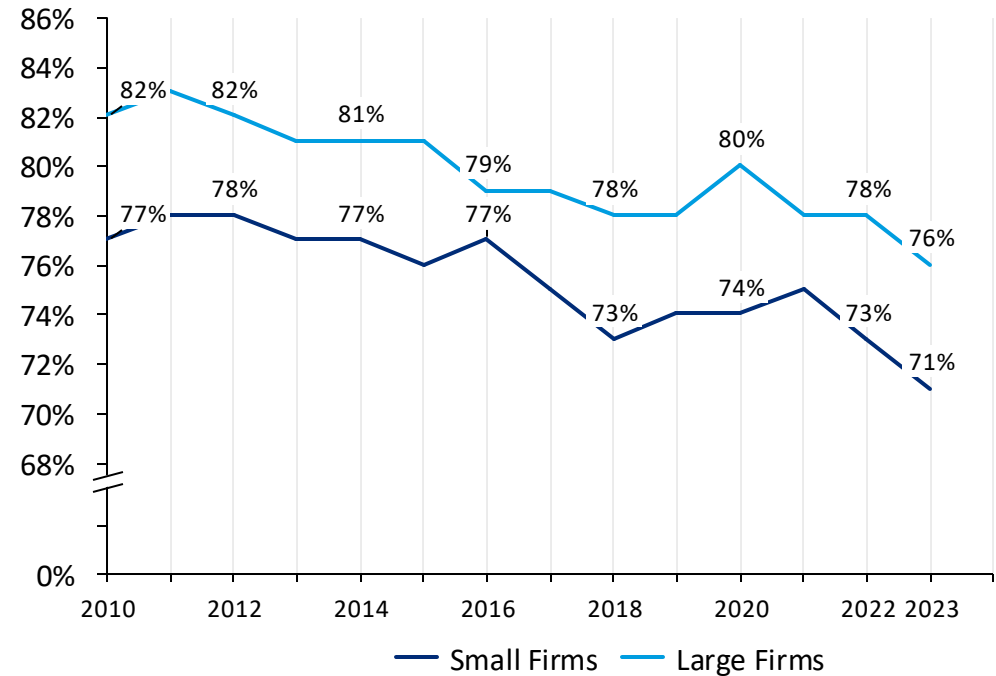
APPENDIX

EMPLOYER TRENDS NATIONWIDE AND IN NORTHEAST: FIRM OFFER RATES AND EMPLOYEE TAKE UP RATES HAVE BEEN STEADILY DECLINING AMONG SMALLER FIRMS

Percentage of Firms Offering Health Benefits by Firm Size – Nationwide and in Northeast



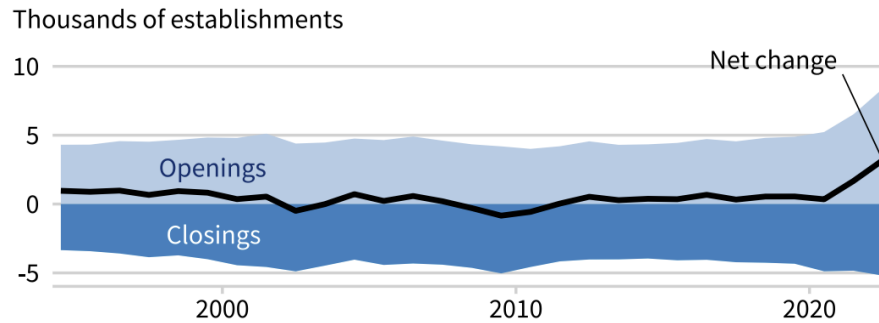
Percentage of Take Up Among Eligible Employees Among Small (3-199) and Large Firms (200 and more) - Nationwide



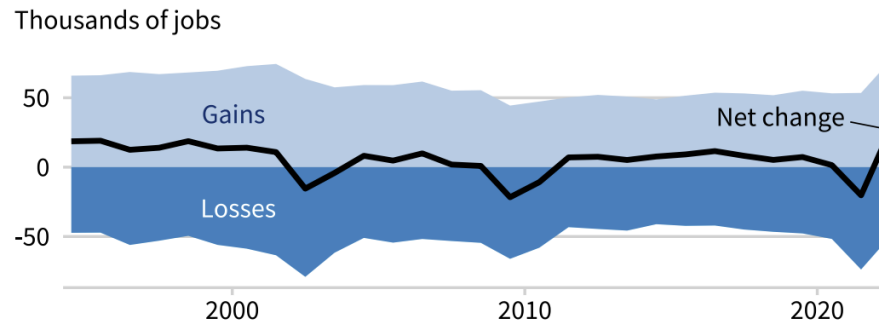
- The percentage of firms employing 10-199 workers and offering health benefits has been steadily decreasing from 82% in 2010 to 67% in 2022 on a national basis. Sharp uptick in the 10-199 employee space for 2023, but could be an outlier
- The Northeast region of the United States tracks slightly higher than the national average (56% vs 53% for 2023) among all firm sizes
- Similarly, take up rates among eligible employees have also been decreasing, with small firms (3-199 employees) having the largest declines

