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**STATEMENT FOR THE RECORD**  
**BEFORE THE COUNCIL OF THE DISTRICT OF COLUMBIA**  
**COMMITTEE ON HEALTH HEARING ON THE**  
**“HEALTH INSURANCE MARKETPLACE IMPROVEMENT ACT OF 2018”**

**November 7, 2018**

**LaJuanna Russell**

**Chair, Small Business Majority Board of Directors**

Thank you, Chairman Gray and members of the Committee on Health.

My name is LaJuanna Russell. I'm the founder and president of Business Management Associates, Inc. (BMA), a business process and human capital management firm with approximately 90 employees. I'm also the Chair of the Board of Directors and a member of the Small Business Council for Small Business Majority, a national small business advocacy organization.

I am pleased to offer testimony on behalf of Small Business Majority in support of Chairman Gray's legislation banning junk insurance and association health plans (AHPs) in the District of Columbia to protect affordable and quality health coverage for local entrepreneurs and small business employees. This is a matter that is very important to me as a business owner and provider of quality insurance to my employees.

First, I'm going to put on my Small Business Majority hat and share a little bit more about the organization and why this is a topic of concern for us. Our mission is to empower America's entrepreneurs to build **a thriving and inclusive economy**. A key part of this work over the past 13 years has been to advocate for policies that help small businesses access affordable and comprehensive health coverage. As a small business owner, I know firsthand how difficult it can be to afford quality healthcare for my employees, and I support any policy that ensures the marketplaces remain as affordable as possible.

Over the past six years, the Affordable Care Act (ACA) has provided healthcare to 24 million individuals nationwide who otherwise couldn't access coverage—many of these individuals work for small employers or are themselves business owners or self-employed. Prior to the law's enactment, so many entrepreneurs comprised a disproportionate share of the working uninsured, and few insurers would even consider ventures with less than five employees. When we could access health coverage, we paid on average 18% more than our larger counterparts, usually for less comprehensive coverage. Then came the ACA, and now, more than 5.7 million self-employed entrepreneurs and small business employees are enrolled in the ACA marketplaces.<sup>1</sup>

At BMA, I am so proud to be able to offer health, dental, and vision coverage to our employees and pay 80% of their premiums. When I first started the company in 2005, annual increases were between 15-20%. But as I mentioned, quality healthcare is important to me and reminds our employees that we care about them. After the ACA was implemented, we saw a gradual decline in our annual premium increases. In fact, our increase in 2016 was only 3%. This year, unfortunately, with all of the uncertainty in the market, our annual increase was 10.5%. These surprise cost increases wreak havoc on small businesses. I know many small business owners who struggled to offer health insurance to their employees prior to the ACA due to cost. The annual 20-30% increases were unbearable.

Since 2010, the increase in small business healthcare costs has been at the lowest level in years. In fact, between 2008 and 2010, the average yearly premium increase in the small group market was 10.4%,

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<sup>1</sup> <http://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca>

according to the Centers for Medicare and Medicaid Services. Between 2011 and 2015, the average increase dropped in half to just 5.2%. This has made a significant impact on our bottom lines, and as a result, we are able to provide more to our employees. At BMA, we added short and long-term disability, life insurance and accidental death, all 100% paid by BMA.

That's why the recent changes to the Administration's new rules governing AHPs and the recent expansion of short-term, limited-duration health plans or junk insurance, are so unnerving. In order for small businesses to be able to access affordable coverage, both the individual and small group markets' risk pool must be robust and well balanced. There's an old saying: "the solution to pollution is dilution." We must spread the risk.

Both AHPs and short-term plans do not have to cover certain essential health benefits like emergency services or maternity care, or include protections that typically prevent insurers from charging higher fees based on factors like gender, occupation and industry or age. While the expansion of AHPs might mean that some small businesses with younger, healthier employees can purchase a cheaper plan, these plans won't provide the coverage they need if someone gets sick. Similarly, junk insurance plans often offer deceptive plan designs that include cheap or basic coverage but don't cover major health events, potentially putting people at risk for massive health bills.

Some states have already experimented with AHPs and experienced issues with fraud and deceptive marketing techniques, as well as an increased risk for an imbalance in the remaining small group market. This is why many states took steps to regulate these plans, and why a coalition of state attorney generals have publicly opposed the Labor Department's rule.

Allowing for the sale of AHPs and junk insurance plans will lead to an unfair imbalance in the marketplaces by encouraging younger and/or healthier people to leave the small group and individual marketplaces to sign up for these cheaper, less comprehensive plans. They may flock to plan for the cost, but then be left ultimately holding the bag—and the bill—should something happen unexpectedly. An absence of healthy people in the ACA marketplaces will mean insurance companies won't be able to offset the costs they incur to care for older or sicker people, so premiums will rise drastically and many small businesses will be priced out of the market.

At Small Business Majority, we've heard directly from small business owners who are worried about the effects of AHPs and other junk insurance plans. Adam Rochon is the owner of Sequoia Employee Benefits and Insurance Solutions, a small independent insurance agency. Mr. Rochon says, "The bottom line is AHPs are only good as long as you don't get sick—your entire group could find itself without coverage if one person is faced with an illness or a medical condition. What's worse, if one small portion of the small group market gets these low rates, everyone else's rates go up in the existing insurance markets." As an insurance broker, Mr. Rochon has personally witnessed small businesses losing insurance on an association health plan when one employee got sick.

D.C. has the opportunity to protect its consumers by passing the Health Insurance Marketplace Improvement Act of 2018. This bill would protect both the individual and small group market in D.C., which would ensure the affordability of plans offered to small business owners and other consumers.

I leave you with this: the ACA is the first meaningful healthcare reform to address the disparities in small businesses' access to affordable, quality healthcare. Allowing AHPs and the sale of longer-term junk insurance plans in the District will undo these hard-fought gains for local job creators. Access to affordable healthcare ensures that small business owners can continue to do what we do best—generate economic growth and create jobs.

Thank you for the opportunity to comment on this important issue for D.C.'s small business community.