

**Report of the  
Lieutenant Governor's Commission  
On Small Business Health Insurance Costs**



Office of Lieutenant Governor Timothy M. Kaine  
Richmond, Virginia  
November 16, 2004

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Lieutenant Governor's Commission  
On Small Business Health Insurance Costs**

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## Executive Summary

The dramatic increases in the cost of employer-sponsored coverage threaten Virginians' ability to afford basic health care and are a growing economic challenge to Virginia businesses. Health care costs have recently surpassed paid leave as the most expensive benefit that employers provide. Small business owners have repeatedly said that they want to provide health insurance for their employees and their families, but the expense can be prohibitive.

More than three-quarters of uninsured Virginians either work or live in a home with someone who works. Improving the availability of insurance coverage at work, particularly in small businesses, would dramatically reduce the number of uninsured in Virginia. Lt. Governor Tim Kaine's Commission on Small Business Health Insurance Costs, made up of small business owners, state legislators, and medical and insurance professionals, was charged with making recommendations that would reduce the pressure of rising health insurance costs on small businesses and allow them to insure more of their employees.

The Commission recommends the creation of a voluntary, public-private program that allows small businesses to enter a purchasing pool to buy health insurance for their employees at better rates than they can find for themselves. The Commission believes that the economic stimulus provided by helping small businesses with health insurance costs, and reducing the societal costs of having large numbers of uninsured Virginians, make a subsidy for the purchasing pool a worthwhile investment for the Commonwealth.

The Commission also proposes a credit against corporate income tax to offset some of the cost of insurance premiums or contributions to Health Savings Accounts. Providing a tax credit for employers supports and strengthens the American model of access to health insurance through the workplace. Businesses of 50 or fewer employees would be allowed an annual credit of up to \$500 for each insured employee. Premiums paid on the employee's behalf and employer contributions to an employee's Health Savings Account would qualify for the credit. The Commission also recommends an additional credit of up to \$100 per employee if the business pays at least 10% of the premium for an employee's dependents.

The Commission also believes that reducing health care expenditures in the long run requires a healthier population. The Commission recommends pilot programs that encourage individuals to take important preventive measures and to encourage employers to offer wellness programs at work.

To help small businesses become better-educated health insurance consumers, the Commission recommends that the Virginia Department of Health help prepare and distribute "how to buy insurance" guides, in both paper and web-based versions, that include information about different kinds of health insurance policies, compare premiums for different companies and policies, and provide answers to business' most common questions about health insurance.

Just as educated business owners are better customers in the health insurance marketplace, better-educated patients will have an effect on the selection and delivery of health care services. The Commission also recommends the development of better public information on health care providers' quality of care.

The Commission believes that recommendations need specific, measurable goals in order to be effective. The Commission recommends that the Governor issue an annual report on the state of health care in the Commonwealth, specifically including progress toward insuring all Virginians. It also recommends that the Commonwealth set a goal of reducing the number of uninsured by 30% in the next five years.

The Commission believes that these recommendations—reducing the number of uninsured by allowing small businesses to voluntarily pool their purchasing power to buy insurance more affordably; sharing the cost of health care among employers, employees, and the Commonwealth; using public and private resources together for the greatest effect; and setting specific goals that are held up to public accountability—will create a better, stronger, more inclusive health care system in the Commonwealth.

## The Challenge of Rising Insurance Costs

Health insurance premiums rose 11.2 percent in 2004, the fourth consecutive year of double-digit increases. (Kaiser Family Foundation, Employer Health Benefits 2004 Annual Survey) The dramatic increases in the cost of employer-sponsored coverage threaten Virginians' ability to afford basic health care and are a growing economic challenge to Virginia businesses.

The National Federation of Independent Businesses labeled health care costs its number one priority since 1986. Health care costs have recently surpassed paid leave as the most expensive benefit that employers provide. Small business owners want to provide health insurance for their employees and their families, but the expense can be prohibitive.

Small businesses suffer from several unique challenges when purchasing health insurance because of their size. Businesses that purchase health insurance through an insurance company must provide the state's legally mandated coverage, though large businesses that self-insure do not. Small businesses have disproportionately high administrative costs. They are more susceptible to dramatic price changes due to a single illness or injury. Small businesses rarely can afford full-time staff dedicated to selecting and purchasing health insurance.

