



Rhode Island

Testimony of
Bill Vernon, State Director, National Federation of Independent Business
Relating to Health Insurance Rates for 2016
Before the Office of the Health Insurance Commissioner
June 22, 2016

Dr. Hittner:

My name is Bill Vernon. I am the Rhode Island Director of the National Federation of Independent Business (NFIB). A non-profit, non-partisan organization, NFIB is the nation's and Rhode Island's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. In short, NFIB represents the small Main Street business owners throughout Rhode Island.

The cost of health care and health insurance continues, as it has for more than twenty years, to be the number one concern of small business owners and of the people who work at small businesses. Despite many state legislative efforts and comprehensive national reform, the impact of the increasing cost of health care and insurance continues to resonate on so many levels in our economy. This year's requested rate increases by insurers simply continue the unfortunate trend.

Small businesses historically create two-thirds of all new jobs every year. But in recent years the high costs of doing business, particularly payroll costs like health care costs, have directly impacted job creation. In a state like Rhode Island, whose economy is dominated by and dependent on small businesses, the failure to create jobs at the usual rate led to deeper and more sustained job losses than in most states as well as a slower recovery. That disappointing job creation is attributable to the high cost of employing people experienced at small businesses and that means health care costs. The Kaufmann Foundation's rating of Rhode Island as the nation's most unfriendly state to existing small businesses is further evidence of the economic necessity of getting health care costs right.

As state political leaders focus on jobs and the economy, it is important to remember that payroll costs, and especially health care and health insurance costs, are a direct impediment to job creation. In a state where the great majority of workers are employed by companies of less than 100 workers and where those workers are dependent on their employers for health care coverage, excessive health insurance premium rate hikes will continue to put the brakes on job creation and continue as a major drag on the sluggish economic recovery in Rhode Island.

NFIB is aware of and appreciative of the role of the health care provider industry and the insurance industry -- the recipients of health care dollars -- as important economic drivers and

National Federation of Independent Business — Rhode Island

large employers in Rhode Island. But the large bills for their products faced by small employers - the payers of health care dollars -- also act as an impediment to job creation and job growth in industry after industry and company after company throughout the state as the cost of hiring becomes prohibitive.

I request that the Office of the Health Insurance Commissioner renew your focus on payment reforms. Global payments, electronic records, and other transparency initiatives hold the most promise for cost savings and modified premium increases in the future. Consumer choice and competitiveness can also impact price in a downward direction. Rhode Island's small businesses need relief now to allow them to grow and prosper this year.

As you consider your important statutory goals of keeping insurance carriers financially solvent, treating providers fairly, and improving the health care system, I ask you to:

- consider the economic consequences for Rhode Island of ever increasing premiums on top of relatively high current premiums for small businesses;
- reduce the insurer's requested rate increases significantly;
- require insurers to offer consumers and small businesses the power to make choices in coverage;
- empower insurers to force providers to implement proven cost saving changes.

Thank you for your attention.

86 Sefton Dr.
Cranston, RI 02905
June 22, 2016

Office of the Health Commissioner
1511 Pontiac Avenue, Building #69-1
Cranston, RI 02920

Dear RI Health Commissioner:

Please have mercy on us. We are the people who have to buy individual ACA insurance policies with no help from an employer and no subsidy from the federal government. We are the people who are subsidizing the ACA subscribers who do get federal subsidies, and apparently there are too few of us for any politicians or health insurance companies to care about.

We are a retired married couple, ages 60 and 63, who are active and healthy. We climb mountains, ride bikes, downhill and cross-country ski, and exercise daily. We have no chronic diseases, not even high blood pressure or cholesterol. We have the least expensive Blue Cross Bronze plan, which had deductibles of \$5,800 per person last year. In 2015, our out-of-pocket medical expenses (after taxes, since we get none of the tax benefits an employee would get) were **\$23,000**. This breaks down as follows:

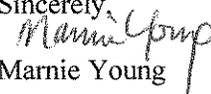
Bronze plan premiums for two:	\$11,860
Deductible paid by one spouse	5,800
Deductible paid by the other spouse	130
Medicine	600
Other	1,110
Dental expenses	<u>3,500</u>
Total expenses	\$23,000

My husband had a minor arthroscopic knee procedure (not invasive surgery) that was out-patient and lasted a couple hours; hence the \$5,800 he paid under his deductible. Incidentally, for 2016 our combined annual premiums went up to \$12,546 and our deductibles went up to \$ 6,850 EACH. These policies are already unaffordable before you even account for a rate increase next year, or a deductible that might easily increase to \$8,000 each.

Consider the math for a hypothetical couple: the subsidies on the health exchange for a married couple with no dependents disappear completely when the couple has adjusted gross income of only \$63,000. That couple's take home pay on \$63,000 might be about \$48,000. If they had \$23,000 in out of pocket medical expenses, as we did, their annual take-home would be reduced to \$25,000to cover ALL the other expenses for two people including mortgage or rent, property taxes, utilities, car and home insurance, food, clothing, gasoline, car repair, etc. How is this affordable care? Many people might drop the plan and pay the fee.

In case you are asking yourself why we retired before we were Medicare eligible, I'm sure you must realize that not everybody has the luxury of choosing when they retire. Furthermore, it is not only early retirees who are in this situation. A small business owner/sole proprietor might easily find himself in this financial crunch, buying unaffordable individual insurance in a marketplace where there is no competition and where no subsidies are available because the couple makes "too much money."

Why is the small, individual direct pay market set up as its own actuarial group, and required to bear all the increased expenses of the ACA? Why can't you spread these costs over the entire state, including employees (both private and public)? Please have mercy on us, the people buying individual policies with no subsidies. We are stretched too thin.

