

April 3, 2009

Dear General Assembly Member:

On behalf of the organizations listed below, we would like to thank you for supporting legislation to make small business health insurance more affordable (HB2024, SB1411). The Governor has proposed several amendments to each bill and we'd like to offer our comments.

The Governor's amendments to HB 2024 (Delegate D. Marshall) expand benefits to small business employees, increase disclosure requirements, and create a "mini-COBRA" requirement for companies with fewer than 20 employees. As you are aware, part of the American Recovery and Reinvestment Act (ARRA) requires the federal government to subsidize 65% of the COBRA costs for employees who are involuntarily terminated from employment between September 1, 2008 and December 31, 2009. Under the Act the former employee is responsible for the remaining 35% of premium. The federal law governs companies with 20 or more employees by having them cover the initial 65% of the COBRA costs. The employer receives a reimbursement from the ARRA for their costs through a payroll tax credit.

Also included in the Act is a provision which allows for premium assistance to states that have "mini-COBRA" laws. These provisions impact businesses with fewer than 20 employees. Under the Federal law, the employee is responsible for paying 35% of the costs with the health insurance company, *not the small business*, responsible for covering the remaining 65% of the benefits. The health plan will recoup their costs through a payroll tax credit.

The Governor's amendments seek to establish a "mini-COBRA law", thereby allowing small business employees access to federal health insurance premium assistance. The language requires that all small employers (less than 20 employees) offer laid off employees access to continuation of benefits for nine months for the purposes of getting the subsidy. *The requirement on the small business owner and the health plan ends when the subsidy ends.* The "mini COBRA" amendments provide an opportunity for small employers to assist their laid off employees in retaining coverage while recognizing a temporary need with a temporary fix.

The primary goal of this legislation was to provide employers and employees with quality, affordable insurance. **We feel that the Governor's amendments to HB 2024 are in keeping with the original intent of the bill and are therefore supportive of the proposed amendments.**

As to the amendments made to SB 1411 (Sen. Watkins), we feel that some keep true to the spirit of the legislation while others run contrary to the legislation's original purpose – to provide affordable health insurance. Amendments 1-4 and 13 expand employee access to small business health insurance plans and increase disclosure requirements. These amendments are also offered on HB 2024 and are supported by the businesses and employees they seek to help. Unfortunately, we are unable to support amendments 5 through 12 that would require the inclusion of certain mandates.

Small business owners want to offer healthcare plans that cover a wide variety of benefits such as preventive care and screenings. Providing these types of benefits is important to the productivity of companies and their employees. However, we are concerned that including government imposed mandates will discourage consumer control and innovative health plan

design. While mandates make small business health insurance more comprehensive, they also make it more expensive. This legislation, which passed both bodies unanimously, is intended to increase the rolls of the insured by making the benefits flexible and affordable. Amendments 5 through 12 take this bill in the wrong direction by reversing costs savings and thereby decreasing the number of companies that will be able to afford the plan. **With more than 40 percent of small businesses unable to afford health insurance benefits, we respectfully ask that you support the intent of the original bill and reject costly amendments 5 through 12 for SB 1411.**

Thank you for the opportunity to offer these comments. As you deliberate, we hope you will give the Virginia business community's opinions serious consideration. We would appreciate your support of our position during the upcoming Reconvened Session. Should you have any comments or questions, please do not hesitate to contact any of the organizations listed below.

Sincerely,

American Council of Engineering Companies of Virginia  
National Federation of Independent Business  
Virginia Association of Independent Insurance Agents  
Virginia Chamber of Commerce  
Virginia Hospitality and Travel Association  
Virginia Manufacturers Association  
Virginia Retail Federation  
Virginia Retail Merchants Association