



Government of the District of Columbia
Vincent C. Gray, Mayor
The Health Reform Implementation Committee



SMALL BUSINESS & THE EXCHANGE

The Mayor's Health Reform Implementation Committee
Wednesday, June 29, 2011 – 6 p.m.
West End Library – 1101 24th Street, NW – Washington, D.C.

Presenters

Dr. Mohammad Akhter, Director of the D.C. Department of Health
William P. White, Commissioner – Department of Insurance Securities and Banking (DISB)
Ben Finder, Associate Director for Policy, Department of Healthcare Finance (DHCF)
Brendan Rose, Health Policy Analyst – Department of Insurance Securities and Banking (DISB)

Facilitator

Katie Falls, Consultant – Alicia Smith & Associates, LLC

Attendees (with Organization Name, whenever listed)

1. Robert Axelrod – Kaiser Permanente
2. Amy Brooks – RCM of Washington
3. Dionne Brown – ANC
4. Roy Brown – Leadership Insurance & Financial Group
5. Tanya Bryant – DISB
6. Chris Condeluci – Venable
7. Dione Dillard – HMS
8. Lucy Drafton-Lowery – DISB
9. Chris Lee – MSDC
10. Carissa Lewis
11. M. McAlrou – Chartered Health Plan
12. Atiba Madyun – The Madyun Group
13. Stacy Mills – Advent Global, LLC
14. Justin Palmer – D.C. Council Committee on Health
15. Sharon Poker – GBS
16. David Schuster – Gabriel Systems, LLC
17. Alula Selessie – DHCF
18. Jessica Stone – Small Business Advisory Group
19. Bob Watkins – D.C. Chartered
20. Karen Williamson – The Crider Group
21. David Wilmont – D.C. AHP
22. Kevin Wrege – Pulse Issues & Advocacy Group

I. Welcome and Introductions

The June 29th public stakeholder meeting on “Small Business & the Exchange” was officially called to order by Mr. Brendan Rose at 6:16 p.m. Mr. Rose then introduced Dr. Mohammad Akhter, Director of the District of Columbia Department of Health.

Mr. Akhter informed attendees that the June 29th public stakeholder meeting was the first to specifically target small businesses. The attendees then stood and introduced themselves individually. Mr. Akhter thanked everyone for taking the time to attend the public meeting, and explained that although the Exchange implementation process will unfold over several months, stakeholder input is a vital part of the progression. The Implementation Committee will review all input from the public before the Exchange is implemented.

II. Exchange Planning Process

Ms. Falls, Consultant with Alicia Smith & Associates, served as facilitator of the June 29th meeting. She explained that during the month of July, more broad-based meetings will be held to gather feedback from individuals and business owners. Ms. Falls encouraged attendees to add their names to the mailing list to receive the latest information about the Exchange planning process.

III. Presentations – Small Business & the Health Insurance Exchange
Overview of Affordable Care Act: Impact on Small Businesses

Highlights of the Affordable Care Act's (ACA) Impact on Small Businesses:

- A. The Affordable Care Act does not mandate that employers offer healthcare coverage to their employees.
- B. The Affordable Care Act does offer tax credits to certain employers who do offer healthcare coverage.
- C. The Affordable Care Act imposes penalties on businesses in certain situations.

Eligibility for the Small Business Tax Credit depends on three factors:

- A. The size of the company
- B. The percentage of the premium that the employer pays for employees
- C. The average of wages paid to employees

The criteria for small businesses to receive tax credits include:

- A. Size of the Business – The company must have no more than 25 full-time workers
- B. Wages – The average annual taxable wages must be less than \$50,000
- C. Premiums – The employer must contribute at least 50% of the employee's premium

The amount of the credit is calculated in the following manner:

- A. Maximum credit will be given to employers that have 10 or fewer full-time equivalent employees with average taxable wages of \$25,000 or less.
- B. The amount of the tax credit for employers with between 11 and 25 workers is based upon the number of employees and the average annual wages paid (based on a prescribed calculation).
- C. Employers with more than 25 employees will not receive a tax credit.

