



**Department of Consumer and Business Services**

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Before the  
**Senate Interim Health Care Committee**

November 18, 2009

Testimony of  
Teresa Miller, Administrator  
Insurance Division  
Department of Consumer and Business Services

For the record, my name is Teresa Miller. I am the Administrator of the Insurance Division at the Department of Consumer and Business Services. I was asked to be here today to provide the Department's comments on the LyfeBank business model. We had the opportunity recently to meet with representatives of LyfeBank to discuss their proposed business model and goals of making health care more available to employees of small businesses. We share this goal and with the recent passage of House Bill 2009 - Health Reform for a Healthy Oregon, will be working closely with the newly formed Oregon Health Authority to implement provisions of this bill that create a foundation for quality, affordable health care for all Oregonians.

The LyfeBank model, as we understand it, proposes to establish employee trust accounts that can be used for medical-related expenses, including the purchase through a partner entity of individual health benefit policies for employees of small employers. The model appears to address many of the concerns we hear from small businesses continuing to face significant premium increases by

allowing employers to contribute a set amount of money to employee trust accounts. The employee can then use the money in his/her account to pay for medical-related expenses, including the purchase of an individual health policy. This issue is before you today because Oregon law does not currently allow individual policies to be sold in the small group market.

The model proposed by LyfeBank presents an interesting and very basic question about whether we should change the way we regulate small group insurance in this state. Under current law, insurers must accept all applicants in the small group market regardless of health status (called “guaranteed issue”). Additionally, all individuals covered by a small group policy pay the same premiums regardless of individual characteristics such as age. In other words, a middle-aged employee with significant health issues will pay the same premium as a young, healthy employee. Finally, the Oregon legislature has established certain policies related to the design of group health benefit plans that do not apply to individual coverage (e.g., mental health parity).

In the model proposed by LyfeBank, employees would no longer be covered by small group policies. Rather, employees could use the money in their account to purchase individual health insurance. The laws governing individual health insurance plans in Oregon are different from those governing small group plans in some key ways. In the individual market, insurers may choose who they will or won’t insure (called “underwriting”). Unlike the small group market where all employees pay the same premium regardless of age, those who buy in the individual market may be charged significantly different premiums based on age.

If the legislature decides to allow the sale of individual policies in the small group market, and to the extent employers gravitate to this model, employees of small businesses will be facing significant changes in both the availability of insurance coverage as well as the coverage itself. For an older employee who has

health issues, this change may mean the employee is unable to purchase coverage because an insurer can deny coverage in the individual market. Even if an older employee is able to purchase individual coverage, this change may mean the individual will lose the benefit of group pricing and face much higher premiums.

As you know, both Congress and the State of Oregon are in the process of considering health insurance market reforms that have the potential to significantly alter Oregon's individual and small group markets and the rules related to these markets. It may be worth noting that both the state and federal reform efforts include movement toward a guaranteed issue model in both the individual and small group markets. In the current market, however, the LyfeBank model would move employees away from the current guaranteed issue products available to them and introduce medical underwriting into the small group market. As the committee considers this model, you may want to think about whether it makes sense to make major changes to our small group market at this time or whether it may be more prudent to consider the proposed LyfeBank model in the context of the larger health insurance market reform discussions.

Again, we appreciate LyfeBank's goal of making health care more affordable to employees of small businesses and hope that the discussions related to health care reform in Oregon and nationally will lead to the availability of quality, affordable health insurance for all Oregonians.