



**Statement of Ms. Ann Sullivan
On Behalf of
Women Impacting Public Policy**

**Submitted to
U.S. Senate Committee on Small Business and
Entrepreneurship**

**“Reform Done Right: Sensible Health Care Solutions
for America’s Small Businesses”**

October 20, 2009

Good morning Chair Landrieu, Ranking Member Snowe and Members of the Committee. I am here today representing Women Impacting Public Policy (WIPP). WIPP is a bipartisan public policy organization representing well over a half million women and minorities in business nationwide, including 49 organizations as well as individual small businesses.

Today's hearing title sums up the concern among our members - that healthcare reform is done right and presents sensible solutions. Our members want assurance that reform will make things better, not worse. So, when the Congress and the President talk about new marketplaces (state exchanges) changes in ratings and expanding coverage, they want to know that this new system will be better than the present system. Our members also want assurance that when reform is completed we will end up with a robust private insurance system which will provide us more coverage choices, not less. Our members worry that expanded coverage means higher taxes because, after all, someone has to pay for reform.

Even with those concerns, 72% of WIPP members believe that comprehensive healthcare reform is urgently needed, according to the WIPP 2009 issues survey. WIPP has been asking for reform of the insurance system since its inception because the small group market is not working. We will echo what we said back in 2005, that not only are premium increases a problem, but finding a provider, having insurance plan choices, and managing high administration costs are problematic. In 2005, we highlighted the need to focus on providing affordable health care and ensure that employers who provide health benefits to their employees are not forced to drop their coverage because of rising premiums and high administrative costs.

In 2009, we have the same message. There is agreement among our members that the current health insurance system is unworkable for small businesses. WIPP has for many years, asked the Congress to give us a way to pool our resources together nationwide to access better rates and more plans. Unless we seize the opportunity for reform this year, we will not have another chance for a very long time to fix what is broken with our current system.

Small businesses play an integral role in our Nation's economy as an important source of job growth and innovation. According to the SBA Office of Advocacy, 2009 Small Business Economy report, small businesses create most of the nation's new jobs, employ about half of the nation's private sector work force, and provide half of the nation's nonfarm, private real gross domestic product (GDP), as well as a significant share of innovations. The Department of Labor estimates that nearly 25 percent of net employment growth from 1992 to 2005.

According to the 2009 study prepared by the Center for Women's Business Research, women owned firms have an economic impact of nearly \$3 trillion annually and employ 23 million workers. If they had their own country, women

owned businesses would have the 5th largest world GDP. Considering the important role small businesses play in the economy as well as the number of uninsured small business employees, any comprehensive healthcare reform must take into account the needs of businesses face.

The current healthcare system poses many limitations for individuals whether in a small or large firm. According to the Council of Economic Advisers, 2009, these limitations create the phenomenon of "job lock," causing many workers to remain in their jobs at large firms even if they would be more productive and better paid at a small business. This phenomenon limits the pool of workers available to small business. According to Francine Manilow, President of Manilow Suites, in Chicago, Illinois, "I tried to recruit a woman for well over 5 years. Because her husband was an invalid, she was frightened she would lose her insurance if she switched her employer even though I offered her over \$25,000 more than she is receiving now."

In 2008, WIPP prepared an Economic Blueprint which was supported by the women's business community and presented to the Congress and the new Administration. It contained six healthcare principles necessary for reform including: 1) Increasing access to small and individual insurance markets; 2) Increasing transparency; 3) Establishing an interconnected, nationwide health technology system; 4) Increasing the number of healthcare providers; 5) Promoting healthy employees; and 6) Establishing a healthcare reform commission. Visit www.wipp.org to read the complete Economic Blueprint.

The Need for Reform - In Their Own Words

We asked our members to tell us about the need for reform. Here is what they said:

Laurie Simon, President of Umbrella from Seattle, Washington states, "the same healthcare plan as last year increased 23% this year. I opted to go with another healthcare provider and new policy. In Washington State our healthcare plan selections are limited. Our plan this year is not as robust as our last plan and we have a higher deductible."