The 2010 through 2013 tax credit amounts for small businesses are:

- A. For-Profit Businesses – The maximum credit amount is 35% of the employer's contribution to the employee's health insurance premium.
- B. Non-Profit Businesses – The maximum credit amount is 25% of the employer's contribution to the employee's health insurance premium.

Tax credit amounts will increase in 2014 and beyond for two consecutive tax years:

- A. For-Profit Businesses – The maximum credit amount is 50% of the employer's contribution to the employee's health insurance premium.
- B. Non-Profit Businesses – The maximum credit amount is 35% of the employer's contribution to the employee's health insurance premium.

While employers are not required to offer healthcare coverage to their employees, beginning in 2014, penalties will be imposed in certain situations:

- A. Penalties will only be applied to businesses with 50 or more full-time workers
- B. Full-time employees are those that work 30 hours or more per week
- C. Part-time employees are counted based upon a prescribed calculation
- D. Seasonal employees who work less than 120 days per year are not counted
- E. Small businesses with less than 50 employees are exempt from these penalties

Concerning penalties:

- A. Employers not offering health insurance and that have more than 50 employees will be assessed a penalty of \$2,000 per employee if at least one full-time employee receives a premium tax credit through the Exchange (does not count first 30 employees when assessing penalty).
- B. Employers offering health insurance and that have more than 50 employees will be assessed a penalty if they have at least one full-time employee receiving a tax credit through the Exchange. The business will be required to pay the lesser of \$3,000 for each employee, receiving a credit of \$2,000 for each full-time employee (not counting the first 30 employees).

Functions of the Small Business Health Options (SHOP) Exchange

ACA Requirements:

- A. The District is required to have a Health Insurance Exchange for individuals and small businesses (referred to as a “SHOP Exchange”).
- B. There can be two separate Insurance Exchanges or a combined Exchange for both individuals and businesses.
- C. Many of the requirements for the SHOP Exchange are similar to the requirements for the Individual Insurance Exchange.
- D. The definition of a “small business” for purposes of the tax credit is different than a “small business” who qualifies to enroll employees through the SHOP Exchange.

Definitions of a “small business”:

- A. In order to receive a tax credit, the business must have 25 full-time employees or less.
- B. Penalties only apply to employers with 50 or more workers.
- C. A SHOP Exchange will serve businesses with no more than 100 employees. However, the District has the option through 2016 to define a “small business” as one with 50 or less employees.

Concerning six broad functions covered by the Health Insurance Exchange, it must:

- A. Determine eligibility and enrollment
- B. Provide plan management
- C. Conduct financial management
- D. Provide good customer service with a call center and web site
- E. Play a major role in communication and outreach
- F. Provide oversight

If a SHOP functionality is implemented, small businesses will have to provide:

- A. Employer eligibility, plan selection, and contribution selection
- B. Employee plan comparison, selection, and enrollment
- C. Employer Account Management

If an individual (non-group) functionality is implemented, the Individual Exchange will have to provide:

- A. Individual Exchange/subsidy eligibility
- B. Individual plan comparison, selection, and enrollment
- C. Premium tax subsidy administration
- D. Individual mandate exemptions and appeals

If a common functionality is implemented, the following will have to be provided:

- A. A web site with a premium calculator, shopping functionality, and eligibility gateway
- B. Outreach and education
- C. Customer service and account management
- D. Plan management
- E. Billing/premium collection
- F. Appeals
- G. Financial and management reporting
- H. Third party administration (brokers/navigators)

IV. Discussion

Ms. Falls then facilitated a discussion with public stakeholders concerning 10 key points:

1. What do you like about your current healthcare coverage?
2. What types of plans (i.e. HMO, PPO, HSA, etc.) do you prefer?
3. What types of plans would you want to see in the Exchange?
4. Do your insurers provide anything now that you would definitely want to see in the Exchange (such as newsletters, wellness benefits, etc.)?
5. Other than cost, what would prevent you from purchasing coverage in the Exchange?
6. How affordable is it to provide health insurance currently?
7. Should “small businesses” be defined as those with 50 or 100 employees for purposes of a SHOP Exchange?
8. How much would premium rates need to be (amount or percentage) in order for it to be feasible to offer healthcare coverage to your employees?
9. Besides cost, what are other obstacles or challenges that you deal with when covering or attempting to cover your employees?
10. Would D.C. residents and businesses benefit from sharing an Exchange or having two separate Exchanges?

