

Access to Health Insurance for Small Businesses: Bills in the 109th Congress

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Problems for Small Employers

- Affordability
- Administrative barriers
 - Lack of administrative economies of scale
- Other labor market features
 - Lower wage workforce
 - More employee turnover
 - Competition for workforce

What's behind the affordability issue?

- High cost of medical care
- Inefficiencies associated with small groups
 - Smaller group for spreading risk
 - Economies of scale
 - Lack of bargaining power
- Mandated benefits
- Other costs associated with state regulation

Solutions in the 109th Congress

- S. 1955, The Health Insurance Marketplace Modernization and Affordability Act of 2006
- S. 2510, Small Employers Health Benefits Program Act of 2006
- H.R. 525, Small Business Health Fairness Act of 2005

General approaches of the bills

- S. 1955 –
 - Provisions to pool risk (Title I)
 - Regulatory reform to improve affordability (Titles II & III)
- H.R. 525
 - Provisions to pool risk
- S. 2510
 - Provisions to pool risk
 - Subsidies to improve affordability

Pooling Risk

- All three bills create new mechanisms for pooling risk
 - S. 1955 – SBHPs (Association sponsored)
 - H.R. 525 – AHPs (Association sponsored)
 - S. 2510 - SBHBPs (FEHBP like)
- S. 1955 takes on regulatory reform head on. (Others indirectly do so)
- What you do and don't want to do...

Features in Common Between SBHPs (S. 1955) and AHPs (H.R. 525)

- Provide for alternative and potentially larger groups
- Sponsored by bona fide associations and franchise networks
- Must be certified by the Secretary of DOL
- Ease regulatory burden over those operating in multiple states
 - Some or all state laws are pre-empted

Differences between SBHPs and AHPs

- SBHPs must be insured
- State authority over plans
 - retained in part in S. 1955
 - All state authority preempted in H.R. 525
- Where state authority pre-empted
 - S. 1955 establishes federal standards for benefits and rating
 - H.R. 525 establishes federal standards for solvency
- Level playing field

Regulatory Authorities over SBHPs

- Federal certification of plans
- Federal oversight over rating of premiums and benefits offered
- State oversight over licensing of carriers
- States retain oversight over SBHPs in other applicable areas –
 - ?patient protections?

Pooling under Durbin Bill

- FEHBP like program
- Federal administrator negotiates with plans across nation
- For firms sizes 1 to 100
- Includes subsidies for employers who contribute 60% and more of premium
- Includes reinsurance fund to pay up to 80% of claims exceeding \$50,000.

S. 1955: Regulatory Reforms

- Titles II and III – establish federal rating requirements, benefits standards, and other “harmonized” insurance standards
- States can adopt these standards, but if they don’t, then...
- Insurance carriers can choose to adopt them and state laws are preempted

S. 1955: Federal standards

- Rating – based on NAIC model act of 1993
- Benefits
 - Plans can offer plan without one or all state mandates, as long as they...
 - Offer a second plan that reflects the covered services, providers, and benefits covered under a state employee plan in one of 5 most populous states.

S. 1955: Federal Standards

- Health Insurance Consensus Standards Board
 - Form and rate filing
 - market conduct review,
 - prompt payment of claims,
 - Internal review of disputed claims.