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# **MEWA's and Health Insurance Alternatives for Small Groups**

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Tuesday, May 19, 2020

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# Agenda

- Affordable Care Act
- ACA Effect on Small Group Plans
- Self Insured Plan Options for Small Groups
- Multiple Employer Welfare Agreements (MEWA)
- Questions

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# Affordable Care Act

# Affordable Care Act

- Legislation signed into law in 2010
- Large groups (+50 employees)
  - Underwriting and market access largely unchanged
  - Employers were forced to offer affordable coverage with minimum essential benefits, or pay penalty of up to \$3,000 per employee
  - Significant reporting requirements
- Individual and small group segments were affected the most
  - Individual Mandate
    - Repealed in 2018
  - Community Rating
    - Methodology applies to all new individual and small group plans

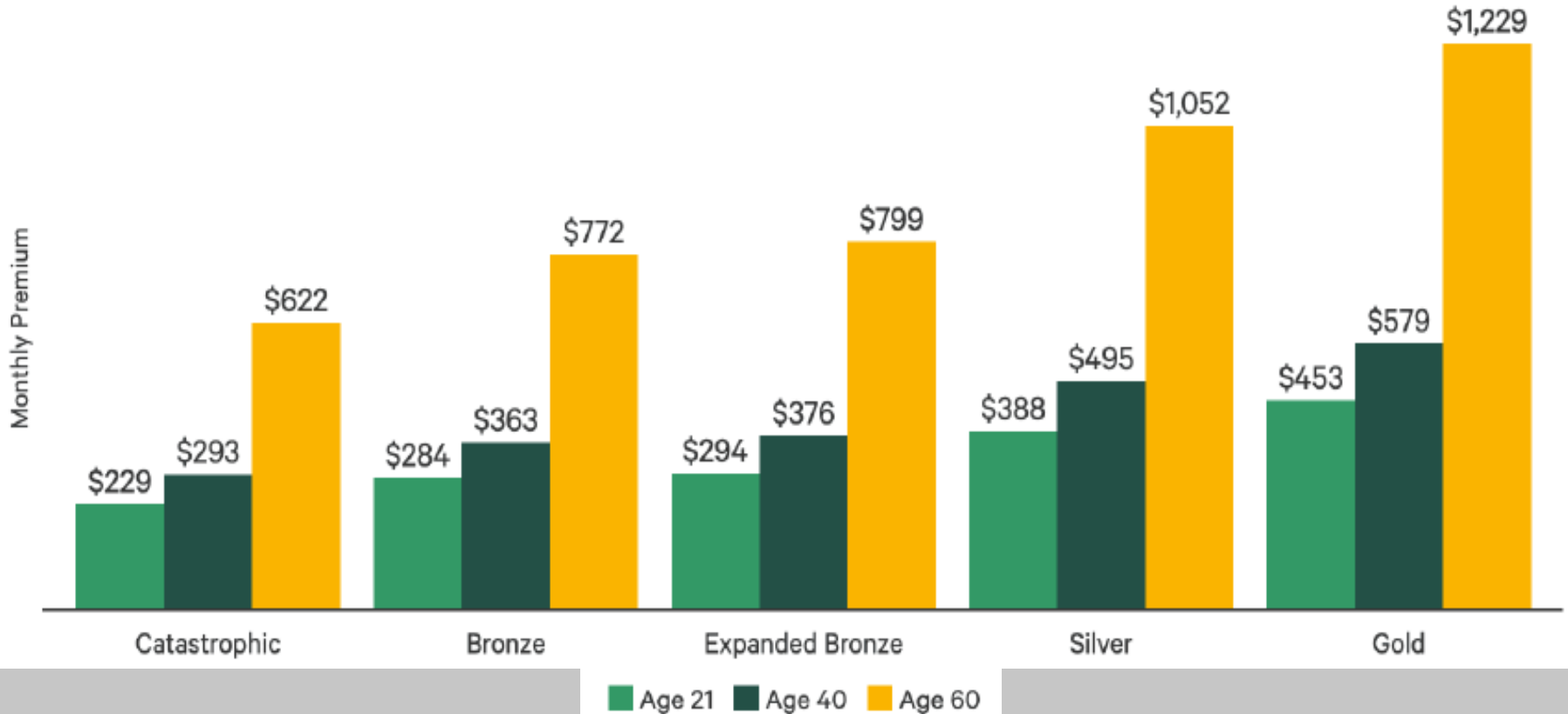
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# Affordable Care Act

- Community Rating
  - Metal themed designations applied to plans
    - Platinum
    - Gold
    - Silver
    - Bronze
  - No underwriting
  - No pre-existing exclusions
  - Rates determined by zip code, age, smoker status only
  - Premiums set at very high levels to accommodate anticipated higher risk