Those challenges are reflected in the insurance coverage rates for large and small businesses: employees at firms with between 10-99 workers are twice as likely to be uninsured as employees at firms with 100-999 workers. (EBRI, Special Data Tabulations from the 2002 Current Population Survey, as published on [www.insuremorevirginians.org](http://www.insuremorevirginians.org))

Despite these challenges, the workplace remains the most common place for Virginians to access health insurance coverage, and is the best vehicle for reaching many of those Virginians who do not have insurance.

More than three-quarters of uninsured Virginians either work or live in a home with someone who works. Improving the availability of insurance coverage at work, particularly in small businesses, would have a dramatic impact on the number of uninsured in Virginia. (Kaiser Family Foundation)

In May 2004, Lieutenant Governor Kaine announced the creation of the Lieutenant Governor's Commission on Small Business Health Insurance Costs. The Commission, including small business owners, state legislators, and representatives of the medical and insurance professions, was charged with making recommendations that would reduce the pressure of rising health insurance costs on small businesses and allow them to insure more of their employees.

*From Lt. Governor Kaine's announcement of the creation of the Commission:*

The rising cost of health care is perhaps the single biggest problem facing Virginia business today. As I travel the Commonwealth, the rising cost of health coverage— not taxes, not government regulation — is constantly cited by business people as their most pressing problem. Most cite it as the biggest cost item they can't control. Employees aren't immune from the rate hikes either. Last year average workers watched their premiums rates grow four times faster than their salaries. Such increases cut into take-home pay and directly impacts the quality of life for workers' families. The time is now to vigorously address this challenge.

## Meetings of the Commission

The Lt. Governor's Commission met first on June 21 in Richmond. Commission members heard from Debbie Oswalt of the Virginia Health Care Foundation about the scope of the problem of access to insurance in Virginia, and from Gordon Dixon of the National Federation of Independent Businesses about the economic challenge of rising costs to small businesses.

In July, the Lt. Governor led a series of regional roundtable discussions hosted by local Chambers of Commerce. In meetings in Roanoke, Arlington, Chesapeake, and Richmond, Commission members met with business owners to hear their concerns and suggestions. More than 300 people attended the roundtable meetings in July.

Some employers said that rapid price increases have caused them to forgo raises to cover premium increases. Many employers are reducing the percentage of dependent premiums and sometimes employee premiums that they pay.

Several businesses reported sudden increases because of one employee getting sick or injured, and businesses in all regions noted the higher insurance prices that small businesses pay. A number of employers suggested purchasing pools as a way to give small businesses some of the price advantages of big businesses.

Lt. Governor Kaine divided the Commission members into three subcommittees to consider specific aspects of the problem and to make recommendations. The subcommittees met in August and September.

The subcommittee on Subsidies and Financial Assistance, chaired by Steve Wolfe, was charged to consider ways in which state financial support could help reduce the cost of health insurance to small businesses, including the provision of subsidies or tax credits to businesses or individuals, and the expansion of existing government programs that provide health services or coverage.

The subcommittee on Programs, chaired by Dr. Tim Garson, was asked to consider ways in which state laws and regulations affect the cost of health insurance, including new programs that would require legislative action to begin.

The subcommittee on Controlling Costs, chaired by Linda Nash, considered ways in which small businesses might be able to reduce their own health insurance premiums, including becoming better-informed consumers, having access to better tools for comparison of insurance products, and improving the health of their employees through wellness programs.

The Commission reconvened in October to hear and respond to the recommendations of the three subcommittees. At the Commission's last formal meeting in November, the Commission approved this report.

The Lt. Governor and other Commission members will conduct another series of regional visits with Chambers of Commerce across Virginia to report back on the Commission's findings, and the Commission will pursue these recommendations administratively and legislatively in the coming months.

## **Challenges**

The Commission recognizes several distinct challenges to making health insurance more affordable to small businesses:

- Small businesses are uniquely disadvantaged in the purchase of health insurance because of their size.
- Four years of double-digit growth in the cost of health insurance has put it out of reach of many small businesses.
- Purchasing health insurance can be very complicated, and small businesses are generally not well-informed customers in the health insurance market.

