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January 26, 2025

Vermont House Committee on Health Care
The Honorable Rep. Alyssa Black, Chair

H.585 (McCoy/McFaun)

Dear Chair Black and Committee Members,

The National Federation of Independent Business (NFIB) is a nonpartisan, nonprofit organization representing more than 800 small businesses in Vermont. The average NFIB member is a very small business, with ten employees and $500,000 in annual sales.

NFIB Vermont appreciates the opportunity to express our support for H.585. For forty years, the cost of employee health insurance has ranked as the top problem in NFIB's *Small Business Problems & Priorities*, a quadrennial survey of the challenges facing small business owners.[1] In a recent survey, nearly every small business owner who offers employee coverage – 98% – is worried that it will become unaffordable in the next five years.[2]

The individual and small group markets are key sources of coverage for small business owners and their employees. Vermont's individual market struggles, including the highest premiums in the country, are well documented.[3] The small group market is not in much better shape. Between 2009 and 2023, the share of small businesses offering employee coverage declined by more than 20% in Vermont. Only one in four small businesses in the state currently offer coverage.[4] Most do not because it is simply unaffordable.

Small business owners and their employees deserve affordable, flexible coverage options. Health coverage is a crucial benefit for attracting and retaining employees, and the financial impracticality of offering it puts small employers at a competitive disadvantage.

Association Health Plans (Sec. 7). In 2019, Vermont effectively banned new Association Health Plans (AHP) and made it difficult to renew or continue existing plans.[5]

AHPs are a vital tool for leveling the health coverage playing field with big businesses. They allow multiple small employers to band together and create a larger pool of employees to enhance purchasing power and lower costs.[6] AHPs typically offer either a fully insured large group plan or a joint self-insured plan.

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[1] Wade, Oldstone, *Small Business Problems and Priorities, 2024*, NFIB.com, July 2024.
[2] NFIB Vermont, *VT House Bill 585 Will Deliver Better Health Coverage Options*, 1/15/2026.
[3] KFF, 2026 Marketplace Average Monthly Benchmark Premiums | KFF State Health Facts, accessed 1/26/2026.
[4] Skinner, Amy, *How Rising Healthcare Costs Have Caused Small Businesses to Eliminate Benefits, TakeCommandHealth.com, accessed 1/26/2026.*
[5] Vermont Act 63 (2019)
[6] According to the Employee Benefits Research Institute (EBRI), 74% of businesses with more than 500 employees self-insure for health coverage compared to 16% of small businesses and 32% of medium-sized firms. EBRI, "New Research Finds Increasing Number of Self-Insured Health Plans in Small and Medium-Sized Businesses but a Decreasing Number in Large Companies," EBRI.org, 8/29/2024.

H.585 removes the prohibition on new AHPs and reduces regulations intended to hinder the ability of small employers to use this option. This is an important step in allowing more affordable options and leveling the playing field between big and small business.

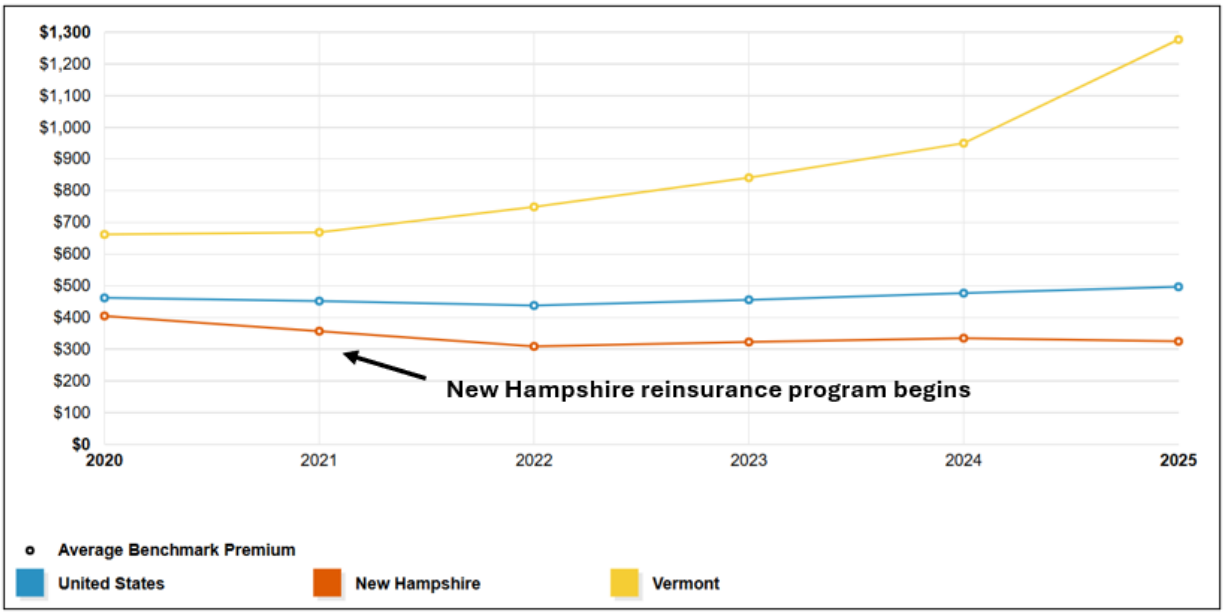
Short-Term Health Plans (Sec. 9). Short-Term (ST) health plans are an important product for small business owners, workers of all ages, and early retirees. ST plans are often used by younger people entering the workforce, those between jobs, folks who strike out on their own to start a business, and early retirees.

