

# State Health Reform Assistance Network

## Charting the Road to Coverage

### ISSUE BRIEF

Executive Summary  
June 2014

## Understanding the Potential Role Web Brokers Can Play in State-Based Marketplaces

Prepared by **Joel Ario** and **Allison Garcimonde**, Manatt Health Solutions and **Jon Kingsdale**, Wakely Consulting Group

### Executive Summary

The Affordable Care Act (ACA) is already greatly expanding individual health insurance coverage, particularly among lower-income uninsured individuals. However, this is neither easy nor inexpensive to sustain, and it will require ongoing, effective public-private partnerships on multiple levels. One such partnership opportunity is with “web brokers,” who have been selling individual health insurance online since eHealth opened for business in 1997. Web brokers function as private distribution channels in a fashion similar to the new Marketplaces, offering a choice of health plans from multiple insurers, relying primarily on web sites and call centers for customer service.

In March 2012, the U.S. Department of Health and Human Services (HHS) provided the opportunity for Marketplaces to capitalize on web broker experience by authorizing Marketplaces to partner with web brokers in enrolling individuals (including those eligible for subsidies) as long as those web brokers met certain consumer protection standards. The Federally-Facilitated Marketplace (FFM) embraced the web broker policy in May 2012, and the Centers for Medicare & Medicaid Services (CMS) began signing contracts with web brokers in July 2013. The agency has signed agreements with more than 30 web brokers, though technology problems limited their role during the 2014 open enrollment period.

Some leading web brokers have sought similar partnerships with states and, while there has been some state interest, no State-Based Marketplace (SBM) has fully embraced the federal model for contracting with web brokers. This may be changing now that the first open enrollment period has closed and states are looking ahead to crafting sustainable models for reaching as many consumers as possible.

The purpose of this executive summary and its associated comprehensive [issue brief](#) is to help SBMs think about how they might work with web brokers. The paper is divided into three sections.

### WHO ARE THE WEB BROKERS?

Section one describes web brokers, which come in different flavors, but share a common goal with the Marketplaces: to use the internet as a distribution channel that makes it easier, cheaper, and faster to purchase health insurance in a consumer-oriented Marketplace. The mutual benefit of a partnership can be explained as such: Marketplaces have achieved considerable public

#### ABOUT STATE NETWORK

State Health Reform Assistance Network, a program of the Robert Wood Johnson Foundation, provides in-depth technical support to states to maximize coverage gains as they implement key provisions of the Affordable Care Act. The program is managed by the Woodrow Wilson School of Public and International Affairs at Princeton University. For more information, visit [www.statenetwork.org](http://www.statenetwork.org).

#### ABOUT MANATT HEALTH SOLUTIONS

Manatt Health Solutions (MHS) is an interdisciplinary policy and business advisory division of Manatt, Phelps & Phillips, LLP, one of the nation's premier law and consulting firms. MHS helps clients develop and implement strategies to address their greatest challenges, improve performance and position themselves for long-term sustainability and growth. For more information visit [www.manatt.com/manatthealthsolutions.aspx](http://www.manatt.com/manatthealthsolutions.aspx).

#### ABOUT WAKELY CONSULTING GROUP

Wakely Consulting Group is an actuarial and healthcare consulting firm specializing in government healthcare programs including state and federal reform, Medicaid and Medicare Advantage. For more information, visit [www.wakely.com](http://www.wakely.com).

#### ABOUT THE ROBERT WOOD JOHNSON FOUNDATION

For more than 40 years the Robert Wood Johnson Foundation has worked to improve the health and health care of all Americans. We are striving to build a national culture of health that will enable all Americans to live longer, healthier lives now and for generations to come. For more information, visit [www.rwjf.org](http://www.rwjf.org). Follow the Foundation on Twitter at [www.rwjf.org/twitter](http://www.rwjf.org/twitter) or on Facebook at [www.rwjf.org/facebook](http://www.rwjf.org/facebook).

