Testimony of

Insurance Commissioner Tom Glause

State of Wyoming

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Subcommittee on Primary Health and Retirement Security

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United States Senate

Roundtable Discussion

on

"Small Business Health Care – Costs and Options"

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2:00 P.M.

Good afternoon, Chairman Enzi and members of the subcommittee on Primary Health and Retirement Security. Thank you for asking me to participate in this Roundtable Discussion on Small Business Health Care – Costs and Options. My name is Tom Glause. I am the Insurance Commissioner for the State of Wyoming, appointed to this position by Governor Matt Mead in January of 2015.

As the least populated state in our nation, Wyoming faces challenges in providing health insurance coverage for its citizens. Perhaps some observations and information about my state may be helpful in discussions regarding small employer plans in general but specifically regarding the small employer market in rural settings.

Since the passage of the ACA, a large number of health insurance companies left the Wyoming market. Currently, Wyoming has only one insurer participating in the federal Marketplace for both individuals and the small group or SHOP plans. The exodus from the health insurance market has been for a variety of reasons, including insurer financial insolvency, changing focus of product lines, and effects of the ACA.

As the state is currently experiencing an economic downturn, employers are self-reporting they must reduce or cut employer-provided health insurance in order to maintain employment positions. We have seen a slow but steady increase in the number of participants on the Individual Marketplace but very little participation in the SHOP plans. As of May 31, Wyoming's only SHOP carrier reports just 103 contracts, covering less than 300 lives. The individual Marketplace reports 23,770 enrollees for 2016.

Wyoming has traditionally had the highest rate of employer provided health coverage in the nation. According to the Kaiser Family Foundation, in 2014, the national average for employer sponsored health plans was 49%, whereas Wyoming was 61%, followed closely by Maryland at 60%.

The mandated coverage of the Essential Health Benefits (EHB) has been costly and burdensome on small employers. Wyoming employers report they **want** to provide coverage for their employees but feel constrained by cost and the requirement that these small group plans must contain the ACA's 10 Essential Health Benefits. Employers have expressed concern over their desire to provide

benefits to their employees and the coverage mandate that is not required of large group employers. In 2015, the Wyoming State Legislature passed statutory language to clarify that if a small employer offers coverage to its employees, the employer has the option of offering coverage to the employee's dependents. Wyo. Stat. §26-19-306(c)(vi). In some cases, this legislative change allowed the employee's dependents to opt for individual coverage on the Marketplace.

Network Adequacy was an issue before the ACA and remains an issue today. Wyoming reports 196.7 physicians per 100,000 people whereas the national average is 265.5 per 100,000. In addition, Wyoming covers 97,818 square miles—needless to say, our providers are widely scattered.

Uncompensated Care remains a concern in nearly all care facilities in our state. A May 2016 report from the Wyoming Hospital Association indicates at least a 3% annual increase in uncompensated care but the association anticipates larger increases because of increasing unemployment, increasing numbers of individuals with high deductible plans, and increasing numbers of uninsured.

Wyoming is a non-rate setting state; therefore, we rely upon the qualified health plan (QHP) determinations and rate approvals conducted by the Center for Medicare and Medicaid Services (CMS). Wyoming has the second highest premium rates in the nation, second only to Alaska. On the individual market in 2016, the average monthly premium before the Advanced Premium Tax Credit (APTC) was $571 compared to the national average of $396. Some Wyoming employers have reported that the tax benefits for providing coverage are difficult and convoluted. Others report it is less expensive to pay the tax penalties than to provide health insurance coverage.

The Wyoming Small Employer Health Reinsurance Plan (WySEHRP) plan has begun a run-out of the program and claims, after it was determined that the number of ceded lives has continued to decline as transitional plans will be exiting the market. The declining number indicate a decreasing number of small employer sponsored plans.

In conclusion, in my opinion, there are two primary consideration for small businesses when considering whether to provide health insurance benefits. The

first is **Cost**. The cost of the premiums to the employer and the employee, and the cost of time in administering the program.

The second is **Choice**. Can the small employer provide coverage that the employees need, with networks that are sufficient, and out-of-pocket costs that are reasonable?

Again, thank you for holding this roundtable and for inviting me to testify. I look forward to your questions.