



Transforming lives.
Strengthening communities.

Southeastern Wisconsin Common Ground

Reforming the Health Insurance Market for Small Businesses, Self-Employed People and Non-Profit Organizations in Wisconsin

(1) Who is Common Ground?

Common Ground (CG) is an alliance of congregations, religious groups, small businesses, non-profits, schools, unions and neighborhood associations whose mission is non-partisan political power for social change. CG's 58 member organizations come from Milwaukee, Waukesha, Ozaukee and Washington Counties. Health care reform is one of the top issues identified by the 55,000+ members of CG organizations.

(2) Why is Common Ground interested in reform of the small business health insurance market?

Over 125 leaders from the CG Health Reform Team have done individual research meetings with over 65 health care leaders in the state. We have also conducted numerous Listening Sessions with CG members who are negatively impacted by the current health insurance market. Our goal is to seek greater access to affordable health care for Wisconsin residents, particularly those served in the small business market.

(3) What is the purpose of this Q & A?

Common Ground is considering two ideas to address Health Care Reform. We are presenting the ideas in the Q & A to a broad group of leaders to solicit feedback before proceeding further.

(4) What is the current situation for small businesses, self-employed people and non-profit organizations?

Small business owners, self-employed individuals and non-profit organizations have little if any power to negotiate with health insurance companies. Small businesses, self-employed individuals and non-profits struggle to provide affordable insurance for themselves and their employees. Consider this:

- The largest portion of uninsured in the USA work for small businesses
- Only 41% of small businesses in Wisconsin provide some type of health insurance to their employees and this percentage is decreasing
- Small businesses pay 18% more in health insurance premiums for the same benefits as those in the largest firms

(5) What are Common Ground's ideas for change?

We are currently considering two ideas.

- (1) The first is a Health Insurance Cooperative for small businesses, self-employed individuals and non-profit organizations. There are currently five such cooperatives covering some 10,000 people in the state. CG has been discussing support for the Wisconsin Health Care Cooperative (WHC). By joining together initially with 2,000 to 3,000 covered lives and \$10 to \$15 million in annual premiums, WHC would give small businesses the power to negotiate better rates and annual increases with an insurance company with whom they would partner.

(2) The second is the program proposed by the State of Wisconsin Department of Health Services called Badger Choice. We have met with DHS Secretary Karen Timberlake to review the Badger Choice program.

(6) Explain the Health Insurance Cooperative idea.

CG has a separate Q & A available which outlines the elements of the proposed Wisconsin Health Care Cooperative (WHC). This paper will focus more upon the Badger Choice proposal.

(7) How would the Badger Choice program work?

There are some 400,000 people who get their insurance through small businesses and non-profits with 2-50 employees. There are another 400,000 who work for small businesses/non-profits who do not have health insurance or get it through a spouse or family member. In Badger Choice all companies/non-profits which **choose** to offer health insurance to their employees would be **required** to purchase their insurance through the Badger Choice Connector. Actually, the employers would decide how much they would apply to the cost of health insurance and each employee would choose which plan within the Connector they will choose for themselves, based on whatever premiums and benefits they feel they can afford. Small businesses/non-profits are not required to join if they choose not to provide health insurance for their employees.

Any private health insurance company which wishes to sell to this pool of 400,000 – 800,000 people is **required** to bid on various plans through this Connector. The state ranks the various plans into tiers based on cost, benefits and quality. Information on the plans would be listed side by side using common terms which allow employees to easily compare plans.

This is the strategy currently used for the 200,000 state employees. Private companies bid each year on access to this pool. Bids and plans are tiered. State employees then choose which plan they wish to purchase based on the quality of the plans, the benefits they wish, and the amount they are willing/able to pay based on the state's and their own contributions. Twenty-one different private insurance companies bid on offering coverage to this pool of people each year.

(8) Are all employees able to get coverage?

Yes, everyone who works for a small business or non-profit with 2-50 employees whose employer seeks to offer coverage, will be eligible for coverage. No one can be denied for pre-existing medical conditions. There will be no separate rating (medical underwriting) for groups which buy through the Connector.

(9) What would be the tax consequences for the employee and employer?

The portion of the health insurance premium contributed by the employer is tax deductible as a business expense. What is new in this plan is that the employees' contribution would now also be tax deductible. There is also no minimum which the employer must contribute in order for the employee to be eligible to apply for insurance through Badger Choice.

(10) Where would Health Insurance Cooperatives fit into this plan?

We are told that there are now five Health Insurance Cooperatives in various stages of formation which cover about 10,000 individuals. This does not include the Wisconsin Health Care Cooperative (WHC) which Common Ground is supporting. How they might fit into Badger Choice is yet to be determined and they are being invited to propose to the leaders of Badger Choice how they might participate. Two options might be (1) exempting Cooperatives from the mandate to participate in the

Badger Choice Connector or (2) becoming one of the companies (albeit non-profit) to bid on the Badger Choice pool.

(11) Where do Independent Insurance agents fit into the plan?

Contrary to a November 21, Milwaukee Business Journal article, our understanding is that a final decision regarding the role of independent agents to sell (and receive a fee) for enrolling people in the Badger Choice program has not been decided.

(12) What about self-employed individuals? Where might they fit?

This also is still under consideration. They might and can possibly be included in Badger Choice. Currently they are not included in the plan and we are not exactly clear why. They can be included in the WHC Coop.

(13) Why are the groups limited to 2 to 50 employees?

We are not entirely sure that this could not be changed, but the current reason is that according to federal guidelines, this is the definition of a small business. Businesses and non-profits with more than 50 employees are able to self-insure and be exempt from federal ERISA guidelines, which cover how health insurance plans are offered to employees.

(14) Are there any types of subsidies involved in the program?

In the state's outline of the Badger Choice program, it says: "the state will offer a subsidy to certain populations who purchase through Badger Choice." We are not exactly sure what that means yet, nor is the state. We assume it will be dictated to some extent by the current state budget deficit.

(15) What are the "politics" of this proposal?

Secretary Timberlake is asking for Common Ground's political support for the Badger Choice proposal. We as an organization are now considering this request. The Governor still needs to decide if he is going to put this forward as an initiative in February as part of his next proposed State Budget.

(16) What are the questions we still have?

These are some of the questions we still have regarding the proposal:

- a) What are the possible costs attached to the proposal? For setting it up and administering it? For providing subsidies?
- b) What are the estimates on anticipated savings in premiums over the current market rates?
- c) What are projected annual rate increases? What is the state employees plan history of increases each year?

Common Ground wants your ideas, questions and suggestions. In January, we want to conduct a number of small group discussions to get feedback on these ideas. Later in January, we would like to conduct a larger forum of our members to hear Secretary Timberlake and discuss if we will support the Badger Choice effort.