



**Small Business Owners. Small Business Values.**

---

To: Senate Committee on Health Care

From: Main Street Alliance of Oregon Small Businesses

Date: June 1, 2015

Re: Letter in opposition of small and large group transitional plan extensions

Chair Monnes-Anderson and Members of the Committee,

The Main Street Alliance of Oregon, a coalition of over 2500 small businesses across Oregon, opposes allowing transitional plans to continue in Oregon in the small and large employer insurance market.

The Main Street Alliance of Oregon works to provide an opportunity for small business owners to get their voices heard on the issues that impact their businesses and their communities. While we are currently working on a variety of issues, The Main Street Alliance of Oregon has our roots in health care reform. We worked to support health care reform which allowed Oregon small businesses the opportunity to offer affordable health insurance to their employees.

As you consider HB 2466, please keep in mind that this is not a housekeeping bill, but one that carries a flawed policy component as well. Allowing transitional plans to continue in Oregon in the small employer insurance market in 2016 and beyond will have negative impacts on the thousands of small businesses that are currently offering coverage to their employees throughout the state.

Transitional plans in the current small group market are not necessary. Oregon has no shortage of health insurance carriers – and each of them offers numerous options for small businesses with 1 – 50 employees. By allowing some businesses to avoid purchasing ACA compliant plans, it splits the small group market into two separate markets, ACA compliant and transitional plans. By combining the ACA compliant market with the transitional market, we increase the size and diversity of the risk pool, which, by actuarial principle, will spread the risk more widely and should lead to lower rates for each individual carrier.

However, allowing transitional plans in the large group market creates the opportunity for adverse selection into the small employer market, which will cause an increase in rates for ALL small businesses in the small employer market.

The ACA changes the definition of a small employer for health insurance purchases. Currently, an employer with 1 – 50 employees buys health insurance in the small group market. Employers with 51 or more employees buy health insurance in the large group market. Under the ACA, beginning

The Main Street Alliance of Oregon  
Contact: Stephen Michael • 503-610-6726 • [stephen@mainstreetalliance.org](mailto:stephen@mainstreetalliance.org)

January 1, 2016, a small employer for health insurance purposes has 1 – 100 employees. The Oregon Insurance Division has proposed allowing employers with 51 -100 employees to stay with their current large group plan and carrier until 2020. The Main Street Alliance of Oregon is very concerned about the impact on the ACA compliant small employer market if OID permits the continuation of these transitional plans.

One of the major differences in the small group and large group markets is the requirement of guaranteed issue. Small group plans must be offered to all groups and carriers cannot pick and choose which groups it wishes to insure. Large group plans are not guaranteed issue and carriers can choose whether to offer insurance to a group.

A second major difference is that small group plan rates must be approved by the OID and must be offered uniformly to all small groups. Large group plan rates are not regulated or approved by the OID and carriers have the option to set rates based on underwriting policies that look at the health status and claims expense of an employer group.

If large group transitional plans are permitted, a carrier will be able to assess the profitability of each employer group and set rates based upon the carriers desire to maintain the group in their portfolio. Low cost, healthy groups will receive low rate increases, increasing the likelihood that the group will stay with their transitional plan and their current carrier. High cost groups will receive large rate increases. If the employer wants to avoid this rate hike, they will need to buy in the small group market.

This will result in the higher risk, more costly groups moving to the small group market, but the healthier, lower cost groups staying with their transitional large group plan. The migration of only high risk to the small group market will force ALL carriers in the small group market to increase rates to protect against this increased risk in this market.

Bottom line: small businesses across Oregon will see rates in the small group market increase due to these transitional plans.

These are businesses that make hard choices in order to provide their employees with health insurance. It should be Oregon's policy to do all it can to support and enable these businesses to continue to offer health insurance to their employees.

Please do not allow transitional plans to persist in Oregon. Please vote to help small businesses continue to offer affordable health insurance to their employees and their families.

Thank you for your time and consideration of this important matter.

Regards,



Stephen Michael, State Director, The Main Street Alliance of Oregon