

Study Snapshot:

Massachusetts Health Insurance Exchange Offers Insight into Facilitating Small-Group Employer Participation

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The Question:

What lessons can be drawn from Massachusetts to inform current health insurance exchange implementation efforts?

By providing access to more affordable health insurance, health insurance exchanges may be one mechanism to reduce the number of uninsured individuals in the United States. A critical factor in developing robust exchanges is active participation by the small-group market. For example, health insurance exchanges can streamline benefits and offer more diverse plan options for employees, yet gaining small-group employer participation in Massachusetts was a challenge. In a HCFO-funded study,¹ Mark Hall, J.D., Wake Forest University, examined small-group employers' use of the Massachusetts exchange, Health Connector, to inform current and future state and federal implementation efforts.

The Evidence:

Small-group employer participation is limited by an unclear value proposition and resistance to a changing market environment.

Hall assessed the design and operation of the Massachusetts Connector through document reviews and in-depth key informant interviews. The study results are available in his [full report](#). In addition to usability issues with the Connector's website, Hall identified several barriers to small-group participation:

• Unclear Value Proposition

- Community rating required identical pricing for equivalent plans inside and outside the exchange, limiting the potential price advantage of Connector products.
- There were negligible, if any, administrative cost savings for employers.
- As such, the “value” of the Connector to small-group employers was unclear.

• Challenges in Offering Enhanced Choice

- Employers were hesitant to diverge from their traditional offering model, citing increased complexity in new offerings and a lack of innovative features offered in the Connector.
- Insurers and brokers feared adverse selection risks inherent in employee choice.

• Political and Institutional Factors

- Small but present resistance to greater government regulation.
- Connector's limited marketing resulted in a lack of awareness among employers.
- Largest insurers in the state withdrew from the Connector's employer program until issues were resolved.

The Evidence:

States considering or implementing exchanges will need to build in and communicate the value of participating in the exchange for small-group employers and address state-specific market factors.

The Massachusetts example provides lessons and justification for addressing the value proposition, enhanced plan choice, politics and ease of use in the design of insurance exchanges. Hall suggests: (1) Focus on the value proposition of the exchange structure, (2) Use existing expertise and technology platforms in the market to facilitate transition, (3) Utilize insurance brokers for input on successful design and operation of an exchange, and (4) Work to achieve consensus with competing insurers and formulate operating rules to preserve broad participation. Hall explains that states walk a fine and sometimes faint line between creating a program that improves existing market structures for small groups without unduly threatening existing market participants or upending features that already work reasonably well.

Contact Us

For more information on the results from this grant, please contact the principal investigator Mark Hall, J.D., at mhall@wakehealth.edu or 336-716-9807.

¹ The Robert Wood Johnson Foundation Changes in Health Care Financing and Organization (HCFO) Initiative supports timely and policy relevant health services research on health care policy, financing, and organizational issues.

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