The Commission recommends addressing those challenges with a combination of remedies, including purchasing pools, tax credits, and education.

## **Purchasing pools**

The Commission recommends that the Commonwealth take a dramatic step in changing the way that Virginia small businesses buy health insurance for their employees.

The Commission recommends the creation of a voluntary, public-private program that allows businesses of 50 employees or fewer to enter a purchasing pool to buy health insurance for their employees at better rates than they can find for themselves.

Our proposal would give small businesses the confidence that their rates had been negotiated by professionals, the flexibility to balance coverage and cost, and the size necessary to spread risk.

Participation in the pool would be absolutely voluntary for Virginia businesses. The Commonwealth would contract with private insurance companies to provide health insurance for the employees of participating companies.

The Commission recognizes that other states have had mixed results with purchasing pools. A 1999 study by the Virginia Joint Commission on Health Care predicted that an unsubsidized pool would have only limited effectiveness in reducing insurance rates for small businesses. It is important that the minimum size for an effective pool be calculated and efforts made to enroll a sufficient number of employers.

However, the Commission believes that the economic stimulus provided by helping small businesses with health insurance costs, and reducing the societal costs of having large numbers of uninsured Virginians, make a subsidy for the purchasing pool a worthwhile investment for the Commonwealth.

The Commission believes that the cost of health insurance should be jointly borne by employers, employees, and the Commonwealth. The Commission recommends initial subsidies to establish competitive premium costs for employers, and premium assistance within the program for low-income employees on a sliding scale.

The development of an effective, attractive health insurance purchasing pool will require the detailed attention of government officials, business owners, health care providers, and health insurance companies. The specific details of such a program are beyond the scope of this Commission, but we believe that the principles we have laid out are the foundation for a successful program.

## **Tax Credits**

The Commission considered a number of approaches to helping small businesses with insurance premium costs. The Commission considered tax credits and tax deductions for individuals and for small businesses. The subcommittee also considered increases in Medicaid, individual prescription drug assistance, and state-sponsored reinsurance of large claims.

While many of these options have merit, the Commission was acutely aware of the financial realities of the Commonwealth's budget. The Commission looked for the most direct way to financially assist small businesses with the cost of health insurance with the least administrative cost and regulatory complexity for both the state and the employer.

To that end, the Commission proposes a credit against corporate income tax to offset some of the cost of insurance premiums or Health Savings Accounts contributions.

Providing a tax credit for employers supports and strengthens the American model of access to health insurance through the workplace. It directly addresses the most significant barrier to health insurance, it is administratively feasible, and while the costs are not insignificant, the Commission believes they are reasonable given the scope of this challenge.

The credit the Commission proposes would be available to small businesses with 50 or fewer employees, including sole proprietors. Businesses would be allowed an annual credit of up to \$500 for each insured employee. The business must pay at least half of the total premium for each employee, and the credit is limited by the lesser of the premium paid or \$500 for each insured employee.

Employer contributions to an employee's Health Savings Account would also qualify for the credit. The maximum total credit would remain \$500, and to be eligible, an employer's total contribution to the premium and the health savings account would have to equal at least fifty percent of the total of the premium and the HSA contribution.

The Commission recommends an additional annual credit of up to \$100 if the business pays at least 10% of the premium for an employee's dependent. A business would only be eligible for one \$100 dependent credit per employee, no matter how many dependents are covered.

A small business participating in the health insurance premiums of their employees and dependents could be eligible for tax credits of up to \$30,000.

The employee-based credit could cost as much as \$225 million in lost revenue with 100% participation. The dependent-based credit may cost as much as \$45 million. Because participation rates will vary, and because some businesses may not have sufficient liability or offer sufficient

benefits to claim the maximum credit, the actual cost is likely to be less. In the future, the Commonwealth might consider making such a credit refundable to provide an even greater incentive.

Small businesses with 50 or fewer employees make up 94 percent of the businesses in Virginia, and employ 38 percent of all workers in Virginia—more than one and one-quarter million Virginians.

The average individual health insurance premium in Virginia is approximately \$200 per month, or \$2400 per year. The Commission believes that a \$500 tax credit is a significant incentive to small businesses deciding whether to offer health insurance to their employees. The Commission also believes that the additional \$100 tax credit for insurance premiums paid for dependents of employees will encourage employers to offer insurance to their employees' families, as well.

