

January 25, 2012

Mr. Peter V. Lee
Executive Director
California Health Benefit Exchange
2535 Capitol Oaks Drive, Suite 120
Sacramento, California 95833

Dear Director Lee,

We are writing to inform your comments to the US Department of Health and Human Services in regards to the December 16, 2011 bulletin released by the Center for Consumer Information and Insurance Oversight (CCIIO) outlining the intended federal approach for establishing essential health benefits.

We broadly agree with the approach provided in the bulletin. The Affordable Care Act (ACA) will not be sustainable and its goals will not be realized if employer-sponsored healthcare coverage continues to decline. Recent data indicate that employer-sponsored coverage is headed towards a slow death, led by the decline in coverage amongst the smallest businesses. The essential health benefits definition and other components of the ACA present an opportunity to reverse this trend by enhancing and promoting employer-sponsored coverage.

A wide expanse of small businesses makeup the 3.3 million firms in California that employ 7.2 million people. These businesses greatly differ by size, profitability, industry sector, type of competitors and number of years in business. For example, there are many small businesses in competition with Silicon Valley corporate giants. Others are startups and are thinly stretched financially. Given this variance amongst small businesses, these firms have varying financial abilities to provide coverage and utilize many different approaches to insure their workers. Therefore, the essential health benefits definition must ensure these businesses continue to have the flexibility they need to cover their employees and keep their business strong financially.

The essential benefits package should attempt to avoid causing a rate shock, including taking into account the rate shock that may occur when other insurance reforms in the ACA are implemented. If the essential benefits do cause a premium increase or in anyway discourage employers to provide coverage, California will likely see: an increase in the number of self-insured firms, an increase in the utilization of health plans purchased through trade associations, cost-shifting to workers and/or a decrease in the number of companies offering coverage, especially of firms with 50 or fewer employees.

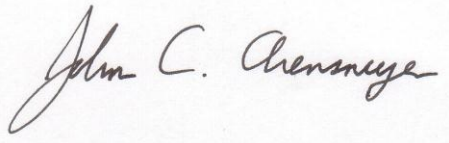
If we were to see a continued drop in employer-sponsored coverage, the ACA reforms would struggle to be financially sustainable. As more employers drop coverage, more

workers will become eligible for federal premium tax credits, dramatically increasing the costs to the federal, and perhaps, state budget.

As the Exchange prepares its comments, we urge you to support an essential health benefit definition that will be affordable to small businesses and that can help increase, not decrease, the number of employers offering coverage.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive style with a large initial "J" and "A".

John Arensmeyer
Founder and CEO

cc: Members, California Health Benefit Exchange Board