Small Business Advisory Group

Thursday, April 30, 2015
WELCOME AND INTRODUCTIONS
AGENDA

I. Welcome and Introductions

II. Purpose and Objectives of the Advisory Group

III. Program Update

IV. Break

V. Health Plans

VI. Marketing, Sales and Outreach
PURPOSE AND OBJECTIVES

BRAD DAVIS
Advisory Group Members

Alice Perez
California Hispanic Chambers of Commerce

David Chase
Small Business Majority

Emily Lam
Silicon Valley Leadership Group

Julian Canete
CalAsian Chamber

Patrick Burns
California Association of Health Underwriters

Roy Perez
RMP Strategies

Samantha Beasley
Los Angeles Chamber of Commerce

Micah Weinberg
Bay Area Council Economic Institute

Tana Elizondo
Central Valley Life & Health Benefits Inc.

Brad Davis
Wraith, Scarlett & Randolph Insurance Services

Patrick D. Reaume
Reaume Employee Benefit Solutions

Jeff Fallick
Digital Benefit Advisors

Albert Sullivan
ADVvalue CPA Services

Frank Muller
Muller and Sons

Jim Jordan
Mountain Manor Assisted Living Facility

John Newman
Kaiser Foundation Health Plan

Brent J. Hitchings
Blue Shield of California

Bill Shepard
HealthNet

Kenneth Ruotolo
Claremont Insurance Services

Neil Crosby
Warner Pacific Insurances Services
Purpose and Objectives of Advisory Group

• **Scope of Advisory Group**
  • To provide input on strategies to raise interest in the SHOP and insure it provides value for small employers.

• **Advisory Group Structure**
  • Two-year term
  • Chairperson serves a one-year term
  • Initially limited to 12-15 members
  • Frequency of the meeting was quarterly

• **Proposed Meeting Dates**
  • Thursday July 30th, 2015
  • Wednesday, September 30th, 2015
Background

Patient Protection and Affordable Care Act

• **Law signed** March 23, 2010
• **Two insurance marketplaces**: Individual and Small Business
• **Funding**: Federal grants for establishment (2010-2015)
• **Sustainability**: Covered California has resources in-hand and business model to assure ongoing strength and viability
Conditions Impacting SHOP Growth

• Small business market – slow ACA adoption impacted by:
  • 2013 Early Renewals
  • 2014 AB 1446 Grandparent legislation
  • Resistance to ACA change and new rating methodology
• Small groups not required to offer coverage under ACA
• SHOP Online Enrollment System challenges
• Commission and Operational Issues:
  • Some agents disenfranchised and cautious about offering SHOP to clients
  • Large Agencies hesitant; tendency to “wait and see”
  • Early operational issues impacting growth
• Private Exchange
  • Already well established
  • Larger selection of plans, benefit options & ancillary and voluntary benefits
Covered California for Small Business
Budget and Operations

• **End of 2014-15** Covered California moving into its ongoing operating mode after establishment phase

• **Transition** from being funded by federal grants to being funded with assessment revenue
Current Status

- **Small businesses required to adopt ACA compliant plans in 2015**
  - Approximately 80% of the currently insured market will transition in the fall

- **Some sole proprietors may not meet new eligibility guidelines**
  - Approximately 64% of market
  - Sole proprietors with no common law, W-2 employees
  - May account for large percentage of uninsured small businesses in <50 market

- **Focused on Agent Support**
  - Over 14,000 Certified Agents
  - Agent Storefronts throughout the state
  - Large agencies

- **Advertising and Brand Awareness**
  - Small Business Campaign
  - Covered California Individual Exchange Advertising

- **Small Business Expansion to 100 employees starting January 2016**
The California Small Business Market

<table>
<thead>
<tr>
<th>GROUP SIZE</th>
<th>NUMBER OF FIRMS</th>
<th>% of 0-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4</td>
<td>436,757</td>
<td>64%</td>
</tr>
<tr>
<td>5-9</td>
<td>117,715</td>
<td>17%</td>
</tr>
<tr>
<td>10-19</td>
<td>70,246</td>
<td>10%</td>
</tr>
<tr>
<td>20-99</td>
<td>59,465</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>684,183</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Kaiser Family Foundation survey 2012
The California Small Business Market