### **Wellness Programs**

The Commission also believes that reducing health care expenditures in the long run requires a healthier population. The Commission recommends the development of programs to encourage individuals to take important preventive measures and to encourage employers to offer wellness programs at work.

The individual tax credit would be for preventive health measures, including both diagnostic procedures and health-improvement programs. Some of these important programs and procedures are not covered by health insurance, and can be prohibitively expensive. The Commission recommends that a list of preventive procedures and programs be developed that would be eligible for the tax credit, and data-gathering processes be developed that would measure the effectiveness of the pilot program.

For employers, the Commission proposes the development of a pilot program that offers tax credits or other incentives for the operation of wellness programs and the construction of wellness facilities. The Commission believes that on-site wellness facilities and programs are convenient and accessible to employees, and offer a great opportunity for better health. A 2004 study by Wellness Councils found that for every \$1 spent per year, employers realized a savings of \$3 per year in reduced employee absenteeism, reduced employee turnover, and improved employee morale.

To be eligible for a credit, wellness programs should be based on Health Risk Appraisals, surveys that collect data on an employer's specific needs, and allow the employer to track the health improvements of their employees.

The Commission endorses the concept of wellness credits while recognizing that a particular pilot program design should have specific cost and benefit estimates before being initiated.

Further, the Commission recommends the creation of a state award or recognition for highlight exceptional efforts by employers to improve their employees' health, and bring attention and encouragement to those organizations.

### **Education – Small Businesses**

The Commission's educational recommendations fall into two broad categories – helping employers, the primary purchasers of health insurance, better understand their insurance choices; and providing patients with more information about the cost and quality of the health care services that they choose.

Small businesses owners across Virginia face any number of daily challenges in keeping their businesses running, managing their employees, and serving their customers. They don't have time to be experts in health insurance. The time it takes to study and consider health insurance options is time taken away from their core business.

To help small businesses become better-educated consumers, the Commission recommends that the Virginia Department of Health help prepare and distribute "how to buy insurance" guides, that include information about different kinds of health insurance policies, compare premiums for different companies and policies, and provide answers to business' most common questions about health insurance. The Healthcare Leadership Council (HLC), in cooperation with the Virginia Small Business Development Center, has prepared such a guide for Northern Virginia. The Commission recommends that the Commonwealth partner with the HLC and other organizations to produce guides for all of Virginia's regions, and work with local Chambers of Commerce, the National Association of Women Business Owners, the Retail Merchants Association, and other industry and trade associations to make it available to all small businesses in Virginia.

The Commission also recommends the creation of a web-based guide to use the Internet to distribute similar consumer guides. The Virginia Department of Health's [www.insuremorevirginians.org](http://www.insuremorevirginians.org) is a good example of an electronic resource for health insurance information for businesses. It already includes a link to HLC's Northern Virginia buying guide.

## **Education – Patients**

Just as educated business owners are better customers in the health insurance marketplace, better-educated patients will have an effect on the selection and delivery of health care services. With trends toward increased cost-sharing and new programs like Health Savings Accounts placing more of the financial responsibility for health care decisions on the patient, it is important that the patient understand the cost and the benefit of the services they purchase.

The Commission believes that patients should have easy access to their out-of-pocket price for services as they take on greater responsibility for their own health care decisions. The Commission recommends that the Joint Commission on Health Care consider ways that the pricing system be made more transparent to the patient.

## **Quality**

The Commission also recommends the development of better public information on health care providers' quality of care. While there are a number of private organizations that provide selected quality indicators, the Commission believes that a more standardized, comprehensive, well-publicized effort is still necessary. The Commission supports the efforts of the Virginia Health Quality Center's Health Quality Initiative, and recommends that when the Centers for Medicare and Medicaid launch their hospital reporting initiative next year, that the Commonwealth provide sufficient support to the VHQC to make that data widely available and easily accessible to all Virginians.

In addition to making consumers aware of the quality of their health care providers, the Commission recommends that the Commonwealth use its market power as a consumer to encourage continuing quality improvements. The Department of Medical Assistance Services is considering a research and demonstration waiver project that would financially encourage the use of practice guidelines.

