

**UNITED STATES SENATE**

**COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP**

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**TESTIMONY OF WILLIAM NOLD, DEPUTY EXECUTIVE DIRECTOR**

**OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE**

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**November 20, 2013**

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Thank you, Chairwoman Landrieu, Ranking Member Risch and members of the Committee for inviting me to testify this morning about Kentucky's success in the operation of our state-based health benefit exchange, and especially about the very positive response we have received from the small business community.

First, please allow me to introduce myself to the committee.

My name is Bill Nold and I am the Deputy Executive Director of the Office of the Kentucky Health Benefit Exchange. We call our exchange "kynect". I am pleased to appear before you today to provide some background and answer any questions members of the committee have about Kentucky's decision to fully participate in the Affordable Care Act by operating a state-based exchange, participating in the expansion of Medicaid and proceeding with the Small Business Health Options Program, or SHOP, for Kentucky's small employer groups.

I would like to begin with a brief timeline of some of the major milestones along the way of Kentucky's implementation of the Affordable Care Act.

On July 17, 2012, Kentucky Governor Steve Beshear issued an executive order directing our office to take the necessary steps to be approved as a state-based exchange. He did so with the vocal support of several interest groups representing employers, health care advocates, and citizens. These include the Kentucky Hospital Association, the Kentucky Chamber of Commerce, Kentucky Voices for Health, and Anthem Blue Cross Blue Shield, all of which expressed their strong preference that the Commonwealth, not the federal government, operate the exchange for our state. The Office operates under the Cabinet for Health and Family Services.

On September 18, 2012, Governor Beshear appointed 19 members to the Health Benefit Exchange Advisory Board. The board, which includes representatives with relevant experience in health benefits administration, health care finance, health plan purchasing, health care delivery system administration, public health, or health policy related to the small group and individual markets and the uninsured, provided valuable

input into the policies and procedures of the exchange. Subcommittees were also established including one to deal with SHOP issues.

On May 9, 2013, Governor Beshear announced his decision to expand Medicaid to Kentuckians whose income does not exceed 138 percent of the Federal Poverty Level, providing access to healthcare for many low-income, working Kentuckians who do not qualify for Medicaid under the current threshold, but would not be eligible for subsidies available through the Affordable Care Act.

According to the 2010 Census, Kentucky's population is a little more than 4.4 million. Of those more than 4 million Kentuckians, approximately 640,000 currently are uninsured.

By expanding Medicaid eligibility, an estimated 308,000 Kentuckians will now qualify for health care coverage. The remaining 332,000 uninsured Kentuckians are now eligible to purchase insurance through Kentucky's exchange, which we call kynect. Of those 332,000, approximately 85 percent will qualify for some level of premium assistance to help offset the cost of their health insurance plan.

Gov. Beshear cited Kentucky's dismal rankings in multiple health outcomes as one of the reasons he chose to participate in the expansion, giving lower-income Kentucky families access to reliable, quality health care.

In 2012, Kentucky's overall health ranking was 44th. Kentucky is at the bottom of many national health rankings, including 50th in smoking, 40th in obesity, 41st in diabetes, 50th in cancer deaths, 49th in heart disease, 43rd in high cholesterol, 44th in annual dental visits and 48th in heart attacks.

The poor physical health of our citizens has contributed to Kentucky perpetually being a fiscally poor state. Providing Kentuckians with access to affordable health care coverage will help us tackle these abysmal health statistics.

Multiple state and national reports show that when someone has or gains health coverage, there are measurable improvements in health status, including a decrease in delayed care and reduction of mortality rate. And with improved health, our education levels and job opportunities will also improve. When larger groups gain health coverage, the workforce improves.

Kentucky small business owners know how important the health of their workforce is to the success of their business. Their employees truly are the lifeblood of their businesses. And the numbers show that Kentucky small businesses are eager to offer health insurance to their workers.

