



UTAH'S DEFINED CONTRIBUTION MARKET

Prepared for the National Conference of State Legislators
Federal Health Reform Implementation
Task Force

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Guiding Principles for Health Insurance Market Reform - Utah

- Individuals and families should be able to **own their health insurance**
- **Insurance should be portable** from employer to employer
- Individuals and families should be able to **choose a plan** that works best for them
- Employees should be able to **combine premium contributions** from multiple sources to be applied toward payment of one policy
- Insurance carriers should **compete on VALUE and on managing risk—not on avoiding risk**
- **Government should act as a facilitator—not an operator**

Creation of the Defined Contribution Market

What are Defined Contribution arrangements?

- Employer-sponsored health plans that allow individual employees full control over their plan choice
- Rather than promising or providing a certain level of health benefit, the employer offers a pre-determined level of funding that the employee then controls and uses to purchase their choice of health insurance

Method For Implementing Utah's Principle of Consumerism

Establishing the Utah Health Exchange

- Internet-based information portal
- Three core functions:
 - 1) Provide consumers with helpful information about their health care and health care financing
 - 2) Provide a mechanism for consumers to compare and choose a health insurance policy that meets their needs
 - 3) Provide a standardized electronic application and enrollment
- Multiple source premium aggregator
 - Combines premium payments from multiple sources (i.e. second employer, spouse's employer, etc.) to be applied toward a single policy

The Affordable Care Act

- The Patient Protection and Affordable Care Act (P.L. 11-148), enacted March 23, 2010
- Health Care and Education Reconciliation Act of 2010 (P.L. 111-152, enacted March 30, 2010)

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The “Exchange” and the “SHOP”

- American Health Benefit Exchange (AHBE)
 - Individuals and families purchase qualified coverage and if they are below certain income levels may receive premium subsidies.
- Small Business Health Options Program (SHOP)
 - Small businesses with up to 100 employees may purchase qualified coverage.
 - Premium subsidies are not available through the SHOP exchange. (tax credits for certain employers)

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Utah's Health Insurance Exchange

Defined contribution market is compatible with the federal "SHOP" exchange for small employers

How does the Exchange work?

- **Step 1** - Employer applies
- **Step 2** - Employees register
- **Step 3** - Premiums are generated through underwriting
- **Step 4** - Employee comparison shops (open enrollment)
- **Step 5** - Finalize enrollment
- **Step 6** - Plans go into effect on designated date

Advantages of the Utah Health Exchange

EMPLOYERS

- Simplified Benefits Management
- Predictable costs
- Expanded Coverage Choices
- Preserve Tax Benefits

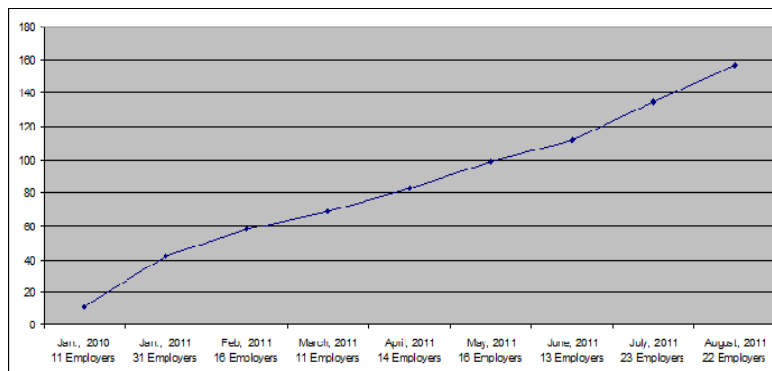
EMPLOYEES

- Individual Control and Choice
- Pay with Pre-tax dollars
- Plan Portability
- Premium Aggregation

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Employer Participation Continues to Grow

**157 employer groups are currently enrolled in the Utah Health Exchange.
100% of the participating "2010 Pilot Groups" re-enrolled for 2011.**



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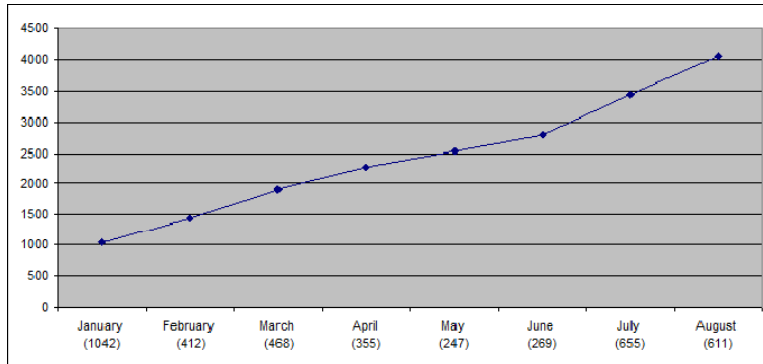
Employee Enrollment Counts

Total number of enrollees, including August 1st benefit effective date groups:

Covered lives: 4059

Covered employees: 1424

Covered dependents: 2635



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Covering Previously Uninsured

- 16% of employer groups did not offer health insurance for their employees prior to joining the Exchange
- 96% of participating employer groups have a broker

Defined Contribution Monthly Amount Provided by Participating Employers

- Smallest employer defined contribution amount: \$0
- Average employer defined contribution amount: \$518
- Largest employer defined contribution amount: \$1,683

Participating Business Entities

- LLC = 48
- S-Corp = 54
- C-Corp = 40
- P-Corp = 7
- Non Profit = 5
- General Partnership = 1
- Government Agency = 2

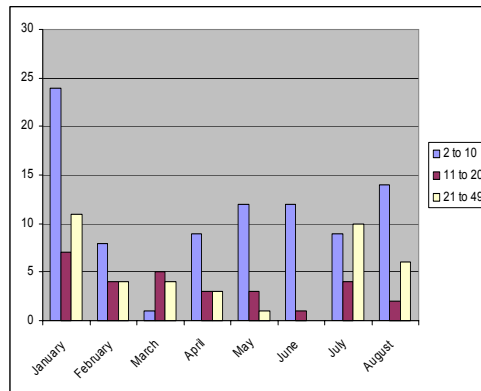
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Employee Enrollment Counts

Smallest Group Size
2 employees

Average Group Size
14 employees

Largest Group Size
49 employees



Total employer count by group size

- Groups with 2 - 10 employees: 89
- Groups with 11 - 20 employees: 29
- Groups with 21+ employees: 39

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Questions?

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