The federal 2003 Medicare Prescription Drug, Improvement and Modernization Act, creates incentives for hospitals, physicians, and other health care providers to use evidence-based practices and participate in quality improvement initiatives, including electronic medical records.

The Commission supports the use of financial incentives and penalties to encourage quality improvements in medical care.

## **Goals and accountability**

The Commission believes that recommendations need specific, measurable goals in order to be effective. The Commission recommends that the Governor issue an annual report on the state of health care in the Commonwealth, specifically including progress toward insuring all Virginians, and that the Commonwealth set a goal of reducing the number of uninsured adults by 30% in the next five years.

To establish a baseline for the first Governor's Report, to help direct the Commonwealth's efforts to reduce the number of uninsured, and to measure our future progress, the Commission recommends a detailed, statewide health insurance survey, conducted regularly to continually be able to assess unmet need. The Commonwealth should work with existing efforts to gather information, including the survey currently underway as part of the State Planning Grant.

## **Conclusions**

The Commission endorses these recommendations as opportunities to stem the rapid rise in health care costs, encourage continued improvements in the quality of health care, and improve the health of Virginians across the Commonwealth. We believe that these are important steps that could reduce the costs of health insurance for small businesses.

The Commission believes that the free market system has a place in the health care area, and that for a market to function properly, it needs knowledgeable consumers. The Commission recognizes that many health care decisions are made without the decision-maker understanding the costs or the potential benefits, and our recommendations begin to address that.

The Commission believes that these recommendations—reducing the number of uninsured by allowing small businesses to voluntarily pool their purchasing power to buy insurance more affordably; sharing the cost of health care among employers, employees, and the Commonwealth; using public and private resources together for the greatest effect; and setting specific goals that are held up to public accountability—will create a better, stronger, more inclusive health care system in the Commonwealth of Virginia.

*Membership of the Lieutenant Governor's Commission on Small Business Insurance Costs:*

**Tim Kaine**

Lieutenant Governor

Tim Kaine was inaugurated on January 12, 2002 as Virginia's 39<sup>th</sup> Lieutenant Governor. He previously served seven years as City Councilman and Mayor of Richmond. Prior to his election as Lieutenant Governor, Tim was an award-winning lawyer whose legal career focused on fair housing advocacy, representing small businesses, and advising local governments.

**Melissa Ball**

Ball Office Products

Melissa Ball is the owner of Ball Office Products which is a provider of business products and office furnishings to Central Virginia. Currently, Ms. Ball is the President of the Richmond Chapter of the NAWBO. She has been a resident of Hanover County since 1993.

**Don Banker**

Owner, Banker Steel Co.

After living in Texas for eleven years, Mr. Banker moved to historic Lynchburg in 1997 where he and his wife started Banker Steel, a steel fabrication business in Lynchburg, VA. The business currently employs 110 people and makes \$25 million in revenue.

**Bob Brink**

Member, House of Delegates, District 48

Delegate Brink represents the 48<sup>th</sup> House district of Virginia and is on the House Courts of Justice committee, the Privileges and Elections committee and the Science and Technology committee. He received his J.D. degree from the College of William and Mary and is a legislative consultant.

**Dorothe Brodersen**

CEO, Infotel Systems, Inc.

Dorothe Brodersen is CEO of Infotel Systems, a Richmond based provider of business telephone systems and voice over IP networks. Dorothe serves on the Richmond NAWBO Board of Directors, and served on the Business Taskforce for the Governor's Conference on Covering the Uninsured.

**Keenan Caldwell**

Government Relations Director,

Mr. Caldwell has been working with a non-profit organization for 6 years. He has worked on community/public health issues for 10 years.

**Dr. Renard Charity**

Central Virginia OB-GYN Associates

Dr. Charity is with Central Virginia OB/GYN Associates in Richmond.

**Denise Daly**

Executive Director, REACH

Denise is the Executive Director of REACH, a non-profit consortium of safety net providers dedicated to increasing access to affordable healthcare for persons without health insurance in the greater Richmond metropolitan area, and faculty in the Department of Internal Medicine at Virginia Commonwealth University. She serves as the Chair of the Community Outreach Work Group of Virginia's State Planning Grant. Denise holds degrees from The College of William and Mary and the University of Virginia, and a post-graduate certificate from Virginia Commonwealth University.