NH BUSINESS AND EMPLOYMENT TRENDS: STEADY TREND FOR SMALL BUSINESS ESTABLISHMENTS AND NUMBER OF EMPLOYEES

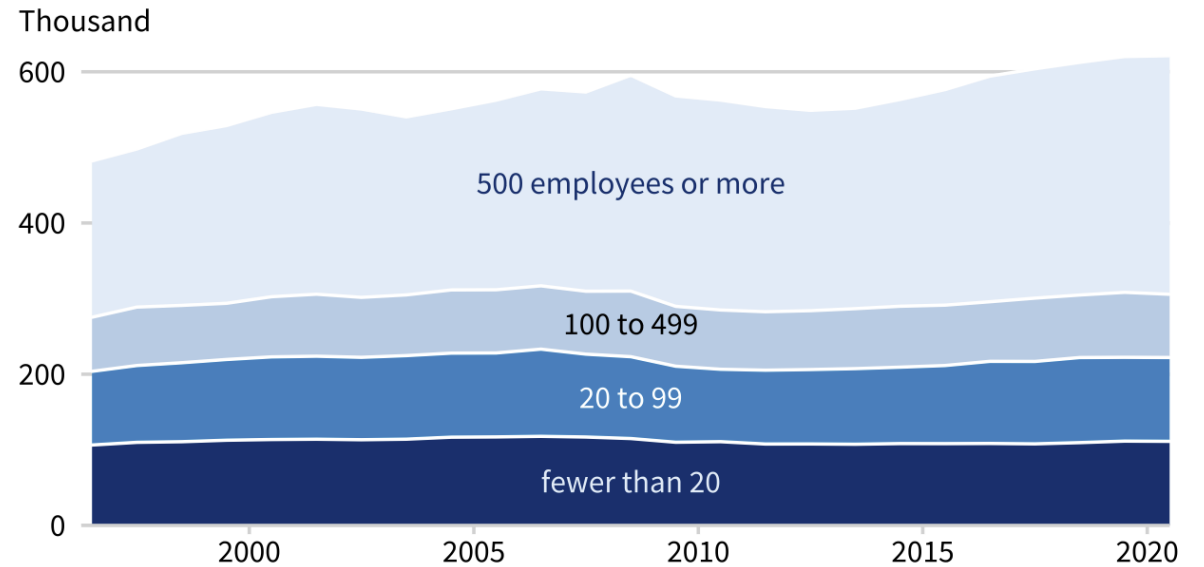
NH-based Establishment Openings & Closings Through March 2022 - All Business Sizes



