

Health Insurance Exchange Stakeholder Meeting

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Comments from SMC Business Councils

Submitted by

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For the past 65 years, SMC Business Councils has helped Pennsylvania small businesses join together to foster mutual interests. With offices in Pittsburgh and Harrisburg, SMC has several thousand members in the service, manufacturing and commercial sectors. Companies include a diverse range from small family businesses to sophisticated marketing companies, information technology firms, to manufacturers of solar panels, and components for medical and transportation industries and more.

We've facilitated health insurance benefits to members for decades and are very familiar with marketplace options, the distribution mechanisms, and the needs and challenges facing small business.

SMC Business Councils has devoted significant time and resources to PPACA and health insurance exchanges (HIE). We've consulted with our counterparts around the state and country, surveyed our members and developed a position on exchanges. We continue to be involved in the process and are willing to work with you in any capacity needed.

A recent SMC Member survey showed that 69% of respondents oppose the purchase of health insurance from a government-controlled exchange. Ninety-nine percent support allowing small business to pool together and want private market solutions.

The structure of the exchanges will be determined by the answers to the fundamental questions asked by the Pennsylvania Insurance Department. If they are not set up correctly they will do more harm than good to the small businesses they serve.

- The key question to answer is "Who should set up the exchanges?" SMC believes the state rather than the federal government should set up the exchanges. The Utah exchange model is preferable to the Massachusetts exchange model.

Below are our responses to other critical questions faced by the state of Pennsylvania:

1. Should health insurance plans be available only through the exchange, or also outside the exchange?

Plans should be available inside and outside of the exchange. Small business should have the right to determine the best health insurance solution for their business. They want the freedom to purchase insurance inside or outside of the exchange.

2. Should the HIE be the sole source for insurance?

No. Existing private sector insurance markets must continue. Health Insurance Exchanges must not limit small business choices.

3. Should brokers and agents be involved in the purchase of insurance through the HIE?

Health insurance is a very complex product to understand and purchase. The existing customer services provided by agents, brokers, and trade associations should continue inside and outside the HIE to help small employers. Last year SMC Insurance Agency, SMC's insurance subsidiary devoted more than 10,000 hours assisting small business with their health insurance needs. We remain active in helping small business assess their renewal options. We perform open enrolment meeting for employers to help their employees understand and fully utilize their benefits, and assist with wellness program implementation. All SMC Insurance Agency employees that work in our insurance division are licensed.

4. Should navigators be licensed?

Yes, navigators should be licensed. As previously stated, health insurance is a very complex product. PA law requires insurance products to be marketed according to insurance law.

5. Should Pennsylvania coordinate with another state to offer a multi-state exchange?

Not right now. The process is likely to become too political.

6. Should the state have separate exchanges in different regions of the state?

All individuals and small businesses should have access to the plans that are most suitable for them. It would not be necessary to set up multiple regional exchanges. All exchange offerings could be filtered by zip code to populate the available plans for that particular area.

7. Should there be two separate exchanges: one for individuals and one for small businesses?

Yes. Small businesses care very much about the health and well being of their employees. They want their employees to be health and happy. That said, there are numerous differences between the options available to individuals versus the options available to small businesses. First off, the product designs are different as well as carrier requirements. Small business must comply with various group participation and funding arrangements in order to qualify and maintain group coverage.

In 2014 insurance companies must take all comers. Individuals will only need to complete an enrollment form to activate coverage. Whether or not one agrees with the individual mandate is irrelevant. The penalty is so insignificant that it will not deter anyone that wants to game the system. Small business on the other hand don't game the system, many have maintained coverage for themselves and employees for many years. Combining the operations and rating pools for individuals and small business into one exchange will create a hidden tax on small businesses.

8. Should the state require plans on the exchange to offer coverage for conditions that are not included in the federally defined "essential" benefits?

First, essential benefits need to be defined. Cost has always been the issue for small business. Adding additional benefits to the package of federally defined essential health benefits will drive up the cost of health insurance for small groups. The cost of those extra benefits may drive the cost of insurance out of reach for many small employers.

9. Should the exchange extend to large groups, or only small groups?

The current market for small group extends to 50 employees or less. Adopting the current model will make transition easier and avert possible adverse selection.

10. Should employers select exchange products for their employees, or should employees choose?

Employers fund a large portion of the premium and should select the plans they want to offer to employees. In the end, employers want their employees to be healthy and happy.

11. Should employers be able to contribute set dollar amounts that employees may use to purchase products of their choice?

Eventually yes – we're concerned about the difficulties of early adoption.

2011 SMC Business Councils State Position Papers

Health Insurance Exchanges MUST NOT create another layer of government bureaucracy and expense

- General Fund dollars should not be used to subsidize HIE operations.
- The HIE should be located within the PA Insurance Department. An HIE advisory council should be restricted to key stakeholders, especially small business.
- The HIE should be built using private sector solutions and technology platforms that support the existing roles of insurers, brokers/agents/trade associations, and health care providers.

Health Insurance Exchanges MUST NOT increase small group insurance rates

- After startup funds are depleted, exchanges will need to be self-sustaining by 2016. HIE operations should be funded by fees on those who purchase in the HIE, not subsidized by those small businesses that choose to keep their current health insurance plan outside the exchange.
- An HIE should contain separate operations for individuals and small groups. Combining both would create a hidden tax on small businesses.

Health Insurance Exchanges MUST help small employers with the purchase of health insurance

- Health insurance is a very complex product to understand and purchase. The existing customer services provided by agents, brokers, and trade associations should continue inside and outside the HIE to help small employers.

Health Insurance Exchanges MUST NOT limit small business choices

- Small employers should have the right to determine the best health insurance solution for their businesses. They should be able to purchase insurance outside or inside the HIE.

- HIE's must increase, not decrease or replace existing marketplace options. The HIE should not be the sole source for insurance. Existing private sector insurance markets must continue.

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