

SMALL BUSINESS COMMISSION

Tuesday, September 9, 2008

Richmond, Virginia

The Small Business Commission ("Commission") met in Richmond, Virginia, on September 9, 2008 for a work session. The meeting was presided over by the Commission's co-chairmen, Delegate Jeffrey M. Frederick and Senator W. Roscoe Reynolds. The topic for the work session was the cost and availability of health insurance for small businesses. The Commission invited representatives from other Virginia governmental entities and private organizations interested in this area to participate in the work session. The invited participants were:

- Robert Nealon, chairman, Virginia Small Business Advisory Board
- Anne Colley, Bureau of Insurance, Virginia State Corporation Commission which provides staff for the Virginia Special Advisory Commission on Mandated Health Insurance Benefits
- Elizabeth Moran, Director of Legislative and Community Affairs, Virginia Department of Business Assistance
- Hal Greer, Joint Legislative Audit and Review Commission
- Julia Ciarlo Hammond, State Director, National Federation of Independent Business
- Tyler Craddock, Virginia Chamber of Commerce
- Doug Gray, Executive Director, Virginia Association of Health Plans

Also participating in the work session were Stephen Bowman from the Virginia Joint Commission on Health Care and Mark Pratt of Anthem Blue Cross and Blue Shield.

The members of the Commission and the participants in the work session discussed numerous issues related to the cost and availability of health insurance to small businesses and their employees. It was noted that the number one concern of small businesses was rising health care costs and that an increasing number of small businesses are either not offering health insurance to their employees or dropping the coverage they currently provide. The Commission and the participants in the work session discussed several specific options to address this issue including:

- Allow small businesses to participate in the Virginia state employee health plan. It was noted that no other states have taken this step and that it would possibly lead to raising the cost of the state insurance as the size of the risk pool would be increased by the participating small businesses.
- Encourage the use of health savings accounts where the employee is able to save money, tax-free, for current or future health care needs. Health savings accounts result in the employee being more invested in his or her health care as his or her savings are used to fund it.
- Encourage the use of 125 plans, also known as cafeteria plans. These plans, authorized under the U.S. Internal Revenue Code, allow employees to purchase

health insurance using pre-tax dollars, resulting in savings between 25%-40% per dollar. These plans may also decrease the tax liability of employers.

- Allow the sale of limited benefit health insurance plans that exclude some or all of the health insurance mandates currently required by the Virginia Code.
- Provide tax credits or subsidies to small employers as an incentive for them to offer their employees health insurance.
- Establish a program similar to the VirginiaShare Health Insurance Program (HB 593, SB 578) proposed during the 2008 Session of the General Assembly. This pilot program would have divided the cost of health insurance for employees of small businesses whose income is at or below 200% of the federal poverty level between the State, the employer, and the employee. Although the bills did not pass, the Riverside Health System is attempting to set up a similar pilot program using private funds.

Upon completion of the discussion with the participants, the Commission concluded that it should attempt to reach a consensus on some general principles or guidelines regarding the cost and availability of health insurance for small businesses that would be circulated to the other members of the General Assembly for their consideration when drafting legislation on this topic for the upcoming 2009. The Commission is also planning to consider whether or not to propose legislation on any of the options discussed at the work session.

The Commission plans to hold two more meetings prior to the start of the 2009 Session of the General Assembly.