Bob Watkins, D.C. Chartered: Does the District have any idea about the number of small businesses it will deal with concerning the uninsured population? Has there been any assessment of the size of the market? Is it possible that some of the uninsured individuals are employed by small businesses that do not provide insurance?

Responses: Ben Finder explained that in terms of uninsured individuals, a survey conducted a number of years ago showed that 6.2% of individuals in D.C. are uninsured – the second lowest uninsured rate in the nation behind the state of Massachusetts. Mr. Rose explained that the DISB’s consultants through the Health Insurance Exchange Planning Grant are in the process of modeling different scenarios to determine cost and feasibility. There are now 12,250 private establishments in the District with 50 or fewer employees. However there are currently no projections on cost and what the financial sustainability mechanism will be. Part of the process is looking at what other states are doing, and what the District can do to maintain lower costs. The essential benefits package will also be looked at as part of the process. One of the long-term keys for sustainability of the Exchange long-term is the viability of the risk pool.

David Schuster, Gabriel Systems, LLC: (1) Alliance is offered to people who are uninsured. However the livable wage for the Alliance puts you well above the tax benefit. Most of the employees working for Mr. Schuster’s company prefer the Alliance if their income is below a certain level rather than going with the insurance offered by his company. (2) It seems that a potential problem with the Exchange is that you will be required to maintain the health insurance you select for a certain period of time to secure a specific rate. (3) When talking about the maximum percentage of the tax credit that businesses can receive, what is being considered – the health insurance premium for the employee only, or coverage for the entire household/family?

Responses: (1) Mr. Finder acknowledged that the issue raised by Mr. Schuster is one that has not yet been fully thought through at this point. However, it is known that Medicaid enrollment in the District covers childless adults up to 133% of federal poverty level through a state plan; and childless adults up to 200% of federal poverty level through a waiver. Therefore the income levels are the same as those in the Alliance. The waiver is set to

expire just before 2014 when health reform would cover people between those poverty levels. Mr. Rose added there are people currently covered by Alliance who will not be eligible for Medicaid in 2014, as the income level under ACA will be 133% FPL and the waiver will have expired. Individuals above 133% will be eligible to purchase their coverage through the Exchange and many will receive a tax credit. Mr. Rose will ensure Mr. Schuster's point is posed to the companies performing the models. (2) The panel and Ms. Falls acknowledged Mr. Schuster's second comment. (3) Response: The panel was uncertain of the answer to Mr. Schuster's question. Research will be conducted and an answer will be given to Mr. Schuster.

ADDITION TO MINUTES IN FOLLOW UP TO QUESTION ABOVE: "When talking about the maximum percentage of the tax credit that businesses can receive, what is being considered – the health insurance premium for the employee only, or coverage for the entire household/family?"

Response from District: According to the IRS (<http://www.irs.gov/newsroom/article/0,,id=220839,00.html>) the tax credit is calculated based on the type of coverage the employee receives. For example, a small business has 5 employees- 2 of them are single and have individual plans and 3 of them are married/partnered and have family plans. The tax credit is based on the total amount you pay in premiums with no regard to whether it is an individual or family plan.