# Affordable Care Act

Average Cost of Health Insurance in Ohio by Metal Tier



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# ACA Effect on Small Group Plans

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# Effect on Small Group Market

- Legislation originally stated all individual and small group plans (<50 employees) were required to migrate to Community Rated plans
- **'If you like your health care plan, you'll be able to keep your health care plan'**
- Concession allowed insurance companies to offer "*Grand-mothered*" plans
  - Transition deadline set for migration by 2014
  - Deadline has been extended six times
  - New deadline is October 2020



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# Effect on Small Group Market

- Existing small groups have largely kept their Grand-mothered coverage
- Only other option for new groups since ACA was enacted had been Community Rated plans
  - Very expensive
  - Must have 2 members on plan to establish group
  - Some network and benefit issues

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# Self Insured Plan Options for Small Groups

# Self Insured Plan Options

- Several insurance carriers have introduced self funded (level funded) plans for small groups
  - United Health Care
  - Aetna
  - National General
- Plans are subject to federal ERISA rules
  - Medically underwritten
  - No community rating
  - Can accommodate groups with as few as 5 EE's

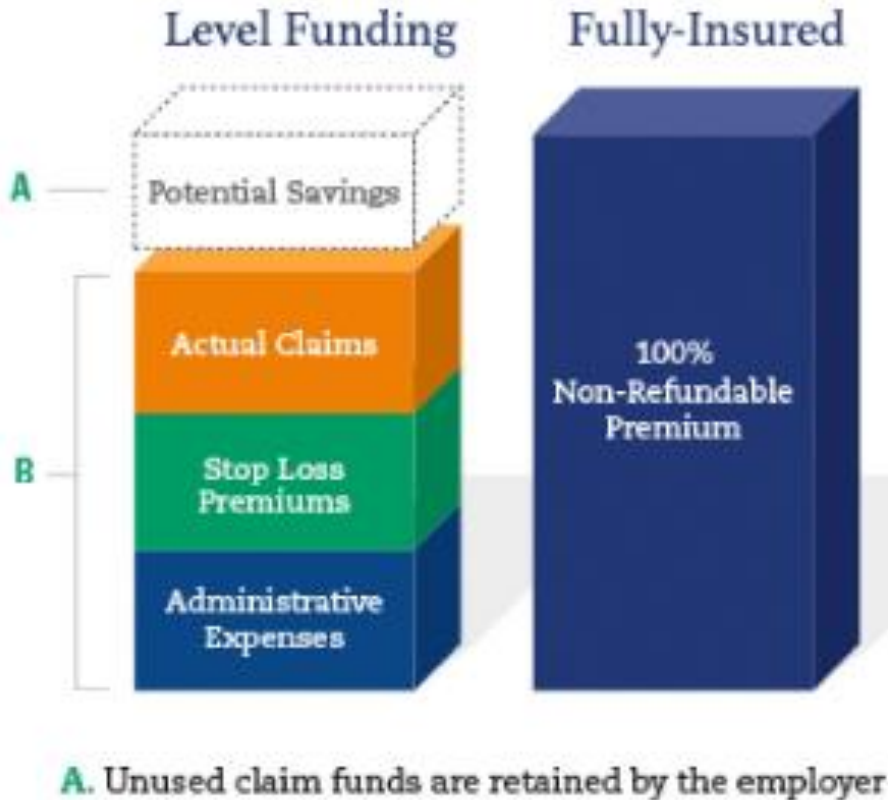
# Self Insured Plan Options

- Self funded platform
  - Fixed costs
    - Administration fees – paid to carrier to handle claims
    - Stop Loss coverage – insurance for catastrophic claims
  - Claim liability
    - Claim funding account - held by carrier to pay claims for group members
  
- Employer pays set premium to cover Fixed Costs and Maximum Claim Liability
  - Employer receives monthly claim reports to track experience throughout the year

# Self Insured Plan Options

- If group claim experience is less than maximum the carrier returns a portion of the savings
  - Group must renew with carrier to receive return premium
  - Credit calculated approximately 90 days after end of policy period
  - Refund applied to future administration fees
- If group claim experience is higher than maximum the group has no additional liability
  - Poor claim experience will yield higher rate increases

# Self Insured Plan Options



# Self Insured Plan Options

- Summary
  - Minimum group size of 5 employees
  - Younger healthy groups will typically yield better long-term results
  - Must stay with the carrier to receive refunds
  - Strategy to avoid community rating
  - Employer gains access to more claim data
  - Maximum employer liability defined up front

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# Multiple Employer Welfare Arrangements MEWA's