• **39.6%** of employers with < 50 employees offer health insurance

• **93.7%** of employers with > 50 employees offer health insurance

• **64%** of small businesses (<=50) are uninsured

• **85%** of employers with <50 employees work with an agent

Note: Small businesses with <50 employees not mandated to offer coverage

*Census Data, NORC 2013 and Kaiser Family Foundation*
The California Small Business Market

<table>
<thead>
<tr>
<th>Ethnic-owned business percentage distribution among those with &lt;=99 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic-owned businesses as % of CA businesses</td>
</tr>
<tr>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>White</td>
</tr>
<tr>
<td>Hispanic</td>
</tr>
<tr>
<td>•LA, SF/Bay Area, SD, Sacramento, Inland Empire, Central Valley</td>
</tr>
<tr>
<td>African American</td>
</tr>
<tr>
<td>•LA, SF/Bay Area</td>
</tr>
<tr>
<td>•SD, Sacramento</td>
</tr>
<tr>
<td>Chinese</td>
</tr>
<tr>
<td>•LA, SF/Bay Area</td>
</tr>
<tr>
<td>•SD, Sacramento</td>
</tr>
<tr>
<td>Filipino</td>
</tr>
<tr>
<td>•LA, SF/Bay Area</td>
</tr>
<tr>
<td>•SD</td>
</tr>
<tr>
<td>Vietnamese</td>
</tr>
<tr>
<td>•LA, SF/Bay Area</td>
</tr>
<tr>
<td>•SD, Sacramento</td>
</tr>
<tr>
<td>Korean</td>
</tr>
<tr>
<td>•LA, SF/Bay Area</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>•LA, SF/Bay Area</td>
</tr>
</tbody>
</table>

*Census Data 2012*
Q&A
## Operations

### Enrollment Statistics

SHOP Cases & Members Sold

<table>
<thead>
<tr>
<th></th>
<th># Groups</th>
<th>Total Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Q1 2015 Sales (as of March 2015)</td>
<td>560</td>
<td>3,509</td>
</tr>
<tr>
<td>Overall Total</td>
<td>2,289</td>
<td>15,644</td>
</tr>
<tr>
<td>Average group size</td>
<td></td>
<td>7.7</td>
</tr>
</tbody>
</table>
# Operations

## Enrollment Statistics

Groups sold by sales channel Q1-2015 YTD

<table>
<thead>
<tr>
<th>Sales Channel</th>
<th>Grand Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent Assisted</td>
<td>173</td>
<td>31%</td>
</tr>
<tr>
<td>Agent plus GA</td>
<td>266</td>
<td>47%</td>
</tr>
<tr>
<td>Employer Direct</td>
<td>121</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total as of March 2015</strong></td>
<td><strong>560</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
### Operations

### Enrollment Statistics

Members sold by sales channel Total-To-Date

<table>
<thead>
<tr>
<th>Sales Channel</th>
<th>Grand Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent Assisted</td>
<td>1,086</td>
<td>31%</td>
</tr>
<tr>
<td>Agent plus GA</td>
<td>1,964</td>
<td>56%</td>
</tr>
<tr>
<td>Employer Direct</td>
<td>459</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total as of March 2015</strong></td>
<td><strong>3,509</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
## Operations