Stacy Mills, Advent Global, LLC: (1) Ms. Mills is currently paying approximately \$300 per person for her employee's share of the insurance premium. She is concerned about how women's health will be affected by the Exchange. Will the recent GOP cuts and restrictions on women's health benefits be extended to the Exchange? Ms. Mills would like as many women's health services available as possible, as well as alternative health options, dental coverage, and ophthalmology services. (2) The city has done a good job in the last four years working with certified businesses in the District. The city's extensive e-mail list along with the Chamber of Commerce would be two great places to start reaching small businesses in the District concerning the Exchange. It would be great if the Exchange offered benefits to certified businesses in the District. (3) Will small businesses be able to cross state lines to purchase insurance as part of other Exchanges?

Responses: (1) Mr. Rose explained that the recent federal restrictions will be extended to the Exchange. Therefore if an individual is receiving cost-sharing or premium subsidies to purchase insurance in the Exchange, and they require any of the restricted women's health services, they will be required to pay for them out of pocket. The panel and Ms. Falls also acknowledged the comments made by Ms. Mills concerning her preferences of covered services. (2) The panel and Ms. Falls acknowledged the second set of comments raised by Ms. Mills. (3) The DISB does not yet have an answer to Ms. Mills' question concerning whether small businesses can buy health insurance from Exchanges across state lines. However, Mr. Rose explained that a Regional Exchange is an option for the District to form an alliance with other states. It should be noted there will likely be some pragmatic difficulties if implementing a Regional Exchange. Maryland is far ahead in comparison to most states concerning implementation of an Exchange. Additionally, the availability of health choice compacts will allow insurance to be sold across state lines once the Exchange is up and running. However, it is inconclusive at present how this will look and what the options will be.

Ms. Falls then conducted a brief "show of hands" vote to determine, of those small business owners present, how many felt they would be eligible for the tax credit. The vast majority of business owners in attendance expressed concern that they will not be eligible for the tax credit based on the present criteria.

Roy Brown, Leadership Insurance & Financial Group: Mr. Brown believes that the needs of small businesses will depend upon whether the model of the Exchange is one where there will be a traditional small business health insurance option, or one where the Exchange implements a defined contribution model.

Response: The panel and Ms. Falls acknowledged the comments made by Mr. Brown.

David Schuster, Gabriel Systems, LLC: Mr. Schuster believes it would be better to have one Exchange for both small businesses and individuals. With two separate Exchanges, employees can opt to select an individual plan rather than the small business plan, and the business will then be penalized \$3,000 per employee.

Response: The panel and Ms. Falls acknowledged the comments expressed by Mr. Schuster.

Chris Condeluci, Venable: (1) Regarding the \$3,000 penalty, it is contingent on a person being eligible for the subsidy. One of the eligibility requirements for purposes of accessing the subsidy is you cannot have an offer of employer coverage. (2) On a federal level, it was always intended that there would be a business representative on the Advisory Board. (3) The statute creates a navigator, and it's a framework where the jurisdiction can reach out to individuals and small businesses to enroll them in a plan through the Exchange.

Responses: The panel and Ms. Falls acknowledged all comments expressed by Mr. Brown.

Ms. Falls then explained the District wants feedback concerning the best mechanism for the city to reach out to small business owners and gather their ideas.

Stacy Mills, Advent Global, LLC: (1) Are both the Alliance and Medicaid regional models that cross state lines? (2) Ms. Mills believes it is not hard to get in touch with small businesses, especially with the use of social media. (3) Perhaps talks should also surround forming the Exchange from a business development opportunity standpoint. Persons should be trained to manage the Exchange process.

Responses: (1) Mr. Rose explained that Medicaid eligibility rules outline that you must live in the District to participate in both Medicaid and the Alliance. Whether there is a parent company that has other lines of business in other states is a separate question from whether District residents can participate in a plan that crosses state lines. It is uncertain how the law will treat individuals crossing state lines to secure health insurance. It is also presently undetermined what kind of Exchange will be set up. Questions can be better answered as the Exchange planning process moves forward. An additional difficulty is there is no federal insurance body to oversee the Exchange implementation process. Therefore everyone is learning as they go, and the National Association of Insurance Commissioners is holding daily conference calls to discuss ways to coordinate policies and the operation of the various Exchanges. (2) The panel and Ms. Falls acknowledged the second set of comments raised by Ms. Mills. (3) The panel and Ms. Falls acknowledged the third set of comments raised by Ms. Mills.