**Michael Dudley**

President, CEO

Sentara Health Management

Mr. Dudley has been with Sentara Health since 1996. He previously served as President of Kaiser Permanente Insurance Company. He received his masters degree from the University of Colorado in health administration. Mr. Dudley currently serves as the Chairman of the Virginia Center for Community Health Plans. He is also on the Board of Directors of the American Association of Health Plans (AAHP).

**Peter Gallagher**

Chief Financial Officer

Bon Secours Richmond Health System

Peter Gallagher is the Chief Financial Officer for Bon Secours Richmond Health System. Bon Secours Richmond operates three award-winning hospitals and provides a variety of healthcare services and is one of metropolitan Richmond's largest employers with more than 5000 employees.

**Dr. Tim Garson**

Dean, UVA School of Medicine

Dr. Arthur "Tim" Garson, Jr., is a pediatric cardiologist and the Dean of the University of Virginia School of Medicine. He is a past president of the American College of Cardiology, and Chair of the US Agency for Healthcare Research and Quality's National Advisory Council.

**Benjamin Lambert**

Virginia State Senator

Senator Lambert is a state senator from the 9<sup>th</sup> district. He served in the House of Delegates from 1978-1986 has served in the Senate since 1986. Senator Lambert was educated at the Massachusetts College of Optometry where he earned his O.D. degree. In the Virginia Senate, Senator Lambert is on the Education and Health committee, Finance committee, General Laws committee and the Privileges and Elections committee.

**Leigh Middleditch**

VP McGuire Woods Consulting

Mr. Middleditch is an attorney and the former chair of the Virginia Health Foundation. He has also been on the Virginia chamber of commerce and a member of the University of Virginia Board of Visitors.

**Harvey Morgan**

Member, House of Delegates, District 98

Delegate Morgan received his B.S. degree from the Medical College of Virginia School of Pharmacy served as a Professor of Pharmacy for the Medical College of Virginia. He has also been the director of alumni relations for the MCV School of Pharmacy. Delegate Morgan has been a member of the Virginia House of Delegates since 1980 and currently serves as the Chairman of the Commerce and Labor committee, and a member of the Appropriations committee and Agriculture Chesapeake and Natural Resources committee.

**Linda Nash**

CEO and founder, PartnerMD

Linda Nash graduated from the University of California at Berkeley with a specialized teaching degree and has taught in California, Illinois, and Virginia at both the high school and junior high school levels. Linda is currently the CEO and founder of PartnerMD, Richmond's first membership medical practice, with a focus on pro-active, individualized family health care, executive health programs and women's health issues.

**Charles Owens**

Manager, Richmond Financial Group

Mr. Owens, a Richmond native, has been a benefits consultant for 21 years.

**Lee Perigoft**

Globe Iron

Lee Perigoft is with Globe Iron, a 75-year-old company in Norfolk.

**Sanjay Puri**

CEO, Optimos Inc.

Mr. Puri founded Optimos, Inc. in 1993 and has led the company to national prominence as a comprehensive enterprise-wide computing solutions company. Optimos provides state-of-the-art IT solutions to federal and Fortune 100 firms. Mr. Puri is a leader in the Northern Virginia business community and a recognized authority on information technology, e-government and technology education. Mr. Puri received his MBA in Finance from the George Washington University School of Business and is a CPA.

**Chris Saxman**

Member, House of Delegates, District 20

Delegate Saxman received his B.A. in history from Washington and Lee University and serves as the general manager of the Shenandoah Valley Water. Delegate Saxman is currently on the Agriculture Chesapeake and Natural Resources , General Laws and Transportation committees.

**Steve Wolfe**

Supervisor, King George County

Mr. Wolfe the husband of a small business owner and is the owner and Publisher of the "Virginia Heritage" magazine in Fredericksburg, VA. He is a on the board of directors of the Virginia Department of Agriculture and Consumer Services for the first Congressional district. Mr. Wolfe's professional background is in public finance and investment management and has previously been employed at J.P. Morgan in New York from 1982-85 and at T. Rowe Associates in Baltimore, MD from 1985-2001.