### Enrollment Statistics

Group size (# of Employees) by sales channel

<table>
<thead>
<tr>
<th>Sales Channel</th>
<th>Group Size</th>
<th>01-05</th>
<th>06-10</th>
<th>11-15</th>
<th>16-20</th>
<th>21-25</th>
<th>26-30</th>
<th>31-35</th>
<th>36-40</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent Assisted</td>
<td></td>
<td>131</td>
<td>33</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>173</td>
</tr>
<tr>
<td>Agent plus GA</td>
<td></td>
<td>184</td>
<td>44</td>
<td>21</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>266</td>
</tr>
<tr>
<td>Employer Direct</td>
<td></td>
<td>112</td>
<td>6</td>
<td>3</td>
<td>121</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>121</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>427</td>
<td>83</td>
<td>27</td>
<td>14</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>560</td>
</tr>
<tr>
<td>% of Total</td>
<td></td>
<td>76.25%</td>
<td>14.82%</td>
<td>4.82%</td>
<td>2.50%</td>
<td>0.71%</td>
<td>0.54%</td>
<td>0.18%</td>
<td>0.18%</td>
<td>100%</td>
</tr>
</tbody>
</table>
## Enrollment Statistics

**Billed members sold by Rating Region YTD**

<table>
<thead>
<tr>
<th>Region #</th>
<th>Region</th>
<th>Total</th>
<th>Region % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural North/Sierra</td>
<td>24</td>
<td>0.68%</td>
</tr>
<tr>
<td>2</td>
<td>Wine County</td>
<td>174</td>
<td>4.96%</td>
</tr>
<tr>
<td>3</td>
<td>Great Sacramento Region</td>
<td>171</td>
<td>4.87%</td>
</tr>
<tr>
<td>4</td>
<td>San Francisco</td>
<td>247</td>
<td>7.04%</td>
</tr>
<tr>
<td>5</td>
<td>Contra Costa</td>
<td>188</td>
<td>5.36%</td>
</tr>
<tr>
<td>6</td>
<td>Alameda</td>
<td>289</td>
<td>8.24%</td>
</tr>
<tr>
<td>7</td>
<td>Santa Clara</td>
<td>160</td>
<td>4.56%</td>
</tr>
<tr>
<td>8</td>
<td>San Mateo</td>
<td>103</td>
<td>2.94%</td>
</tr>
<tr>
<td>9</td>
<td>Monterey Bay</td>
<td>232</td>
<td>6.61%</td>
</tr>
<tr>
<td>10</td>
<td>Central Valley North</td>
<td>78</td>
<td>2.22%</td>
</tr>
<tr>
<td>11</td>
<td>Central Valley South</td>
<td>177</td>
<td>5.04%</td>
</tr>
<tr>
<td>12</td>
<td>South Coast</td>
<td>76</td>
<td>2.17%</td>
</tr>
<tr>
<td>13</td>
<td>Southern Desert</td>
<td>4</td>
<td>0.11%</td>
</tr>
<tr>
<td>14</td>
<td>Kern</td>
<td>123</td>
<td>3.51%</td>
</tr>
<tr>
<td>15</td>
<td>Los Angeles East</td>
<td>311</td>
<td>8.86%</td>
</tr>
<tr>
<td>16</td>
<td>Los Angeles West</td>
<td>382</td>
<td>10.89%</td>
</tr>
<tr>
<td>17</td>
<td>Inland Empire</td>
<td>213</td>
<td>6.07%</td>
</tr>
<tr>
<td>18</td>
<td>Orange County</td>
<td>241</td>
<td>6.87%</td>
</tr>
<tr>
<td>19</td>
<td>San Diego</td>
<td>316</td>
<td>9.01%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3509</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
## Operations

### Enrollment Statistics

#### Group Renewal Rates YTD

<table>
<thead>
<tr>
<th>Status</th>
<th>Grand Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewed</td>
<td>718</td>
<td>90.31%</td>
</tr>
<tr>
<td>Did not renew (DNR)</td>
<td>77</td>
<td>9.69%</td>
</tr>
<tr>
<td>Total Groups up for Renewal</td>
<td>795</td>
<td>100%</td>
</tr>
</tbody>
</table>
## Operations