Sincerely,

Marnie Young
youngms@cox.net

Metivier, Alyssa (OHIC)

From: Shayna Cohen <shayna.cohen@gmail.com>
Sent: Saturday, June 25, 2016 9:21 AM
To: Metivier, Alyssa (OHIC)
Subject: Premium rate revision comment

Thank you for the opportunity to comment on the rate revisions for 2017. I have been a BCBS customer in RI, NY and TX for most of my life. I am currently a holder of a family plan through HealthSourceRI. I understand that incremental increases are necessary for the company to compete and provide strong service. However to remain affordable (aligned with the intent of the ACA) I would like to see BCBS work very hard to implement increases of no more than the average cost of living increase which is usually 3% or less. The 7-10% increases suggested are too high to keep plans affordable for middle income non-Medicaid customers.

Thank you
Shayna Cohen

Metivier, Alyssa (OHIC)

From: Laurent Lamothe <LLamothe@Banneker.com>
Sent: Thursday, June 23, 2016 9:49 AM
To: Metivier, Alyssa (OHIC)
Subject: oral comments from last night's meeting

Good morning Alyssa,

Per your request, I am submitting in writing the items I mentioned and discuss last evening while attending the "Public Input Meeting" at the PUC in Warwick.

Last evening I attended the Public Comment Hearing on Proposed Health Plan Rates for calendar year 2017 held at the State of Rhode Island Public Utilities Commission in Warwick. I represented Banneker Industries and spoke before Health Insurance Commissioner, Dr. Kathleen Hittner, asking her to please consider rejecting the requested proposed rate increases for United HealthCare, our healthcare provider.

During my speech I shared the following:

- I introduced myself as the Talent Management Representative, responsible for the benefits administration for the employees at Banneker
- I stated that I was representing the Executive Management and all employees working at Banneker Industries who presently have healthcare coverage with United Health
- I mentioned that Banneker Industries is a small privately held company who has been in business for 25 years which employs around 50 people
- I mentioned that Banneker Industries is a small disadvantaged business, minority business enterprise and a women owned business who proudly employees several women, minorities and veterans
- I mentioned that Banneker received a 17% rate increase in premiums from United HealthCare in January of 2016 and one of the reasons given to us was that our workforce was aging
- I informed the 3-person panel that Banneker has recently hired some very talented, highly-skilled and highly educated professionals with many years of experience in our industry to help Banneker to grow and expand and it is unfortunate for Banneker that doing this has resulted in higher premiums to the company by our healthcare provider
- I also informed the panel that the 17% increase received in January of 2016 certainly was not due to a lack of effort on the part of Banneker's management team and all of the employees who implemented several health & wellness initiatives throughout the year for all employees at all locations
- I mentioned that we have a very active health & wellness committee; we have won three health & wellness awards (two from the American Heart Association & one from the PBN); we hold an annual health & wellness fair; devote a great deal of time educating all of our employees in the areas of healthy eating, exercise, overall wellness; have an on-site fitness center with showers; walk as a team in 5K for good causes; provide flu shots & blood pressure screening
- I mentioned that we feel that all of the initiatives we have implemented do not seem to play a role when it comes time to our annual rate renewal (even though it did a little when United Health lowered the initial increase of 20% to 17% due to our initiatives)
- I mentioned that another increase in our healthcare premiums would be very costly to Banneker and just add to our increasing costs of doing business here in Rhode Island.
- In conclusion, I asked the panel to please consider not approving the request to increase rates for the reasons I cited.

Sincerely,

Larry Lamothe

Larry Lamothe, PHR, SHRM-CP

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Metivier, Alyssa (OHIC)

From: David Katseff <davekat@mastercast.com>
Sent: Thursday, June 23, 2016 12:09 PM
To: Metivier, Alyssa (OHIC)
Cc: Mark Gray; Joseph D'Amico; Travis, Melissa (HBE); George.Tager@bcbsri.org
Subject: OHIC Rate Review...comments from a RI small business owner

Importance: High

Alyssa:

I could not attend the Rate Review hearing last night, but, I wanted to submit my comments for the OHIC Commissioner to take into account as your department reviews the rate increases requested by the various healthcare insurers in RI.

My small company has been on "silver" level BCBSRI Plans for the past few years...ever since we were one of the first small businesses to get into the Shop Exchange at HSRI back in January, 2014.

For 2016 the average increase in premiums for our 5 employees who get healthcare through the company was 9.9% ...and this is after we agreed to a Plan design that increased the per person deductible by 50%.

A few months ago, Blue Cross announced that the OHIC had approved their request to make an across the board premium reduction of 4.5% for Small Businesses....BUT...we were told we were not eligible for these lower costs @ 7/1/2016 since our plan had already renewed this year (on 1/1/2016). However, the Small Company Plans Manager at BCBSRI assured me that we would see the effect of this cost reduction when we renewed in January, 2017.

Now I see that BCBSRI is requesting an average increase of 7.9% for their 2017 Plans. I have tried (and failed) to find out if that 7.9% is added to my present rates OR to the reduced rates that will be effective 7/1/2016. NO ONE has been able to answer my question ...can you?

My last point is another big question: why is BCBSRI requesting a whopping + 7.9% increase for small business plans when the other three insurers in this market are requesting anywhere from a reduction of 2.2% to a maximum increase of 2.3%. Assuming BCBSRI has the same healthcare "population", why would the requests be so different? Can someone answer that?

So, I leave you with these two questions and a personal request to remember the MasterCast Ltd. employees who (along with MasterCast) had to absorb an average of 9.9% increase for our 2016 Plan when you make the decision on the maximum increase allowed for 2017.

Thank you

David A. Katseff
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