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## **Board of Directors' Statement on Addressing the Needs of Small Businesses**

*Approved by AHIP Board of Directors on March 9, 2009*

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In December 2008, AHIP released a comprehensive proposal to advance affordable, portable coverage for all Americans. As part of this proposal, we expressed our commitment to addressing the challenges affecting small business. Small business is vital to the success of our economy, and the owners and employees of these firms deserve targeted attention as part of health reform. We continue to commit to work collaboratively with the diverse small business community to address these challenges as part of comprehensive health care reform.

Our approach to pursuing solutions for small business is focused around three core principles:

- Making coverage more affordable;
- Making the process more flexible, and;
- Simplifying choice.

### **Affordability**

- *Essential Benefits Plan:* We propose the creation of new health plan options that are affordable for small employers and their employees. These “essential benefits plans” would be available nationwide and provide comprehensive coverage for prevention and wellness as well as chronic and acute care. In addition, these plans would be subject to state regulation but would not be subject to varying and conflicting state benefit mandates that result in increased costs to small businesses (and that do not apply to the generally larger employers that enter into self-funded health care coverage arrangements).
- *Equitable Tax Code Incentives:* We support the establishment of tax code incentives or other types of assistance that encourage both small business owners to offer coverage to their employees and employees to take up coverage. We recognize the special challenges, both administrative and financial, that small businesses face in offering contributions toward their employees’ coverage. Providing assistance can encourage these contributions and help enable employees to take up coverage which improves predictability and stability in the small group market.
- *Improving Coordination of Private and Public Programs Strengthens Small Group Coverage:* We continue to stress the importance of ensuring that premium or other assistance offered to low-income individuals and working families can be applied to and work with employer-sponsored coverage. This is important whether the assistance is provided through Medicaid, SCHIP, or other expanded programs designed to help individuals and families obtain coverage. Improved coordination allows workers to take up coverage offered by small businesses by leveraging both public and private sources of assistance, and benefits the firms’ employees as a whole by increasing rates of participation in the small group plan.

## **Flexibility**

We are committed to working with the small business community to ensure that small businesses have access to a range of options and tools that better assist them in helping their employees obtain health care coverage. One-size does not fit all, as the needs of diverse small firms vary greatly.

- *Micro-firms:* As an example, “micro-firms” (those with fewer than 10 employees) face special challenges in offering coverage. Statistics show that only about one-third of these firms offer coverage. This reflects the administrative, financial, and logistical challenges many micro-firms face in setting up and establishing plans and offering and contributing to their employees’ coverage. To help these firms meet these challenges, enhanced tools could be developed that would allow those micro-firms that have found it impractical to offer coverage to contribute to coverage purchased on a pre-tax basis by individual employees. As part of comprehensive health care reform, employees could then use these contributions to help purchase coverage in a reshaped health care system that combines an individual requirement to obtain coverage with reforms in the individual market.
- *One-stop information source:* All small firms will benefit from collaborative efforts between health plans and the government to ensure that small employers and individuals have one-stop access to clear, organized information that allows them to compare coverage options. This one-stop shop could also allow individuals to confirm eligibility for tax credits or other assistance and even provide a mechanism to aggregate premium contributions from multiple sources. By providing a mechanism to combine even modest contributions from multiple sources (public and private), this new one-stop shop could be especially helpful to employees who may hold multiple jobs.

## **Simplicity**

Small businesses may find the current system difficult to navigate with a lack of simple, streamlined information about multiple coverage and care options and related assistance programs. We propose modifications to introduce greater simplicity to the system through technology and regulatory reform and the creation of a one-stop information source as described above. These proposed efforts will benefit all participants in the health care system, including the small business community.

- *Technological advances:* In our December 2008 Statement, we emphasized that any health care reform proposal should include recommendations to streamline administrative processes across the health care system. Success will require advances in automating routine administrative procedures, expanding the use of decision support tools in clinical settings, and implementing interoperable electronic health records.

Using technology to help streamline administrative processes will improve care delivery, enhance the provider and patient experience, and speed claims submission and payment. Done right, streamlining can also help reduce costs system-wide, leading to improved affordability.

- *Regulatory reform:* Regulatory structures should be rethought so that they work better and provide for a more consistent approach in areas such as: external review, benefit plan filings,

and market conduct exams. Greater consistency in regulation and focusing on what works best will enhance patient protections across states and help improve quality, increase transparency, and increase efficiency leading to reduced administrative costs.

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We look forward to joining and collaborating with those in the small business community to advance reforms such as those described above, and will continue to advance ideas and proposals to help further health reform efforts.