FORMATION OF BENEFITS CONSORTIUMS
FREQUENTLY ASKED QUESTIONS

Are small business benefits consortiums a new concept?

No, highly similar small business benefits consortiums are operational elsewhere. Plans in Ohio, Missouri, Indiana, and Georgia have realized 15-20% cost savings for participating small businesses.

Will benefits consortiums under the proposed legislation discriminate based on health status?

No, this is prohibited. Benefits consortiums - and their sponsoring association - are prohibited from establishing discriminatory rules based on health status related to eligibility, premium, or contribution requirements.

Will older workers be adversely impacted by these benefits consortiums?

Absolutely not. In fact, older workers will likely benefit from the rating methodology that benefits consortiums will likely use. Benefits consortiums normally utilize what is known as "composite rates" whereby each employee within the specific employer group - regardless of age - has the same rate if they are enrolled in the same tier of coverage e.g. self, self + child, self + spouse, and family.

Will benefits consortiums cover pre-existing conditions?

Yes. Pre-existing conditions must be covered. Benefits consortiums are subject to the same rules as all other small group ACA compliant plans. As such, they cannot impose a pre-existing condition exclusion on individuals or groups.

Will benefits consortiums offer comprehensive coverage?

Yes. Benefits consortiums are required to provide quality comprehensive coverage. In fact, minimum acceptable coverage must include all ACA-compliant Essential Health Benefits, must meet the ACA's definition of Minimum Essential Coverage, and all plans offered must meet or exceed a 60% actuarial value (equivalent to an ACA Bronze plan).

Are these new benefits consortiums financially strong?

Yes. These bills require benefits consortiums to have the same solvency requirements as insurers domiciled in Virginia (termed as a Domestic Insurer). Moreover, benefits consortiums also provide employer and individual financial security using reinsurance and terminal liability provisions.

Who has regulatory authority of these benefits consortiums?

Virginia's Bureau of Insurance (BOI) has full licensing and regulatory authority as well as oversight related to financial and solvency requirements of all benefits consortiums. Additionally, as a Multiple Employer Welfare Arrangement (MEWA), benefits consortiums are subject to United States Department of Labor oversight under The Employee Retirement Income Security Act of 1974 (ERISA).

FORMATION OF BENEFITS CONSORTIUMS FAQ

Who oversees the benefits consortium?

Benefits consortiums are operated by member-managed trusts that oversee each plan's set-up and operations. These member-managed trusts are required to use all funds for the benefit of participating employees and their dependents.

Will benefits consortiums hurt the new state-based exchange?

Benefits consortium plans are not in direct competition with Virginia's state-based exchange for the ACA individual market. Because shifts into the consortium occur at the group level, rather than at the individual level, self-selection by an individual employee is much more difficult.

Do benefits consortiums segment the existing small group market?

Benefits consortiums do not target "low risk" groups for participation and do not seek to segment the existing small group market. These bills provide that any small employer, regardless of risk, may participate. Additionally, the sponsoring association cannot condition membership on health status thereby further reducing the opportunity for segmentation. As a result, it is expected that benefits consortiums will enroll a broad cross-section of risk – not just lower-risk employers.

Will all participating small businesses have the same rate?

No, each employer group will have its own unique rates. Benefits consortiums will establish base rates formed on an actuarially sound, modified community rating methodology that considers the pooling of all participant claims. Once this base rate is established, each employer group's specific risk profile is used to determine rates by actuarially adjusting above or below the established base rates.

Does each employee have a different rate within their employer group?

No, like most large employers, benefits consortiums normally utilize what is known as "composite rates" whereby - regardless of age, health history, sex, or smoker status - each employee within the specific employer group has the same rate if they are enrolled in the same tier of coverage e.g. self, self + child, self + spouse, and family.

Can benefits consortiums provide customized coverage?

Yes, because benefits consortiums are member-managed trusts that oversee each plan's set-up and operations, they have the authority and ability to design plan attributes that are unique to a particular demographic, a specific geographic area, a given industry, or community.

FOR MORE INFORMATION

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