For more information, please contact Allison Garcimonde at [AGarcimonde@manatt.com](mailto:AGarcimonde@manatt.com), or 202.585.6580.

awareness and may attract issuers that web brokers hope to represent, while web brokers can provide technology tools, consumer-friendly innovations, and marketing and sales capacity that may be of increasing value as Marketplaces must become self-sustaining.

Five leading web brokers, each with its own business model, are profiled:

- **eHealth, Inc.:** Founded in 1997, eHealth (aka eHealthInsurance) offers more than 10,000 products from 180 insurance companies, has affinity relationships with nearly 1,000 businesses, and reports having enrolled over four million individuals in health insurance to date. The company focuses on providing a self-executing online experience for web-savvy consumers.
- **Getinsured:** Founded in 2005, Getinsured’s national web-based platform supports over 110 carriers and 6,748 health plans. Getinsured has also contracted as an information technology (IT) vendor with several states and offers various “off-the-shelf” solutions for both the individual and small business (SHOP) Marketplaces.
- **GoHealth:** GoHealth has operated a “consumer health insurance exchange” since 2002, assisting individual purchasing online, through its agent network, or directly through a major health insurance company. GoHealth was an early partner of the FFM by using a combination of online and call center capabilities.
- **OneExchange:** Towers Watson’s exchange division includes ExtendHealth, the largest private Medicare exchange, and Liazon Corporation, a leading private exchange for mid-sized employers. The company is particularly interested in part-time and other employee classes that may be best served by individual coverage.
- **Quotit:** Part of Word & Brown Companies, Quotit is an internet application service provider that has relationships with over 300 insurance carriers representing more than 40,000 plan designs in the health, life, dental, and vision insurance markets. Quotit’s software enables independent brokers and retail consumers to generate insurance quotes.

## EVOLUTION OF FEDERAL POLICY ON WEB BROKERS

Section two chronicles the evolution of the federal web broker policy, describing how the federal government established a web broker policy for public Marketplaces, and then adopted an “open competition” version of that policy for the FFM and the 36 states that operated as FFM states in 2014. Under the federal regulation, web brokers can enroll consumers through their own websites only if there are both appropriate connections to the relevant state or federal Marketplace and if the web broker signs an agreement and abides by the following consumer protections:

- Registers with the Exchange and receives training in the range of Qualified Health Plan (QHP) options;
- Complies with the Exchange’s privacy and security standards;
- Complies with state laws, including laws related to confidentiality and conflicts of interest;
- Meets all standards for disclosure and display of QHP information;
- Provides consumers with the ability to view all QHPs offered through the Exchange and displays all QHP data provided by the Exchange;
- Provides consumers with the ability to withdraw from the process and use the Exchange website instead at any time; and,
- Maintains electronic records for audit purpose for at least 10 years.

In July 2013, web brokers began signing agreements with CMS, and by late 2013, CMS had entered into agreements with more than 30 web brokers. However, the “double redirect” technology used to connect the FFM with web brokers (as well as carriers for direct enrollment) proved difficult to use without consumer assistance during the 2014 enrollment process. Because the consumer was redirected from the web broker’s site to the FFM for eligibility determination, then back to the web broker’s site to shop and choose a QHP, there were many opportunities for delays and disruption. Web brokers estimate that relatively little of this traffic succeeded in achieving electronic enrollment, and most web brokers did not rely on the automated enrollment process, preferring instead to provide telephonic assistance to their customers.

CMS has considered a set of web services that would be built on top of the double redirect process and provide a seamless enrollment experience for the consumer enrolling through a web broker. The new services, which have been referred to as the Eligibility Verification as a Service (EVaaS) application program interface (API), would be an enhancement to the direct enrollment capacities of the current process, but there is no timeline for these new services. Web brokers believe that EVaaS would significantly improve the consumer experience and their ability to connect electronically to the FFM. They are hoping it will be developed and tested in time for the 2015 open enrollment season. In recent interviews, however, several web brokers expressed skepticism about CMS meeting this timetable given the agency’s many IT priorities.

