



April 17, 2018

Seema Verma, Administrator  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
Room 445-G, Hubert H. Humphrey Building  
200 Independence Avenue SW, Washington, DC 20201

*RE: Proposed Rule Amending the Definition of “Short-term, Limited Duration Insurance” (Docket ID CMS-2018-0015)*

Dear Administrator Verma:

As a leading representative of the 28 million small businesses in America, Small Business Majority writes regarding the proposed rule change that would permit insurers to sell “short-term” health insurance plans that provide coverage for up to 364 days, well beyond the three months currently permitted by the Affordable Care Act.

Small Business Majority is a national small business advocacy organization, founded and run by small business owners to ensure America's entrepreneurs are a key part of an inclusive, equitable and diverse economy. A core part of our work is advocating for policies that will help entrepreneurs and small employers thrive. This includes improving access to reasonable and comprehensive health care coverage, and we believe the proposed rule runs counter to this goal.

The Affordable Care Act has significantly benefitted small business owners, their employees and the self-employed by making it easier to access quality coverage. This is especially true for solo entrepreneurs who struggled for years to access coverage. Indeed, as of 2016, the uninsured rate for these individuals fell by 38% following the implementation of the ACA, according to data from the Kaiser Family Foundation. Further, a report by the U.S. Department of the Treasury found one in five enrollees in the individual marketplace was a small business owner or self-employed entrepreneur. This same report found small business owners and self-employed individuals were nearly three times more likely to purchase marketplace coverage than other workers.

The ACA has also helped small businesses purchasing insurance through the small group market by reducing the rate at which annual premiums were increasing by roughly half, from 10.4% pre-ACA to 5.2% post-ACA, according to research from the Centers for Medicare and Medicaid Services. What's more, the ACA has encouraged entrepreneurship by reducing “job lock,” as individuals with pre-existing conditions or other health issues no longer feel tied to a job purely for the healthcare benefits.

In order for small businesses to be able to receive affordable coverage, marketplace risk pools must be robust and well balanced. This is why we oppose the proposed rule change to allow for longer “short-term” plans. Short-term health insurance is meant to fill a gap in an individual's coverage in the instance of job loss or other life change. These plans are not compliant with ACA requirements and are not required to cover essential health benefits like prescription coverage or mental health treatment. Additionally, these plans do not have to comply with community rating rules that prevent insurers from charging more to individuals based on factors like gender or preexisting conditions, and allow insurers to turn away buyers they deem to be too sick or expensive to insure.

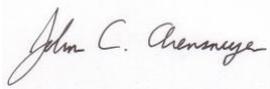
The Obama Administration issued guidance to limit the use of these plans to three months, but the proposed rule changes would essentially allow individuals to use these plans as their primary health insurance by extending this limit to 364 days. Individuals likely to purchase these short-term junk insurance plans tend to be younger and healthier, leaving sicker workers in the individual

marketplace. Allowing for these so-called “junk insurance” plans will create an unbalanced risk pool that disrupts the individual marketplace and raises costs for everyone else who remains in the individual marketplace. What’s more, in addition to providing less comprehensive coverage, these short-term plans would offer fewer consumer safeguards. For example, these plans can include caps on reimbursement for medical expenses and often do not have a maximum limit on an individual’s out-of-pocket costs.

We know from our scientific opinion polling that the cost of health insurance is a top concern for small business owners. The proposed changes would be harmful for solo entrepreneurs and small business employees by raising rates for individuals dependent on the individual marketplace—which is where many small business employees and solo entrepreneurs purchase health coverage.

While certain provisions of the ACA can and should be improved, proposals like expanding short-term limited duration plans undermine the ACA and eradicate the hard-won benefits for America’s entrepreneurs. We must do everything we can to ensure small businesses can access quality, affordable health coverage so they can focus on running their businesses. This means strengthening the small group and individual exchanges, rather than enacting rules that undermine the ACA and create instability in the health insurance markets.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive style and is positioned above the typed name and title.

John Arensmeyer  
Founder & CEO