# MEWA Evolution in Ohio

- MEWA (Multiple Employer Welfare Arrangement) structure has been in existence for many years at federal and state level
  - Section 3(1) of ERISA, 29 U.S.C. §1002
    - [www.dol.gov/ebsa/publications/mewas.html](http://www.dol.gov/ebsa/publications/mewas.html)
  - Chapter 1739 of the Ohio Revised Code
    - [www.codes.ohio.gov/orc/1739](http://www.codes.ohio.gov/orc/1739)
  
- MEWA's allow small employers to purchase insurance coverage as part of a large **affiliated** group
  
- Until recently Ohio law had limited MEWA formation to Professional or Trade Associations
  - Ohio Medical Association
  - Ohio Dental Association
  - Ohio Builders Exchange

# MEWA Evolution in Ohio

- Self funded plan design
  - MEWA Is financially responsible for plan
  - Collects premiums from employer members and pays all claims
  - Stop loss insurance to protect against catastrophic losses
  - MEWA typically hires a Third-Party Administrator to run program
  
- Historical Ohio MEWA results
  - No State Insurance reserve requirements and other regulations
  - Some MEWA's provided rates substantially below those regulated for insurance companies
  - Some faced severe financial hardships due to poor underwriting and pricing, mismanaged funds, and inadequate reserves
  - Increasing rates led to adverse selection
  - In many instances the poor results led to a “buyer beware” reputation

# MEWA Evolution in Ohio

- Ohio H.B. 64 signed into law 6/30/2015
  - Expanded MEWA eligibility to Chambers of Commerce and other associations
  - Increased the required minimum surplus for MEWAs to \$500,000 (reserve increases based on premiums collected)
  - Tightened reporting requirements (full quarterly audit)
  - Required MEWA's to file rates with ODI annually
- Expanded legislation coupled with ACA marketplace restrictions has led to the creation of several new MEWA options for small groups

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# MEWA Markets in Ohio

# MEWA Markets in Ohio

- Three new major MEWA markets
  - Associations/chambers have partnered with insurance carriers to create these new programs
  - Self funded plans which are financially backed by the association/chamber
    - Member group rates are guaranteed for the duration of the policy period
  - Insurance carriers administer all aspects of plan
    - Underwriting and pricing
    - Policy processing
    - Plan design
    - Networks
    - Claims
    - Stop Loss coverage

# MEWA Markets in Ohio

- Council of Smaller Enterprises (COSE)
  - Based in Cleveland
  - Medical Mutual administered program
  
- Plan Information
  - Multiple plan designs
  - Full Medical Mutual network
  - Accepts groups from 1 – 50 employees
  - Optional dental, vision, life, and disability coverages available
  - Common group effective date – January 1st
  
- Group must join COSE (monthly fee) and possibly have to join a local chamber depending on location



# MEWA Markets in Ohio

- Southern Ohio Chamber Alliance (SOCA)
  - Alliance of local chambers throughout Ohio
  - Anthem administered program
  
- Plan Information
  - Multiple plan designs
  - Full Anthem network
  - Accepts groups from 1 – 50 employees
  - Optional dental, vision, life, and disability coverages available
  - Common group effective date – May 1st
  
- Group must join local chamber and pay monthly fee to SOCA



# MEWA Markets in Ohio

- Ohio Chamber of Commerce
  - Statewide Ohio Chamber
  - United Health Care administered program
  
- Plan Information
  - Multiple plan designs
  - Full UHC network
  - Accepts groups from 2 – 50 employees
    - Groups where spouses are only employees are not acceptable
  - Optional dental, vision, life, and disability coverages available
  - Common group effective date – January 1st
  
- Group must join Ohio Chamber of Commerce





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# Summary

- MEWA's provide small businesses with the ability to band together as a large group to purchase quality benefit plans
  - Highly regulated by the state
  - Administered by major insurance carriers
  - Multiple plans designs
  - Full network access
  - Affordable dental and vision plans
  - Wellness programs included

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# Summary

- Eligibility
  - Must be a documented business
    - MEWA may require LLC agreements, wage reports, tax returns, etc. to verify business entity
  - Group must be domiciled in Ohio
    - Can have some employees in other states
  - Groups from 1 – 50 employees
  
- Groups are fully underwritten
  - Younger, healthier groups tend to receive very competitive offers
  - One online medical application used by all MEWA's
  - Groups do not have to join MEWA just to obtain quotes

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# Summary

- Who might benefit from these plans?
  - Current business owners looking for alternative to
    - ACA Community Rated plans
    - Current Grand-mothered plan
  
  - Retirees looking to start a small business
    - Alternative to COBRA
    - Alternative to Individual Marketplace
  
  - Small business owners looking to keep coverage in place after age 65
    - Alternative to Medicare
    - Ability to continue contributions to Health Savings Accounts
      - Must be covered by a qualified High Deductible Medical Plan

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# Questions???

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