

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

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Testimony of Amanda Austin

before the
Senate Committee on Small Business and
Entrepreneurship

on the date of October 20, 2009

on the subject of
Reform Done Right: Sensible Health Care Solutions
for America's Small Businesses

On behalf of NFIB, the nation's leading small business organization, thank you, Chair Landrieu and Ranking Member Snowe, for holding this hearing. I appreciate Chair Landrieu's commitment to raising the visibility of small business issues by holding timely hearings like this one on small businesses' current healthcare challenges and future opportunities. I also want to specifically thank Ranking Member Snowe for her unwavering support of small business throughout her years on this committee, as well as on the Finance bill, where she has worked tirelessly on reforms that improve affordability and accessibility for small employers and the self-employed.

My name is Amanda Austin. I am the Director of Federal Public Policy for the National Federation of Independent Business. NFIB has more than 350,000 members nationwide with representation in all 50 states and on the federal level. Our membership represents industries from across the board including service, retail and manufacturing, and vary greatly in size from the self-employed to the "mom and pop" shop to the mid-sized manufacturer. Small business owners have a great interest in many of the issues being focused on by Congress, but their top priority is healthcare reform.

There are three main reasons why NFIB members have cited health insurance costs as their No. 1 problem for more than 20 years. First, their insurance costs have increased 123 percent since 1999 – a rate that is simply unsustainable. Second, there is a lack of competition in the marketplace. This year the Government Accountability Office concluded (for the third time) that there is continued consolidation of private insurance companies in the small group market, with the five largest insurers controlling a majority of the marketplace. Third, there is a lack of choice for employers and their employees. More than 80 percent of "offering" employers are only able to offer one insurance plan option to their employees. For these reasons, it is imperative that Congress provide real solutions to these very real problems.

The overall goal for small business in healthcare reform is to reduce cost and increase access. There are multiple reforms needed to achieve these goals. Several are being discussed now and are long-supported by NFIB and our members.

- **Individual and Small Group Market Reforms** – Federal rating reforms in the individual and small market are essential to any reform effort. Allowing for variation in age, geography, family composition and personal behavior are important to ensure affordability and reward healthy behavior across populations.

- **Health Insurance Exchange** – An exchange modeled on provisions under the SHOP legislation (S. 979) will improve competition, allow for individual choice of plans and help provide a human resources function, something that small employers currently lack. Giving individuals choice enables them to buy the policies that best fit their own needs.
- **Interstate Sale of Insurance** – Allowing the purchase of insurance across state lines can and will produce competition. Currently, small businesses and their employees are prohibited from buying insurance outside their state of residence, often prohibiting them from seeking out more competitive alternatives and options for coverage.
- **National Plans** – Enabling national benefit plans to be sold across state lines in the fully-insured market will level the playing field with large employers. Presently, small employers are at the mercy of their state regarding what is included in their benefit design.
- **Tax Parity for the Self-Employed** – Full tax parity must be enacted for the self-employed. The self-employed, unlike big business, cannot deduct their healthcare costs as a business expense.
- **Tax Credits** – Tax credits, if designed correctly and targeted well, can help with the cost of health insurance. This, however, should not be viewed as a solution to the problem but, rather, a short-term investment while Congress works to address the overall affordability problems plaguing the healthcare system as a whole.
- **Administrative Simplification** – Standardizing paperwork and easing the administrative burden on small business owners, who usually do not have an HR department, will reduce cost and promote ease of purchase. Also, barriers remain in the current structure of cafeteria plans. Reform must address these barriers and provide new safe harbors so that employers and the self-employed can more easily take advantage of these plans.

I would like to touch quickly on three areas of concern moving forward in the healthcare debate.

First, the majority of the business community believes an employer mandate will further harm the fragile economy, especially for small businesses. NFIB has very serious concerns of the inclusion of employer mandates in any final healthcare bill. It will destroy jobs and fail to increase choice and competition.

I want to stress a very important point on this topic: Who really loses with an employer mandate? It's the worker. And not just any worker – initially it's your low-wage or entry-level worker. And, just because the employer mandate helps to hide the amount the worker actually pays, it does not mean that workers aren't "paying" for coverage. Here's how the CBO explains it: "Employers' payments for health insurance are one form of compensation, along with wages, pension contributions, and other benefits. Firms decide how much labor to employ on the basis of the total cost of compensation and choose the composition of that compensation on the basis of what their workers generally prefer. Employers who offer to pay for health insurance thus pay less in wages and other forms of compensation than they otherwise would, keeping total compensation about the same."

Second, as advocates for competition and choice, NFIB is deeply concerned that a public option would further compromise the viability of the private insurance marketplace and would result in restricting choice to a single plan: the government-sponsored plan. Small businesses believe that a truly competitive and reformed private insurance market can best provide small business owners and their employees with greater affordability and a sustainable choice of plans.

Third, the overall cost of any healthcare bill continues to concern small business owners. In a time of economic uncertainty, small business has a heightened level of anxiety regarding the current deficit as well as resistance to new spending. They are deeply concerned that this spending will result in higher taxes. As bills come together and floor debate begins, small business must weigh the benefits of reform against the potential new costs of doing business. Small businesses will have a difficult time supporting a final health reform package if its long-term costs outweigh the benefits we have worked to secure. As Congress moves forward, it is critical they make sure any "pay-fors" don't harm the very people they are trying to help.

NFIB has been a constructive participant in the healthcare debate and has spent more than a decade voicing our need for reform. We are committed to supporting reform efforts that provide more affordable and accessible healthcare options for small employers and their workers. It is essential that a final bill makes their core needs and commonsense solutions a priority.

I want to thank you for holding this hearing today and we look forward to working with members of this Committee to enact healthcare reform.

CORE VALUES

We believe deeply that:

Small business is essential to America.

Free enterprise is essential to the start-up and expansion of small business.

Small business is threatened by government intervention.

An informed, educated, concerned, and involved public
is the ultimate safeguard for small business.

Members determine the public policy positions of the organization.

Our employees and members, collectively and individually, determine the success of
the NFIB's endeavors, and each person has a valued contribution to make.

Honesty, integrity, and respect for human and spiritual values are important
in all aspects of life, and are essential to a sustaining work environment.

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