**Lt. Governor's Commission  
on Small Business Health Insurance Costs**

**Meeting Schedule**

Full Commission

Monday, June 21  
Tuesday, October 19  
Tuesday, November 16

Roundtable discussions

Thursday, July 8      Roanoke  
Thursday, July 15     Northern Virginia  
Wednesday, July 21   Hampton Roads  
Monday, July 26      Richmond

Subcommittee meetings

Subsidies and Financial Assistance

Monday, August 30  
Wednesday, September 29

Cost of Coverage

Tuesday, August 17  
Thursday, September 9

Programs

Tuesday, August 17  
Friday, September 17

Lieutenant Governor's Commission  
On Small Business Health Insurance Costs

Monday, June 21, 1pm  
General Assembly Building  
House Room D

AGENDA

1. Welcome by the Lt. Governor
2. Introduction of Commission members
3. The Uninsured in Virginia – Debbie Oswalt  
Virginia Health Care Foundation
4. Small Business' challenge – Gordon Dixon  
National Federation of Independent Businesses
5. Efforts in other states – Lt. Governor
6. Assignment of subcommittees
7. Announcement of regional meetings  
All at noon—  
Thursday, July 8      Roanoke  
Thursday, July 15     Northern Virginia  
Wednesday, July 21   Hampton Roads  
Monday, July 26      Richmond
8. Announcement of full Commission meetings  
  
Tuesday, October 19  
10am House Room C, General Assembly Building  
  
Tuesday, November 16  
10am House Room D, General Assembly Building
9. Adjourn

# **Lieutenant Governor's Commission On Small Business Health Insurance Costs**

October 19, 2004

10:00 am, House Room D  
General Assembly Building

## AGENDA

- I. Welcome by the Lt. Governor
- II. Report on Regional Roundtable meetings
  - a. Roanoke
  - b. Richmond
  - c. Arlington
  - d. Chesapeake
- III. Reports from subcommittees
  - a. Subcommittee on Programs
  - b. Subcommittee on Subsidies and Financial Assistance
  - c. Subcommittee on Costs
- IV. Discussion of subcommittee reports
- V. Explanation of process for developing final draft
- VI. Adjourn

Next meeting:

Tuesday, November 16  
10:00 am, House Room C  
General Assembly Building

# **Lieutenant Governor's Commission On Small Business Health Insurance Costs**

November 16, 2004

10:00 am, House Room C  
General Assembly Building

## **AGENDA**

- VII. Welcome by the Lt. Governor
- VIII. Review of Draft Report
- IX. Approval of Report
- X. Next steps
  - a. Implementation of recommendations
  - b. State Planning Grant – Rene Cabral-Daniels, Virginia Department of Health
- XI. Adjourn

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May 20, 2004

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### **LT. GOVERNOR TIM KAINE FORMS COMMISSION TO HELP SMALL BUSINESSES AFFORD HEALTH INSURANCE FOR EMPLOYEES**

(Charlottesville) – Lt. Governor Tim Kaine announced today that he is forming a commission to seek ways the state government can help small businesses offer affordable health insurance to their employees.

“The rising cost of health insurance is the biggest problem today facing small businesses and their employees,” said Lt. Governor Tim Kaine. “I hear about it everywhere I travel in Virginia. Businesses have watched their health care costs grow by double digits for years, and workers saw their average premiums increase four times faster than their salaries last year.” One million Virginians, roughly one out of every seven people in the state, are uninsured. Three out of every four people who lack insurance live in a home with at least one person who works full time.

“The rising cost of health insurance is a national problem,” said Dr. Tim Garson, the Vice-President and Dean of the UVA School of Medicine. “But I think the solutions will probably be found at the state level, where good ideas are more likely to be implemented quickly. I am proud to serve on this panel. It presents a great opportunity to find answers for Virginia companies and people.”

Nationally, nine out of ten people who have health insurance receive it through their workplace. In Virginia, the highest rates of uninsured, full-time workers are at companies that employ less than 10 people. The rising cost of health care has been cited as the number one priority of small businesses for years. After years of double-digit rate increases, some companies shift more of the cost to workers. Other companies are being forced to scale back, or even drop their health care benefits.

