

March 28, 2006

The Honorable Judd Gregg
United States Senate
393 Russell Senate Office Building
Washington, D.C. 20510-2903

Re: S. 1955*The Health Insurance Marketplace Modernization and Affordability Act of 2006

Dear Senator Gregg:

I am writing to oppose the provisions in Title II of S. 1955 that would preempt state rating rules for the small group health insurance market and that could force our businesses and citizens to return to the unfair and expensive small business health insurance rating system that New Hampshire just rejected.

I appreciate that S. 1955 is different from prior legislation promoting Association Health Plans and that S. 1955 preserves the role of the state as the primary regulator of health insurance. However, the uniform small group rating rules that S. 1955 would impose are very close to the rules that voters and legislators in New Hampshire emphatically rejected in 2005.

In 2003, New Hampshire passed a law establishing rating rules similar to those contemplated under S. 1955. With the rules allowing insurance companies to discriminate against businesses with sick workers or based on geography, this law sent small business health insurance costs skyrocketing across New Hampshire. Small businesses could not grow, could not hire new workers, and some considered ending their health insurance plans altogether.

After much debate and careful consideration, the New Hampshire legislature passed SB 125 in 2005 prohibiting price discrimination against small businesses based on their employees' health status or geography and limiting rating discretion to a composite band of 3.5 to 1. The goal was to ensure that coverage would be affordable for the people who need it most. It also encouraged insurers to compete, not on their ability to cherry pick the best risks, but on their ability to offer products and services that promote the efficient and effective use of health care services. Since SB 125 was passed, new insurers have become more active in the state, and there are promising developments in the area of product innovation.

I ask that you oppose S. 1955 in its current form and support efforts to amend the bill to preserve state authority over small group market rating rules. This change would be compatible with the goal of establishing and promoting Small Business Health Plans and of harmonizing state regulatory standards.

I thank you for your interest and for your open-minded approach to improving the bill.

Sincerely,

John H. Lynch
Governor