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Proposal Allowing Insurance Companies to Renew Small Businesses' Noncompliant Health Plans Harmful to California Entrepreneurs, Insurance Marketplace

Statement by David Chase, California Director for Small Business Majority, on legislation being considered in the state Senate that would allow insurance companies to renew small businesses' health insurance plans that are not compliant with the Affordable Care Act through 2015. Chase testified about Small Business Majority's opposition to this legislation Wednesday in front of the Senate Health Committee.

Legislation being considered by the state Senate that would allow insurance companies to renew existing small business health plans that don't meet standards put in place by the healthcare law would create volatility in the new insurance marketplaces and cause premiums to skyrocket for small firms. SB 1446, introduced by Sen. Mark DeSaulnier, would remove protections for the 2.5 million small business owners and employees who purchase health coverage in California's small group insurance market.

As of Jan. 1, 2014, California law provides additional protections to our state's small entrepreneurs by guaranteeing the health insurance products they purchase meet minimum standards, contain limits on out of pocket costs and fit into standardized "metal tiers" that provide more transparency when shopping for insurance.

SB 1446 proposes to undo these improvements already in effect for small businesses and delay these provisions until Jan. 1, 2016. This could significantly disrupt Covered California's Small Business Health Options Program (SHOP), the new insurance marketplace set up for small businesses. If this bill were to become law, plans outside the SHOP would be playing under a different set of rules than plans inside it. This could lead to premium increases and poor enrollment in the new marketplace.

While we would prefer this bill is stopped in its tracks, we believe an amendment accepted today that shortens the length of the delay to just one year is better than a three-year delay, as the bill originally proposed. If this bill does move forward, we urge lawmakers to require notifications sent to small businesses about the delay include information about the new SHOP marketplace, small business tax credits offered through it and price estimates for plans that do comply with the new healthcare law.

Phasing out non-compliant health insurance group plans is crucial to the success of California's new insurance marketplaces. We strongly urge lawmakers to reject this legislation and allow the state's insurance marketplace to stand as is, or at the very least, require insurers to notify small businesses about their options through Covered California. This is the best thing for our state's small business owners who are looking forward to better healthcare options for themselves and their employees.

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[About Small Business Majority](#)

Small Business Majority is a national small business advocacy organization, founded and run by small business owners, to support America's 28 million small businesses. We conduct extensive opinion and economic research and work with our rapidly growing network of small business owners across the country to ensure their voices are an integral part of the public policy debate. Learn more about us on [Wikipedia](#) and follow us on [Twitter](#) and [Facebook](#).