



## **MAKING HEALTH CARE WORK FOR SMALL BUSINESSES: Small Business Recommendations for State Health Insurance Exchanges**

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Small businesses want to move forward on health care. States have an opportunity to help by setting up new competitive marketplaces for health insurance (called health insurance exchanges) where small businesses will be able to band together to shop for health coverage.

**The following recommendations will ensure that these new marketplaces give small businesses greater transparency, better choices, and more bargaining power in health care:**

### **1. Create One Unified Marketplace, Open to Businesses with Up to 100 Employees**

States should create one unified exchange for small businesses, self-employed people, and others purchasing individual/family coverage, merge the markets in the exchange, and open the exchange to businesses with up to 100 employees. Creating the largest possible risk pool will maximize efficiencies and bargaining power while minimizing wasteful duplication. It will also ensure seamless coverage options as businesses grow and change. Similarly, the small group and individual markets outside the exchange should be merged over time.

### **2. Use Negotiating Power to Make Quality Insurance Options Available at a Reasonable Price**

As an active purchaser, an exchange should use its negotiating power to demand quality, responsiveness to consumer concerns, reasonable rates, affordable plan designs, and good benefits. It should establish plan designs and negotiate for good coverage on behalf of small businesses much like large employers do now.

### **3. Minimize Paperwork Burdens for Small Businesses**

State exchanges should require no more paperwork than required under federal law. The exchanges should also simplify the administration of health benefits for small businesses. Small employers should be able to pay their contributions to their employees' health plans directly to the exchange, which would then distribute the premiums to the insurers.

### **4. Guard Against Adverse Selection**

Insurers should be prevented from gaming the system and undermining the exchange by creating incentives for consumers to abandon the exchange. They should be required to offer the same quality health insurance products and comply with the same rules and standards both inside and outside the exchange. Similarly, rules and incentives should prevent insurance brokers from steering healthy customers away from the exchange.

### **5. Make the Exchange Accountable to Consumers and Guard Against Financial Conflicts of Interest**

The exchange should be a public agency – subject to open meetings and public disclosure laws, and operated by public servants to promote accountability and good service. Small businesses should be actively represented in the process of setting up and operating the exchange. To avoid conflicts of interest, individuals and entities that stand to make money through the exchange (eg, insurers) should be precluded from serving on the exchange governing board.

### **6. Include the Choice of a Health Plan Not Run by the Insurance Industry – a State Community Health Plan**

The exchanges should set a high bar for coverage by including the choice of a State Community Health Insurance Plan, administered by the state, that offers quality benefits at an affordable price. By offering a plan not run by the insurance companies, the exchanges will give small businesses the ability to vote with their feet and take their business elsewhere if insurers fail to provide good value.

### **7. Coordinate with Strong Oversight of Health Insurers, Including Review of Insurance Rates**

The exchanges can't fix the health insurance market alone. States also need to exercise strong oversight of the insurance industry to make sure insurers charge reasonable rates, stop discriminating based on pre-existing conditions, dedicate reasonable portions of premium revenue to health care, and offer quality insurance products to small businesses.