ST plans can include coverages and terms anywhere from true catastrophic coverage to something close to a fully regulated individual market plan.[7] People can choose and pay for the level of coverage they actually need, rather than pay exorbitant premiums for a product they may never use.

ST Plans are unavailable in Vermont due in part to limitations on how long people can have them. State law limits ST coverage to no more than three months in a 12-month period and does not allow renewals. Roughly 30 states – including many with far healthier individual markets than Vermont – allow ST plans to be sold for initial durations of up to 12 months.[8]

H.585 would allow short-term plans to have a total duration, including initial term, renewals or extensions, of up to 12 months. This proposal mirrors the longstanding federal regulation in place from 1997 until 2016.[9]

Individual Market Reinsurance (Sec. 13). Vermont has the highest individual market premiums in the country. The state's benchmark (silver) plan premium price is three times higher than the same plan in New Hampshire and more than double the U.S. average.[10]



[7] Long, Lee, Cervantes, *Examining STLD Health Plans on the Eve of ACA Marketplace Open Enrollment*, KFF.org, 10/15/2025.
[8] *Duration and renewals of 2024 Short-Term Medical Plans by State*, HealthInsurance.org, accessed 1/26/2026
[9] See, e.g., 45 CFR Subtitle A, Sec. 144-103 (10/1/2010)
[10] KFF, 2026 Marketplace Average Monthly Benchmark Premiums | KFF State Health Facts, accessed 1/26/2026.

Fourteen states have used ACA Innovation Waivers (Sec. 1332) to launch reinsurance programs that have helped reduce premiums and stabilize enrollment in the Individual Market. These programs typically result in a 20% – 25% reduction in premiums.[11]

In contrast to the highly partisan debates that typically surround healthcare policy, reinsurance has been embraced by deep blue and deep red states alike.[12]

Individual Market Reinsurance is a fairly simple program that covers a share of very high cost medical claims like serious car accidents, heart attacks, cancer, chronic disease, etc.

The cost of the program is shared between the state and federal government. The federal share represents savings realized from the federal government paying out less in subsidies (lower premiums = lower subsidies). The savings are then passed through to the state and applied toward the total cost of the reinsurance program.

H.585 authorizes the state to seek a federal innovation waiver to launch a reinsurance program for Vermont's troubled individual market.

Rate Setting Reform Can Lower Costs for All. Prohibiting the use of age (and other actuarially-justified risk factors) in rate setting is an example of a well-intended policy that backfires on everyone. By raising the floor price on health coverage for younger people, it drives many out of the market and causes (or exacerbates) an imbalance in the risk pool.

For every one percent increase in health insurance premiums, there's a four to six percent reduction in demand for employer-based individual and family coverage.

Vermont is one of only two states that has gone beyond the Affordable Care Act (ACA) by banning the use of age as a rate setting factor. The state also departs from ACA community rating by forbidding consideration of tobacco use in rate setting.

