



**TESTIMONY BEFORE THE
CALIFORNIA ASSEMBLY SELECT COMMITTEE ON HEALTHCARE DELIVERY
SYSTEMS AND UNIVERSAL COVERAGE
HEARING ON
“OPTIONS FOR UNIVERSAL COVERAGE”**

February 7, 2018

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Thank you, Co-Chairs Arambula and Wood and members of the Assembly Select Committee on Health Care Delivery Systems and Universal Coverage:

As a representative of the more than 3.8 million small businesses in California, Small Business Majority is pleased to offer testimony today in support of common-sense solutions to ensure California’s small businesses and self-employed entrepreneurs have access to quality, affordable healthcare.

Small Business Majority is a national small business advocacy organization founded in California with three offices in the state and 7,000 business owners in our California network. We are run by small business owners to ensure America’s entrepreneurs are a key part of a thriving economy. We actively engage small business owners and policymakers in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a diverse and inclusive job-creating economy. A key part of our work over the past 12 years has been to advocate for policies that help small businesses, their employees and self-employed entrepreneurs access affordable and comprehensive health coverage. Today, I’ll discuss several proposals we believe are crucial to ensuring and expanding this access.

Over the past five years, the Patient Protection and Affordable Care Act (ACA) has provided healthcare to 24 million individuals nationwide who otherwise couldn’t access coverage, many of whom work for small employers or are themselves business owners or self-employed individuals. In California alone, more than [five million](#) people now have insurance thanks to the healthcare law. Unfortunately, prior to the law’s enactment, small businesses and their employees comprised a disproportionate share of the working uninsured. Indeed, in 2011 nearly [two-thirds](#) of the nation’s uninsured workers were self-employed or working at a company with fewer than 100 employees. And when they could access health coverage, small businesses paid on average 18% more than their larger counterparts, usually for less comprehensive coverage. It should come as no surprise then that scientific opinion polling we conducted last year found [6 in 10](#) small business owners support the ACA.

The ACA is the first meaningful healthcare reform to help address these needs and disparities, and it’s been particularly important for California’s small businesses and self-employed entrepreneurs. The individual marketplace has been crucial to expanding access to quality, affordable healthcare for the small business community, with [8.1% of self-employed](#) Californians (370,000 total) enrolled in a plan through Covered California in 2015, compared to just 2.9% of all workers. Employees of small businesses are also more likely to have benefitted from the ACA, with roughly 20% of small business

employees gaining coverage in California through both the individual marketplace and the expansion of Medi-Cal.

These statistics illustrate how California has been a leader in ensuring access to quality, affordable healthcare, thanks to its creation of a robust individual marketplace, easy enrollment in the small group marketplace through Covered California for Small Business and vigorous marketing and education campaigns.

However, national efforts to chip away at the healthcare law, or repeal it entirely, threaten this progress. Recent efforts to undo key provisions of the ACA through legislation and executive action threaten to disrupt the marketplaces and in turn harm small business owners, their employees and self-employed individuals. While we believe certain provisions of the ACA can and should be improved, undermining the ACA eradicates hard-won benefits for America's entrepreneurs, potentially causing a rapid rise in healthcare costs and creating tremendous economic instability.

California's small businesses look forward to the day when one's employment and income status don't govern access to quality affordable care. But, in the short term, California can take immediate steps to protect its citizens and small business community by enacting practical, achievable reforms that will strengthen California's marketplaces and prevent huge increases in healthcare costs, while potentially laying the groundwork to achieve the long-term goal of universal coverage.

Today, I will focus on three key areas: (1) market stability, (2) expanded access to coverage, and (3) cost and affordability.

1. Market Stability

First and foremost, steps must be taken to improve the stability of the individual marketplace, especially in light of the federal repeal of the individual mandate penalty. A strong individual marketplace is vitally important for owners and employees of small businesses that aren't able to offer group coverage, and especially for the roughly three million solo-entrepreneurs in California. The ability of self-employed individuals and entrepreneurs to purchase affordable health insurance promotes a robust small business economy by reducing job lock, allowing workers who previously felt tied to their job by their large employer-benefits package to strike out on their own entrepreneurial path or join thriving small businesses.

This is why California must pursue innovative state solutions to encourage younger and healthier individuals to stay in the system, which is necessary to ensuring a robust, competitive and affordable marketplace. California has already worked to stabilize rates despite uncertainty regarding federal cost-sharing subsidies, and we encourage the state to continue to find creative solutions to stabilize the individual marketplace. As such, we have a list of recommendations that would help ensure a healthy and thriving marketplace for California's entrepreneurs and small business employees.

