

## The Small Business "CHOICE" Act of 2009

The *"Small Business Cooperative for Healthcare Options to Improve Coverage for Employees Act of 2009"* (or Small Business "CHOICE" Act) would permit small businesses to form health insurance cooperatives. The cooperatives would function similar to risk pools and provide insurance against high-cost or catastrophic claims. A cooperative is a bona fide association or financial cooperative organization of persons with a common affiliation (such as line of business) that form a captive insurance company for the purpose of assuming and spreading the risk of health liability exposure for excess claims coverage.

The cooperative would provide excess claims coverage insurance to a participating small business through its captive insurance company. The captive insurance company pays benefits when the annual maximum for the health policy purchased has been exceeded. The annual maximum for the policy purchased can be no less than \$10,000 and no more than \$250,000 per insured person in paid claims.

The Small Business "CHOICE" Act addresses two of the most significant problems facing small businesses and the self-employed – the high cost of providing insurance and unpredictable premium increases – by:

- Providing immediate relief to many small businesses that are facing the prospect of dropping coverage because they can no longer absorb double digit premium increases;
- Increasing the number of businesses that offer employees affordable comprehensive health insurance;
- Giving employers more flexibility in plan design;
- Encouraging the formation of small business purchasing groups; and
- Strengthening the private insurance market.

The Small Business "CHOICE" Act also offers a key incentive in the form of a tax credit to small businesses that choose to join a cooperative. The credit would be available to small businesses with no more than 100 employees. And employers would be required to offer a small business wellness program to receive the credit. The tax credit would be 65 percent of the cost of insurance. If the employer did not previously offer subsidized health insurance for employees, an additional bonus tax credit would apply, raising the total credit to 70 percent. In addition, to receive the tax credit, the employer would be required to subsidize at least 65 percent of "self-only coverage" and up to 35 percent of "family coverage." Under the Small Business "CHOICE" Act, state benefit mandates would be preserved.