

Insurance Reform for Small Businesses

A Fact Sheet on House Bill 2005

What HB 2005 is

- HB 2005 is a pro-business insurance reform bill that provides new protections for small businesses with fewer than 50 employees struggling to provide affordable health insurance to their employees, as those businesses have the most difficulty finding predictable and affordable rates for health care benefits for their employees.
- This bill addresses the fact that small businesses do not have the market leverage that larger firms have, and as a result they are subject to rate spikes because of one or two expensive claims or use of discriminatory rating factors.

What HB 2005 does

- Makes premiums more stable and predictable by limiting rating variations and prohibiting rate increases based on preexisting conditions, health status and gender.
- Promotes effective health insurance cost control by giving the Insurance Department authority to require insurance companies to follow best practices for cost control rather than simply pass on unnecessary costs to small businesses.
- Increases the efficiency of health insurer operations by requiring insurance companies to spend 85 percent of what they collect in premiums from employers on paying for health care for those covered by their policies.

Why HB 2005 is important

- The current system is broken. It creates affordability problems for all businesses – especially small ones.
- The hardest-hit employers are those whose employees have pre-existing health conditions; but all small businesses are only one or two large claims away from rate spikes and unaffordable health insurance rates.
- All businesses need stable and predictable health insurance rates so that they can hire the most qualified and experienced workers without fear of discriminatory rate hikes.

HB 2005 enhances stability & fairness

- HB 2005 requires insurance companies to contain rates in the small group market by rating all small employers within “rate bands” that limit variations. The most expensive policies may, at most, cost a third more than the average rate.
- The bill also bans the use of pre-existing conditions, health status and other factors that make rates highly volatile.
- Where large businesses can spread the cost of one or two sick employees across a large workforce, small businesses need protection to prevent rate spikes simply because one worker incurs an expensive claim, a new employee has a chronic medical condition, or a female employee is of child-bearing age.

It is time for Pennsylvania to join the 48 states that have adopted small group insurance reforms to protect small businesses.

HB 2005 holds insurance companies accountable for cost control

- Pennsylvania is a national leader in addressing key cost drivers of medical inflation by focusing on reducing hospital-based infections, managing chronic conditions and enhancing transparency of health care quality and cost comparisons.
- Insurance companies must be active participants in these cost control initiatives so that groups of all sizes, not just large employers, achieve cost savings.
- HB 2005 gives the Insurance Department the authority to make sure that insurance companies adopt best practices for cost control for all customers and pass on the resulting savings or cost containments to all businesses.

HB 2005 requires insurance companies to operate efficiently

- Loss ratios (the percentage of the premiums paid by employers for insurance which is spent to provide health care) are a common measure of efficiency in the insurance business.
- HB 2005 requires insurers to spend 85 cents of every premium dollar on health care claim costs in order to hold insurers accountable for keeping administrative expenses and profit margins in check.
- As a result, this bill gives small businesses – through the Insurance Department — the ability to make sure that costs are being fairly allocated among small and large businesses.

HB 2005 creates a level playing field for all employers

- Insurance companies will always compete to enroll employers who have employees who are healthy. The challenge is promoting competition for employers who have good employees with some health conditions, be they mild or severe or somewhere in between. HB 2005 creates a level playing field for employers shopping for health insurance in the marketplace.
- This bill establishes boundaries known as rate bands that require insurance companies to balance risks and compete for all types of businesses rather than cherry pick only the healthiest of workplaces at the expense of everyone else.
- This bill promotes fair competition through reasonable oversight of insurance rates to ensure that all health insurance companies follow the same standards. This type of oversight works, as evidenced by the strong competition that exists in the auto insurance market.
- HB 2005 requires insurers to offer standard basic plans with a full set of benefits. Small businesses can then compare benefits and price more easily and make informed purchasing decisions.

For more information specific to House Bill 2005, contact Shelley Bain, Director for the Accident & Health Bureau with the Pennsylvania Insurance Department, 717.787.0873 or sbain@state.pa.us.

If you're looking for more information on health care reform, log onto www.RxforPA.com.