



SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Opening Statement for

*“Healthcare Reform: The Concerns and Priorities from the Perspective
of Small Businesses.”*

July 9, 2009 at 10:00 a.m.

Room 428A of the Russell Senate Office Building

(As Prepared)

This is the 12th meeting of the Senate Committee on Small Business and Entrepreneurship that I have chaired this Congress. While the topics have ranged from entrepreneurial development to trade to lending, I continue to hear from small business owners that their number one concern is healthcare.

The American health care system allows for world-class care and inspires cutting-edge research, but is now too unpredictable and volatile. This instability puts the success of small businesses at risk. Reforming the system to address escalating costs must focus on stability. Small businesses need: stable coverage that cannot be taken away; stable, affordable costs that will not increase without warning; and stable quality that assures the proper treatment is always within reach. Simply put: We need to reform our health care system to provide small businesses the opportunity to grow and prosper. The cost of doing nothing is just too great.

Today, we are here to listen to the concerns and insights of small businesses that everyday face the challenges imposed by costly health care.

Consider a few statistics:

- Of the 27 million small businesses in America, 22 million are self-employers. According to the Kaiser Family Foundation, insurance premiums for the self-employed increased 74 percent between 2001 and 2008.
- Self-employed individuals are unable to deduct premiums as a business expense. Therefore, according to the National Association for the Self-Employed, if a self-employed individual pays the national average of \$12,680 per year for family health coverage, he or she pays an extra \$1,940.04 per year in self-employment tax.
- According to the National Small Business Association, many small businesses have reported yearly premium increases of as much as 20 percent for the past four years.
- The Kaiser Family Foundation has reported that small firms (defined as those with three to 199 employees) experienced a 9.8 percent increase in health-insurance premiums in 2005. The average small company paid \$4,032 a year for individual coverage and \$10,584 for a family.
- High costs have forced many small businesses to stop offering coverage altogether. Between 2000 and 2007, the number of small businesses offering health insurance to their employees dropped from 68 percent to 59 percent, according to the Kaiser Family Foundation.

While these statistics are alarming, this problem is about more than just numbers – it is about small businesses closing their doors or laying off workers due to debilitating healthcare costs. Mark Lane, for example, testified at a Small Business Committee hearing earlier this year on the impact that healthcare costs have on small businesses. Mark is the owner of two small businesses in New Hampshire. Just two years ago – before the economy turned south – Mark gave his employees full health coverage. Then the economy began to landslide and people stopped spending. In April, 2008, Mark began cutting costs, and finally last February those cost cuts hit

his employees' health coverage. Mark was forced to switch health plans this year. Renewing with the company he had been using would have meant a 45 percent increase in premiums for a weaker plan that required his employees to pay a major share. Switching plans, along with cutting other overhead costs, should make it possible for Mark to keep his businesses open for another year, but the future is uncertain.

These statistics and stories illustrate that, for small businesses, the cost of providing coverage is rising at an unpredictable and unsustainable rate, making it difficult for small business owners to secure stable healthcare for their employees. This instability is preventing businesses from doing what they do best -- bakeries should be focused on making cakes, plumbers on fixing sinks, consulting firms on recruiting new clients, and flower shops on making beautiful arrangements. One small business owner, Chris Link of Nashville, summed up the problem saying: "We don't have time to be insurance experts."

Small businesses are clearly expending a significant portion of their resources and potential earnings to ensure their employees have basic coverage. Without meaningful reform, small businesses will pay nearly \$2.4 trillion dollars over the next ten years in healthcare costs for their workers. Analysis by Small Business Majority shows that healthcare reform will produce significant savings for small businesses over the next ten years. Even a limited reform scenario would save small business \$31 billion in 2009, and savings total \$546 billion for the entire 10-year period.

These high healthcare costs could lead to 178,000 fewer small business jobs in 2018. According to the Medical Expenditure Panel Survey, in my own state of Louisiana, the percentage of small businesses with less than 50 employees offering health insurance coverage to their employees is down to 32.7 percent.

This morning we are going to hear from one of Louisiana's small business owners, Michael Mitternacht, who is the owner/president of Metairie, LA-based Factory Service Agency, Inc., which specializes in commercial air conditioning service and construction.

Small businesses are the key to pulling our nation out of this economic crisis. Businesses are adaptable by nature, but change and uncertainty are two different things. Volatility in health care makes it incredibly difficult for small businesses to sustain coverage for their employees.

Health reform must address the issue of stability in health care costs not only for small businesses, but for all Americans. This situation is unsustainable for small businesses and it's why we are convening this roundtable today. We must ensure that voices of our small businesses are heard during this debate. Your experiences, opinions and concerns are critical to the dialog as we move forward with reform legislation.

Before I turn it over to my colleagues on the Committee for their statements, I would quickly like to go over the format for today's roundtable: We've got a large group so if you would please stand your name placard up long ways in order to be recognized to speak.

Now I would like to recognize my colleagues on the Committee for their statements