



October 12, 2015
Jeannette Holman and Karen Winkel
Department of Consumer and Business Services
Oregon Insurance Division
P.O. Box 14480
Salem, OR 97309-0405

Dear Ms. Holman and Ms. Winkel:

On behalf of the Main Street Alliance of Oregon, I appreciate the opportunity to provide comments regarding the definitional change of “small business” for the purposes of health insurance in the small group market.

As you know, with the recent legislative passage of PACE Act, Oregon now has the choice of whether to expand the definition of “small business” to include those with 51-100 employees. This change would open the Small Business Health Option Program (SHOP) Exchange to a large employee pool and require these “mid-sized” businesses to comply with the ACA’s requirements on employee health plans, including offering more generous benefits and more limited rate setting.

The Main Street Alliance of Oregon has long supported policies in the ACA that increase affordable, high quality access to health coverage for small businesses, their families, and their communities. We believe that providing health coverage helps make small businesses competitive with their larger counterparts, boosts productivity by reducing absenteeism, and helps keep the business family together. Unfortunately, health insurance remains unaffordable for far too many businesses.

As such, we support expanding the definition of “small business” to include those between 51 and 100 employees because it would a) stabilize the insurance market by distributing risk across a greater pool of individuals, b) increase bargaining power of small businesses, and c) spur greater competition among the insurance companies.

However, we recognize the concern put forward by the American Academy of Actuaries that this change could cause a significant premium rate spike for some mid-sized employer. If, as is feared, this change spurs them to exit the insurance market altogether and self-insure, small businesses could face even higher insurance rates in light of a more constricted insurance pool.

Therefore, the Main Street Alliance of Oregon urges the Oregon Insurance Department, prior to the expansion of the definition of “small business,” to conduct a detailed actuarial analysis by an independent expert to identify the impact of such an expansion on the state of Oregon. This analysis should include, at a minimum:

- the impact of an expanded definition of “small business” on the insurance rates;
- the cost impact of this change over time for businesses, stratified by employer size;
- the combined cost impact of a definitional change, in conjunction with other important reforms, such as the use of the Basic Health Option, conducting aggressive purchasing negotiations, and combining group and individual markets.

We further encourage the Oregon Health Insurance to strengthen the small group market by:

- expanding the availability of small business tax credits;
- ensuring that insurers offering products in individual markets also have to offer in the SHOP Exchange;
- implementing stronger rate review, including “prior approval” policies; and
- expanding the investment in technologies that ease the administrative burden for small businesses; and
- requiring that Exchanges become “active purchasers” who negotiate rates and quality for their customers.

We believe that these changes would do much to improve the SHOP Exchange and help further realize the shared goals of providing high quality, affordable health coverage for small business owners, their families, and their employees.

Please do not hesitate to contact me with any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Michael". The signature is fluid and cursive, with a large initial 'S' and 'M'.

Stephen Michael
State Director, The Main Street Alliance of Oregon