NH-based Job Gains & Losses Through March 2022 - All Business Sizes

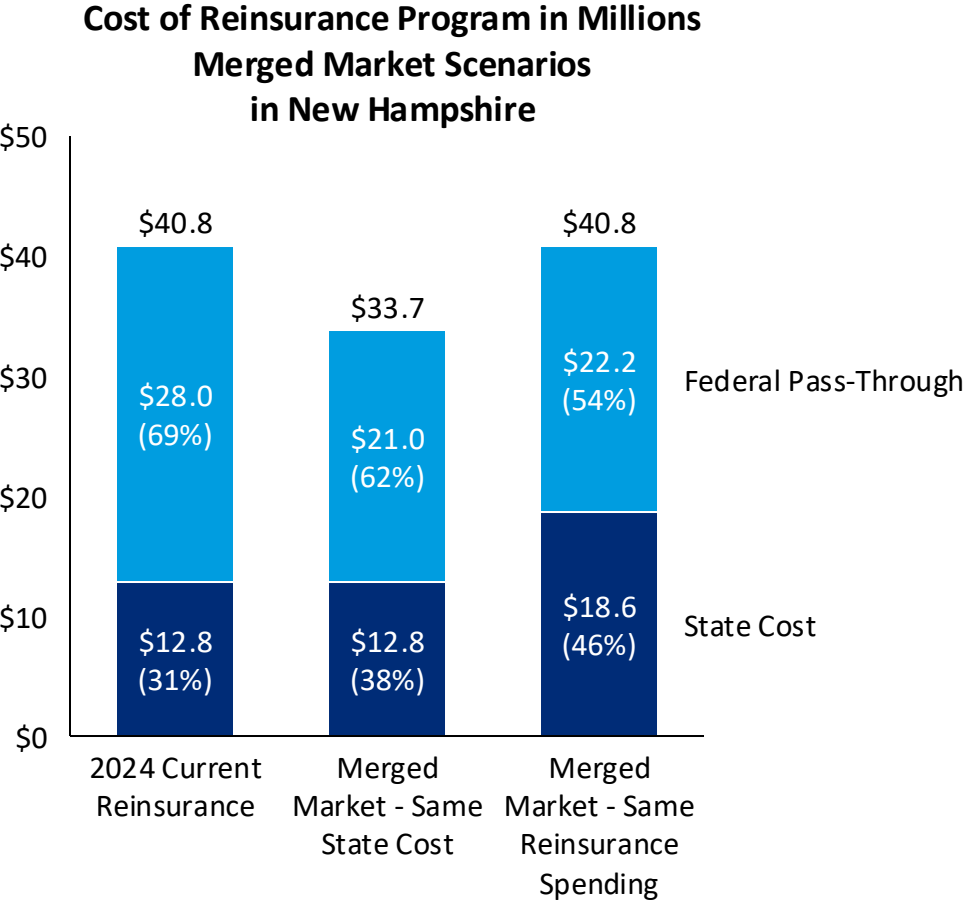


Total New Hampshire Employment by Business Size Through 2021



- Between March 2021 and March 2022, NH businesses with less than 500 employees had a net increase of about 3,000 establishments and approximately 23,000 jobs, indicating expanding employment post COVID-19
- Approximately 111k employees in NH work at firms with fewer than 20 employees, with steady employment reported through 2021
- Employment among employers with 20 to 99 employees the employment metrics in NH have been steadily increasing through 2021
- Overall, there are 177k employees working at employers with fewer than 50 employees in NH as of 2020¹

FEDERAL PASS-THROUGH ESTIMATE IN NEW HAMPSHIRE UNDER MERGED MARKET



1. We modeled the impact of federal pass-through spending under the Merged Market under two scenarios:
 - a. Assuming no change in state cost
 - b. Assuming total reinsurance reimbursement remain unchanged
2. Under the first scenario (same state cost) the total amount for reimbursement across carriers in the Individual and Small Group markets would decrease from \$40.8M to \$33.7M as the amount of available pass-through would decline since smaller portion of reinsurance is utilized to reimburse claims in the Individual market reducing the federal-pass through payments
3. Under the second scenario we assume that the total amount of reimbursement under the reinsurance program remains unchanged (\$40.8M). In order to account for lower federal pass-through, the state contribution increases by \$5.8M to \$18.6M which represents almost 50% share of the total cost compared to only 30% under current reinsurance.

Sources: OW Analysis of 2024 URRTs and 2024 Reinsurance program cost

OVERVIEW ICHRA VS QSEHRA

Item	ICHRA	QSEHRA
Regulation	<ul style="list-style-type: none"> Created through executive action ICHRAs are a special type of HRA Regulated as a group health plan Available since January 1, 2020 	<ul style="list-style-type: none"> Regulated through 21st Century Cures Act QSEHRAs are also a special type of HRA Not regulated as group health plan Exempt from most HIPAA portability and ACA group plan standards, and other federal law requirements specific to group health plans Available since January 1, 2017
Employer eligibility requirements	Available to businesses of any size with or without group insurance, as long as the employer doesn't offer a group health plan and an ICHRA to the same employee classes.	Available to businesses with fewer than 50 full-time equivalent employees (FTEs) that don't offer group health insurance; not available to larger employers (ALEs) ¹
Employee eligibility	<ul style="list-style-type: none"> The business can structure eligibility guidelines based on predefined employee classes such as full-time, part-time, salaried, hourly, seasonal or distinct by geographic location. Employees must have qualified individual health insurance to participate. 	<ul style="list-style-type: none"> All full-time W-2 employees are automatically eligible. Businesses can choose to extend eligibility to W-2 part-time employees, employees with less than 90 days of service, employees younger than 25 years old but they must offer the same allowances to both groups. To receive reimbursements from a QSEHRA, an employee and any covered dependents must be enrolled in minimum essential coverage (MEC)
Budgetary guidelines	Businesses can offer different allowance amounts to employees based on class, age, and family status.	Businesses can offer different allowance amounts to employees based on family status.
Administrative Requirements	<ul style="list-style-type: none"> Plan documentation under ERISA requirements Advance notice of the benefit and eligibility Receiving and processing reimbursement requests Federal record keeping requirements Form W-2 reporting of ICHRA benefits IRS Form 1095 	<ul style="list-style-type: none"> Plan documentation under ERISA requirements Advance notice of the benefit and eligibility Receiving and processing reimbursement requests Federal record keeping requirements Form W-2 reporting of QSEHRA benefits Certain ERISA requirements unless exempt

