

Background and Talking Points on H. 559

What is the Exchange?

H. 559 seeks to implement a health care exchange in Vermont. The Exchange is a requirement of the federal health care reform law known as the Affordable Care Act or "ACA". It is our understanding that Congress envisioned the Exchange to be a marketplace where individuals and small businesses could find, compare and purchase health insurance. Further, we understand that in some states, it is much more difficult for small businesses to find coverage than in Vermont.

What will the Exchange do?

The Exchange will be an Internet tool similar to the travel sites Expedia or Orbitz where individuals and small businesses will find, compare and purchase health insurance. Once the Exchange is operational in January 2014, organizations like the Chamber would no longer sell insurance to small businesses.

What does H. 559 seek to do?

H. 559, introduced by Representatives Fisher and Pugh, includes recommendations from the Shumlin Administration on how the Exchange should be implemented in Vermont. The Administration would like to use the Exchange as a portal for moving to universal health care.

Issues of interest for employers in H. 559 include:

* The Administration seeks to allow companies with 100 or fewer employees to purchase in the Exchange. (Federal law gives states the ability to choose between fewer than 50 or fewer than 100).

* The Administration would like to allow only Silver, Gold and Platinum Plans in the Exchange. These metals refer to the value of a particular plan. For instance, silver means that the plan pays 70% of the health care expenses and the policyholder is responsible for 30% of the costs through premiums, co pays and deductibles. For gold the split is 80/20 and platinum, 90/10.

* The Administration would limit the purchase of coverage to within the Exchange for individuals and employers with fewer than 100 employees. Plans outside the Exchange would no longer be available for these groups as of January 2014.

The Chamber is opposed to several provisions in the bill under consideration, H. 559:

1. Moving to the Exchange will be a significant change for Vermont's small businesses. Cost, ease of use and choice need to be considered.
2. We believe that the Exchange should be limited to businesses with fewer than 50 employees rather than including those with up to 100 at the outset. The Exchange is a significant change to how small businesses purchase insurance and we believe it is wise to start small. Additionally, bringing the larger 51-100 employers into the small group insurance pool will drive up the costs for 50-100 employers, requiring them to cross-subsidize small businesses, whose costs tend to be higher. Bringing the 51-100 employers into the Exchange would also likely mean losing those employers' investment in wellness and other cost control initiatives.
3. We would like a bronze plan included in the Exchange. Bronze plans will likely be the most affordable option in the Exchange. For businesses who are currently offering similar plans, it could be the difference between offering coverage and dropping. Further, flexibility of design is important and these plans can work well with HSAs.

4. An "off-Exchange" market should be available. Businesses need options when deciding how to spend their health care dollars. Requiring all small businesses to purchase on the Exchange could raise rates and limit their ability to make the right choice for themselves and their employees. If the Exchange is an option and employers are allowed to continue their current plans, or to buy one outside the Exchange, the Exchange will need to compete for customers. If an Exchange plan is better, employers will choose it.