



STRATEGIC MARKET DIRECTION SMALL EMPLOYER HEALTH OPTION PROGRAM

April 15, 2015

Small Employer Marketplace 2015 and Beyond

- Offering a small group Marketplace is required by federal law
- SHOP as a line of business has been subordinated by focus on the Individual line of business
- Colorado is a state of small businesses, with 85% of companies employing 10 employees or less
- Connect for Health Colorado is committed to the small group market and to the Brokers that represent them
- The need to move from solely an IT platform to an integrated business solution is driving a project to “white label” a different solution
- Current costs outweigh benefits and we desire to invest a portion of current spend in a “product” that leapfrogs C4HCO into a market leader

Small Employer Marketplace 2015 and Beyond

Top Value Proposition - The Power of Choice

- Enhanced, multi-plan, multi-carrier **CHOICE** empowers employees to elect health plans that better serve their medical and financial needs
- When given the option, many employees will elect plans that reduce their premiums and often their employer's premiums, as well
- 44 % of SHOP employers have chosen more than one Carrier and 68% have chosen more than one plan design
- "Choice" is not offered outside the Marketplace

Current Results of the Small Business Marketplace

SHOP Book of Business –Poised for Growth:

- October 2014: 304 employers and 2,519 covered lives; 8.5 lives/employer
- April 2015: 329 employers and 2,589 covered lives; 7.87 lives/employer
- Brokers responsible for 65% of employers and 79% of covered lives
- Average monthly premium/life – \$364 (Oct 14.) and \$354(Apr. 15)
- Current Retention rate = 79%, Target = 85% to drive sustainability
- New Business Run Rate (2015 YTD) = 17 groups/mo

Current Results of the Small Business Marketplace

Snapshot of State Based Marketplaces

- CT = 200 groups/2,000 lives
- RI = 350 groups/3,500 lives
- KY = 80 groups/768 lives
- WA = 77 groups/414 lives
- UT = 1,300 groups/ 12,880 lives
- CA = 2,311 groups/15,671 lives

All SBMS and FFM are under enrollment targets and developing sales and functionality improvement strategies

Management Assessment of Progress Over Opportunity

- The line of business is underperforming and at a critical juncture
- Despite fixes and an uptick in new cases, status quo is not an option
- Brokers who tried SHOP and left in 2014 have not returned
- Per the Broker force... “if it works, they will come in droves”
- 2016 poses great growth opportunity w/Transitional plans
- 2017 poses great growth opportunity w/Expanded market
- Not seizing these opportunities is a mistake
- Invoicing is still manual and will not support successful growth
- The required platform is: strong technology, small group expertise and market credibility as a successful partner-the trifecta

Small Employer Market – Opportunity and Potential

Colorado Fully Insured Small Group Market 2-50 =

- Size- 245,024 Coloradans covered in Sm. Group(fully Insured), DOI YE2013, total premiums = \$1.1bil
- As of 12/31/14, 114,968 Coloradans were still enrolled in Transition plans
- Per DOI, Transition plans expire in 2015 for both Individual and Sm. Group
- Per DOI, Positive Affirmation is required for Sm. Group Transition plans
- 60% of small groups in Colorado will renew in Nov/Dec.
- Avg. premium increase for Transition plans is estimated at +15%-making “choice” a perfect cost containment strategy
- 90% + are Broker represented

Small Employer Market – Opportunity and Potential

Colo. Small Group Market Expansion 51-100 =

- Currently conducting market opportunity valuation
- Carriers offering Early Renewal and 15 month policies as retention strategies
- As such, 2017 is a more likely period to gain significant Marketplace enrollments
- This market segment is used to: semi-self funded, HSA, composite rating, but will face more restrictive rating rules
- 14.3% of employers in this range are self-funded
- Additional slate of Brokers to recruit and gain credibility with 95% + are Broker represented

Small Employer Market – Opportunity and Potential

	2015	2016	2017	2018
Starting Groups	336	469	975	1429
Retained Groups*	265	399	829	1215
New Groups**	204	576	600	660
Total Groups	469	975	1429	1875
Total Covered Lives	3,752	8,904	17,148	22,500
Total monthly premium***	\$1,307,103	\$2,853,825	\$4,391,317	\$6,050,625
Total yearly premium	\$15,685,236	\$34,245,900	\$52,695,804	\$72,607,500

*Retained groups assume a 85% retention rate over previous year with the exception of 2015 which uses a 79% retention rate.