¹ Applicable Large Employer (ALE): <https://www.irs.gov/affordable-care-act/employers/aca-information-center-for-applicable-large-employers-ales>

Source: <https://www.peoplekeep.com/qsehra-vs-ichra>;

<https://www.cms.gov/files/document/individual-coverage-hras-policy-hcgov-application-overviewfinal-8282020.pdf>

OVERVIEW ICHRA VS QSEHRA

Item	ICHRA	QSEHRA
Annual allowance caps	None	The following annual caps exist for 2024: <ul style="list-style-type: none"> • \$6,150 for single employees • \$12,450 for employees with a family
Eligible expenses	<ul style="list-style-type: none"> • Medical expenses including member cost sharing and premiums under major medical health insurance 	<ul style="list-style-type: none"> • Medical expenses including member cost sharing and premiums under major medical health insurance • Cannot reimburse expenses already paid from other source of insurance premiums paid before tax (other group coverage)
Premium tax credit guidelines	<ul style="list-style-type: none"> • Employees can't have both a premium tax credit and the ICHRA • If the ICHRA is not affordable, the employee qualifies for premium tax credit if the employee offered the coverage "opts out" of the ICHRA and the other premium tax credit requirements are met <ul style="list-style-type: none"> ○ Alternatively, employee may waive premium tax credits and participate in the ICHRA ○ Affordability is determined based on employee's self-only lowest cost Silver plan (LCSP) 	<ul style="list-style-type: none"> • Employees with premium tax credits can participate in the QSEHRA depending on affordability. • If their allowance is affordable, they can't collect any tax credits. • If the allowance is unaffordable, they can claim their tax credits. However, the amount of their QSEHRA allowance will reduce their premium tax credit. • Employees can't opt out of the QSEHRA • Affordability is determined based on employee's self-only LCSP
Tax benefits	<ul style="list-style-type: none"> • Employer contributions are tax deductible and payroll tax-free • Benefits are free of federal income tax to employees if the employee is enrolled in minimum essential coverage (e.g., Marketplace or Medicare) 	<ul style="list-style-type: none"> • Employer contributions are tax deductible and payroll tax-free • Benefits are free of federal income tax to employees if the employee is enrolled in minimum essential coverage (e.g., Marketplace or Medicare)

Source: <https://www.peoplekeep.com/qsehra-vs-ichra>;
<https://www.cms.gov/files/document/individual-coverage-hras-policy-hcgov-application-overviewfinal-8282020.pdf>

EMPLOYER/EMPLOYEE CONSIDERATIONS - ICHRA VS QSEHRA

Considerations	ICHRA	QSEHRA
Offer HRAs only to specific employee classes (e.g., Part time, remote workers, hourly employees)	Permitted under ICHRA	QSEHRA cannot be offered to one class of workers (e.g., part time) at the same time as comprehensive health coverage to other class of workers (e.g., full time)
Employer wants to have flexibility in setting the contribution amounts	No restriction on limits to the contribution	The following annual caps exist for 2024: <ul style="list-style-type: none"> • \$6,150 for single employees • \$12,450 for employees with a family
Larger Employer (defined as ALE)	Accessible to all Employer sizes	Cannot offer QSEHRA
Administrative Burden	Employers have options to access private ICHRA platforms which provide administrative support and allows employees to choose coverage from available Individual market plans	Given the restrictions and low enrollment, availability of administrative support platforms might be more limited compared to ICHRAS
Financial advantage to employers	<ul style="list-style-type: none"> • Defined contribution under HRAs vs defined benefit risk under fully insured and self-funded coverage • Lower risk entry into providing health benefits compared to traditional ESI • Employer contributions are tax deductible and payroll tax-free • Overall cost (employee and employer contribution) might be lower if comparable coverage option in the Individual market is lower than in Small Group market (either fully insured or self funded) • ICHRAS might be attractive to employers with higher risk enrollees (no access to self-insured option and priced out from fully insured products) and lower income employees 	
Financial and benefit advantage to employees	<ul style="list-style-type: none"> • Benefits are free of federal income tax • Potential greater choice of health plans in the Individual market exchange compared to traditional ESI plans (however network restrictions in the Individual market could be a disadvantage) • Access to tax credits under QSEHRA if coverage is not affordable • Portability of health plan when changing jobs 	

¹ Applicable Large Employer (ALE): <https://www.irs.gov/affordable-care-act/employers/aca-information-center-for-applicable-large-employers-ales>

Source: <https://www.peoplekeep.com/qsehra-vs-ichra>;

<https://www.cms.gov/files/document/individual-coverage-hras-policy-hcgov-application-overviewfinal-8282020.pdf>

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