BOARD	MTG DATE	ITEM NO.
PEHCCP	5/1/01	3b

STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
801 West Badger Road
Madison, WI 53702

CORRESPONDENCE MEMORANDUM

DATE: May 1, 2001

TO: Private Employer Health Care Coverage Board

FROM: Phil Borden, Director

SUBJECT: Academy for Consumer-Choice Health Purchasing Groups Annual Conference (April 23-24, 2001)

This memo is provided to you for informational purposes only. It summarizes discussions that took place at the annual conference of the Academy for Consumer-Choice Health Purchasing Groups (CHPGs), sponsored by the Institute for Health Policy Solutions (IHPS) on April 23-24, 2001.

Conference participants included representatives from health insurance purchasing pools operating or under development in California, Connecticut, Colorado, Kansas, New York, and Wisconsin.

Issues With Health Plans

Relationships have become more remote with many carriers due to consolidations and mergers. The major carriers in many CHPGs no longer have local contacts, requiring coordination with corporate contacts in other states. Turnover in personnel has been frustrating and system changes and upgrades have resulted in reporting changes on the part of many CHPGs. Carriers also must be convinced of the profitability of the CHPG arrangement in order to continue offering health plans. Therefore, the CHPGs must be able to demonstrate increased market share. Some CHPGs have seen an erosion in the efficiency in administration when offering coverage in the over 50 lives market, because carriers then want to track claim experience, ages, and other factors by employer.

New Health Plan Products and Benefit Packages

Some carriers are seeking to offer unique non-standardized health plan offerings in order to distinguish themselves from competitors in the CHPG. Currently, no CHPG offers ancillary plans (dental, vision, and prescription drug) on a stand-alone basis, chiefly because they cannot get a big enough market to cover the administrative costs of a free-standing plan. Some CHPGs are exploring non-emergency out-of-state coverage for employees and dependents. Typically, this includes a requirement that a minimum percentage of the participating employer's employees reside in the CHPG state. There has been preliminary discussion about reciprocity between

different purchasing pools in other states, though thus far this has proved to be a difficult administrative issue.

Agent Relations and Other Marketing Issues

The CHPGs offer agents the path of least resistance, which has proved essential to the success of the programs. The CHPG offers one stop shopping for those agents who otherwise might not work with small employers (because the revenue potential is not large for the time invested). Also, if agents understand that the CHPG can offer a significant growth market (by encouraging participation among employers not currently offering coverage to employees, for example), they will be eager to participate. Initiatives to promote the CHPGs to agents and brokers include new business bonuses, book of business bonuses, and persistency and retention bonuses. By utilizing such agent programs, most of the CHPGs have been able to retain well over 90% of their employer participants. The CHPGs also make use of broker advisory councils (often different panels in different areas of the state), meeting several times a year to keep their fingers on the pulse of the current agent environment, answer questions, and float ideas about potential product offerings.

Marketing success has differed by state and type of media used, but the bottom line is to target those segments that offer the most growth opportunity for the CHPG – the employers and agents. It may be necessary to experiment with a few different media forms to determine what is most effective for a particular state and target market. Lead generations, as a result of marketing efforts, have typically gone to those agents who have proven that they can close the deal.

Web-Based Initiatives

Most of the CHPGs are putting a lot more development into web-based initiatives, believing that a significant amount of business will be developed online in the future. Two of the CHPGs anticipated that in their markets, as much as 20% to 30% of agent and broker business may be conducted online. Therefore, online quoting systems have received a lot of attention and development among the CHPGs. Agent and broker interest stems from the expectation of their clients that the agents use online services, the potential for faster turnaround on quotes, and the potential of agents using these initiatives to differentiate themselves from their competitors in the marketplace. As a result, CHPGs are looking at redesigning their web sites into a decision tree format so that the web site “sells”. California, for example, will add a link that allows an agent or potential employer participant to go through the requirements of the program and submit information online that will begin the qualifying process.

Online enrollment is another area under scrutiny by the CHPGs, particularly for open enrollment periods. Most of the CHPGs offer some type of “online” enrollment, though this may range in sophistication from simply providing pre-printed forms to actual electronic data integration (EDI). However, a common challenge in EDI is structuring the required data elements in a universal format that can be used by agents, employers, and carriers. Some of the CHPGs have been investigating the potential for updating provider and plan data bases online (allowing direct access to system database). Also, paper documentation is still currently required, particularly in those models where reinsurance is involved.

Another area of interest is in partnering with online continuing education web sites, such as WebCE.com, to allow agents to obtain CE credits online through instruction about the CHPG programs.

Core Administrative Issues

We provided an update of the status of the Wisconsin program, then moved to a discussion of the issues Colorado has faced in self-administering their program. Colorado converted to self-administration in January, and immediately faced significant hurdles regarding data integrity, system conversion, and claims backlog. Self-administration also requires a significant amount of funding. Because self-administration is not an option for most of the CHPGs, at least one program has instituted a bonus system for administrative personnel to achieve pre-set goals. Also, because of the expense involved in termination and reinstatement of employers due to premium lapses, all of the CHPGs charge reinstatement fees, and some charge late fees, NSF check fees, and lockbox fees. All of the CHPGs agreed that privacy issues are becoming a bigger concern among participants, especially in light of recent legislative initiatives and the trend toward web-based eligibility transfers.

Other Products and Services for Small Employers

Various offerings include section 125 ("Premium Only Plan") setup and administration, COBRA and HIPAA administration, and coordination with other human resource and payroll activities.

Policy Environment – Opportunities and Pitfalls for Consumer Choice Pools

See Major Health Insurance Proposals, 2001 handout, attached.

Summary

Without question, there is valuable and important information to be gleaned from the formal discussions that took place at the conference. However, the opportunity to network with CHPG representatives from around the country, learn from their experiences and interact on an informal basis, provided a unique opportunity for us in the development of Wisconsin's Private Employer Health Care Coverage Program.

IHPS is a non-profit organization funded to develop creative and workable solutions to health system problems related to access, cost, and quality. Many of IHPS' projects involve the design of health insurance strategies that both achieve public interest objectives and are viable in the market. One area of particular interest and expertise is developing approaches that coordinate public and private sources for coverage of the uninsured. Another is joint purchasing organizations that give small firm employees and families a choice of health plans.

IHPS operates the Academy for Consumer-Choice Health Purchasing Groups. It was formed to provide a forum for bringing together leading experts who are engaged in the process of planning, forming, and running Consumer-Choice Health Purchasing Groups (CHPGs). The Academy encourages the development of CHPGs as a way to improve access and choice of health plans, foster efficiency of health delivery--particularly for small-firm employees and individuals -- and combine public and private financing to cover uninsured small firms, their workers and families. Each year, IHPS convenes a conference to address issues concerning CHPGs. The Academy draws on experts from a variety of pertinent disciplines as well as experienced executives from existing purchasing organizations.