Judy Sheppard of Professional Services of America, Inc., located in Parkersburg, West Virginia, has had her business for 20 years. She discusses the lack of access to plans as well as the high cost. "Since we serve at the will of our client turnover and [employ] short term contract employees [this] causes insurance companies to want to avoid or have higher rates to enter into policies due to the administrative cost as well as the expense of coverage. The cost of health care has escalated far more rapidly than the increase in wages. In year 2005, our insurance went up 53%- who can afford this? However, I continue to offer life, short term and long term Insurance and pay for this for all my employees out of my own pocket."

Saberina Ballard of Favor Network Services, based in Fredericksburg, Virginia, states that because of increases in premium rates, "we have decided to lower our company responsibility from 70 percent of the total premium rate to 50 percent of the premium rate. I know this will have a negative effect on my ability to retain and hire qualified individuals."

Ceil McCloy, President of Integrated Solutions of Walnut Creek, California; "In 2000 we covered 85% of health insurance costs for employees and 70% for dependents; fast forward nine years later with premium increases of 250% we now cover 65% of employees and dependents. Co-Pays have increased from \$5.00 to \$20.00 Lifetime caps on insurance have come down from \$5M to \$1M per illness. It's a mess and makes me angry. "

Zeta Williams, President and CEO of Michael Romano Construction Inc., a building and construction company based in Fresno, CA, since 1991, states "my company premium rates increase by 10 – 25% each year. I have laid off all my employees (11-19) because I haven't had any work for over a year. I'm hanging on by a thread. I have agreed to continue the health care premiums for all my employees (if I can) until I can start back to work."

Mary Schnack, of Mary Schnack & Associates, located in Sedona, AZ, states, "My first cancer diagnosis was in 1996, right after I bought a house in Arizona. I had gotten health insurance in California in 1992, [however], my health insurance [was] not transferable across state lines and after just one cancer diagnosis (my cancer reoccurred four more times), I could no longer get new insurance. I have had to maintain my residence and business in CA [in order to keep] my health insurance."

Nancy E. Parsons, President of CDR Assessment Group, Inc., in Tulsa, OK. "My business provides for 75% of the premium reimbursement for individual policies – and even though we are hitting tough times, we see this as a business priority and it is not the government or taxpayers' responsibility. In fact, the principals take pay cuts rather than cut our health care benefits."

Many of these personal accounts are testimony to the need for reform- specifically for small businesses. As the Senate begins the process of merging the Senate Finance and HELP Committee passed bills into a single bill, we offer the following thoughts on components contained in both bills.

Nationwide Pooling

According to the *Journal of Health Affairs*, small businesses pay up to 18 percent more than large firms for the same health insurance policy. The current insurance system puts small business at a distinct disadvantage. Small firms pay higher broker fees for their policies and because of their smaller size and their inability to spread risk, they have higher administrative costs, as well as unpredictable and volatile premiums rates.

We must be able to form larger pools and that will only happen if we can pool across state lines. WIPP believes that any reform must include the ability to establish a nationwide plan. This private nationwide insurance purchasing pool should be accessible to small businesses up to 100 employees. Thanks in large part to Senator Snowe, the Finance bill included the Small Health Options Plan (SHOP) which will reform the way we buy our insurance.

While the Finance Committee believes that allowing employers above 100 will overburden the SHOP pool, we would point out there is a reason why the SBA's definition of small business is so complex. WIPP urges this Committee to look into the possibility of allowing small businesses, as defined by SBA, to access state and nationwide pools if not immediately, at some time in the future.

Since the Senate HELP bill, does not include nationwide pooling and only contains regional gateways, we support the Finance bill on this issue.

Exchange Marketplaces

We support the creation of new marketplaces, also known as state exchanges or gateways, to facilitate the purchase of health insurance. According to the Kaiser Family Foundation and Health Research and Educational Trust, workers in small firms are less likely to have a choice of plan and tend to have less generous coverage for numerous services. The HELP bill also creates a community health insurance option to be offered through the state gateway and the Finance Committee offers a Consumer Operated and Oriented Plan. All of these additional plans that would include small businesses could be helpful, but our concern is that any new offerings will have the safeguards or trigger mechanisms to ensure that they work. We have watched state exchanges such as Massachusetts and know they did not achieve success overnight.

