Written Statement for the Record of
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Representing the National Association of Health Underwriters
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Subcommittee on Primary Health and Retirement Security
Roundtable on "Small Business Healthcare – Challenges and Opportunities"
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Good afternoon. My name is Tom Harte and I am the president of Landmark Benefits Inc.; located in Hampstead, New Hampshire. I started my small business in 1997 and it has become one of the largest independent employee benefit companies in New Hampshire. Today, my company provides services to over 300 corporate clients and the majority of are small to mid-sized business owners. My primary goal for my clients is to provide innovative solutions that emphasize both quality and healthcare cost containment.

I am proud to be here today on behalf of my professional association, the National Association of Health Underwriters (NAHU), which represents approximately 100,000 health insurance agents, brokers, general agents, consultants and other employee benefit specialists nationally. Just last week, I completed six years of service as a member of our national Board of Trustees, including serving as the NAHU's national president for 2013-2014. As an association member engaged on the national level since 1996, I know thousands of brokers from all over the United States who serve small businesses with the health insurance challenges. Not only did I consult with my own clients about their most critical challenges and opportunities with small group coverage that they have asked me to communicate at today's Roundtable, but I also reached out to my colleagues nationwide so that I could share their message today.

As requested, I have focused my remarks on three topics of greatest interest to the subcommittee:

(1) Status of the small group health insurance market today,
(2) Tools, resources, and options available to small employers,
(3) What is working and not working for small employers, and the policy ideas my NAHU colleagues and I have that could improve the small group health insurance market for consumers.

It is my and NAHU's hope that now, five years into the implementation of the Patient Protection and Affordable Care Act (PPACA), that Congress and President Obama will come together in with bipartisan solutions to improve the outcomes of ACA and resolve many of the unintended consequences that are making coverage more expensive and creating burdens for health insurance consumers.

The Status of Today's Health Insurance Marketplace for Small Business Owners and Their Employees

As a benefit broker from Southern New Hampshire, virtually all of my clients and my professional experience are within New England. However, thanks to my resources from NAHU and my colleagues from across the country, I hope I can effectively communicate the options small business owners in other states now have available.

Currently the small employer marketplace is defined as employers with between 1 to 50 "eligible" employees for coverage. Every employer is different and, of course, many of my clients offer very different benefit options. However, my clients in the small employer market always purchase fully insured coverage and, in New Hampshire, we are able to provide 4 carrier options, of which two of these plans comprise over 95% of the small business market.

One option for small employers is the SHOP exchange and has 4 provider options with a total of 18 plan choices (5 Bronze, 7 Silver, 5 Gold, and 1 Platinum) and many of these plans have limited networks – as a result, many that enroll on the SHOP will be forced to lose their doctor. Most of the small employers I represent purchase "silver level plans" for their employees and have an employer contribution of between 50% and 80% of the employee and dependent

premium. In New Hampshire, our typical health plan design provides a $3,000 deductible with office copays of $25 for primary care and $50 for specialist and a prescription benefit of varying out of pocket expense depending on the tier (generic, preferred brand, and brand name).

For the types of plans that I described, the total monthly premium for our clients will vary considerably. In recent health plan renewals, our small employer clients have been faced with renewals of as high as 46.60% with monthly premiums for a single employee as high as $726 and $2,168 for a family.

Client Location	Enrolled	Deductible	Renewal Single	Renewal Family	Rate Adj.
Merrimack, NH (9.1)	51	$3,000 / $4,000	$601 to $688 (tiered)	$1,835 to $2,099	23.32%
Wrentham, MA (7.1)	8	$500	$760	$2,168	7.95%
Salem, NH (7.1)	5	$2,000	$297 to $573 (list bill)	none	3.46%
Lawrence, MA (7.1)	36	$1,500	$550	$1,569	12.45%
Berwick, ME (8.1)	3	$2,500	$931	$2,795	21.66%
Bedford, NH (6.1)	29	$4,000	$778	$2,296	46.60%
Derry, NH (6.1)	38	$3,000	$585	$1,781	10.84%
Chelsea, MA (5.1)	2	$2,000	$639 to $726	$1,823 to $2,070	11.92%
Derry, NH (6.1)	81	$4,000	$540	$1,756	19.50%

An unintended consequence of the ACA, with exception of certain State statutes (e.g. Massachusetts) or the allowed "Grandmother" transaction, which varies by State, is that carriers are often not able to present small employers with a "composite rate" for health plan premiums. As a result, the small employer now has to adjust for the fact that every single employee and dependent has a separate and varying monthly health insurance coverage premium based on their age.