The Lt. Governor’s Commission on Small Business Health Insurance Costs will include members representing business, labor, medicine, insurance companies, the legal profession, and state and local government. They will begin meeting next month with work sessions through the summer and fall with the goal of offering recommendations for legislation for the 2005 General Assembly session.

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## LT. GOVERNOR TIM KAINE ANNOUNCES MEMBERSHIP OF COMMISSION ON SMALL BUSINESS HEALTH INSURANCE COSTS

~ COMMISSION WILL HOLD FIRST MEETING ON MONDAY, JUNE 21<sup>st</sup> ~

**(Richmond)** – Lt. Governor Tim Kaine has announced the membership of his Commission on Small Business Insurance Costs. **The panel will hold its first meeting on Monday, June 21<sup>st</sup> at 1:00 PM in the General Assembly Building, House Room D.**

The commission is a bipartisan panel filled with experts and representatives from business owners, employees, medicine, insurance companies, and state and local governments. “I am delighted by the amount of talent and experience we’ve been able to assemble with this commission,” said Lt. Governor Tim Kaine. “By working together, this panel presents a terrific opportunity to find a solution to what is perhaps the single biggest problem facing Virginia businesses today – rising health care costs.”

The Lt. Governor announced the commission last month to seek ways the state government can help small businesses offer affordable health insurance to their employees. One out of every seven Virginians is uninsured. But of those who lack health insurance, 75% work full time or live in house with someone who does. The highest rates of uninsured, full-time workers are at companies that employ less than 10 people. The commission will work through the summer and fall, and recommend legislation for the 2005 General Assembly session.

The membership of the Lt. Governor’s Commission on Small Business Insurance Costs  
(in alphabetical order):

Tim Kaine (Chair) *Lt. Governor of Virginia*  
Melissa Ball *Ball Office Products*  
Don Banker *President, Banker Steel*  
Bob Brink *House of Delegates*  
Dorothe Brodersen *Infotel Systems*  
Keenan Caldwell *American Cancer Society*  
Dr. Renard Charity *Central Virginia OB-GYN Associates*  
Denise Daly *REACH*  
Michael Dudley *Sentara*  
Pete Gallagher *Bon Secours Hospitals*

Dr. Tim Garson *Dean, UVa School of Medicine*  
Benjamin Lambert *Virginia Senate*  
Leigh Middleditch *McGuireWoods*  
Harvey Morgan *House of Delegates*  
Linda Nash *Partner MD*  
Charles Owens *Richmond Financial Group*  
Lee Perigoft *Globe Iron*  
Sanjay Puri *Optimos*  
Chris Saxman *House of Delegates*  
Steve Wolfe *Supervisor, King George County*



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FOR IMMEDIATE RELEASE  
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## **Lt. Governor's Commission on Small Business Health Insurance Costs Releases Final Recommendations**

*~ Wide-ranging package gives small businesses tools to better afford health insurance for their employees. ~*

**(Richmond)** – The Lt. Governor's Commission on Small Business Health Insurance Costs has approved its final recommendations to help small business owners better afford health insurance for their employees.

The bipartisan panel agreed to a diverse array of tools for small businesses including the creation of a voluntary public-private purchasing pool to allow participating small businesses to get better rates, a tax cut for small businesses that provide insurance for their workers and a separate tax cut for those who cover at least 10% of the premium for an employee's dependent, and an insurance buying guide to give small businesses owners the information they need to become better insurance consumers.

"I am really proud of the work this panel has done," said Lt. Governor Tim Kaine. "I believe the recommendations the panel is making will empower small business owners to better address the number one problem facing them today, the skyrocketing cost of health insurance."

The tax credit is aimed at businesses that employ 50 or fewer workers. They will be eligible for an annual \$500 tax credit for each insured worker. They will qualify for an additional \$100 tax credit for an employee's dependent if they pay at least 10% of that person's premium. A single company would be eligible for up to a maximum \$30,000 in annual tax relief under the plan.

The panel is also recommending encouraging employers to offer wellness programs at work, and an annual report to track Virginia's progress in closing the insurance gap. Currently, one out of every seven Virginians lack health insurance. Of those who are uninsured, 75% either work full time or live with someone who does. At least half of Virginia's uninsured workers work in small businesses. Typically the smaller the employer, the less likely it is to provide health insurance.

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