



Implementing California's Small Business Health Exchange

John Arensmeyer Small Business Majority April 26, 2012

About Small Business Majority



- Small business advocacy organization founded and run by small business owners
- National –offices in Bay Area, Sacramento,
 Washington, DC, New York, Ohio & Missouri
- Research and advocacy on issues of top importance to small businesses (<100 employees) and the self-employed
- Very focused on healthcare over the past 6 years

Addressing Small Businesses' Needs



- Cost is the No. 1 issue: SHOP must sell products small business owners & employees can afford.
 - It must sell products small business owners actually want—not just the ones we want them to buy.
- Small businesses are unique in terms of:

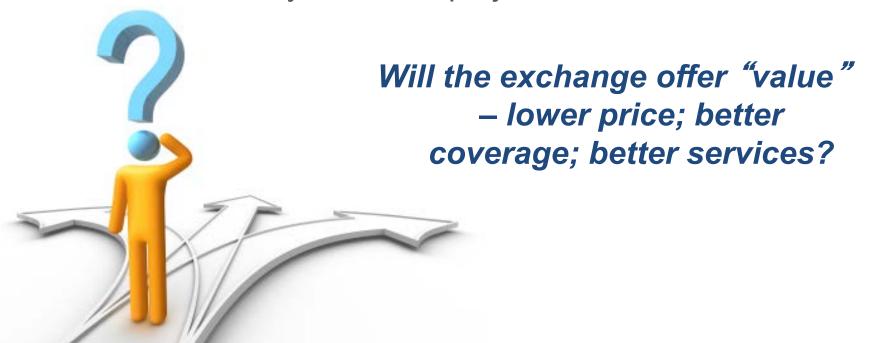


- o Size
- Profit margins
- Employee make-up
- Culture; different languages
- Industry; in the office, in the field, etc.

Meeting Small Businesses' Needs



- The SHOP exchange must sell a broad enough selection of products to meet the diverse needs of small businesses
- It must be differentiated from the outside market—otherwise, why would employers switch to the SHOP?



Brokers are Essential Partners



- Our research has found successful exchanges partner with brokers and use them as a de-facto sales force. Exchanges that limit broker participation don't last long.
- As trusted sources of information, brokers have a key education role: 75% of small business owners with <20 employees use brokers.*
 - 88% of those owners say their brokers' opinion carries significant weight.*
- Brokers' compensation must be competitive with the outside market

^{*}Pacific Community Ventures, research released March 2011

Marketing & Outreach



• In addition to brokers, the exchange should utilize other **trusted sources of information** like accountants, chambers of commerce and trade groups that have existing relationships with small employers. These voices will be more effective than government.

 There's plenty of work to go around.

> Conducting outreach to 700,000 owners will be difficult—we'll need all hands on deck (brokers, agents, navigators, business groups, etc.)



Employee Choice



By a 2:1 ratio, employers want to offer employee choice*

- Relieves small employers from having to find one-size-fits all plans for their workers
- Levels the playing field: large businesses and government agencies already get to offer employee choice

Note: We must balance the need for choice with the need to avoid adverse selection

*Pacific Community Ventures, research released March 2011



Human Resources Services



- Successful private market small business exchanges in CT and NY offer additional HR services to make exchanges more appealing.
- These are not all necessary on day one but as time goes
 on, a more seasoned, sophisticated exchange should offer:
 - COBRA administration
 - Wellness plans
 - Section 125/cafeteria plans
 - HSA/FSA/HRA
 - Vision and dental coverage



Customer Service Mentality



The exchange is a business—we can't just wait for people to show up. Keep in mind:

- A strong launch is essential; word will spread if initial customers have a bad experience and this can ruin the exchange brand
- Flexibility is crucial; you must be ready to respond to what your customers are doing, what's happening outside the exchange, etc.
- The SHOP must work for all its customers: employers, employees, brokers and insurers. All must "win" by participating.



Questions?

David Chase

California Outreach Director (916) 479-1045 dchase@smallbusinessmajority.org

www.smallbusinessmajority.org