

Testimony of Carl Hum, President & CEO, Brooklyn Chamber of Commerce

Public Forum on the Establishment of a Health Insurance Exchange in New York New York City – May 18, 2011

Good morning members of the panel. My name is Carl Hum. I am the president and CEO of the Brooklyn Chamber of Commerce, a membership organization whose mission is to support and advocate for its Member businesses and to promote a healthy and robust business environment in Brooklyn. The vast majority of our membership is small businesses, consisting of less than 50 employees, and includes independent brokers and larger companies, such as several health insurance carriers operating in and around New York City. I am also vice chair of the Chamber Alliance of New York State, an association of nearly 80 chambers of commerce throughout the state.

For more than a decade, our Membership – through our annual membership survey – has consistently cited the increasing cost of health insurance premiums as a primary obstacle to growth. The Chamber responded to these concerns in 2004 by creating Brooklyn HealthWorks, a Healthy NY small business plan with additional premium support made possible by the New York State Legislature.

Since the program's inception, 862 businesses and more than 4,000 employees and family members have enrolled. Eighty percent of these enrollments have occurred since October 2007 when our contract with the Insurance Department began and state premium support became available. In November 2009, premium support for new businesses enrolling in the program ceased as available funding was exhausted. Businesses that enrolled prior to November 2009, however, still enjoy ongoing premium support. Despite the loss of premium support on new sales, we continue enrolling new businesses because our pricing remains competitive in the Brooklyn small group market and because of the following program features:

- Strong relationships with insurance brokers as a majority of our business is sold through brokers;
- A standardized set of five plan options ranging from high-deductible plans to our most popular standard plan option, which eliminates Healthy NY's three large co-payments;
- The ability to enroll 1099-independent contractors;
- Two dental/vision plan options available to groups enrolling as few as one employee and groups that employ 1099 and part-time workers;
- Unlike Healthy NY, there is no requirement that employers contribute 50% of the monthly premium; and
- Personalized customer service, helping members seamlessly make coverage changes, plan adjustments, and resolve claims questions and concerns.

As part of our contractual duties with the Insurance Department, we play a "navigator" role in counseling individuals, sole proprietors, and small businesses to find the most appropriate plan option available to them in the New York City region. Since 2007 the

Chamber's staff of three licensed brokers have assisted thousands of consumers navigate the often confusing health insurance marketplace that exists today. Brooklyn HealthWorks also handles administrative functions that may encompass new exchange responsibilities, such as: invoicing groups 81-84% of the monthly medical and dental/vision premium, collecting the remaining amount, or premium support, from the State of New York; allocating group payments, premium support, and commission payments to multiple insurance carriers and brokers; administering COBRA, including federal COBRA subsidies; assisting members with account questions and concerns; maintaining an online account management system for groups to make payments, update contact information, and make coverage changes; helping keep annual premium increases manageable for our groups by ensuring eligibility; and conducting periodic compliance reviews, especially of 1099 workers, to make sure they continue to meet program requirements.

Our experience administering Brooklyn HealthWorks and ongoing conversations with our Members about their health insurance concerns has given us insight into how best to structure a health insurance exchange in New York, particularly one focused on small businesses. First and foremost, we support the State's efforts to build a health insurance exchange and not cede this authority to the federal government. We favor a public authority governance structure, with small business, broker, and industry representation on the board of directors. Further, we believe oversight of private insurance markets should remain with the Insurance Department, and the exchange should not duplicate existing regulatory roles.

The following recommendations are grouped into five categories that aim to keep costs low and promote ease and efficiency for small businesses throughout the state.

Focusing on Small Businesses

The Chamber believes a statewide exchange is essential to create efficiencies of scale needed to sustain the new marketplace over time. Within a statewide framework, however, there must be a separate Small Business Health Options Program (SHOP exchange) that focuses solely on the needs of small businesses and is able to interface seamlessly with the exchange established for individuals. In addition, a strong regional and local-level navigator, customer service, and distribution component is the best way to ensure robust enrollment and sensitivity to the unique needs of different markets across the state.

