Small Business Healthcare Education & Implementation

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Small Business Majority
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About Small Business Majority

- Public policy advocacy organization – founded and run by small business owners
- 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
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

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

- Non-eligible businesses
- Eligible businesses
- Maximum Premium Tax Credits
- Some Tax Credits
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

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

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

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**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

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