Percentage of growth from 2015 to 2016 is based upon averaging 25 new groups/month for 1-50 market and 23 groups/month for the new expansion market of 51-99. Currently attempting to value the market opportunity from the expansion of small group. 2017 assumes 35 new groups which is down from 2016 as there will not be transitional groups available. 2018 assumes a 10% increase in new groups as compared to other years based on factors out of our control such as carriers in the market, products. *Premium increases are estimated at 5% per year.

Current Costs of the Small Business Marketplace

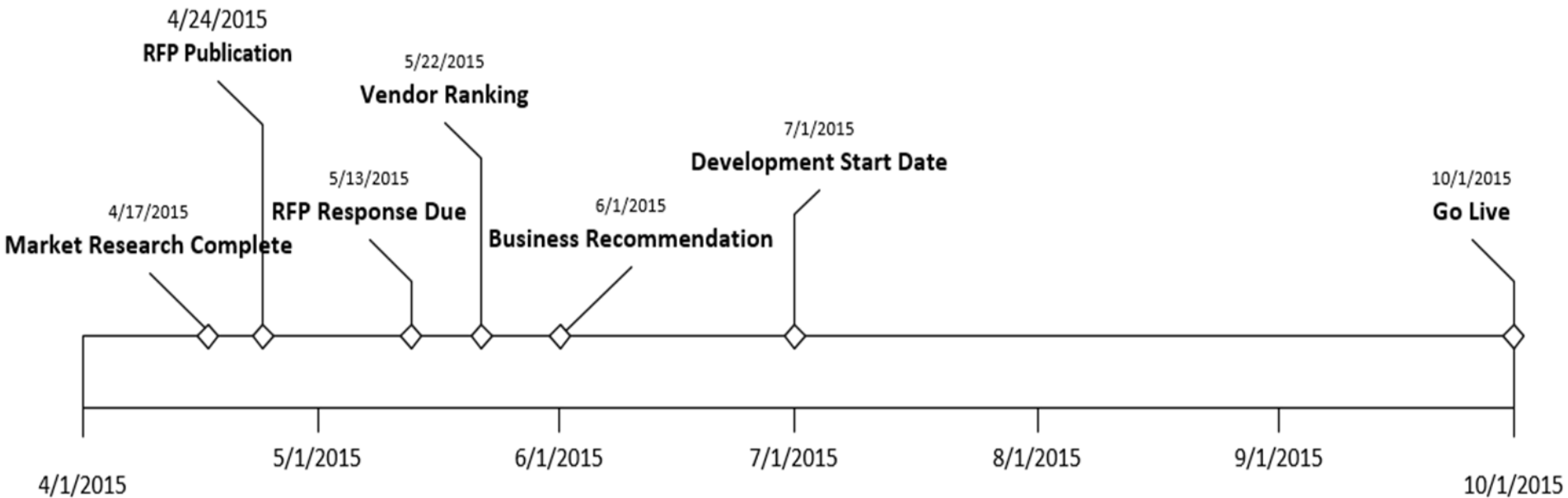
SHOP Costs	Monthly	Annual
hCentive		
Annual License (estimate)		\$200,000.00
Monthly Maintenance	\$25,000.00	\$300,000.00
Total hCentive	\$25,000.00	\$500,000.00
CGI Costs		
Aldera Annual License Fee		\$63,000.00
Back Office	\$120,000.00	\$1,440,000.00
Tier 2 Reps	\$12,000.00	\$144,000.00
Maintenance & Support	\$50,000.00	\$600,000.00
Carrier Coordination	\$3,750.00	\$45,000.00
Total CGI	\$185,750.00	\$2,292,000.00
Total SHOP Costs	\$210,750.00	\$2,792,000.00

Proposed Direction-Small Group Marketplace

Small Group Project Team

- Vetting potential partners who meet the Trifecta criteria: successful system, expertise in Sm. Group and high credibility with employers
- Performing interviews with SBMS
- Developing RFP to be distributed 4/24
- Initial approval to vet a “white label” option obtained from CMS
- Gaining input and advice from Sm. Group Broker Focus Group, DOI, MGA partners

The Small Business Marketplace- Project Timeline



The Small Business Marketplace- Project Team Needs

- Confirmation of the opportunities for growth
- Support the imperative to select an integrated business solution
- Provide guidance on Board expectations, level of involvement in process to select and implement