Small Business Tax Credits

According to the August 2009 Economic Trends Survey by WIPP, 60 percent of women business owners provide healthcare for their employees. Of those 60 percent, more than 10% of their employee costs are attributable to healthcare. WIPP supports the inclusion of tax credits for small businesses to assist in the cost of providing healthcare coverage to their employees. Not only will this increase the number of insured employees, but according to the *Journal on Financial Intermediation*, these additional funds will allow small business owners to grow their businesses.

Insurance Market Reforms

Reform of the insurance market is critical to small businesses. We applaud insurance market reforms contained in the Finance and the HELP Committee

bills, such as the elimination of ratings based on pre-existing conditions and health status as well as guaranteed issue and renewability. We also support the prohibition of lifetime or annual limits on benefits. Since the reforms are employer based, this does not address the issue of portability, but at least makes it easier for individuals to obtain new insurance.

Individual Mandates

It does not take a world-class economist to understand that if the reforms we support above are implemented, the costs would increase because of the increased risk. Therefore, we believe that adding an additional 20 to 30 million new individuals to the market will overcome those challenges. With respect to the Senate bill, individuals will also be able to join state-based and nationwide pools.

Adding individuals to the purchasing pools can only be achieved if Congress keeps penalties on individuals who do not seek insurance, high enough to discourage them from simply walking away from getting coverage. The prevailing wisdom is that in order for any reform to work, everyone must be insured. If the penalty for not taking advantage of insurance is too low, young healthy workers will simply opt out of the system rather than participating. That would have dire consequences for reform. It is our hope that by expanding healthcare coverage to all individuals this will increase the pool and, in turn, spread risk and decrease healthcare costs for everyone.

If we had our druthers, we would make insurance an individual responsibility like so many other forms of insurance. Given the Congress does not appear to be moving in that direction, we urge the Congress to put into place a study that looks at how to move healthcare from an employer-based system to an individual based system.

Making Insurance Plans More Transparent

We believe the ability to compare plans and benefits will help increase transparency and greatly assist small businesses in making prudent healthcare choices for their employees as contained in the Senate Finance and HELP bills. The creation of defined benefit levels in both Senate bills, we believe, will help.

Wellness

Preventive care is an important component of lowering the cost of healthcare. We support the grants to small businesses contained in the Senate Finance Committee bill to assist in putting into place wellness programs. Wellness programs do not need to be complicated to achieve results.

Employer Mandates

WIPP opposes any requirement on small businesses to offer healthcare coverage. The Senate HELP bill requires employers to offer health coverage to their employees and contribute at least 60% of the premium cost or pay \$750 for each uninsured full-time employee and \$375 for each uninsured part-time employee who is not offered coverage. The bill exempts employers with less than 25 employees from the requirement. The Senate Finance Committee assesses employers with more than 50 employees that do not offer coverage a fee for each employee who receives a credit for health insurance through an exchange. The formula requires a \$400 fee times the number of full-time employees. Imposing employer requirements or fees on companies that do not provide health insurance assumes that there will be affordable and accessible health insurance options available.

Without that assurance, mandated coverage is onerous and places an untenable burden on small companies. Time after time, our members have told us that if there were any way to insure their workforce, they would do so. To stay competitive, small employers need to be able to offer health insurance to their employees. This is why we have asked for reform for so long.

Taxing "Cadillac" Health Plans

We urge caution on the "Cadillac" plans that will be taxed in the Finance Committee bill. Small businesses have high insurance rates not because their plans are "Cadillacs" but because their access to lower cost plans is limited. WIPP member Susan Shargel of Shargel & Co. Insurance Services in San Francisco, California, states, "This isn't Cadillac insurance. Its small business employers who won't be able to offer the quality of plans that larger businesses with lower pricing will offer."

In conclusion, the impact of healthcare reform on small businesses is great. In the end, we want reform to work and to increase the competitiveness of small firms as well as increase the quality of life for millions of small business employees. We believe this Committee will be instrumental in carrying our message to the Senate. We urge you to support reform but one that can achieve the goals of more access and better prices.