



## ***Regulatory Affairs***

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**Reply to:**

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Laura Cali  
Oregon Insurance Commissioner  
Oregon Insurance Division  
350 Winter Street NE  
Salem, OR 97309

### ***RE: Delay of Small Group Expansion in Oregon – Passage of PACE Act***

Dear Commissioner Cali:

Thank you for the opportunity to submit comments on the decision on whether to delay small group expansion in Oregon. Cambia strongly urges the Oregon Insurance Division (OID) to delay implementation of the small group expansion now that a bipartisan majority in the United States Congress passed and President Obama signed the *Protecting Affordable Coverage for Employers (PACE) Act*. This legislation allows Oregon to keep the definition of a small employer as 50 and fewer employees and prevent considerable disruption to our employer market.

The proposal by OID to move forward with expansion of the small group market will place the mid-size marketplace in a state of disarray, leading to higher premiums for many, and fewer plan options for those employers and their employees. Premiums will be impacted by benefit package changes, cost-sharing changes, rating changes, rating limitations and other issues. Additionally, mid-size employers will have to change health care plans to remain insured, even if they believe their current plan works better for their employees.

#### **Impact to Consumers/Employees**

If OID chooses to move forward with expanding the definition of a small employer to groups 1-100, the largest impact will be felt by groups of 51-100 employees. Employers in this market will no longer be able to cater benefits to the specific needs of their employees and they will likely increase premium cost shares and member cost-sharing to mitigate the dramatic premium increases that are projected for many groups in this market segment.

While the mid-size employer marketplace for health insurance is currently a stable source of coverage for nearly 190,000 employees<sup>1</sup> and their families, imposing restrictive new requirements could result in unintended coverage disruptions. Mid-size employers will be forced to select new plans for their employees, as their existing plans no longer meet ACA's rating and product rules or small groups.

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<sup>1</sup> Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

## **Impact to Rates and Benefits**

Expanding the definition of the small group market will impose significant new rating restrictions and benefit requirements. This is a significant departure from how the mid-size marketplace currently works – where premiums are set by considering the historic and expected health care costs of the group as well as the total pool of mid-sized employers. Moreover, insurers have broad flexibility in setting premiums through the use of common rating factors such as industry, group size, employee participation, and employer contributions, helping to assure affordable coverage and a broad and stable risk pool. Maintaining the current definition of a small employer (groups 1-50) will mitigate dramatic premium and benefit changes and ensure mid-size employers have solid benefit packages catered to the needs of their employees.

In addition, some mid-sized employers in the current insured market will elect to leave the market and become self-insured, to retain their current health benefit plan offerings and avoid large premium adjustments. Employers choosing self-insurance likely are lower risk employers than those that choose to join the small group market. This will increase the insured small group market average costs, risks, and therefore premiums for everyone remaining in the small group market.

## **Impact to Employers**

Forcing employers with 51-100 employees into the small group market will present a significant competitive disadvantage in the Oregon economy. These employers typically compete with larger companies for employee talent, and having a unique health benefit package is a considerable incentive to a prospective employee. Once these employers are subjected to the small market restraints and actuarial value limitations, they will no longer be able to offer these prospects a health benefit plan that competes with large employers. For example, a small tech company with roughly 60 employees cannot compete with large tech companies like Intel if all they can offer (and afford) is a baseline Bronze plan.

## **Commitment to the Oregon Legislature**

Moving forward with expansion is a major state policy decision with absolutely no input from the Oregon Legislature. In the 2015 legislative session, we asked Oregon to pass legislation that ties the small employer definition to federal law for the very purpose of having the flexibility to delay previously mandated expansion requirements. We ask OID to consider implementing a delay to allow Legislators to review the impacts of expansion in the 51-100 market.

Thank you for your continued attention to this urgent matter. We look forward to working with you to protect small and mid-sized employers and, most importantly, their employees.

Sincerely,

Jennifer Baker  
Senior Regulatory Affairs Specialist  
Cambia Health Solutions