



September 4, 2015

TO: Members, Subcommittee on Health

FROM: Committee Majority Staff

RE: Hearing entitled “Protecting Affordable Coverage for Employees.”

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## **I. INTRODUCTION**

On Wednesday, September 9, 2015, at 10:15 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled “Protecting Affordable Coverage for Employees.” The purpose of the hearing is to review H.R. 1624, Protecting Affordable Coverage for Employees Act of 2015, introduced by Rep. Brett Guthrie.

## **II. WITNESSES**

- Monica Lindeen, Montana Commissioner of Securities and Insurance and State Auditor, President, National Association of Insurance Commissioners;
- Kurt Giesa, FSA, MAAA, Partner, Oliver Wyman; and,
- Mike Kreidler, Washington State Insurance Commissioner.

## **III. BACKGROUND**

Historically, an employer with 50 or fewer employees was considered a “small employer” and could purchase health insurance coverage in the small-group market.<sup>1</sup> The Affordable Care Act revised this historical threshold upward, redefining a small employer as those employers with 100 or fewer employees. Now, States must implement the expanded definition for plan years beginning in 2016.

H.R. 1624, Protecting Affordable Coverage for Employees Act of 2015, would amend the Public Health Service Act to redefine small employer as one with 50 or fewer employees and give States the option to expand the definition to include employers with up to 100 employees.

If enacted, this policy change would protect small to mid-sized employers from significant premium increases anticipated under current law due to the expansion of the small group market to include groups with up to 100 employees.

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<sup>1</sup> Prior to passage of PPACA, the Public Health Service Act (2792(e)(4)) defined a small employer as follows: “(4) SMALL EMPLOYER.—The term ‘small employer’ means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 50 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.”

For example, the actuarial firm Oliver Wyman analyzed of the impact of the inclusion of employers with 51 to 100 employees on the small group market in 2016. The analysis was based on actual underwriting data from a number of health insurance issuers. The analysis estimated that the effect of expanding the definition of small employer<sup>2</sup> to 51 to 100 employees would result in roughly two-thirds (64%) of members in groups with 51-100 employees receiving a premium increase in 2016, with these groups receiving an *18% increase on average*.<sup>3</sup> This is a significant cost-increase for small businesses that ultimately will be felt by millions of workers.

The American Academy of Actuaries examined the impact of current law and found that more than 3 million workers and their families will be affected. They noted that “although establishments with 50-99 employees comprised only 9 percent of all establishments with fewer than 100 employees that offered coverage, there were 3.4 million enrolled employees in these firms—29 percent of the enrolled employees in firms with fewer than 100 employees.”<sup>4</sup>

This bill enjoys strong bipartisan support. As of September 2, 2015, the bill had 208 total cosponsors, and a similar bill introduced in the Senate, S. 1099, had 29 total cosponsors.

#### **IV. STAFF CONTACTS**

If you have any questions regarding this hearing, please contact Josh Trent of the Committee staff at (202) 225-2927.

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<sup>2</sup> A “small employer” is defined in Section 1304(b) of PPACA.

<sup>3</sup> <http://hbx.dc.gov/sites/default/files/dc/sites/hbx/publication/attachments/51-100%20OW.pdf>

<sup>4</sup> [http://actuary.org/files/Small\\_group\\_def\\_ib\\_030215.pdf](http://actuary.org/files/Small_group_def_ib_030215.pdf)