- First, we encourage lawmakers to pursue legislation that would require all Californians to participate in the health insurance risk pool. It is critical that California reinstate an individual mandate to ensure a stable and healthy marketplace for California's entrepreneurs. By encouraging young, healthy people to join and remain in the system, we can also promote affordability for everyone.
- We also caution against allowing "junk insurance" plans that don't conform to the ACA. These plans would weaken the larger individual market, while failing to provide adequate coverage. Specifically, we encourage lawmakers to support legislation like SB 910, which would prohibit insurers from offering short-term limited duration insurance plans and will help to protect consumers from plans that fail to provide adequate coverage.
- To protect the robustness of the separate small group market, California should also continue to prevent businesses from forming Association Health Plans (AHPs), including retaining the current ban on new Multiple Employer Welfare Arrangements, or MEWAs. While AHPs and MEWAs might offer plans with lower costs for some business owners, they largely benefit

entities with younger, healthier employees. This creates separate risk pools, raising costs for other employers in the small group market. AHPs also often don't cover essential health benefits, and aren't governed by rules preventing insurers from charging more based on traits such as gender or having a preexisting condition. California is already a leader in preventing abuses from these types of plans, and we hope the state will continue to push back against national efforts that would undermine our state protections.

2. Expanded Access to Coverage

In addition to stable healthcare marketplaces, it's critical that small business owners, employees and self-employed entrepreneurs have access to quality, affordable healthcare. California has done an impressive job of promoting its healthcare options by providing online enrollment and communicating the marketplace's benefits through education and outreach. Here in California, our team at Small Business Majority has conducted more than 500 workshops for small businesses throughout the state, reaching nearly 20,000 Californians directly through our healthcare events and more than 200,000 overall through our free healthcare resources for California small businesses. Through this extensive work on the ground educating our state's small businesses, we recommend the following actions to further expand access to affordable coverage:

- Expanding Medi-Cal under the ACA has played a crucial role in reducing California's uninsured rate, especially for small business employees and the self-employed. For example, a recent study found that [13.3% of self-employed](#) Californians and 15.2% of small business employees gained coverage thanks to Medi-Cal expansion. Roughly [one-quarter](#) (24.7%) of California's self-employed population were insured through Medi-Cal in 2015, while more than one-third of Californians working at companies with 10 or fewer employees (36.7%, or almost 800,000 employees) were enrolled in the same year.
- Yet, 2.9 million Californians still do not have insurance. Of those who are uninsured, [1.8 million are employed](#), with 44% of them working at a company with fewer than 50 employees, while one in six are self-employed. One in three of those without insurance in California have annual incomes below \$25,000, meaning they are likely eligible for Medi-Cal. There is overlap among these populations, indicating that further expanding Medi-Cal and continuing to educate Californians about its benefits would help low-income small business employees and self-employed individuals obtain coverage.
- Additionally, we encourage the legislature to expand Medi-Cal to include undocumented Californians. Extending this coverage would drastically decrease the number of the remaining uninsured in the state, as roughly [1.8 million undocumented](#) Californians are without healthcare coverage (more than half of the total uninsured). These people, many of whom run or work in small businesses, are accessing our healthcare system in an inefficient manner, without any way to pay for their care, thereby adding to the instability of the system and increasing healthcare costs for everyone else.

3. Cost and Affordability

Finally, California’s legislators must also pursue additional policies that improve cost and affordability of healthcare for Californians.

- Our [scientific polling](#) has shown that small business owners are deeply concerned with the cost of prescription coverage and that these rising costs are hurting their bottom lines; as a result, they are strongly supportive of a number of policies that aim to bring drug costs down. Additionally, our polling shows 85% of small business owners support the ability of the government to negotiate drug prices. We encourage lawmakers to consider proposals like AB 587 to allow pooled purchasing power for prescription drugs.
- California’s lawmakers can further promote affordability by enacting policies that require health plans to spend more on healthcare and less on administrative costs and profits. One option is to codify a medical loss ratio into California law to reinforce the state’s commitment to affordability. Locking in an 80-20 ratio, in case federal law loosens this requirement, would be a good first step. Further research should be conducted to determine if a higher ratio is economically feasible.
- Another example would be to consider a “public option” to allow Medi-Cal to compete with private health insurers in the open market. Consumers would have the choice to buy into these programs at their own cost, which would increase competition, provide more coverage options and help lower costs. Additionally, this type of public plan would ensure that all areas of the state have access to competitive coverage.
- Additional options include making plans more affordable by providing additional financial assistance to Californians who are purchasing subsidized plans through Covered California, specifically by increasing co-payments or cost-sharing measures to those who qualify for federal ACA subsidies. California can also promote affordability by working to keep premiums down for all individuals.
- Fixing the so-called “family glitch” is also a way to ensure more Californians have access to affordable coverage. We encourage the state legislature to consider providing a state subsidy for spouses and dependents who are currently unable to receive a subsidy through Covered California due to the fact that the primary insured family member meets the employee “affordability” standard under the law.
- Finally, we encourage lawmakers to support legislation like SB 538, the Health Care Market Fairness Act, a bill introduced in the previous legislative session to promote hospital contracting reform to drive down costs. Empirical evidence clearly shows that provider consolidation and unfair contracting are a key driver of increases in healthcare costs, and the bill addresses some of the most coercive practices by providers that have no relation to value and serve only to fuel unjustifiable increases in price.

Conclusion

In sum, the Affordable Care Act has led to significant gains for Californians, thanks in no small part to the proactive attitude California has taken in establishing a robust marketplace that has made it easy for individuals and small employers to access affordable coverage. To continue this progress, California lawmakers should consider additional common-sense solutions to improve market stability, expand coverage and make healthcare even more affordable.

Thank you for the opportunity to comment on this important issue for our state’s small business community. I would be happy to answer any questions.