



October 26, 2011

The Honorable Peter Shumlin
Governor
State of Vermont
Pavilion Building
109 State Street
Montpelier, VT 05609

Re: Health Insurance Exchange

Dear Governor Shumlin:

The Lake Champlain Regional Chamber of Commerce and GBIC have over 2,500 members representing 60,000 employees in Vermont. While together we are the largest, non-profit business organizations in Vermont, 87% of our member businesses have fewer than 25 employees. 51% of our members have between one and three employees, almost 20% have between four and nine, 14.5% have between 10 and 25, 4.7% have between 26 and 49 and 6.1% have more than 50 employees. The vast majority of our members will be covered under the Exchange and as such, it is crucial that the Exchange provide them with an affordable and easy means to insure themselves and their employees.

Principles

Over the past several months, small business members of the Lake Champlain Regional Chamber of Commerce and GBIC met several times to learn about the Health Insurance Exchange and provide feedback regarding its implementation. Through their work, they developed the following principles outlining how the Exchange should be implemented in Vermont:

- The transition to purchasing health insurance through the Exchange should be easy and seamless for Vermont's businesses.
- Every effort should be made to keep insurance rates within the Exchange as affordable as possible for Vermont's businesses.
- Administrative burdens on businesses should decrease, not increase, once the Exchange is operational.
- Smaller, incremental changes should be implemented that allow for adjustment as more information is learned.

Resources and Assistance for Small Businesses Needed

During the course of the Committee's work, a number of issues became clear. First and foremost, the level of change these businesses will experience in how they purchase insurance will be significant. For most businesses, buying health insurance through a long-standing relationship with a broker or trusted source such as the Lake Champlain Regional Chamber of Commerce provided them with the level of expertise and information necessary when considering such a large expense. Small businesses often do not have human resource managers. Consequently, these decisions are made by the business owner with the help of their broker and possibly a few employees. Our members indicated a level of concern about moving to purchasing insurance through a new and unknown forum such as the Exchange. We propose that the state commit to providing resources to assist small businesses in making sound and affordable purchasing decisions and recommend that business associations who currently offer health insurance be tapped for this purpose.

Maintain Options off the Exchange

With regard to whether insurance would be sold both on and off the Exchange, our members generally favor maintaining options off the Exchange given the large scale change the system will undergo. There was general agreement that providing plans off the Exchange will allow them more options to maintain coverage similar to what they currently offer at what could be more competitive and affordable prices.

Bronze Level Plan Option

Further, our members would favor allowing bronze plans to be sold within the Exchange in order to allow greater affordability. For many businesses, offering bronze level coverage could be the difference between offering and not offering coverage to their employees. We would not expect members to shift between tiers if a bronze option was available, more than they currently adjust their health plans due to rate changes. Additionally, if there is no off-Exchange market, access to a bronze level plan could be that much more critical to maintaining affordable access.

Slow Transition and Risk Pools

Our members spent time thinking about whether the Exchange should be kept to employers under 50 for the first three years or include employers up to 100 immediately. While including employers up to 100 immediately could result in lower rates for those under 50, they generally felt that a slower transition would be beneficial again due to the large scale change that is involved. Our members would also be concerned if the risk pool for the individual/non-group market and the small business market were combined. It is our understanding that rates in the non-group market are traditionally higher. Absent clear data on how merging these risk pools would affect our members' insurance rates; we ask that maintaining the least expensive rates for our small businesses be the primary goal.

Employer Administration of Coverage

We discussed the possibility of employers dropping their insurance coverage in order to allow their lower income employees access to federal tax credits to purchase insurance as individuals through the Exchange. While our members were interested in providing their employees with the best option, some noted discomfort with the idea of involving themselves in an employee's personal finances as well as the administrative burden of tracking that information. This could also be difficult for businesses with employees at different ends of the pay spectrum. Another item to consider would be whether individuals would maintain coverage, or maintain the same level of coverage, without direct assistance and recordkeeping by an employer.

With regard to how employers would structure choices for their employees through the Exchange, our members are most comfortable with “Option C” where the employer selects the insurer and employees select the tier and product. This scenario seems most similar to current practice, could provide employees with greater choice, but would likely keep the administrative burden on employers close to current levels.

Federal Tax Credit

It is our understanding that there is a federal tax credit for employers with fewer than 25 employees and an average salary of less than \$50,000 per year. Our members in the accounting field indicate that few businesses qualify for the credit and for those who did; the credit was very modest, usually in the neighborhood of \$500. This is important to note since it may not provide the level of relief to these small businesses that might otherwise be expected.

We appreciate the opportunity to offer these comments and hope they are useful as the Exchange is developed and implemented. If you would like further information about our Committee's work, please contact Catherine Davis, Director of Government Affairs for the Lake Champlain Regional Chamber of Commerce. Catherine can be reached at 802-863-3489 ext. 206 or cathy@vermont.org.

Sincerely,



Sara Byers
Chair
Health Exchange Study Committee
Vice-President, Leonardo's Pizza



Tom Torti
President
Lake Champlain Regional
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cc:

Robin Lunge, Director of Health Care Reform
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