



SMALL BUSINESSES DRIVING PRACTICAL POLICY

Small Business Healthcare Education & Implementation

Presentation by John Arensmeyer and Terry Gardiner
Small Business Majority
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About Small Business Majority



- **Public policy advocacy organization** – founded and run by small business owners
- **National** – based in California – with offices in Sacramento, Washington, DC & New York
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and the self-employed
- Over the past 4 years created **powerful, non-ideological voice** for America's 28 million small businesses, with focus on finding solutions to rising healthcare costs

Small Business Majority's work on healthcare reform



- **Work with a network** of healthcare advocates, business organizations and small business owners across the country
- **Work to educate and inform** entrepreneurs, policymakers and other stakeholders about opportunities and challenges of ACA

What's at stake?



- Small business represents disproportionate share of working uninsured: **54% of businesses <10 employees don't offer** (Kaiser study); **28% self-employed uninsured**
- Small businesses **pay 18% more** than large businesses
- **Our opinion surveys: 86% of small businesses don't offer because of cost**; 72% of those who do offer say they are struggling to do so

What the ACA will do



Correct many problems small businesses face with:

- Tax credits
- High-risk pools
- Exchanges
- Subsidies
- Insurance reforms
- Greater access to public programs
- But **small business owners must know about the benefits**, and **policymakers must hear from the small business community** as they implement the law

Making the business case



We have been **successfully making the business case** for the past several years. We do this by:

- Translating public policy issues for small businesses and policymakers; **maintain our small business voice**
- **Focusing on our founding premise**: Diverse voices in some business groups being stifled—obvious in current efforts of these groups to cloud facts of ACA
- Using “**bottom line**” **business arguments**; our opinion and economic research work resonates in the public debate

Our work to date



- **Research**—opinion and economic
- **Policy**—in 2009 developed detailed policy recommendations driven by research, currently working on exchange options; our advice sought nationally and in CA on state exchange framework
- **Outreach**—extensive network of healthcare advocacy and small business orgs on national level and in 30 states; DC “fly-in” and CA “listening tours”
- **Media**—communicate research and other work to national and state media; nearly 1,000 hits to date

A sensible plan of action



Continued success of healthcare reform/small business education and outreach depends on continuation of work in 3 areas:

- **Educating small business owners** via direct outreach and communication through media
- **Policy development** and educating policymakers
- **Continued opinion and economic research**

Small business education and media outreach



We work through **dedicated state-based partners** who carry out the “**work on the ground**” by:

- Training state-based partners who educate small business owners
- Conduct webinars and conference calls with small business owners
- Develop and disseminate materials organized by national and state partners
- Expand our small business owner network
- Continue outreach to national and state media

Small business education and media outreach



We offer our state partners a “**package**” of **support materials** including:

- Small business education (e.g. tax credit calculator)
- Media support
- Policy support
- Research
- Fundraising assistance

ACA education—important issues for small businesses



Small business healthcare tax credits

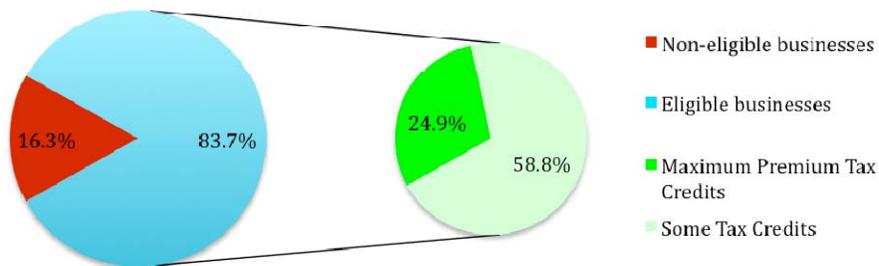
- Available to businesses with employees
- Takes effect immediately (tax year 2010)
- Fewer than 25 full-time employees
- Average annual wages <\$50,000
- Employer pays at least 50% of the premium cost

ACA education—important issues for small businesses



Small business tax credits

Our report: More than 4 million businesses are eligible (83.7% of all businesses); 1.2 million businesses eligible for the maximum credit



ACA education—important issues for small businesses



1099 reporting requirement

- Requires small businesses to file a 1099 form for the purchase of goods and services over \$600
- Tacked onto legislation as a revenue-generating measure; has nothing to do with healthcare reform
- Would create unnecessary paperwork burden for small businesses
- Congress committed to fixing before it would take effect in 2012

ACA education—important issues for small businesses



Small businesses can keep health plans they like

- Small businesses allowed to keep **grandfathered plans** as long as they don't make any significant changes in coverage
- Major changes (increasing medical costs to employees, reducing employer contribution, cutting benefits or adding annual limit) mean the plan will no longer be grandfathered and new consumer protections will apply