### Enrollment Statistics

### Sales Activity YTD

<table>
<thead>
<tr>
<th>Overall Total Lives Sold</th>
<th>Selling Agents</th>
<th>Q1 Total Lives Sold</th>
<th>Q1 Total Cases Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>NorCal Total</td>
<td>151</td>
<td>1,922</td>
<td>298</td>
</tr>
<tr>
<td>SoCal Total</td>
<td>147</td>
<td>1,587</td>
<td>262</td>
</tr>
<tr>
<td>State Total</td>
<td>298</td>
<td>3,509</td>
<td>560</td>
</tr>
</tbody>
</table>
Operations

Commission Update

Online enrollment issues; system disabled

-Renewed agent contracts
-Developed new Agent payment schedule

- New commission process
- Reconciliation begins

GOAL:
Up-to-date with Agent payments

February 2014
March-September 2014
October 2014
December 2014
January-April 2015
April 2015
May 2015
June 2015

- Migrate cases to PCMI system
- Issue with agent contracts

- Established automation plan
- Identified processing gap
- Reconciliation effort

Outreach to all agents owed commission

GOAL:
-Automatic payments begins
-Consistent commission pmts

Up-to-date with Agent payments

GOAL:
-Automatic payments begins
-Consistent commission pmts
OPERATIONS

SHOP Application Turnaround Time

• 98% completed in less than 3 days
• 100% new group installed in less than 5 days
• 94% new group invoiced in less than 3 days
• 100% invoiced in less than 5 days
Q&A
HEALTH PLANS
HEALTH PLANS

Medical Carriers
• Blue Shield
• Chinese Community Health Plan
• Health Net
• Kaiser Permanente
• Sharp
• Western Health Advantage

Dental Carriers
• Access Dental
• Blue Shield
• Delta Dental
• Guardian
• Liberty Dental
• Managed Dental Care
• MetLife
• Safe Guard
• Dental Health Services
Feedback: How Can We Be More Competitive?

## Qualified Health Plan (Carrier) Products

- Expand benefit options in addition to current offerings, either:
  - Standard Benefit Designs
  - Alternative Benefit Designs
- Expand Alternative Benefit Design options and reduce standard benefit designs
- Flexibility to change designs mid-year.

### Network

- Allow for varying of networks offered with design
- Network options vary by region based on employer address

### Carrier

- Add Carriers?
- What should be criteria for adding a carrier?
Q&A
MARKETING, SALES AND OUTREACH
Marketing & Sales Strategy

• $3M Marketing Budget: Current – June 2016
• Brand & Direct Response Advertising
  • Educate Small Businesses
  • Tax Credit, Employee Choice
• Agent Channel Partners
  • Over 14,000 Certified Agents
  • Agent Marketing and Leads Program
  • Agent Field Sales Support
  • Agent Call Center
• Strategic Marketing focused on Outreach

More than 85% of employers with under 50 employees work with an insurance agent
Outreach Efforts

- **Covered California Sales Team**
  - 20 Sales Representatives Statewide

- **General Agent Partners**
  - Four General Agents with 81 Sales Representatives

- **Six Qualified Health Plan Partners (Carriers)**
  - Small Business Sales Teams Support SHOP Sales

- **Certified Insurance Agents**
  - Over 14,000 Agents Statewide

- **SHOP Outreach Advocates**
  - Small Business Organizations, Chambers, Associations
Marketing Campaign - Brand

• **Naming Change:**
  • “SHOP” to “Covered California for Small Business”

• **Spring Brand Campaign Started April 20**
  • Print Ads in Business Publications
  • Digital Ads
  • Direct Mail in Los Angeles

• **Small Business Lead Generation Program:**
  • Agent Direct Mail
  • Telemarketing
Advertising Messaging

Small Business Marketing Campaign 2015

Primary Message
• **Control and Choice** -- With Covered California for Small Business, employers can keep health care budget under control while letting their employees choose from a variety of health plans.

Secondary Message
• **Tax Advantages** – Small businesses may be eligible for tax credits of up to 50% of premium costs. Available only through Covered California.

Call-to-Action
• Contact Covered California (visit website or call 1-844-332-8384) or a certified agent

Branding
• Re-brand as Covered California for Small Business
Print Advertisement

Your employees take control of their own health plan options.