We support a distribution system that includes chambers of commerce and insurance brokers inside and outside of the exchange (broker commissions must be the same inside and outside of the exchanges to ensure the success of the exchange and to ensure small businesses receive assistance no matter where they purchase coverage). In a recent Member survey, many respondents reported they will continue using brokers even after the exchange is launched in 2014. Chambers and insurance brokers across the state have well-established relationships with small businesses in their communities and intuitively know what it will take to maximize enrollment in the SHOP exchange.

Enacting Small Business Market Reforms

Because our Membership has consistently cited the increasing cost of health insurance premiums as their primary obstacle for growth, we are opposed to combining the individual and small group markets, as this will increase premiums for small businesses. In the same Member survey we recently launched, a majority of respondents opposed merging the small group and individual markets because of its likely impact on small business premiums. Similarly, our Members would like to see the small group market increased in 2014 to 100 employees if such an action would result in premium relief.¹ Thus, we support increasing the small group market to 100 employees prior to 2016 only if doing so would dramatically reduce premiums for businesses with 2-50 employees and if this action is required to grow a critical mass of SHOP enrollees early on to be successful.

Creating Meaningful Choice for Small Businesses

Our survey results also revealed that our Members want more choice than less. To maximize available plan options in the SHOP exchange, we support removing some state insurance mandates from plans—especially those above the federal floor—and a carrier selection process that is less selective (versus an active purchasing model). We do, however, support some level of plan and benefit standardization to make it easier for small businesses to comparison shop, but not so much that it stifles industry competition from bringing new and innovative products to the market. Web-based decision making tools and filters can help to make available choices meaningful for small businesses; navigators, insurance brokers, and chambers of commerce can assist small businesses make informed choices.

Ensuring Small Business Participation in the Exchange

Because many small businesses will likely not benefit from the newly established small business health insurance tax credits and premiums inside and outside of the exchange must be the same for identical plans, new features need to be added to the exchange to attract a critical mass of enrollees. Some of these features should include COBRA and Section 125 administration along with robust customer service, including assistance with claims questions and concerns. We also support the following features that will set the SHOP exchange apart from typical markets operating outside the exchange:

- Employers should have the option to make defined employee contributions to monthly premiums; the exchange should not set a minimum amount, however
- Employers should have the option to make more than one plan available to employees; our philosophy is to give employers maximum flexibility to determine what it will take to attract and retain the right workforce to be successful but without mandating the exact prescription

¹ 63% of respondents to our survey supported increasing the small group market to 2-100 employees.

- The SHOP exchange should invoice employers with one monthly bill—regardless of the number of different carrier plans that are chosen
- The SHOP exchange should act as a premium aggregator—making timely employer payments to carriers and commissions to brokers

Minimizing Adverse Selection and Fraud

A successful SHOP exchange must effectively minimize adverse selection and fraud to ensure attractive pricing of plans and maintain enrollment levels needed to successfully get it off the ground and sustain it over time. To accomplish this objective, regulatory rules and pricing of plans need to be the same inside and outside of the exchanges. In addition, insurers operating within the exchange should offer the full range of different benefit designs and treat enrollees in all of its plans as one risk pool. Further, to minimize fraud, the exchange should work with insurance carriers to ensure businesses enrolling in the exchange meet all the requirements of an eligible small business and conduct periodic compliance reviews to ensure enrolled employees continue to be on payroll. Finally, we support rolling open enrollment periods for employers where employees must pick a plan within 30 days—with only limited enrollment exceptions outside of this period, such as loss of coverage from another source. Creating a reasonable but thorough enrollment and renewal process is important to maintain the affordability of plans within the exchange.

Thank you for the opportunity to testify today. I am happy to answer any of your questions.