Small business education and media outreach—state focus



Focused on 21 states based on current and anticipated levels of partner support

- California: separately funded with dedicated SBM outreach manager
- New York: SBM team member on the ground, but focused on other issues right now
- Tier 1: CT, GA, IA, IL, MD, MN, OR, NM, MO, SC, UT
- Tier 2: AZ, CO, MT, OH, PA, NV, VA, WI

National outreach and state partner needs



- **Expand national outreach** to more states; focus on **building organizational partnerships** in key states (statewide listening tours)
- Build small business owner network—**more than 10,000 people**; more formal network structure, including advisory board
- Additional media outreach and state-based **communications** support
- **Direct support to state partners**; dedicated staff to sustain long-term outreach efforts

Policy development/implementation of ACA



- Plan to build on our current policy work, particularly **helping states establish exchanges**
- Make policy recommendations at national level (e.g. HHS, IRS), but bulk of policy work developing template policies to **educate state policymakers**
- Must work **hand-in-hand with state partners** to accomplish this

Policy development—small business health insurance exchanges



Insurance **exchanges are the most important** component of federal healthcare reform for small businesses, which is why the **bulk of our policy work** revolves around them.

For **small businesses to receive the full benefits** of an exchange it must include a number of characteristics:

Insurance exchange—key issues



Governance

- Transparency and accountability provisions to build trust:
- Open meetings and records
- Independent annual audit
- Public input for regulations
- Stakeholder input into process
- Conflict of interest provisions for Board of Management

Insurance exchange—key issues



Active purchaser role of exchange

- Exchanges should use certification authority to limit participation to highest-value plans
- Be an active purchaser, using its authorities to only offer plans that enhance value, consumer protection and affordability
- Grade participating insurers on quality, cost, enrollee satisfaction, etc

Insurance exchange—key issues



Individual and small employer exchanges

- Law allows states option to create an individual and separate small employer (SHOP) exchange or to combine them
- To decide—thorough study of the existing state insurance market is needed
- Merging would increase potential enrollment volume; more likely to have a well-balanced risk pool

Insurance exchange—key issues



Designing and operating exchange to attract small employers

- To be successful, exchange should have a single point of entry and provide:
 - Necessary info to inform decisions
 - One application
 - One premium payment
 - Detailed accounting to the employer of employees' individual ratings, plan choices, family tier and coverage additions

Insurance exchange—key issues



Designing and operating exchange to attract small employers

- One point of contact for enrollment changes
- Guidance to employers about qualification/calculation of tax credit
- Coverage for out-of-state employees for small employers including working with other state exchanges
- Help coordinating coverage of Medicare-eligible employees, dependents, and retirees

Insurance exchange—key issues



Designing and operating exchange to attract small employers

- A clear method for communication/ obtaining additional info from exchange
- Provide a software tool that allows employer the option to “consolidate” the premiums for employees or to individually charge employees based on individual ratings (age, tobacco, geography)

Insurance exchange—key issues



Additional “HR” services to meet small employers’ needs and compete with grandfathered plans:

- COBRA administration
- Section 125
- Flexible spending accounts

Insurance exchange—key issues



Minimizing adverse selection

- Legislation giving clear direction to governing boards
- Identical regulation inside and outside exchange
- Requiring insurers to offer same plans inside and outside exchange
- Design practical risk adjustment system

Insurance exchange—key issues



Incentives for lower costs and higher quality

- Employers will be more supportive of exchanges if they view it as a “partner” in controlling long-term cost inflation
- Within SHOP exchange, employers should be encouraged to provide incentives to employees who choose more efficient, higher-quality health plans

Insurance exchange—key issues



Brokers and distributors

- Agents, brokers and distributors are expected to continue to play a role, but the ACA didn't contemplate specific regulation
- States need to provide oversight and regulation of broker and agent activity to ensure actions don't undermine exchange and other key protections of the law

Insurance exchange—key issues



Web portals—should meet the needs of individuals and employers. Information should include:

- Cost and value of plans for employers and employees
- Reliable and objective ratings of plans' quality and efficiency
- Individual tax credits and cost-sharing reductions
- Employer tax credits, both federal and state
- A method of gathering feedback from consumers and employers for continued refinement

Policy development/implementation of ACA



To successfully build policy work the following is needed for national outreach and individual state partners:

- **Full-time support** for policy work
- **Focused effort** to develop a model exchange bill to fit each state's needs
- Health policy **consultants**
- Additional **research and writing resources**
- Direct support to state partners; **dedicated staff** to take our policy expertise and adapt to fit state's needs

Policy development/implementation of ACA



Small Business Majority's **success depends on scientific opinion and economic research**. Some examples of our research needs are:

- Focus groups and surveys of small business owners in key states
- Economic study on optimal design of insurance exchange
- Assessment of the reaction of small businesses to the ACA
- Assessment of the needs of America's 22 million self-employed individuals

For more information



Our website: www.smallbusinessmajority.org

- Information summary
- Detailed FAQ
- Tax credit calculator

Contact us:

Email: jarensmeier@smallbusinessmajority.org

Phone: **(415) 887-9829**