Additionally, small employers are now challenged with economic impact with the hiring of new employees and the significant variance of health insurance premiums of one employee versus another. By example, if my company elected to have a "NON-Grandmothered" plan for our health plan, the rate differential for one employee to another would be as high as a 300% and thousands of dollars in additional expense.

Single, Age 25	Single, Age 60	Annual Difference	Increase
$385.57	$1,046.44	$7,930.44	273%

Family, Age 30, 30, 6, and 4	Family, Age 55,55,24,and 23	Annual Difference	Increase
$1,364.92	$2,490.75	$24,768.26	183%

While the pricing of coverage varies significantly by State, or even within geographic areas of particular States, my NAHU colleagues indicate that the plan design options and available carrier choices are becoming more and more limited. State-by-State pricing varies not only due to medical care cost variations by state and region but also because health reform implementation has varied by State. Some States still allow small groups to maintain plans that do not include all

of the ACA reforms and related costs via "grandmothered" plans. Other States have essentially required small employers to drop the coverage they had before and purchase plans that include all of the ACA-related changes and their associated costs by phasing out or never allowing "grandmothering." When employers in the states with widespread "grandmothering" are eventually forced to shift to post-ACA plan designs, then their rate increases will be significant.

The marketplace I just described is the small group market as it exists right now. Today, employers with more than 51 employees have significantly different coverage options available to them as they are considered "large groups" for health coverage purposes. These employers are not bound by the age rating or composite rating restrictions we see in today's small group market and their benefit design options and associated price points are much more flexible than in the small group market. Some will elect to self-fund, that is to pay their own claims, but most prefer the security of a fully insured health plan. These employers also have more benefit from the implementation of meaningful wellness programs and the incorporation of innovative and cost-saving benefit designs. Although the rates vary widely for employers in this market, those employers that have a deliberate focus on having an impact on the health plan utilization will generally have lower premiums compared to employers that do not. As the employee benefit broker for these companies; we have deployed nutrition, exercise, and health challenge programs that have allowed for the sustainability of premiums for many corporations. With a migration to the small group market, the benefit these employers receive today with reduced premiums will be lost.

My colleagues and I are very concerned about the planned expansion of the small group market in 2016 to employers with 100 employees or less. We anticipate this expansion will result in clients of 51 to 100 employees receiving significant premium increases in 2016. Furthermore, these clients will not be able to keep the plan OR the plan options they have today and, in some cases, their current health plan may not serve the small group market. They will also have to adapt their plans to the "metal plan" design options, which means that their covered services may change and be forced to either reduce benefit offerings or increase them to meet the actuarial values tied to the metal plans.

For example, an employer with a plan actuarial value today of 76% would have to either reduce coverage to a 70% silver plan or raise it to an 80% gold in 2016. As you would expect, there are coverage and cost consequences to either option. These employers will have to follow the age rating requirements and will lose the ability to receive a true composite rate in most circumstances, so their pricing for employee premium cost-sharing will need to change dramatically. Furthermore, by forcing these employers into the small group market they will lose some of their flexibility to create meaningful wellness, cost-containment, and quality components within their plan offerings. Finally, this employer segment will have to follow the employer mandate in 2016, meaning that these smaller but vibrant companies that drive local economies will be the only group of employers subject to both the employer responsibility and reporting requirements and all of the small group reform requirements and associated costs. These are significant changes in a market that is exceptionally price sensitive and least able to effectively manage the new compliance requirements.