The Affordable Care Act limits age-based rating to a 3:1 ratio. In general, this means rates for older policyholders in the individual and small group markets cannot be more than three times higher than those for younger people. Prior to the ACA, many states used an age band limit of 5:1 because it roughly reflected the disparity in healthcare utilization between older and younger populations.

H.585 would allow premiums to vary based on age by up to 5% above or below the community, or non-risk adjusted, rate. Broader variation in the age band and community rating price spread may yield even better results for all populations.

History Shows Reforms Will Help. In the early 1990s, Maine imposed some of the same market regulations that exist in Vermont, including community rating with strict age bands, that contributed to market instability and deterioration:

> *As average claims increased, premiums and deductibles for everyone skyrocketed. Young and healthy individuals soon fled the market as premiums and deductibles rose,*

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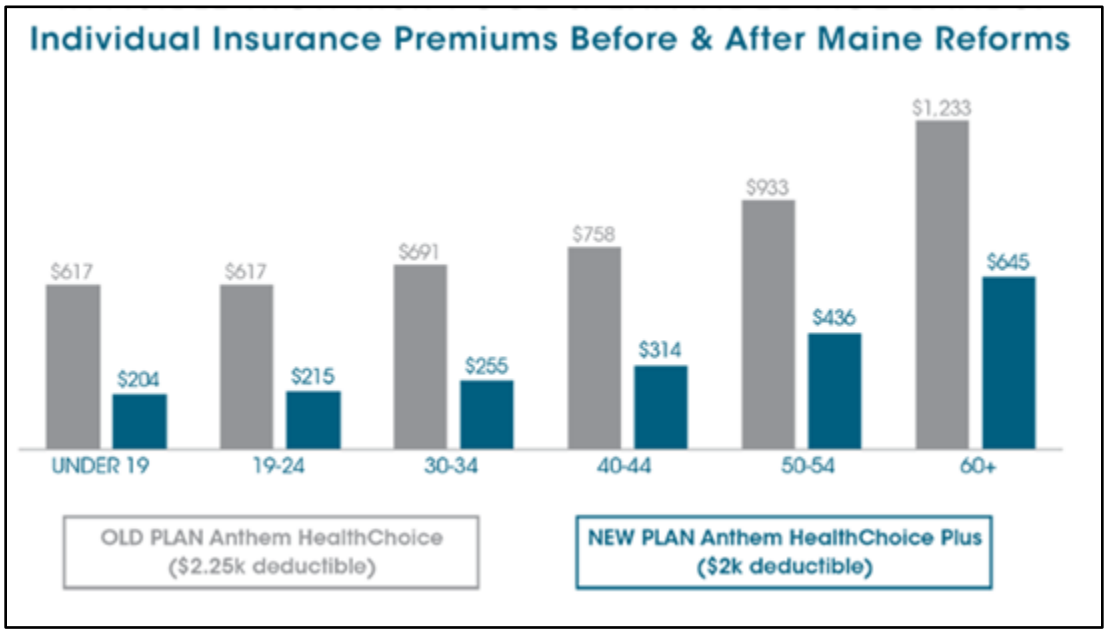
[11] Minnesota Department of Commerce, "Section 1332 State Innovation Waiver: About the Minnesota Premium Security Plan," accessed 1/26/2026. "**As a result of the program, premiums for Minnesotans buying insurance on their own are about 20 percent lower on average than what they would otherwise would have been without reinsurance."** (emphasis added)

[12] "Tracking Section 1332 State Innovation Waivers," KFF.org, 11/1/2020.

prompting even higher premium hikes. More premium hikes were followed by more exits, creating a death spiral in the individual market.

Insurers fled the market, and premiums more than doubled between 1995 and 2001 as the market deteriorated. The number of individuals covered dropped to just 36,000 by 2011 – a 65 percent decline from the 102,000 individuals enrolled in 1993.[13]

In 2011, Maine lawmakers enacted a suite of individual market reforms to lower premiums and stop the downward spiral.[14] The reforms were wildly successful:



H.585 contains many similar concepts, updated to work within the ACA's framework. History shows us these reforms can deliver results for everyone.

Thank you for considering our members' perspective.

Sincerely,

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[13] Allumbaugh, Bragdon, Archambault, "How Congress Can Lower Premiums And Deal With Pre-Existing Conditions," Health Affairs, 3/2/2017.
[14] Id.