You take control of your health care budget.
Feels good when everyone’s in control.

Through Covered California for Small Business, you could be eligible for a tax credit. You set the budget you can afford, your employees choose from a variety of health plans to find the one that’s right for them. What a healthy approach to business. Contact Covered California or a certified agent today.

(844) 332-8384 CoveredCA.com/small-business

Print Advertising - Business Publications

New Name
Tus empleados toman el control de sus propias opciones de planes de salud.
Tú tomas el control de tu presupuesto de cuidado médico.
Se siente bien cuando todos tienen control.

Con Covered California para Pequeñas Empresas, tú decides el presupuesto que tu compañía puede pagar. Tus empleados eligen el plan de salud que más les conviene entre una amplia variedad de planes. Todo esto, y además podrías ser elegible para un crédito fiscal. Contacta a Covered California o un agente certificado hoy.

(844) 332-8384 | CoveredCA.com/espanol/small-business
Marketing - Digital Ads

**English**

- We're for you taking care of your budget.
- We're for you taking care of your employees.
- We're for small business.

Take control of your health care costs.

Learn More

**Spanish**

- Los trabajadores tienen opciones de planes de salud.
- Toma el control de tus costos de cuidado médico.

Informate

- Los créditos fiscales podrían hacer que la cobertura médica sea más económica.

Infórmate
Agent Marketing

Over 14,000 Certified Agents

• Agents and Storefronts
  • 126 Agent Storefronts Statewide
  • Over 1,000 Agents actively sold Covered California for Small Business

• Lead Generation Program
  • SHOPworks
  • Leads Program
  • Performance based
AGENT MARKETING

SHOPWORKS Marketing Tool

SHOPWORKS is a new set of tools provided by the Covered California Small Business Health Options Program (SHOP) to give certified Agents ideas, materials and resources that will help them sell and support SHOP Health Insurance plans to small businesses in California.

The first set of tools available from SHOPWORKS is a collection of postcards that can be customized, printed and mailed to prospects. These professionally-designed marketing tools help Agents market products and services and generate leads who are interested in the new health insurance choices available to small employers through the SHOP Exchange.

Click to learn more

or call 877.453.9198 to speak with a SHOPWORKS coordinator
AGENT MARKETING

SHOPWORKS

SIGN NEW BUSINESS GET FREE MARKETING

SHOP for health insurance now.

SHOPWORKS is a new set of tools provided by the Covered California Small Business Health Options Program (SHOP) to give Certified Insurance Agents ideas, materials and resources that will help them sell and support SHOP Health Insurance plans to small businesses in California.

Call today to learn how to order your free mailing!

SHOPWORKS at SHOPWORKS@Covered.ca.gov

SHOPWORKS

CUSTOMIZABLE POSTCARDS

Customizable Postcard Order Form

TO ORDER

call 916-228-6700 or visit SHOPWORKS@Covered.ca.gov
AGENT MARKETING

SHOPWorks Results

- Total Postcards: 119,000 distributed
- Total Participating Agents: 83 agents
  - 123 groups sold
  - 1,223 total members
Examples “Quote to Win” & “Sell to Win” Campaigns

California Broker
Examples of “Quote to Win” & SHOPWorks Email Campaigns

*February – April 2015*
Covered California for Small Business – Budget for FY 2014/15

• Completes transition of operations to new administrative platform

• Improves Insurance Agent Tools, support educational outreach

• Supports enhancement of product offering to meet evolving market

• SHOP Administrator: SHOP budget increase due to a shift to a contractor to fully administer the SHOP program
Outreach

• **Marketing Budget ~$300,000**
  - Pending Budget Approval

• **Strategic Marketing - focused on Outreach**
  - Small Business Organizations
  - Small Business Chambers
  - Associations

• **Outreach Support Tools**
  - Website Banners
  - Customizable Print Advertisements
  - 90 Second Info-Videos
  - Guest Speakers
Feedback Requested

Overall Advisory Meeting

• Logistics
• Updates
• Feedback discussion