Tools and Options for Small Employers

The most important tool for any employer has in the management of their health plan is health insurance agent or broker. That's why nationwide more than 90 percent of small businesses rely on brokers and, according to a Society for Human Resources Management (SHRM), 78 percent look to their broker as their number one source of health reform

information. Agents and brokers support their small business clients in choosing and making the most of coverage options by providing assistance, trusted advice and service. Some of services that I and my colleagues provide for our small employer clients include:

- Comprehensive wellness programming to improve the health and wellness of the employees and their dependents
- Deploy health care cost transparency tools to educate the employees of the wide variance of cost between health care providers
- Assist employers with the management to the increased complexity of compliance
- Manage enrollments, terminations, and COBRA process
- Negotiate renewal rates and identify items that should be considered by carriers when determining renewal premiums (i.e. turnover of personnel, addition of new hires, etc.)
- Recommend healthcare financing options best suited for the client (i.e. fully-insured, self-funded, health reimbursement arrangements, flexible spending accounts, health savings accounts)
- Provide online and written communication for plan administration
- Advise about new and pending legislation, new plan designs, and premium changes
- Assist clients with claim issues and advocate on their behalf
- Analyze the performance of the medical plan and identify key areas of utilization
- Assist clients with requests to doctors and hospitals to improve health care outcomes
- Assist employee family members with the selection of coverage
- Meet with employers/employees to explain benefits, plan designs, and optional coverage
- Assist the employer in selecting the appropriate plan(s) that best meets the employer and employee objectives and goals
- Assist employers with billing issues
- Provide or assist with employee websites to facilitate access to plan information
- Research and advise on financial viability, credibility, and value of various insurance companies and plan offerings

Employers of every size rely heavily on agents and brokers for advice and assistance. The health insurance marketplace has become so complicated with changes in legislation, plan design and benefit offerings that my colleagues have become an invaluable resource. Whether the large pizza chain in Boston, the colleges we represent in New Hampshire, the manufacturing facility in Nashua, or the construction company in Maine – employers don't have the resources or expertise to take this task on by themselves.

Small Group Market Policy Recommendations

We all have a stake in a having a functioning, viable health insurance marketplace for small employers. While the ACA has brought many changes and market resources to consumers and employers, I am concerned about policies threatening the small group's viability that could lead to its erosion. The membership of the National Association of Health Underwriters feel that the following policy changes would have a significant impact on improving the cost and coverage options available today for our nation's small employers and their employees:

- Passage of the bipartisan S. 1661 to remove agent and broker commissions from the medical loss ratio calculation in the small and individual health insurance markets, to ensure small business access to

agent and broker services and to economically help the hundreds of thousands of agent small business owners nationwide.

- Restoration of a state's ability to set its small group market size at 1-50 employees.
- Efforts to reduce the new tax burdens on small employers and their employees, including the new national health insurance premium tax that adds more $500 a year to the average premium for a small group employee and only affects the fully-insured marketplace and the coming excise tax.
- A repeal of the employer mandate, or failing that, establishing the eligibility threshold at 101 or more employees and a simplification of the eligibility criteria so that employers cannot be subject to both the small group market reforms and costs and the mandate requirement at the same time.
- Allowing employers to set the definition of a full-time employee as one that works 40 or more hours a week for health coverage purposes.
- Legislation which allows states to increase the law's age rating bands from the current 3 to 1 spread to bands that more closely resembles the natural breakdown of age and meet the needs of a particular state. If a state does not set its own bands, the default should be 5 to 1.
- Restoration of the ability of health insurance carriers to issue employers a composite rate for employee coverage, just as they did prior to the ACA
- Preservation the law's risk-adjustment mechanisms (often referred to as "The Three Rs") since they are crucial to preserving long-term private insurance market stability.
- Reviewing the essential benefit and other coverage requirements to ensure that they allow individuals and employers the opportunity to buy affordable coverage
- Improvements to the SHOP exchange and the small business tax credit to make SHOP a more viable coverage option for small employers and to provide more small businesses with free-market purchasing assistance.

In closing, I would like to thank Chairman Enzi, Ranking Member Sanders and all of the members of the subcommittee for the amazing opportunity to share information about the opportunities and challenges small business owners like me and my clients are having in today's health insurance marketplace. If you have any questions or need more information, please do not hesitate to contact me at either (603) 329-4535 or tharte@landmarkbenefits.com.