## STATE OPTIONS FOR WORKING WITH WEB BROKERS

Section three describes two models for how SBMs can work with web brokers:

- **Open Competition:** The Marketplace contracts with all web-based entities that meet basic consumer protection and operational performance standards; or,
- **Managed Contracting:** The Marketplace contracts selectively and/or in special partnerships with one or more web brokers to achieve specific goals.

The case for open competition starts with consumer choice and maximizing enrollment. Consumer buying habits vary, so offering consumers as many ways as possible to shop for coverage options will make it easier for them to enroll, especially with several of the leading web brokers further down the learning curve than the Marketplaces on how to sell health insurance online. Expanding enrollment options may be most attractive at this early stage in the development of consumer choice tools, when no one knows which tools will turn out to be most helpful to consumers. Public Marketplaces will have strong appeal to certain types of consumers, but private web brokers will appeal to other consumers and may be able to experiment with consumer shopping enhancements in ways that public agencies find more difficult. In essence, open competition boils down to giving those that qualify for subsidized coverage the same access to multiple distribution channels as all other consumers.

The case for managed competition starts with the fact that SBMs offer a unique benefit—Advanced Premium Tax Credits (APTCs)—and therefore are in a position to select and “partner” with those web brokers who are most aligned with the SBM’s objectives; and some SBMs may find that selective contracting provides more value than offering a “vanilla” contract to all web brokers that meet minimum standards of consumer protection and interoperability. Moreover, public Marketplaces and web brokers “compete” for unsubsidized enrollees. The substantial value that public Marketplaces can offer web brokers suggests that, rather than “give away” that value, they bargain for significant marketing commitments in return. For example, an SBM might structure a bid process, whereby web brokers propose marketing resources aimed at tough-to-reach segments.

With the 2014 open enrollment experience behind them, SBMs are in a better position to set longer term objectives, with different objectives suggesting different approaches to web brokers:

- To learn from as many different web brokers as possible how to reach enrollees, to attract as much enrollment of any kind as possible, and to avoid any suspicion of favoritism. This objective suggests the value of casting a very wide net for web brokers.
- To leverage tax credits, brand awareness, and a wide range of participating issuers to make the Marketplace the primary destination for all individual buyers, whether subsidized or not. This objective suggests favoring web brokers that agree to place subsidized and non-subsidized individual business through the Marketplace.
- To target for special outreach efforts particular linguistic, professional, or demographic groups (e.g., Hispanics, Native Americans, entrepreneurs, solo professionals, etc.). This objective suggests partnering with selected web brokers—by, for example, matching the web broker’s dollar outlays for targeted advertising and community events.
- To help bridge discontinuities and different rules between Medicaid and QHPs for the lower-income applicants who may turn out to be eligible for Medicaid. This objective suggests partnerships with brokers, web-based or otherwise, that have relationships with a state’s Medicaid program, and that are committed to assisting low-income applicants.
- To provide customers with a truly objective choice of issuers and equally robust access to all QHPs on the Marketplace. This objective suggests favoring web brokers who have appointments from all the issuers or commit to equally promote those issuers that have not appointed the web broker by including them in its decision-support tools.
- To minimize the Marketplace’s cost and time for establishing and managing relationships with web brokers. Depending on the marginal cost of adding web brokers, this objective may suggest the open competition model or, if marginal costs are high, this objective may suggest limiting the number of web brokers with which the Marketplace contracts.

While Marketplaces may initially gravitate toward one strategy, a Marketplace’s needs and web broker capabilities will probably evolve over time, and so should its strategies. For example, a Marketplace may initially want to learn from as many web brokers as possible or it may not have the resources to negotiate individual contracts. This Marketplace may wish to follow the federal open competition model. Over time, the same Marketplace may find a better return from selectively partnering only with those web brokers who make a major commitment to promoting the Marketplace and its priorities.