Kevin Wrege, Pulse Issues & Advocacy: (1) Mr. Wrege noted it is often difficult to successfully engage others in meaning public input. He suggested that creative ways should be devised to gain access to larger groups of the small business community. (2) Most small business owners are people who access the insurance market indirectly by working with intermediaries – consultants, producers, etc. – to make those decisions on their behalf. For instance, the amount of participation by small businesses in the Massachusetts Connector is quite minimal. Mr. Wrege believes the participation is so nominal in Massachusetts because the state underestimated the challenge of learning about the small business marketplace from the small business owners' perspective. Mr. Wrege also believes the state did not properly plan ways to understand the demands, interests, and inclinations of small business owners. The District should not emulate the Massachusetts model.

Response: The panel and Ms. Falls acknowledged all comments expressed by Mr. Wrege.

Dave Wilmont, D.C. AHP: Mr. Wilmont believes the reason small business owners were not in greater attendance during the June 29th meeting is because organizations imbedded in the various communities are not being engaged. There is a large variety of business groups (CDCs, trade groups, night life associations, business associations, the Chamber of Commerce, etc.), and the District should create a plan to reach out to those community-based entities – perhaps get on their meeting agendas to talk with them about the Exchange and the impact it will have on their businesses.

Response: Ms. Falls asked Mr. Wilmont to provide his contact information so that the team from the DISB and DHCF can work with him to implement a plan of contacting the various community-based groups.

Jessica Stone, Small Business Advisory Group: (1) Ms. Stone handles the outreach program for her company, and they are trying to identify different business groups and associations with which to do outreach programs

concerning health reform. Ms. Stone would be willing to assist the DISB and the HRIC in any way possible. (2) What are some plans or conversations being held surrounding the governance Board about having small business owners participate on the various Boards? (3) Will employees have the ability to choose from different insurance options, or will the employers select the options for them?

Responses: (1) The panel and Ms. Falls acknowledged the comments raised by Ms Stone. (2) Mr. Rose replied that of all the public meetings held thus far, no one has identified a small business owner as being a member of the Executive Board. However that will be taken into consideration. The next phase of outreach concerning governance will be done District-wide at community centers, churches, and other places in July and August. The governance and structure must be in place before moving forward with any other parts of the program. It is also being considered that the Executive Board has the ability to create various Advisory Boards to address specific topics. Perhaps even a Small Business Advisory Board would be beneficial. (3) Mr. Rose said it is still being considered whether employers will select insurance options on behalf of their employees. In the meantime, he invited everyone to visit www.HealthReform.DC.gov to obtain the latest information concerning the Exchange implementation process, including the engagement plans, outreach efforts, minutes from past public meetings, and notices concerning future meetings. Additionally, if anyone would like to submit comments or questions concerning the Exchange process, the e-mail address to use is HealthReform@dc.gov.

V. Closing Remarks and Adjournment

Ms. Falls explained that additional public meetings will be held during the month of July. Individuals and small businesses will be encouraged to attend to learn more about the Exchange planning process. Information will be sent to those who have signed up for the e-mail list.

Mr. Finder thanked everyone for their attendance during the meeting, and for all the input that was expressed.

Commissioner White also thanked everyone for coming out to the meeting. He then explained there are agencies (the Dept. of Small and Local Business Development, for instance) with which the DISB will coordinate to reach small businesses. The process of holding public meetings to get input from potential participants will help form the kind of framework needed to make specific decisions concerning the Exchange. Commissioner White echoed Mr. Rose's encouragement for everyone to visit www.HealthReform.DC.gov for the latest information about the Exchange planning process.

The June 29th public meeting on "Small Business and The Exchange" was officially adjourned at 7:33 p.m.