The Office submitted its Blueprint application to HHS in November 2012 and in January 2013 Kentucky was conditionally approved to operate its own exchange. Since that time, our exchange has been working closely with HHS, CCIIO and our state officer to comply with all of the conditions necessary for approval. Kentucky is offering an

individual exchange and a SHOP exchange. The two exchanges have been combined for administrative purposes as permitted by the ACA. Small employers may offer a full range of plans available from all participating issuers or plans from a single issuer.

In June 2013, Kentucky issued its final administrative regulation describing its Small Business Health Options Program. I have included this regulation along with other documents describing Kentucky's SHOP program and ask that they be included in the record.

In Kentucky, Anthem, Bluegrass Family Health, Kentucky Health Cooperative and UnitedHealthcare of Kentucky are offering plans in the small group market. With the exception of Bluegrass Family Health, which is offering only regional coverage, these insurers are offering plans in all 120 counties. Between these carriers, employers have 24 plan options from which to choose. Additionally, we anticipate that Humana, the only remaining insurer in the individual and small group market in Kentucky, will participate in SHOP beginning in 2015.

By using kynect, employers can choose the level of coverage they wish to provide to their employees. All health plans are classified in one of four metal levels; bronze, silver, gold and platinum. As the metal level increases in value, so does the percentage of medical expenses that the plan will cover.

We are thrilled with the response we have received from the small business community and we believe this is in no small part due to the active role our advisory board played in developing the policies and procedures for the SHOP program. Agents, insurers and health care providers all had input and the process was very collaborative and transparent.

We have also received a very positive response to the SHOP from our agent community. At this time, Kentucky has approximately 1,300 licensed agents that have been trained, certified, on-boarded and identity-proofed and are standing by to assist their employer clients in selecting health plans available on the exchange.

Since kynect, launched on October 1, 2013, consumer interest has been overwhelming. As of last Friday, over 450,000 visitors to our kynect website; almost 48,000 have enrolled in new health coverage with over 8,780 individuals enrolled in a qualified health plan.

In addition, with respect to the SHOP exchange, and as of November 15<sup>th</sup> a total of 913 small businesses have started applications to be eligible to offer employee coverage. Of those 913 businesses, 343 have completed applications and are eligible to offer coverage to employees and 97 of those small businesses are currently in the enrollment process. Approximately half of the small businesses that have selected health plans using the SHOP are offering their employees a full choice of plans.

These numbers have truly exceeded our expectations. Small businesses with 50 or fewer employees are not required to provide health insurance to their workers, but many Kentucky small businesses are turning to kynect to seek insurance anyway. Business owners know that a healthy workforce is a dependable workforce. Plus, small businesses with 25 or fewer employees may be eligible for tax credits by using kynect.

To qualify for tax credits through kynect, a business must employ 25 or fewer full-time employees; pay at least 50 percent of the premium for their employees and meet a group average annual wage of less than \$50,000

kynect allows small business owners to easily compare a variety of health plans offered by private insurers. There is no designated open enrollment period for small businesses. Small employer groups can enroll whenever they choose. Employers can choose the level of coverage, the amount they wish to contribute toward their employees' coverage so long as it is at least 50% and any amount they may want to contribute toward family or dependent care.

Employers also have one monthly bill for employee coverage and they can continue to work with their current insurance agent. If they do not have an agent, kynect can help them find one.

Employer-sponsored health insurance coverage is valuable for a number of reasons. People who are insured are protected against uncertain and high medical expenses. They are more likely to get healthcare. Health insurance also improves health outcomes and lowers mortality.

Employees with health insurance are more likely to be productive workers. Offering health insurance can also help businesses attract and retain employees. It is a good business decision because of the favorable tax treatment to both the employer and the employee.

With almost half of all Americans receiving their health insurance from their employers, business owners play an important role. Many small businesses already offer health coverage to their employees and with SHOP, more soon will. It helps them recruit and retain employees who are healthier, happier and more productive. It is good business for the employers and the employees.

Thank you for allowing me the opportunity to appear before you today to testify about Kentucky's extremely positive experience with the implementation of the Affordable Care Act and its SHOP exchange.